

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 8, 2026

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:

Moody's: Aa1/A1
(See "RATINGS herein")

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

**\$20,635,000* GENERAL OBLIGATION REFUNDING AND
IMPROVEMENT BONDS, SERIES 2026A
\$28,420,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026B
CHEROKEE SCHOOL DISTRICT NO. 1 OF CHEROKEE COUNTY, SOUTH CAROLINA**

Dated: Date of Delivery

Due: March 1, as shown on the inside front cover

The \$20,635,000* General Obligation Refunding and Improvement Bonds, Series 2026A (the "Series 2026A Bonds") and the \$28,420,000* General Obligation Refunding Bonds, Series 2026B (the "Series 2026 Bonds," and together with the Series 2026A Bonds, the "Bonds") will be general obligation bonds of Cherokee School District No. 1 of Cherokee County, South Carolina (the "School District"), and as such the full faith, credit, resources and taxing power of the School District will be irrevocably pledged for the payment thereof. Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, until the Bonds mature, commencing September 1, 2026. The principal of the Bonds will be payable at the principal trust office of _____ (the "Paying Agent") in _____. Payment of interest accruing on the Bonds will be made by wire transfer, check or draft mailed by the Paying Agent to the registered owner thereof. The Bonds will be issued in fully-registered form, in denominations of \$5,000 or any integral multiple thereof, in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository for the Bonds under a book-entry-only system, as described herein. So long as the Bonds are held in book-entry-only form, beneficial owners of the Bonds will not receive physical delivery of the Bonds. The Bonds will be dated their date of delivery, and will mature serially in successive annual installments on March 1 in each of the years and in the principal amounts as shown below. The Bonds will not be subject to redemption prior to their stated maturities.

The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of Burr & Forman LLP, Bond Counsel, Columbia, South Carolina. Compass Municipal Advisors, LLC, Columbia, South Carolina, is acting as financial advisor to the School District with respect to the Bonds. It is expected that the Bonds in definitive form will be delivered to DTC and be available for credit to the account of the DTC Participants on or about April 30, 2026.

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. The School District deems this Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission, except information which may be omitted herefrom pursuant to such rule.

Dated: _____, 2026.

*Preliminary, subject to adjustment

MATURITY SCHEDULES

SERIES 2026A

March 1 <u>Year</u>	Principal <u>Amount*</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP <u>No.</u>
2027	\$12,830,000			
2028	2,385,000			
2029	2,510,000			
2030	2,640,000			

SERIES 2026B

March 1 <u>Year</u>	Principal <u>Amount*</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP <u>No.</u>
2027	\$5,310,000			
2028	5,350,000			
2029	5,625,000			
2030	5,915,000			
2031	6,220,000			

*Preliminary, subject to adjustment

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, this document as the same may be supplemented or corrected by the School District from time to time, may be treated as an "official statement" with respect to the Bonds that is deemed final as of the date hereof (or of any such supplement or correction) by the School District.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING MAY BE DISCONTINUED AT ANY TIME.

Certain information contained in this Official Statement may have been obtained from sources other than records of the School District and, while believed to be reliable, is not guaranteed as to completeness or accuracy. This Official Statement is not to be construed as a contract or agreement between the School District and the underwriter and the purchasers or owners of any of the Bonds. The information and expressions of opinion in this Official Statement are subject to change, and neither the delivery of this Official Statement nor any sale made under such document shall create any implication that there has been no change in the affairs of the School District since the date hereof.

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

**BOARD OF TRUSTEES
CHEROKEE SCHOOL DISTRICT NO. 1 OF
CHEROKEE COUNTY, SOUTH CAROLINA**

Shanese Dawkins, Chair
Lynne Shackleford, Vice Chair
Carol Gallman, Secretary
Cody Cash
Clay Greer
DJ McBee
Johnny Sarratt Jr.
Crystal Shippy
Peter Wilkins

Superintendent
Raashad L. Fitzpatrick

Chief Financial Officer
Matthew Pettit

Bond Counsel
Burr & Forman LLP
Columbia, South Carolina

Financial Advisor
Compass Municipal Advisors, LLC
Columbia, South Carolina

TABLE OF CONTENTS

INTRODUCTION	1
THE BONDS	1
Description.....	1
Redemption Provisions	1
Book-Entry-Only System.....	1
Authorization	4
Purposes	4
Funding Received as a Result of COVID-19.....	5
Security	5
Defeasance	7
THE SCHOOL DISTRICT	7
General Description	7
Board of Trustees.....	8
School District Employees.....	9
Changes in State Funding for Education.....	9
The Education Accountability Act of 1998	11
Adjustments to State Funds	11
Retirement Plan.....	11
Insurance	12
Cybersecurity	13
Public School Enrollment in the School District	13
DEBT STRUCTURE.....	14
Legal Debt Limit.....	14
Outstanding General Obligation Indebtedness	14
Description of General Obligation Indebtedness by Issue.....	14
Composite Debt Service	15
Overlapping Debt.....	15
Long Range Building Plan.....	15
Legal Debt Limit of Counties, Incorporated Municipalities and Special Purpose Districts	16
Miscellaneous Debt Information.....	16
CERTAIN FISCAL MATTERS.....	16
Property Taxation and Assessment.....	16
State Tax Reform	18
Payments in Lieu of Taxes.....	21
Assessed Value of Taxable Property	22
Assessed Value and Estimated Market Value of Taxable Property.....	22
Tax Rates	23
Budget and Tax Collection Procedure	23
Tax Collections	24
Ten Largest Taxpayers in the School District.....	24
FINANCIAL INFORMATION	25
2025-2026 Budget.....	25
Financial Statements	25
ECONOMIC CHARACTERISTICS AND DATA	27
Location	27

Agriculture and Forestry	27
TAX EXEMPTION AND OTHER TAX MATTERS.....	36
Internal Revenue Code of 1986	36
[Original Issue Discount	37
Premium Bonds.....	37
Information Reporting and Backup Withholding	38
South Carolina Taxation	38
LEGAL MATTERS.....	38
Opinion	38
Litigation.....	38
United States Bankruptcy Code	39
RATINGS	39
UNDERWRITING	40
CERTIFICATE CONCERNING OFFICIAL STATEMENT	40
FINANCIAL ADVISOR	40
CONTINUING DISCLOSURE	41
MISCELLANEOUS	41
Appendix A - Audited financial statements of the School District for the fiscal year ended June 30, 2025.	
Appendix B - Form of Legal Opinion of Burr & Forman LLP	
Appendix C - Form of Continuing Disclosure Certificate	

INTRODUCTION

This Official Statement is provided for the purpose of furnishing certain information in connection with the public invitation for bids for the purchase of \$20,635,000* Refunding and Improvement Bonds, Series 2026A (the “Series 2026A Bonds”) and the \$28,420,000* General Obligation Refunding Bonds, Series 2026B (the “Series 2026B Bonds,” and together with the Series 2026A Bonds, the “Bonds”) of Cherokee School District No. 1 of Cherokee County, South Carolina (the “School District”). This Official Statement has been prepared under the supervision of Raashad L. Fitzpatrick, Superintendent and Matthew Pettit, Chief Financial Officer of the School District. The information furnished herein includes a description of the Bonds, the School District and its indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to Cherokee County, South Carolina (the “County” or “Cherokee County”), and the State of South Carolina (the “State” or “South Carolina”).

THE BONDS

Description

The Bonds will be general obligation bonds of the School District; will be issuable in fully registered form in denominations of \$5,000 each or any integral multiple thereof and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company (“DTC”); will be dated the date of their delivery; will bear interest payable on September 1, 2026, and semiannually on March 1 and September 1 of each year thereafter; and will mature serially in successive annual installments on March 1 in each of the years and in the principal amounts set forth on the inside front cover page hereof. The record date for the Bonds is the fifteenth (15th) day (whether or not a business day) preceding an interest payment date on such Bonds.

Redemption Provisions

The Bonds will not be subject to redemption prior to their stated maturities.

Book-Entry-Only System

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

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

*Preliminary, subject to adjustment

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

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

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

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

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

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

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

Principal and Interest Payments. Payment of principal, redemption premium, if any, and interest will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar and Paying Agent or the School District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or the Paying Agent, and disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursements of such payments to Beneficial Owners will be the responsibility of the Direct and Indirect Participants. THE SCHOOL DISTRICT CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the Bonds at any time by giving reasonable notice to the Registrar or the School District. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

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

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

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

Authorization

The Bonds will be issued pursuant to and in accordance with Article X, Section 15 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"); Title 59, Chapter 71, Article 1, Code of Laws of South Carolina, 1976, as amended (the "South Carolina Code"); Title 11, Chapters 15, 21 and 27 of the South Carolina Code; the favorable results of the Referendum (defined below); and the Resolutions.

Purposes

Series 2026A Bonds

Pursuant to an Amended and Restated Trust Agreement between SCAGO Educational Facilities Corporation for Cherokee School District (the "Corporation") and Wells Fargo Bank, N.A. dated May 6, 2015, the Corporation issued its original principal amount \$29,775,000 Installment Purchase Refunding Revenue Bonds (Cherokee School District No. 1 of Cherokee County, South Carolina Project) Series 2015 dated May 6, 2015 (the "IPRRBs") on behalf of the School District. The IPRRBs are currently outstanding

in the principal amount of \$10,110,000. The IPRRBs maturing on or after December 1, 2025, are subject to optional redemption in whole or in part on or after June 1, 2025.

The School District previously has entered into an Acquisition, Use and Security Agreement with Truist Bank dated February 23, 2021 (the “AUSA”). The AUSA is currently outstanding in the amount of \$691,000. The AUSA is subject to prepayment at the option of the School District at any time.

Pursuant to a resolution adopted by the Board of Trustees (the “Board”) on March 16, 2026 (the “Series 2026A Resolution”), the proceeds of the Series 2026A Bonds will be used for: (i) redeeming all or a portion of the outstanding IPRRBs; (ii) prepaying the AUSA; (iii) funding capital improvements approved by the Board; and (iv) paying costs of issuance of the Series 2026A Bonds.

Series 2026B Bonds

Pursuant to constitutional and statutory authorization, the favorable results of a referendum held in the School District on November 4, 2014, and a resolution duly adopted by the Board on January 11, 2016 (, the School District issued its original principal amount \$60,000,000 General Obligation Bonds, Series 2016A, dated March 21, 2016 (the “2016A Bonds”). The 2016A Bonds maturing on and after March 1, 2027, are subject to redemption at the option of the School District on or after March 1, 2026, as a whole or in part at any time, at par, plus accrued interest to the date fixed for redemption.

Pursuant to a resolution adopted by the Board on March 16, 2026 (the “Series 2026B Resolution, and together with the Series 2026A Resolution, the “Resolutions”), the proceeds of the Series 2026B Bonds will be used for: (i) refunding the outstanding Series 2016A Bonds; (ii) paying costs of issuance of the Series 2026B Bonds; and (iii) such other lawful purposes as the Board may determine.

Funding Received as a Result of COVID-19

The School District was allocated and received \$2,299,855 from the Elementary and Secondary School Emergency Relief Fund of The Coronavirus Aid, Relief, and Economic Security Act. The School District was allocated and received \$8,709,637 from the Elementary and Secondary School Emergency Relief Fund of the Coronavirus Response and Relief Supplemental Appropriations Act. The School District has been allocated and received \$19,709,173 from the Elementary and Secondary School Emergency Relief Fund of the American Rescue Plan Act.

Security

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

In addition, Article X, Section 15, Paragraph 4 of the Constitution provides in part:

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

The following table shows the amount of such State appropriations subject to being withheld under the foregoing provisions of Article X received by the School District for the years indicated:

<u>Fiscal Year Ended June 30</u>	<u>Amount Received</u>
2021	\$51,901,316
2022	55,199,557
2023	59,298,875
2024	61,434,165
2025	65,070,169
2026 ⁽¹⁾	68,420,857

⁽¹⁾ Projected

The Constitutional intercept provisions are enhanced by Section 59-71-155 of the South Carolina Code (the “Intercept Statute”), which applies to all school district general obligation bonds outstanding. Under the Intercept Statute, a County Treasurer is required to notify the State Treasurer on the fifteenth day prior to the due date of any payment of principal or interest on school district general obligation bonds if the County Treasurer or any other paying agent does not have on deposit the sum required to make that payment.

On the third business day prior to the due date of the payment, if the County Treasurer or any other paying agent does not have on hand the amount required to effect such payment, the State Treasurer is directed to transfer to the County Treasurer from the general fund of the State the sum necessary to effect such payment, provided that the total amount of the payments so transferred in any fiscal year may not exceed the amount appropriated in the State’s budget under the Education Finance Act of 1977 (the “Education Finance Act”) for that fiscal year.

As described under “THE SCHOOL DISTRICT – Changes in State Funding for Education,” beginning in the legislative session that ended in June 2022, the General Assembly of the State of South Carolina (the “General Assembly”), with support from the Governor, reformed State funding for education and simplified it into a single Aid to Classrooms program which is intended to replace the general fund revenues paid to school districts under the Education Finance Act. As a result of this change, the State’s general fund budget for the fiscal year ending June 30, 2026 (the “FY 2026 State Budget”), indicates that the amount to be appropriated under the Education Finance Act will be \$0; however, a proviso to the FY 2026 State Budget provides “for purposes of [the Intercept Statute] references to amounts appropriated under the [Education Finance Act] shall mean all amounts appropriated as State Aid to Classrooms.” The amount budgeted under the State Aid to Classrooms for the fiscal year beginning July 1, 2025, is \$4,531,474,416.

Thereafter, the State Treasurer shall withhold from the School District from funds payable to it from the State amounts necessary to reimburse the general fund of the State for any amounts so advanced, plus investment earnings foregone by the State on such amounts pending reimbursement. The provision

contains a mechanism to reimburse the School District for such withholdings from taxes thereafter collected. If there is an advance from the State Treasurer under these provisions, the County Auditor is directed to adjust the millage levied for the payment of debt service on the bonds for the next fiscal year in order to file a report with the State Treasurer demonstrating compliance not later than five business days after millage is set for the next fiscal year.

Defeasance

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

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

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

“Government Obligations” shall mean any of the following:

- (i) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America; and
- (ii) non-callable, U. S. Treasury Securities – State and Local Government Series (“SLGS”).

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

THE SCHOOL DISTRICT

General Description

The School District is located in northern South Carolina and is bounded on the north by the State of North Carolina, to the east by York County, to the west generally, by Spartanburg County, and on the south by Union County. In terms of assessed value, the School District comprises approximately 97.3% of all taxable property located within Cherokee County, South Carolina (the "County"). The School District does not include the Chesnee area on the western fringe of the County; this area is within School District No. 2 of Spartanburg County, South Carolina.

Each of the school districts located in the County were consolidated into Cherokee School District No. 1 of Cherokee County, South Carolina pursuant to Act No. 685 of the Acts and Joint Resolutions of the General Assembly for the year 1967 (Act No. 685). The School District currently operates 16 schools, including eight elementary schools, one primary school, three middle schools, two high schools, one institute of innovation and one community learning center.

As of the 2024-25 accreditation report, the School District and each of the schools within the School District were accredited by Cognia, an accrediting entity accepted by the South Carolina Department of Education (the “SCDOE”).

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

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

Board of Trustees

The School District is governed by a Board of Trustees (the “Board”) consisting of nine members who must be elected in nonpartisan elections to be held on the second Tuesday in August of even-numbered years. One member of the Board must be a resident of and elected from each of the nine defined single-member election districts. Members of the Board shall be elected for four-year terms and until their successors are elected and qualify.

The present members of the Board, the occupation of each member, and the number of years of consecutive service each member has served on the Board are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Number of Years on Board</u>
Shanese Dawkins, Chair	Rural Manager Health Information Management	6
Lynne Shackelford, Vice Chair	Senior Director of Communications	6
Carol Gallman, Secretary	Retired Educator	4
Cody Cash	Sales (Travel)	3.5
Clay Greer	Water Utility Superintendent	1.5
DJ McBee	Predictive Maintenance Technician	1.5
Johnny Sarratt Jr.	Sticker Mule	14
Crystal Shippy	Human Resource Manager	5
Peter Wilkins	Pharmacy Owner/Manager	3

Dr. Raashad L. Fitzpatrick has been the Superintendent of the School District since January 1, 2026. Prior to becoming the School District's Superintendent, he served as the Superintendent of The School District of Lancaster County, South Carolina, where he led 16,000 students, and oversaw academics, operations and human resources. Dr. Fitzpatrick has nearly 20 years of experience in school district leadership having held such positions, in addition to Superintendent, such as Assistant to the Superintendent, Principal, Assistant Principal and Coach. He received an Ed.D., Educational Leadership from South Carolina State University, M.A., Leadership Studies from Marshall University and B.S., Education from West Virginia State University.

The Chief Financial Officer of the School District is Matthew Pettit, having held that position since December 2025. Prior to becoming the School District's Chief Financial Officer, he served as the Director of Procurement, Purchase Services and Warehousing for The School District of Greenville County, South Carolina. Other positions Mr. Pettit has held are Finance and Procurement Officer for School District No. 2 of Spartanburg County, South Carolina, Financial Analyst III for the Spartanburg Regional Healthcare System, Financial Controller and Disbursing Officer/Operations Commander for the U.S. Army. Mr. Pettit received his Bachelor of Arts in Accounting from Wofford College in 2015.

School District Employees

The School District's total professional and support staff for the year 2025-2026, presented as full-time equivalencies (FTE), is as follows:

<u>Administrative</u>	
Superintendent and Assistant Superintendents	6
Supervisors, Directors, Consultants	15
Principals and Assistant Principals	34
<u>Instructional</u>	
Teachers	626
Librarians	12
Guidance Counselors	28
<u>Other</u>	
Support Staff	<u>525</u>
Total Staff	1,281

Changes in State Funding for Education

Over time, State education funding has evolved through layered funding of various programs and formulas without a comprehensive strategy or consideration of the overarching goals.

The General Assembly, with support from the Governor, has reformed State funding for education and simplified it into a single Aid to Classrooms program. Under the Aid to Classrooms, the State will fund an average student-teacher ratio statewide, and school districts may determine how best to utilize these funds to ensure student achievement through reduced class sizes, professional development, or other researched-based approaches. School Districts will have flexibility in allocating resources in order to achieve outcomes and will be required to report on expenditures and achievement.

Prior to the change in funding formula, almost all of the General Fund revenues received from the State were paid to the School District under the Education Finance Act. The Education Finance Act was enacted in order to implement a basic education program, known as the Foundation Program. The State funded an average of 70% of the cost of the Foundation Program on a statewide basis, using an index of

taxpaying ability to adjust the required local contribution and State contribution toward the cost of the Foundation Program. The Aid to Classrooms replaces the funding described above.

The School District has received and projects to receive the following amounts of moneys under the Aid to Classrooms for the years indicated below.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received⁽¹⁾</u>
2023	\$38,635,291
2024	39,963,942
2025	41,137,259
2026 ⁽²⁾	41,039,410

⁽¹⁾ Includes portion of Aid to Classrooms funding received under the Education Improvement Act of 1984

⁽²⁾ Projected

The School District has received the following amounts of moneys under the Education Finance Act for the years indicated below.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2021	\$19,092,493
2022	19,323,982

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

The School District has received and projects to receive the following amounts of moneys under the EIA for the years indicated below.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2021	\$6,100,346
2022	6,830,776
2023	3,568,599 ⁽¹⁾
2024	2,709,663 ⁽¹⁾
2025	2,969,663 ⁽¹⁾
2026 ⁽²⁾	308,346 ⁽¹⁾

⁽¹⁾ EIA funds provided under Aid to Classrooms are not included.

⁽²⁾ Projected.

The Education Accountability Act of 1998

In 1998 and again in 2008, the General Assembly adopted and then recommitted the Education Accountability Act (the “Accountability Act”). The purpose of the Accountability Act is to establish a “performance-based accountability system” that focuses on improving teaching and learning in order to equip students with a strong academic foundation. The Accountability Act also established annual report cards for each school and school district. The report cards are designed to provide parents and the public clear and specific information about school and district performance. The ratings include (a) Excellent, (b) Good, (c) Average, (d) Below Average, and (e) At-Risk/Unsatisfactory. During the 2024-2025 school year, within the School District, one school was rated Excellent⁽¹⁾, two schools were rated Good⁽²⁾, seven schools were rated Average⁽³⁾, two schools were related Below Average⁽⁴⁾, and one school was rated Unsatisfactory⁽⁵⁾. These ratings may be further explained at <http://www.screportcards.com> (not intended as an active hyperlink).

Source: South Carolina Department of Education Report Cards for each school within the School District.
(1)Excellent – School performance substantially exceeds the criteria to ensure all students meet the Profile of the SC Graduate.

(2)Good – School performance exceeds the criteria to ensure all students meet the Profile of the SC Graduate.

(3)Average – School performance meets the criteria to ensure all students meet the Profile of the SC Graduate.

(4)Below Average – School performance is in jeopardy of not meeting the criteria to ensure all students meet the Profile of the SC Graduate.

(5)Unsatisfactory - School performance fails to meet the criteria to ensure all students meet the Profile of the SC Graduate.

Adjustments to State Funds

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

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

Retirement Plan

The School District offers full-time employees a choice between the traditional South Carolina Retirement System (“SCRS”), which is a defined benefit plan, and the South Carolina State Optional Retirement Plan (“ORP”), which is a defined contribution plan. Eligible employees have 30 days from their date of hire to select a plan. If an employee does not make a selection, he or she will automatically become a member of SCRS. These plans are administered by the South Carolina Public Employee Benefit Authority, which appoints a director to exercise general supervision over SCRS. SCRS is a cost sharing, multiple-employer pension plan. SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits.

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

- Increased the employer contribution rate by 2% to 13.56% beginning July 1, 2017. Employer rates would continue to increase annually by 1% through July 1, 2022, which would result in the employer rate totaling 18.56% for Fiscal Year 2022-23 and thereafter. Pursuant to Act No. 135 adopted by the General Assembly on May 19, 2020, the annual increase was suspended for Fiscal Year 2020-2021 and the contribution rate remained at the same level imposed for Fiscal Year 2019-2020. Thereafter, employer contribution rates continued to increase annually by 1% through July 1, 2023, at which time the employer contribution rate reached 18.56% for Fiscal Year 2023-24 and will remain 18.56% thereafter.
- Increased and capped the employee contribution rate to 9% as of July 1, 2017.
- After June 30, 2027, authorizes the decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of SCRS Assets and the actuarial value of SCRS liabilities is equal to or greater than 85%.
- Effective July 1, 2017, lowered the assumed annual rate of return from 7.5% to 7.25% and provides for a reset of the assumed rate of return every four years.
- Reduced the funding period (or amortization period) of unfunded liabilities, beginning in Fiscal Years 2017-18, from 30 years to 20 years for Fiscal Year 2027-28 and thereafter.

Employer contributions for the SCRS for the 2025-2026 fiscal year are set at 18.4% of employee annual eligible compensation. Total employer contributions (excluding group and health insurance components) paid by the School District equal to the required contribution to the SCRS for fiscal years ended June 30, 2025, June 30, 2024, and June 30, 2023, were \$61,428,112.07, \$58,001,577.25, and \$54,731,773.75, respectively.

Both employees and employers are required to contribute to the ORP 9% for employees and a total of 13.4% from employers for the year ended June 30, 2026). Total employer contributions paid by the School District with respect to employees participating in ORP for fiscal years ended June 30, 2025, June 30, 2024, and June 30, 2023 were \$1,474,461.36 , \$1,371,020.02 and \$1,065,048.82, respectively.

Insurance

The State Supreme Court, in the case of McCall v. Batson on April 18, 1985, abolished the doctrine of sovereign immunity in the State. In response to this decision, the General Assembly in its 1986 session enacted the South Carolina Torts Claim Act (the “Act”) which reestablished a qualified doctrine of sovereign immunity with respect to local government in the State. Subject to specific immunity set forth in the Act, local governments including the School District are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to local government is provided from either the Insurance Reserve Fund established by the State Fiscal Accountability Authority, private carriers, self-insurance or pooled self-insurance fund. The School District currently maintains liability insurance coverage with the South Carolina School Boards Insurance Trust. The School District believes that it maintains sufficient liability coverage to provide protection against any loss arising under the Act. (Is the bold sentence still accurate

Cybersecurity

The School District, like other large public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, deliberate attacks by unauthorized entities, or individuals attempting to gain access to the School District's information technology systems to misappropriate assets or information and/or to cause operational disruption and damage. As such, the School District faces multiple cybersecurity threats including, but not limited to: ransomware, malware, phishing attempts, and other attacks on technical systems or end user devices. To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the School District has invested in multiple forms of cybersecurity and operational safeguards to support, maintain, and prioritize securing critical infrastructure and data systems, manage risk, and improve cybersecurity event detection and remediation.

As an organization which stores and governs personally identifiable information (PII), the School District takes information security and cybersecurity very seriously. While the School District has experienced cybersecurity incidents in the past, the safeguards put in place have kept these disruptions to a minimum. The School District has not experienced a reportable attack within the past year. The School District regularly receives "phishing" emails and has taken the necessary steps to protect the organization from this threat. The School District conducts random phishing tests and other security exercises that are directed to all end users. The School District's cybersecurity policies and procedures are reviewed bi-annually and updated as needed. While the School District has taken the needed steps to protect, mitigate, and eliminate cyber security risks, we cannot assure that these measures will prevent all potential cybersecurity attacks and the associated disruptions and/or costs associated with such events.

Public School Enrollment in the School District

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

<u>School Year</u>	<u>Kindergarten</u>	<u>Elementary Grades 1-8</u>	<u>High School Grades 9-12</u>	<u>Total</u>
2021-22	569	4,466	2,312	7,346
2022-23	550	4,560	2,352	7,462
2023-24	569	4,341	2,372	7,281
2024-25	498	4,344	2,258	7,101
2025-26	437	4,305	2,238	6,980

Note: Totals may not add due to rounding.

Source: South Carolina Department of Education

DEBT STRUCTURE

Legal Debt Limit

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

The School District's debt limitation is computed below:

Total Estimated Assessed Value – as of June 30, 2025	\$248,796,165
	<u>x 8%</u>
Constitutional Debt Limit	19,903,693
Current Outstanding Debt Subject to Limit	<u>0</u>
Legal Debt Limit without a Referendum	\$ 19,633,693

Outstanding General Obligation Indebtedness

The following table shows the amount of general obligation indebtedness of the School District as of the end of each of the last five fiscal years.

Year Ended <u>June 30</u>	General Obligation <u>Indebtedness</u>
2021	\$49,765,000
2022	52,247,000
2023	42,507,000
2024	38,599,000
2025	34,480,000

Description of General Obligation Indebtedness by Issue

The following table gives specific information concerning the bond issue of the School District outstanding as of the date hereof:

<u>Description of Issue</u>	Original Issue <u>Amount</u>	<u>Date of Issue</u>	Date of <u>Maturity</u>	Amount <u>Outstanding</u>
GO Bonds, Series 2016A ⁽¹⁾⁽²⁾	\$60,000,000	03/21/16	03/01/31	\$29,940,000

⁽¹⁾ Authorized by referendum

⁽²⁾ To be refunded with a portion of the proceeds of the Series 2026B Bonds
Source: School District

Composite Debt Service

The following table sets forth the debt service requirements for the outstanding general obligation bonds of the School District and projected debt service requirements for the proposed Series 2026A Bonds at a true interest cost of 2.50% and for the proposed Series 2026B Bonds at a true interest cost of 2.63%.

Calendar Year Ending <u>December 31</u>	Principal and Interest on <u>Outstanding Bonds⁽¹⁾</u>	Projected Principal and Interest on Proposed <u>Series 2026A Bonds</u>	Projected Principal and Interest on Proposed <u>Series 2026B Bonds</u>	Projected Total <u>Debt Service⁽²⁾</u>
2026	\$ 538,850	\$ 342,245	\$ 477,614	\$ 819,859
2027	6,539,525	13,527,500	6,598,250	20,125,750
2028	6,541,450	2,702,125	6,371,750	9,073,875
2029	6,541,950	2,704,750	6,372,375	9,077,125
2030	6,542,850	2,706,000	6,373,875	9,079,875
2031	<u>6,541,675</u>	<u>---</u>	<u>6,375,500</u>	<u>6,375,500</u>
Total	\$33,246,300	\$21,982,620	\$32,569,364	\$54,551,984

⁽¹⁾All of the outstanding bonds will be refunded with a portion of the Series 2026B Bonds

⁽²⁾Excludes the bonds to be refunded with a portion of the Series 2026B Bonds

Overlapping Debt

The following table sets forth the total tax year 2024 (fiscal year 2025) assessed value of all taxable property in each political subdivision having outstanding debt which overlaps the School District and the total amount of indebtedness of each such political subdivision which was outstanding as of June 30, 2025:

<u>Political Subdivision</u>	2024 <u>Assessed Value</u>	Assessed Value Within <u>the School District</u>	General Obligation <u>Indebtedness</u>
Cherokee County	\$254,856,836	96.82%	\$9,235,000
<u>Incorporated Municipality</u>			
City of Gaffney	47,041,000	100.00	2,015,850
Town of Blacksburg	5,569,732	100.00	N/A

Source: County Auditor and each political subdivision.

Long Range Building Plan

The School District's Administration continually monitors the growing capital needs created by the student growth in the School District. The School District's Board reviews that information and prioritizes the capital needs of the School District. The Board and the School District's Administration are committed to meeting those needs using a combination of Referendum bonds and general obligation bonds issued pursuant to the School District's 8% debt capacity.

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

Under the provisions of Article X, Section 14 of the 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, (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) 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.

In addition, Article X, Section 14 and Section 12 of the Constitution provides that bonded indebtedness may be incurred by counties on such terms and provisions as the General Assembly may, by general law, prescribe for sewage disposal or treatment, fire protection, street lighting, garbage collection and disposal, water service, or any other service or facility benefiting only a particular geographical section of the county, without an election and without limitation as to amount, provided a special assessment, tax, or service charge, in an amount designed to provide debt service on bonded indebtedness incurred for such purposes, shall be imposed upon the area or persons receiving the benefit therefrom; and general obligation debt so incurred shall not be considered in computing the bonded indebtedness under the 8% debt limitation.

Miscellaneous Debt Information

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

CERTAIN FISCAL MATTERS

Property Taxation and Assessment

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

- (1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 10.5% of fair market value (Certain real property owned by or leased to manufacturers for use in “research and development,” office buildings and warehousing and wholesale distribution of wearing apparel is excluded from this classification, and would be subject to the six percent assessment ratio for other real property. Certain new industrial facilities may be entitled to pay a “fee-in-lieu-of-taxes” computed on an assessment ratio of not less than 6% (4% for certain projects involving extraordinary capital investment or job creation) of original cost less depreciation. For property tax years beginning after 2021, 42.8571% of the property tax value of manufacturing property assessed for property tax purposes will be exempt from property taxation; provided, however, the total amount of the exemption for all entities in the State for that fiscal year will not exceed \$170 million. For any year in which the amount is projected to exceed \$170 million, the exemption amount will be proportionally reduced.);

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

(B) Personal motor vehicles - 6.00%.

The South Carolina Department of Revenue (“DOR”) has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under Section 12-43-217 of the South Carolina Code, once every fifth year the County or the State are required to appraise and equalize those properties under its jurisdiction. Property valuation must be complete at the end of December of the fourth year and the County or State shall notify every taxpayer of any change in value or classification if the change is \$1,000 or more. In the fifth year, the County or State shall implement the program and assess all property on the newly appraised values. The County completed its latest reassessment in Fiscal Year 2022. The County should complete its next reassessment in Fiscal Year 2027. Regulations adopted by the DOR prior to the 1995 law and which are still in place also require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

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

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

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

State Tax Reform

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

Homestead Exemptions; Sales Tax Imposition

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

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

The “tier two” exemption exempts from all *ad valorem* property taxes the first \$50,000 of the fair market value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled, or legally blind. The amount of the reimbursement paid to a school district because of the tier two exemption is also capped at the amount received by a school district in fiscal year ending June 30, 2007. State law requires that tier two reimbursements be paid at the same time as the balance of the tier one reimbursement referenced above.

The “tier three” exemption, created under Act 388, exempts 100% of the value of owner-occupied residences from millage levied for school operating purposes. A portion of the amounts which a school district would receive but for the tier three exemption is reimbursed from the revenues collected from a one percent sales tax imposed statewide pursuant to Act 388 (the remainder of the reimbursements due to a school district are funded through the tier one reimbursements and tier two reimbursements described above). The additional sales tax does not apply to certain items, including certain accommodations, items taxed at a defined maximum tax, and unprepared food. Receipts from the one percent sales tax must be credited to the Homestead Exemption Fund. Unlike the tier one exemption and the tier two exemption, the amount of the reimbursement to a school district under the tier three exemption increases annually by an amount equal to the percentage increase of the applicable Consumer Price Index over the previous year, plus the percentage increase in the population of the State over the previous year. If the total increase

calculated pursuant to the formula is less than four percent, then to the extent revenues are available in the Homestead Exemption Fund, the annual tier three reimbursement is further increased, not to exceed a total of four percent. The aggregate amount of the tier three reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually. Notwithstanding the foregoing, in no event shall the amount of tier three reimbursements distributed to the school district or districts within one county be less than \$2,500,000 in the aggregate. State law requires that tier three reimbursements be paid in nine equal monthly installments based on the State's preliminary estimate of collections, beginning not later than October 15th. A final adjustment balance payment must be made before the closing of the State's books for the fiscal year.

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

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

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

Limitation on Millage Increases

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

- (1) a deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year;

- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government;
- (6) certain purchases of undeveloped real property or of the residential redevelopment rights in undeveloped real property near an operating United States Military base; or
- (7) to purchase capital equipment and make expenditures related to the installation, operation, and purchase of the capital equipment, in a county having a population of less than one hundred thousand persons and having at least forty thousand acres of state forest land.

Local Option Sales and Use Tax for Local Property Tax Credits

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

Act 388 further provides that if a county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the South Carolina Code.

Reassessment Valuations Limited

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

Payments in Lieu of Taxes

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

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

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

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

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

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

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

Assessed Value of Taxable Property

The assessed value of all taxable property in the School District for the fiscal years indicated below is as follows:

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property*</u>	<u>Total</u>
2021	\$117,729,975	\$ 74,176,128	\$191,906,103
2022	132,205,130	67,734,026	199,939,156
2023	124,282,030	95,089,084	219,371,114
2024	133,134,860	102,023,471	235,158,331
2025	138,686,200	110,109,965	248,796,165

Assessed Value and Estimated Market Value of Taxable Property

Below is the assessed value and estimated market value of all taxable property in the School District by classifications for the 2024 Tax Year.

<u>Class of Property</u>	<u>Assessed Value</u>	<u>Market Value</u>
Real Property and Mobile Homes (4% and 6%)	\$136,901,295	\$3,086,955,737
Vehicles (including recreational vehicles)	28,449,121	406,267,835
Utilities (10.5% and 9.5%)	40,300,950	386,355,710
Manufacturing Property (10.5% and 6%)	33,836,194	250,165,320
Marine Equipment (10.5%)	1,112,775	10,597,857
Merchants Furniture, Fixtures and Equip. (10.5%)	6,573,540	62,605,143
Aircraft (4%)	3,010	75,250
Merchant's Inventory (10.5%)	<u>1,619,280</u>	<u>15,421,714</u>
Total	\$248,796,165	\$4,218,444,566

Notes: Does not include fee-in-lieu of tax assessed value of \$35,826,321. Business Personal Property is included in Merchants Furniture, Fixtures and Equipment.

Source: Cherokee County Auditor

Tax Rates

The millage assessed for School District purposes in each of the last five years is set forth below.

<u>Fiscal Year</u>	<u>Operations</u>	<u>Debt Service</u>	<u>Total</u>
2021-22	185.5	39.0	215.5
2022-23	188.3	28.9	217.2
2023-24	201.8	30.0	231.8
2024-25	201.8	30.0	231.8
2025-26	201.8	30.0	231.8

Source: County Auditor

Budget and Tax Collection Procedure

The Constitution provides that each school district shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. The fiscal year for the School District begins on July 1 of each year and ends on June 30 of the following year.

Section 32 of Act No. 685 provides that in all budgetary matters of the School District, the Board has the sole, separate and independent power, authority and responsibility. During the month of February, all principals and department directors submit in writing their budgets for the next fiscal year. The Superintendent, Chief Finance and Operations Officer, and program directors review and evaluate each budget request from principals, supervisors, and other district personnel. A proposed budget is submitted to the Budget and Finance Committee which is comprised of four members of the Board of Trustees. The proposed budget is reviewed by the Budget and Finance Committee and then the Committee recommends the budget to the Board.

Final approval of the budget is provided by the Board at a schedule meeting which is open to the public. The Board certifies to the County Auditor the amount of millage required for raising sufficient funds to defray operations costs. The County Auditor determines the millage required to pay the amount of bonded indebtedness incurred by the School District. Pursuant to Section 31 of Act No. 685, the General Assembly the State empowered the Board to:

by resolution duly adopted, determine and fix the amount of the levy needed to operate the schools in the district for any one year; and shall on or before the first day of July of each year notify the auditor of the county of the amount of the levy and file with him a certified copy of the resolution. It shall thereafter become the duty of the auditor of the county to levy and the treasurer to collect the tax as determined and directed by the Board upon all the taxable property in the school district as other taxes are collected.

In the County, taxes are collected for County and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar year basis. A county is authorized to implement a system of quarterly payments for real property taxes (except for property taxes paid through an escrow account). Real and personal taxes in the County are payable on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. If taxes are not paid on or before January 15, a penalty of 3% thereon is added; if not paid by February 1, an additional penalty of 7% is added; if not paid on or before March 16, an additional penalty of 5% thereon is added and such taxes go into execution. Unpaid taxes, both real and personal, constitute a first lien

against the property taxed. The County Treasurer is empowered to seize and sell so much of the defaulting taxpayer's estate – real, personal or both – as may be sufficient to satisfy the taxes.

Tax Collections

The following table shows taxes levied in the School District for School District purposes, taxes collected as of June 30 of the year following the year in which the levy was made, and the amount of delinquent taxes collected for the last five years, as well as the total amounts collected for the current year as of the latest data available. Delinquent taxes include taxes levied in prior years but collected in the year shown.

Fiscal Year Ended <u>June 30</u>	Taxes Levied	Current Taxes Collected	Percent Collected	Delinquent Taxes Collected	Total Taxes Collected	Total Percent Collected
2021	\$45,373,451	\$42,240,284	93.09%	\$2,229,584	\$44,469,868	98.01%
2022	48,193,415	44,214,018	91.74	2,540,991	46,755,009	97.02
2023	53,228,229	49,466,917	92.93	2,090,171	51,557,088	96.86
2024	60,533,195	55,688,410	92.00	3,406,719	59,095,130	97.62
2025	63,724,827	59,218,946	92.93	2,871,988	62,090,935	97.44

Note: Includes fee-in-lieu of taxes.

Source: County Treasurer

Ten Largest Taxpayers in the School District

The ten largest taxpayers (including fee-in-lieu of taxes) in the School District, the amount of tax year 2024 taxes paid by each and the fiscal year 2024-2025 assessed value of each are shown below.

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Taxes Paid</u>
Duke Energy	\$27,103,083	\$8,936,326.10
Milliken & Co.	12,437,072	4,249,777.48
Nestle Prepared Foods	10,177,325	3,477,244.04
Dollar Tree Distribution Inc.	3,853,602	1,304,092.12
Timken Company The	3,515,115	1,204,245.63
Brown Packing Co. Inc.	2,809,727	1,095,764.80
Westrock Container LLC	2,628,022	866,325.57
Gaffney Holdings LLC	2,503,745	834,386.40
Broad River Electric Coop Inc.	2,395,630	797,002.32
Broad River Energy LLC	2,302,934	792,343.37

Source: County Treasurer

FINANCIAL INFORMATION

2025-2026 Budget

The following is the School District's General Fund Budget for fiscal year 2025-2026:

General Fund Revenues and Other Financing Sources

Local Sources	\$ 40,532,470
State Sources	54,900,621
Other Sources	<u>9,054,665</u>
Total Revenues and Other Financing Sources	\$104,487,756

General Fund Expenditures and Other Financing Uses

Salaries and Associated Expenditures	\$ 87,058,133
Purchased Services	13,755,989
Other Expenditures	<u>3,673,634</u>
Total Expenditures and Other Financing Uses	\$104,487,756

Financial Statements

The following five-year summary of the general fund for fiscal years ended June 30, 2021 to 2025 should be reviewed together with the School District's complete audited financial statements as a whole, including but not limited to the report of the School District's independent certified public accountants and the Bonds to such financial statements. The audited financial statements of the School District for fiscal year ended June 30, 2025 are attached to this Official Statement as Appendix A. Copies of complete audited financial statements for prior years are available for inspection at the offices of the School District.

[Remainder of page intentionally left blank]

SUMMARY OF GENERAL FUND

	<u>6/30/21</u>	<u>6/30/22</u>	<u>6/30/23</u>	<u>6/30/24</u>	<u>6/30/25</u>
<u>Revenues</u>					
Local Sources					
Taxes	\$28,392,474	\$29,593,420	\$33,393,361	\$38,458,527	\$ 41,133,980
Investment Earnings	---	---	244,969	21,861	13,412
Other Local Sources	67,309	164,832	1,001,303	152,446	47,659
State Sources	45,770,711	48,368,781	50,030,333	51,835,495	53,856,593
Federal Sources	---	---	---	---	---
Intergovernmental Revenue	---	---	---	---	---
TOTAL REVENUES	<u>\$74,230,494</u>	<u>\$78,127,033</u>	<u>\$84,669,966</u>	<u>\$90,468,329</u>	<u>\$ 95,051,644</u>
<u>Expenditures</u>					
Current:					
Instruction	\$47,264,792	\$48,272,938	\$50,878,958	\$55,621,249	\$ 58,652,527
Support Services	28,546,463	27,688,705	29,548,740	34,257,570	38,916,674
Intergovernmental	12,745	15,261	28,877	16,742	18,915
Capital Outlay	8,007	---	119,474	3,123,067	6,389,433
Debt Service	---	---	15,460,492	---	---
TOTAL EXPENDITURES	<u>\$75,832,007</u>	<u>\$75,976,904</u>	<u>\$96,036,540</u>	<u>\$93,018,628</u>	<u>\$103,977,549</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,601,513)	2,150,129	(11,366,574)	(2,550,299)	(8,925,905)
<u>Other Financing Sources (Uses)</u>					
Sale of Fixed Assets	\$ 201,157	\$ 19,072	\$ 738,641	\$ 24,125	\$ 4,879
Issuance of Tax Anticipation Note	---	---	15,000,000	---	---
Premium on Bond Sold	---	---	79,500	---	---
Transfers In	3,109,233	3,067,476	6,180,076	7,488,841	12,225,422
Transfers Out	(571,706)	(584,276)	(67,661)	(2,120,320)	(1,405,538)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 2,738,684</u>	<u>\$ 2,502,272</u>	<u>\$21,930,556</u>	<u>\$ 5,392,646</u>	<u>\$ 10,824,763</u>
Net Change in Fund Balance	1,137,171	4,652,401	10,563,982	2,842,347	1,898,858
Beginning Fund Balance	<u>\$17,491,879*</u>	<u>\$18,629,050</u>	<u>\$23,281,451</u>	<u>\$32,182,236*</u>	<u>\$ 35,024,583</u>
Ending Fund Balance	<u>\$18,629,050</u>	<u>\$23,281,451</u>	<u>\$33,845,433</u>	<u>\$35,024,583</u>	<u>\$ 36,923,441</u>

* As restated

Note: Totals may not agree due to rounding.

Source: School District's Audited Financial Statements

ECONOMIC CHARACTERISTICS AND DATA

Location

Cherokee County (the “County”) is located in the northern Piedmont plateau of South Carolina and contains approximately 394 square miles. The County is situated between two major metropolitan areas, Greenville-Cherokee to the west, and Charlotte-Rock Hill to the east. The County is bordered on the east by York County, on the south by Union County, on the west by Spartanburg County and on the north by the State of North Carolina. The County was formed in 1897 from parts of each of these three adjoining South Carolina counties. The county seat and largest city is Gaffney, which had an estimated population of 12,546 in 2024.

Agriculture and Forestry

According to the 2022 Census of Agriculture produced by the National Agricultural Statistics Service of the United States Department of Agriculture, the County ranked 13th in the State in soybean production and 13th in the State in the production of cattle and calves. Sales for crops, livestock, poultry and related products in the County in 2022, the latest year for which information is available, amounted to \$43,442,000 (including crops at \$7,638,000 and livestock, poultry and related products at \$35,804,000), which ranked the County 28th among the 46 counties of the State.

The County’s land is approximately 75% forested. The delivered value of privately-owned timber in the County in 2023 was \$5,892,241, which ranked the County 41st among the State’s 46 counties, according to the U.S. Forest Service 2023 Timber Products Output Survey and the South Carolina Forestry Commission.

Commerce and Industry

In February 2026, Huwell US Inc., a cosmetics and hair care products manufacturer, announced plans to open its first U.S. operation in the County. The new 120,000-square-foot facility will produce lighteners for a wide range of customers from large, well-established brands to smaller, independent cosmetic companies. Once renovations are complete, the new manufacturing plant will provide the company with greater access to the U.S. market. The \$11.6 million investment will create 25 new jobs. Operations are expected to be online in June 2026.

In December 2025, Fenner Precision Polymers, a leader in reinforced polymer technology, announced plans to establish the company’s new operation in the State in the County. The new 113,000-square-foot facility will expand production capabilities and build in agility to adapt to evolving market needs. The approximately \$30 million investment will create 51 new jobs. Operations are expected to be online in mid-2026.

In November 2025, First Solar, Inc., a leading American photovoltaic solar and manufacturing company, announced it is growing its footprint in the State with a new production facility in the County. The facility will onshore final production processes for Series 6 modules initiated by the company’s international fleet. The plant will be part of what is one of the largest solar technology manufacturing and research and development footprints in the nation and already includes five operating, fully vertical integrated manufacturing facilities in three states, as well as a supply chain that spans the country. The \$330 million investment is expected to create over 600 new jobs. Operations are expected to commence in the second half of 2026.

In June 2025, Cielo Digital Infrastructure, LLC, a provider of data center infrastructure, announced plans to establish its first development project in the State in the County. The company plans to develop a data center campus consisting of four facilities, each approximately 400,000 square feet, along with an associated electrical substation. The approximately \$2.1 billion investment is expected to create 30 new jobs. Initial operations are expected to be online by year-end 2028.

In May 2025, Aerowerks, a manufacturer for the food service industry, announced its selection of the County to establish the company's first U.S. operation. The new facility will design, manufacture and assemble the company's material handling systems. The \$10 million investment will create 52 new jobs.

In November 2024, Nestlé USA, a leading food and beverage company, announced plans to expand its operations in the County. The expansion will include a new line for the production of single-serve frozen meals as well as enhanced automation and digital technology. The company will invest \$150 million in the expanded facility. This expansion follows a June 2021 announcement for an expansion that added a new production line and expanded the existing production line. The \$100 million investment creates approximately 160 new jobs.

In August 2024, Somnus Mattress International LLC, a manufacturer of hybrid, memory foam mattresses, had a ribbon cutting for its new facility in the County. The new operations will manufacture mattresses to serve clients across the U.S. The \$13 million investment will create 55 new jobs.

In June 2023, Gaffney Bakery, LLC, a baked goods and pie producer, announced plans to establish operations in the County. The company plans to purchase an existing state-of-the-art bakery facility and make significant renovations and improvements to assist in manufacturing frozen bakery products. The \$96 million investment will create more than 260 new jobs.

In December 2022, Milliken & Company, a diversified global textile manufacturer with more than 70 locations worldwide, announced plans to expand operations in the County. The expansion will include newly added production lines to increase manufacturing capacity. The \$27.4 million investment will create 75 new jobs.

In October 2022, Niagara Pharmaceuticals, a manufacturer of eye health and safety products, announced plans to establish its first U.S. operation in the County. The new facility will accommodate additional production capacity to meet increasing demand of the company's products. The \$9 million investment will create 45 new jobs.

In September 2022, Sticker Mule, a custom print and label company, announced plans to expand operations in the County. The company is building a new 100,000-square-foot facility that will accommodate additional production capacity to meet increasing demand. The \$18 million investment will create 50 new jobs.

In February 2022, Bericap SC, LLC, a leading global plastic closure manufacturer, announced plans to expand operations in the County. The expansion will increase the company's capacity to meet growing demand. The company will grow its operations by adding several production lines to serve customers across the U.S. and Canada. The company will invest \$19.7 million into the expansion. The expansion is expected to be completed by June 2026.

In May 2021, Kerns Trucking, Inc., a regional transportation and logistics company, announced plans to establish its corporate headquarters in the County. The new facility will increase the company's capacity to meet growing demand. This location will facilitate future growth and allow the company to better serve its customer base. The more than \$7.9 million investment will create 136 new jobs.

In April 2021, DHL Supply Chain, a U.S. leader in contract logistics and part of Deutsche Post DHL Group, announced plans to grow its footprint in the State by establishing new operations in the County. The new operations will include the development of a 1.3-million-square-foot warehouse, which will increase the company's operating capacity. The more than \$92.7 million investment will create 249 new jobs.

Capital Investments

The following table sets forth the total recruited capital investment for new and expanded industry within the County for the last five years for which information is available, but only includes new and expanded industry that the South Carolina Department of Commerce was instrumental in bringing to the County.

<u>Fiscal Year</u>	<u>New Investment</u>	<u>New Employment</u>
2021	\$ 200,600,000	545
2022	87,100,000	225
2023	96,000,000	260
2024	150,000,000	0
2025	2,470,000,000	733

Source: South Carolina Department of Commerce.

Labor Force

The compensation of the nonagricultural labor force employed at jobs in the County, on a place-of-work basis, for the five calendar years shown, is as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Manufacturing	\$ 377,720	\$ 397,701	\$ 446,157	\$ 430,118	\$ 407,919
Forestry and Fishing	(D)	(D)	(D)	(D)	(D)
Construction	75,523	73,132	55,618	66,461	76,372
Mining	(D)	(D)	(D)	(D)	(D)
Transportation	75,242	75,274	71,764	77,088	80,862
Public Utilities	9,065	11,277	13,039	10,718	12,352
Wholesale and Retail Trade	114,779	130,349	134,678	140,758	149,708
Information	2,400	2,669	3,078	3,274	3,459
Finance, Insurance and Real Estate	24,146	27,652	30,266	32,604	37,078
Services	209,167	234,021	250,528	236,354	246,089
Government	158,015	153,729	157,382	163,565	180,345
TOTAL	\$1,062,654	\$1,124,418	\$1,184,005	\$1,184,002	\$1,218,468

(D) Not shown to avoid disclosure of confidential information.

Note: Numbers are shown in thousands of dollars. Totals may not add due to rounding.

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

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025⁽²⁾</u>
Civilian Labor Force ⁽¹⁾	24,213	23,696	23,250	23,052	23,250
Employment	23,000	22,728	22,284	21,746	21,880
Unemployment	1,213	968	966	1,306	1,370

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

⁽²⁾ December figures are preliminary and October figures are unavailable due to the 2025 lapse in appropriations.

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

Retail Sales

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

<u>Calendar Year</u>	<u>Total Retail Sales</u>
2020	\$1,695,639,463
2021	1,889,631,605
2022	2,087,364,170
2023	1,993,349,271
2024	2,139,209,126

Source: South Carolina Department of Revenue.

Major Industrial Employers

The largest industrial employers located within the County and their products are listed below.

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Nestle Prepared Foods Division	Frozen food specialties	1,300
Freightliner Custom Chassis Corp. (FCCC)	Manufactures chassis for RV, walk-in van, commercial bus and school bus	1,100
First Solar Inc	Photovoltaic (PV) solar and manufacturing company	600
Milliken & Company – Allen Plant	Chemical manufacturing	450
Hamrick Mills, Inc	Greige woven fabrics	430
Milliken & Company – Magnolia Finishing Plant	Textile finishing	375
	Exhaust systems, pipe bending production, pressed part production, high pressure hydroforming	310
Boysen USA, LLC – Gaffney	Beef packing	300
Brown Packaging Co., Inc.	Oversize freight, heavy haul, flatbed	300
Daseke, Inc dba J Grady Randolph Inc	Textile products for the automotive industry	300
Suminoe Textile of America Corp.		

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

Major Non-Industrial Employers

The largest employers located within the County, their type of business and their approximate number of employees are listed below.

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Cherokee County School District	K-12 school district	1,300
Dollar Tree Distribution Center	Warehousing and distribution facility for retail stores	600
DHL Supply Chain (SC) – Gaffney	Contract logistics services	500
T Force Freight (formerly UPS Freight Service Center)	Freight terminal	400
Cherokee County	County government and administration	343
United States Government – Cherokee County	Federal government	309
SRHS – Cherokee Medical Center	125-bed acute care hospital	300
State of South Carolina – Cherokee County	State government	225
Newark Electronics (Element14)	Distribution of electronic parts and equipment	178

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

Median Age and Education Levels

The following table illustrates the changes in the median age of the County from 2010 to 2020, as well as an estimate for 2022. Median age statistics for the State and the United States are included for comparison purposes.

<u>Year</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2010	38.2	37.9	37.2
2020	40.0	40.0	38.5
2022	40.4	40.2	38.9

Sources: U.S. Department of Commerce, Bureau of the Census, 2012 American Community Survey 5-Year Estimates, 2022 American Community Survey 5-Year Estimates and 2024 American Community Survey 5-Year Estimates.

The following table illustrates the changes in the percentage of the population 25 years old and older with a bachelor's degree or higher for the years set forth below. Education statistics for the State and the United States are included for comparison purposes.

<u>Year</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2010	12.7%	24.6%	28.5%
2020	17.2	30.6	34.3
2022	18.4	32.1	35.7

Sources: U.S. Department of Commerce, Bureau of the Census, 2012 American Community Survey 5-Year Estimates, 2022 American Community Survey 5-Year Estimates and 2024 American Community Survey 5-Year Estimates.

Construction Activity

The following table shows the number of residential building permits the County issued, as well as the approximate cost of construction, in each of the last five years for which information is available.

<u>Year</u>	<u>Residential Permits</u>	<u>Estimated Construction Cost (Residential)</u>	<u>Commercial Permits</u>	<u>Estimated Construction Cost (Commercial)</u>	<u>Total Permits</u>	<u>Total Estimated Construction Cost</u>
2021	1,386	\$52,678,253.47	231	\$109,822,041.33	1,617	\$162,500,294.80
2022	1,284	64,032,021.43	268	78,140,186.93	1,552	142,172,208.36
2023	1,804	88,700,447.61	216	62,375,399.02	2,020	151,075,846.63
2024	1,417	76,739,733.62	214	117,822,632.70	1,631	194,562,366.32
2025	1,423	70,643,364.51	174	37,689,703.43	1,597	108,333,067.94
2026 ⁽¹⁾	157	8,037,378.80	47	59,327,510.63	204	67,364,889.43

⁽¹⁾ Through February 27, 2026.

Source: County Building Department.

Per Capita Income

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2020	\$36,600	\$48,760	\$59,151
2021	39,268	53,390	64,692
2022	40,403	54,561	66,298
2023	41,254	57,766	70,002
2024	43,456	60,776	73,204

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

Median Family Income

The following table shows the estimated median family income for the County, for each of the past five years for which information is available. Figures for the State and the United States are included for comparison purposes.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2021	\$52,100	\$68,700	\$ 79,900
2022	57,300	78,400	90,000
2023	65,100	82,900	96,200
2024	68,200	84,800	97,800
2025	72,200	90,500	104,200

Source: U.S. Department of Urban Development.

Unemployment Rate

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2021	5.0%	3.9%	5.3%
2022	4.1	3.2	3.6
2023	4.2	3.0	3.6
2024	5.7	4.1	4.0
2025 ⁽¹⁾	5.9	4.4	4.3

⁽¹⁾ December figures are preliminary and October figures are unavailable due to the 2025 lapse in appropriations.

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

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

<u>Date</u>	<u>Unemployment Rate⁽¹⁾</u>
January 2025	5.8%
February 2025	5.7
March 2025	5.0
April 2025	5.6
May 2025	4.9
June 2025	5.8
July 2025	7.0
August 2025	6.3
September 2025	5.8
October 2025	X
November 2025	6.4
December 2025	6.4 (P)

⁽¹⁾ Not seasonally adjusted.

(X) Data unavailable due to the 2025 lapse in appropriations.

(P) Preliminary.

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

Population Growth

The following table shows the population increase in the County for the last five decades for which census figures are available. Population statistics for the State and the United States are included for comparison purposes.

<u>Year</u>	<u>Cherokee County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1980	40,983	---	3,121,820	--	226,545,805	--
1990	44,506	9	3,486,703	12%	248,709,873	10%
2000	52,537	18	4,012,012	15	281,421,960	13
2010	55,342	5	4,625,364	15	308,745,538	10
2020	56,216	2	5,118,425	11	331,449,281	7
2024 ⁽¹⁾	57,770	3	5,478,831	7	340,110,988	3

⁽¹⁾ Estimated.

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

The 2010 population, 2020 population and 2022 estimated population of the incorporated municipalities located in the County are set forth in the table below.

<u>Municipality</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>
City of Gaffney	12,473	12,651	12,596
Town of Blacksburg	1,854	2,115	2,063

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

Transportation

I-85, which connects the Washington, DC area with Atlanta, Georgia, runs through the County. The main line of Norfolk Southern Railroad runs through Cherokee County. CSX also provides rail service. Charlotte Douglas International Airport and Greenville-Spartanburg International Airport are both within 45 miles.

Healthcare Services

Cherokee Medical Center, a division of Spartanburg Regional Healthcare System, is the County's primary health care provider. It is a 125-bed acute care facility located in Gaffney. Cherokee Medical Center includes an emergency department, imaging services, surgical suites, an accredited chest pain center, critical care, orthopaedic, rehabilitation and urology. A ribbon-cutting ceremony was held in October 2025 for the hospital's new 2-North medical surge unit. The hospital recently finished a comprehensive renovation that added five beds on the hospital's second floor. The construction project resulted in new flooring, bathrooms, paint, ceilings and casework, transforming the space into a fully updated extension of the existing 2-South unit. In February 2024, the hospital added a cardiac rehabilitation center.

Higher Education

Limestone University, a private, coeducational four-year liberal arts college with total enrollment of approximately 1,782 students in Fall 2024, was located in Gaffney. On April 29, 2025, the board of trustees of Limestone University voted to close the institution at the end of the 2024-2025 academic year.

Spartanburg Technical College's Cherokee Campus is a public two-year college located in Gaffney. In November 2024, the college announced the expansion of its Cherokee Campus. The more than \$50 million investment will bring to life an expansion strategically located under the iconic Peach Water Tower along Interstate 85, adding a unique, highly recognizable landmark to the evolving campus. The expanded campus will offer students a more dynamic environment, combining rich community heritage with enhanced academic and training facilities to support the workforce of tomorrow. The expansion will also feature the Spark Center, a business accelerator designed to support companies looking to relocate to the County.

Recreation

The County is the only county in the U.S. to have three national parks within its boundaries: the Overmountain Victory National Historic Trail, Kings Mountain National Military Park and Cowpens National Battlefield. Kings Mountain National Military Park and the Cowpens National Battleground are both Revolutionary War battleground sites. Additionally, the South Carolina Peach Festival takes place annually in the County, bringing thousands of tourists and residents to celebrate the legacy of the community.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2025, the County had 5 branches of commercial banks and 3 branch of savings institutions, with total deposits in all financial institutions in the County of approximately \$555 million. 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.

TAX EXEMPTION AND OTHER TAX MATTERS

Internal Revenue Code of 1986

In the opinion of Bond Counsel, to be delivered on the date of issuance of the Bonds, assuming continuing compliance by the School District with certain covenants and the requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and the applicable regulations promulgated thereunder (the “Regulations”), interest on the Bonds is excludable from gross income of the registered owners thereof for federal income tax purposes under existing statutes, regulations, and judicial decisions.

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

The Code imposes an alternative minimum tax on an individual taxpayer's alternative minimum taxable income. Interest on the Bonds is not an item of tax preference for purposes of the individual alternative minimum tax. The Code imposes an alternative minimum tax on the adjusted financial statement income of certain applicable corporations (as defined in Section 59(k) of the Code). The interest on the Bonds may be included in the adjusted financial statement income of such applicable corporations for purposes of computing such alternative minimum tax.

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

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the “IRS”) or the courts. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Other proposals have been made that would significantly reduce the benefit of, or otherwise affect, the exclusion from gross income on obligations like the Bonds. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

[Original Issue Discount

Under existing laws, regulations, rulings and judicial decisions the excess, if any, of the principal amount payable at the scheduled maturity date of the Bonds of any maturity over the initial public offering prices of such Bonds (“Discount Bonds”) constitutes original issue discount that is excludable from gross income for federal income tax purposes to the same extent as interest on the Bonds. For purposes of the preceding sentence, the “initial public offering price” refers to the initial offering price to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Bonds of such a maturity was sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (i) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Bond will be treated as gain from the sale or exchange of such Bond.

Purchasers of Discount Bonds should consult their own tax advisors with respect to the determination and treatment of original issue discount for federal income tax purposes, and with respect to the state and local tax consequences of owning Discount Bonds.

Premium Bonds

Certain of the Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity (“Premium Bonds”). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income

tax deduction is allowed. Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.]

Information Reporting and Backup Withholding

Interest paid on the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds who fails to provide certain required information and who is not an exempt person. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a holder's U.S. federal income tax liability provided the required information is furnished by such holder to the IRS in a timely manner.

South Carolina Taxation

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

LEGAL MATTERS

Opinion

The issuance of the Bonds is subject to the favorable opinion of Burr & Forman LLP, Bond Counsel ("Bond Counsel"), as to the validity of the issuance of the Bonds under the Constitution and laws of the State. The proposed form of Bond Counsel opinion appears as Appendix B to this Official Statement.

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

Litigation

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

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

United States Bankruptcy Code

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

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned its municipal bond rating of “Aa1” to the Bonds upon the basis of the State constitutional intercept provisions described under the heading “Security” herein. Moody’s has assigned it underlying rating of “A1” to the Bonds. Such ratings reflect only the views of Moody’s and an explanation of the significance of such ratings may be obtained from Moody’s. The School District has furnished to Moody’s certain information and materials respecting the School District and the Bonds. Generally, Moody’s bases its ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by Moody’s, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Series 2026A Bonds have been purchased at a competitive sale from the School District for resale by _____ (the “2026A Purchaser”). The 2026A Purchaser has agreed, subject to certain conditions, to purchase the Series 2026A Bonds at par plus a bid premium of \$ _____. The initial public offering yields of the Series 2026A Bonds are as shown on the inside front cover page of this Official Statement and may be changed from time to time by the 2026A Purchaser. The 2026A Purchaser may also allow a concession from the public offering prices to certain dealers. If all of the Series 2026A Bonds are sold at the public offering yields or prices as set forth on the inside front cover page of this Official Statement, the 2026A Purchaser anticipates total selling compensation of \$ _____ for the Series 2026A Bonds. The 2026A Purchaser has received no fee from the School District for underwriting the Series 2026A Bonds.

The Series 2026B Bonds have been purchased at a competitive sale from the School District for resale by _____ (the “2026B Purchaser”). The 2026B Purchaser has agreed, subject to certain conditions, to purchase the Series 2026B Bonds at par plus a bid premium of \$ _____. The initial public offering yields of the Series 2026B Bonds are as shown on the inside front cover page of this Official Statement and may be changed from time to time by the 2026B Purchaser. The 2026B Purchaser may also allow a concession from the public offering prices to certain dealers. If all of the Series 2026B Bonds are sold at the public offering yields or prices as set forth on the inside front cover page of this Official Statement, the 2026B Purchaser anticipates total selling compensation of \$ _____ for the Series 2026B Bonds. The 2026B Purchaser has received no fee from the School District for underwriting the Series 2026B Bonds.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Superintendent of the School District will deliver to the Purchaser of the Bonds a certificate stating that, to the best of his knowledge, this Official Statement did not as of its date and as of the sale date, and the final Official Statement does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement or the final Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, providing such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds.

FINANCIAL ADVISOR

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

CONTINUING DISCLOSURE

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

In accordance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the School District has covenanted in the Resolution to execute and deliver prior to closing, and to thereafter comply with the terms of, a Continuing Disclosure Certificate in substantially the form appearing as Appendix C to this Official Statement. In the event of a failure of the School District to comply with any of the provisions of the Continuing Disclosure Certificate, an event of default under the Resolution shall not be deemed to have occurred. In such event, the sole remedy of any holder of the Bonds shall be an action to compel performance by the School District.

The School District has executed Continuing Disclosure Certificates requiring the filing of its annual reports (including its audited financial statements) on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") by not later than February 1 of each calendar year after the end of each fiscal year (currently ending June 30).

In compliance with these certificates, the School District has caused its annual report (including its Audited Financial Statements) to be filed on EMMA on the following dates: (a) for fiscal year ended June 30, 2021 on December 3, 2021, (b) for fiscal year ended June 30, 2022 on December 15, 2022, (c) for fiscal year ended June 30, 2023 on January 26, 2024, (d) for fiscal year ended June 30, 2024 on January 24, 2025, and (e) for fiscal year ended June 30, 2025 on January 29, 2026.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

If there are further inquiries, or requests for additional copies of this Official Statement, please address them to Francenia B. Heizer, Esquire, Bond Counsel, Burr & Forman LLP, Post Office Box 11390, Columbia, South Carolina 29211; telephone (803) 799-9800, e-mail: fheizer@burr.com or to the School District's Financial Advisor, Robert R. Damron, Managing Director, Compass Municipal Advisors, LLC, 1310 Pulaski Street, Columbia, South Carolina 29201, direct telephone (859) 228-4219, e-mail: bob.damron@compassmuni.com.

Superintendent, Cherokee School District No. 1 of
Cherokee County, South Carolina

APPENDIX A

**AUDITED FINANCIAL STATEMENTS FOR FISCAL
YEAR ENDED JUNE 30, 2025**



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Cherokee County School District
Gaffney, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Cherokee County School District, South Carolina (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the District, as of June 30, 2025, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2025 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 101 "*Compensated Absences*." Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
November 25, 2025

(This page intentionally left blank.)

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

This discussion and analysis of the Cherokee County School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025 ("FY 25" or "2025") compared to fiscal year ended June 30, 2024 ("FY 24" or "2024"). The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

SCAGO Educational Facilities Corporation for Cherokee County School District, Inc. ("Facilities Corporation") was incorporated as a nonprofit 501(c)(3) organization incorporated in April 2006. Although the Facilities Corporation is a legally separate entity, it is reflected as a blended component unit of the District and the financial activity of the Facilities Corporation is reflected in a debt service fund and capital projects fund in the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2025 are as follows:

- In the Statement of Net Position, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by approximately \$30.3 million. Unrestricted net position was a deficit of approximately \$151.5 million. The deficit in unrestricted net position is a result of (a) pension accounting standards that were implemented in 2015, which resulted in the District recording a net pension liability and related deferred pension balances for its participation in the State retirement plan, and (b) other postemployment benefit ("OPEB") plan accounting standards that were implemented in 2018, which resulted in the District recording a net OPEB liability and related deferred OPEB balances for its participation in the State OPEB plan. Without the net pension and net OPEB liabilities and related deferred balances, which were approximately \$186.8 million at June 30, 2025, the District would have total unrestricted net position of approximately \$35.3 million.
- The District's total net position increased by approximately \$17.6 million in the current fiscal year compared to \$20.9 million in the prior fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$69.9 million, a decrease of approximately \$1.4 million from the prior year fund balance. This decrease is primarily due to a decrease in the Capital Projects – District Fund of approximately \$5.0 million, partially offset by increases in the General Fund of approximately \$1.9 million, Special Revenue Fund of approximately \$0.2 million, and the Debt Service – District Fund of approximately \$1.6 million. At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$26.1 million, which was approximately 25% of total General Fund expenditures.
- The District's governmental fund revenues were approximately \$141.4 million, compared to approximately \$138.0 million in the prior year. This increase is primarily due to higher local source revenues (property tax and sales tax revenues), higher state revenues, partially offset by lower federal revenues. The District's governmental fund expenditures were approximately \$142.7 million, compared to approximately \$131.8 million in the prior year. This increase is primarily due higher instruction, support services, and capital outlay expenditures.
- The District's total capital assets were approximately \$140.8 million, increasing by approximately \$2.4 million during the current fiscal year from the prior year amount. The increase in the District's capital assets was due to capital asset additions of approximately \$11.8 million exceeding depreciation expense of approximately \$9.4 million.
- The District's total gross outstanding long-term debt decreased from approximately \$57.0 million at June 30, 2024 to approximately \$49.1 million at June 30, 2025. This decrease is due to making regularly scheduled principal payments.
- The District adopted GASB Statement No. 101 "*Compensated Absences*" for the year ended June 30, 2025 ("GASB #101" or "Statement"). The adoption of GASB #101 had no impact on the District's governmental fund financial statements but has resulted in the restatement of the District's beginning net position for the year ended June 30, 2025 for its government-wide financial statements to reflect the reporting of compensated absences liability under this new methodology. Net position of the District's government-wide financial statements as of July 1, 2024 was decreased by approximately \$1,633,000 reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Note I.B in the notes to the financial statements for more information.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes the financial statements, required supplementary information which includes this management's discussion and analysis section, the combining and individual fund financial schedules and the location reconciliation schedule) and the *Compliance Section*.

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the District. The first two statements are *government-wide financial statements* that provide a broad overview of the District's overall financial status, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District may include instruction, support services, and community services. The District does not have any business-type activities.

Fund Financial Statements. The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

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

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

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

The District maintains six individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Special Revenue Fund, Special Revenue – Education Improvement Act ("EIA") Fund, Special Revenue – Food Service Fund, Debt Service – District Fund, and Capital Projects – District Fund, all of which are considered to be major funds. In addition, the Facilities Corporation's Debt Service Fund and Capital Projects Fund are also major funds and therefore shown in separate columns.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Major Features of the District's Government-Wide and Fund Financial Statements		
	Fund Financial Statements	
	Government-Wide Financial Statements	Governmental Funds
Scope	Entire District	Entire District
Required Financial Statements	▪ Statement of Net Position ▪ Statement of Activities	▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Balance Sheet Information	All balance sheet elements, both financial and capital, and long- term obligations	All balance sheet elements that come due during the year or soon thereafter; no capital assets – or long-term obligations are included
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately \$30.3 million at the close of the current fiscal year. The following table provides a summary of the District's net position as of June 30, 2025 compared to June 30, 2024:

	Net Position	
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Assets		
Current and Other Assets	\$ 77,553,270	\$ 80,046,468
Capital Assets, Net	140,813,588	138,414,869
Total Assets	<u>218,366,858</u>	<u>218,461,337</u>
Deferred Outflows of Resources	<u>41,530,735</u>	<u>33,438,099</u>
Liabilities		
Other Liabilities	7,429,341	8,898,501
Net Pension Liability	98,673,620	104,465,800
Net Other Postemployment Benefit Liability	81,329,655	68,620,072
Long-Term Obligations	54,574,636	61,624,746
Total Liabilities	<u>242,007,252</u>	<u>243,609,119</u>
Deferred Inflows of Resources	<u>48,142,919</u>	<u>54,478,084</u>
Net Position		
Net Investment in Capital Assets	98,202,782	93,260,791
Restricted	23,081,818	21,357,905
Unrestricted	(151,537,178)	(160,806,463)
Total Net Position	<u>\$ (30,252,578)</u>	<u>\$ (46,187,767)</u>

Current and other assets decreased approximately \$2.5 million primarily due to a decrease in cash and cash equivalents of approximately \$3.4 million (primarily due to the timing of collections and payments), partially offset by an increase in receivables of approximately \$0.7 million. The District's capital assets at June 30, 2025 increased by approximately \$2.4 million primarily due to capital asset additions of approximately \$11.8 million primarily related to construction on Gaffney High School baseball and softball fields, Blacksburg High School baseball and softball fields, Gaffney High school band room, and other capital asset additions, partially offset by depreciation expense of approximately \$9.4 million. Liabilities decreased approximately \$1.6 million from the prior year primarily due to principal payments on outstanding indebtedness and amortization of premiums of approximately \$8.9 million, a decrease in other liabilities of \$1.5 million primarily due to the timing of payments, partially offset by an increase in compensated absences of approximately \$1.9 million (primarily due to the implementation of GASB #101), and a net increase in the net pension and net OPEB liability of approximately \$6.9 million. The changes in the net pension and OPEB liabilities and deferred outflows/inflows of resources were primarily due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the District's share of these balances.

The District's government-wide net position increased approximately \$17.6 million during 2025 from the prior year amount as revenues exceeded expenses. See the discussion following the next table regarding this increase.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest positive portion of the District's net position (approximately \$98.2 million) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, etc.) less any related outstanding debt obligations used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (approximately \$23.1 million) represents resources that are subject to external restrictions on how they may be used. These amounts are restricted primarily for debt service or by revenue source. The remaining portion of the District's net position (unrestricted net position) is negative and is approximately (\$151.5) million primarily due to recording the District's proportionate share of the net pension and OPEB liabilities and the related deferred balances related to the State retirement and OPEB plans.

The following table shows the changes in the District's governmental activities net position for 2025 compared to 2024:

Changes in Net Position

Revenues	2025	2024
Program Revenues:		
Charges for Services	\$ 1,927,585	\$ 2,337,444
Operating Grants	65,466,417	66,317,215
General Revenues:		
Taxes	58,255,820	53,580,892
State Revenue in Lieu of Taxes	15,313,873	14,493,267
Other	119,378	254,064
Total Revenues	141,083,073	136,982,882
Program Activities		
Instruction	66,395,803	64,931,095
Support Services	55,705,740	49,563,329
Community Services	26,467	-
Interest and Other Charges	1,386,846	1,583,003
Total Expenses	123,514,856	116,077,427
Change in Net Position	17,568,217	20,905,455
Net Position, Beginning of Year, As Previously Reported	(46,187,767)	(67,093,222)
Change in Accounting Principle - GASB #101 *	(1,633,028)	-
Net Position, Beginning of Year, As Restated	(47,820,795)	(67,093,222)
Net Position, End of Year	\$ (30,252,578)	\$ (46,187,767)

* The District adopted GASB #101 in FY 2025. See Financial Highlights section for more details.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

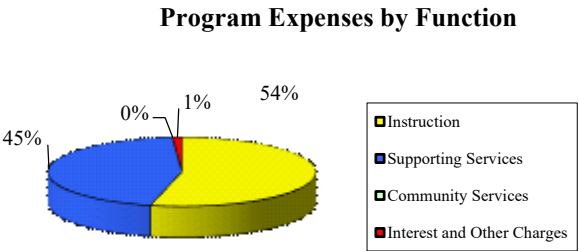
MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: Net position increased approximately \$17.6 million in 2025, compared to an increase of approximately \$20.9 million in 2024. Key elements are as follows:

- Total revenues increased approximately \$4.1 million (3%), which is primarily attributed to higher tax revenues of approximately \$4.7 million (sales tax and assessed value increases for both operations and debt service).
- Total expenses increased approximately \$7.4 million (6%), which is primarily attributed to an increase in operating expenses of approximately \$7.6 million, partially offset by lower interest expense of approximately \$0.2 million (lower outstanding debt balances). This overall increase was primarily due to higher salaries (i.e. COLA and STEP increase, \$500 bonus, new positions, etc.) and benefits.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

For the year ended June 30, 2025, the District’s governmental funds reported a *combined* fund balance of approximately \$69.9 million, a decrease of approximately \$1.4 million for the prior year. The decrease is primarily due to a decrease in the Capital Projects – District Fund of approximately \$5.0 million, partially offset by increases in the General Fund of approximately \$1.9 million, Special Revenue Fund of approximately \$0.2 million, and Debt Service – District Fund of approximately \$1.6 million. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. At June 30, 2025, the District’s unassigned fund balance was approximately \$24.2 million. The General Fund has a total fund balance of approximately \$36.9 million. The Special Revenue Funds, which includes Food Services, had fund balances of approximately \$0.6 million. The remainder of fund balance for governmental funds is restricted primarily for Debt Service – District Fund and Debt Service – Facilities Corporation Fund of approximately \$22.1 million and Capital Projects – District Fund and Capital Projects – Facilities Corporation Fund of approximately \$10.3 million.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was approximately \$26.1 million. The fund balance increased by approximately \$1.9 million, or approximately 5%, during the current fiscal year from the prior year fund balance. The current year increase is primarily due to higher than budgeted revenues (higher property tax revenues due to higher assessed values) offset by higher than budgeted expenditures (primarily capital outlay related to construction on Gaffney High School baseball and softball fields, Blacksburg High School baseball and softball fields, and Gaffney High School band room).

The District's Special Revenue Fund and Special Revenue – EIA Fund are used to account for revenues derived from federal, state, and local sources for student/pupil activity funds and special education programs. The District's student/pupil activities had restricted fund balance of approximately \$1.3 million. Special Revenue funds generally do not have fund balances as it relates to special education programs – as revenues should be expended, deferred, or returned to the grantor. The Special Revenue funds transferred approximately \$0.1 million to the General Fund for indirect costs related to federal programs and \$6.9 million to the General Fund for state aid to classrooms.

The Special Revenue – Food Service Fund is utilized to account for food service operations. At the end of the current fiscal year, total fund balance of the Food Service Fund was a deficit of approximately \$1.6 million. The Special Revenue – Food Service Fund had no change in fund balance as revenues and transfers in of approximately \$9.3 million equaled expenditures.

The debt service funds are used to account for the accumulation of funds for debt retirement. The fund balance for the Debt Service – District Fund was approximately \$22.1 million at June 30, 2025, an increase of approximately \$1.6 million due to higher local revenues (higher assessed values and sales tax), partially offset by debt service payments and transfers to other funds. In addition, the District issued a short-term general obligation bond for approximately \$0.3 million in May 2025. As this debt is scheduled to be repaid in March 2026, which is less than one year after its issuance, it is reflected on the Debt Service – District Fund's balance sheet at June 30, 2025 as a short-term obligation, as required by generally accepted accounting principles.

The fund balance for the District's Capital Projects Fund was approximately \$10.2 million at June 30, 2025, a decrease of approximately \$5.0 million from the prior year. The decrease was primarily due to capital costs of approximately \$6.2 million and transfers to the General Fund of approximately \$5.3 million to cover capital costs exceeding transfers in from the Debt Service – District Fund (related to short term debt issuances that were primarily to pay debt service and to provide additional funds for capital outlay).

General Fund Budgetary Highlights

The District's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During the course of 2025, there were no amendments to the District's General Fund budget. Actual revenues came in higher than budget by approximately \$7.1 million primarily due to tax revenues (higher assessed value) and state revenues (higher allocations). Actual expenditures were higher than budget by approximately \$3.6 million due to higher capital outlay expenditures (primarily related to construction on Gaffney High School baseball and softball fields, Blacksburg High School baseball and softball fields, and Gaffney High School band room).

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025 and 2024, the District had approximately \$140.8 million and \$138.4 million in capital assets, respectively. The following table shows the capital asset balances as of June 30, 2025 compared to June 30, 2024:

	June 30, 2025	June 30, 2024
Land	\$ 2,774,962	\$ 2,767,461
Construction in Progress	3,884,681	3,225,674
Buildings, Improvements, Furniture, Equipment, and Vehicles	252,412,480	241,333,853
Less Accumulated Depreciation	(118,258,535)	(108,912,119)
Total	<u>\$ 140,813,588</u>	<u>\$ 138,414,869</u>

The increase in the District's capital assets was approximately \$2.4 million (2%) in the current year, as capital asset additions of approximately \$11.8 million exceeded depreciation expense of approximately \$9.4 million. Major capital asset additions during the current fiscal year included:

- Construction in progress of \$6.9 million primarily related to the Gaffney High School baseball and softball fields, Blacksburg High School baseball and softball fields, and Gaffney High School band room.
- Furniture, equipment, and vehicles of approximately \$3.5 million.
- Improvements other than buildings of approximately \$1.4 million.

More detailed information about the District's capital assets can be found in Note III.D in the notes to the financial statements.

Debt Administration

The following table shows the outstanding gross long-term debt balances as of June 30, 2025 compared to June 30, 2024:

	June 30, 2025	June 30, 2024
Series 2016A GOB	\$ 34,210,000	\$ 38,270,000
Series 2017 AUSA	1,221,000	2,418,000
Series 2021 AUSA	1,268,000	1,787,000
Series 2015 IPRRB	12,355,000	14,495,000
Total	<u>\$ 49,054,000</u>	<u>\$ 56,970,000</u>

The District's total long-term debt decreased approximately \$7.9 million (14%) during the current fiscal year due to regularly scheduled principal payments.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

The State limits the amount of general obligation debt that the District can issue to 8% of the assessed value of all taxable property within the District's corporate limits. The District is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the District approve such additional debt through a District-wide referendum. At June 30, 2025, the District's assessed property valuation was approximately \$247.2 million, and the legal debt limit was approximately \$19.8 million, of which the District had \$0.3 million outstanding debt (short-term debt) subject to this limit at June 30, 2025.

Other long-term obligations include bond premiums and accrued compensated absences. More detailed information about the District's debt and other long-term obligations is presented in Note III.F in the notes to the financial statements.

ECONOMIC FACTORS

The District is one of the largest employers of Cherokee County with a total employment of approximately 1,235. The District is located along I-85 between the cities of Greenville and Charlotte. Total property tax collections are approximately 96% for FY 2025 (2024 tax year). The District has a tax base of approximately \$176.6 million for operating (an increase from the prior year of 6%) and \$247.2 million for debt service (an increase from the prior year of 5%).

FY 26 BUDGET

The year ended June 30, 2026 ("FY 26") General Fund expenditure budget of approximately \$104.5 million represents a 4% increase over the FY 25 expenditure budget. Many factors were considered by the District's administration during the process of developing the FY 26 budget. The District's objectives continue to be equity and maintenance of pupil to teacher ratios in elementary grades. Staffing at all schools was closely analyzed and changes made as needed. The District expects to use appropriated fund balance of approximately \$2.8 million to balance the FY 2026 budget. The District also plans to transfer \$8.0 million of funds from the General Fund to the Capital Projects Fund in FY 2026 to support capital projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director of Finance at Cherokee County School District, P.O. Box 460, 141 Twin Lakes Road, Gaffney, South Carolina, 29342.

(This page intentionally left blank.)

Basic Financial Statements

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

STATEMENT OF NET POSITION

JUNE 30, 2025

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 4,301,842
Cash and Cash Equivalents, Restricted	26,952
Cash and Cash Equivalents Held by County Treasurer	65,959,814
Property Taxes Receivable, Net	1,924,312
Accounts Receivable, Net	9,334
Other Receivables	8,366
Due from Other Governments	4,996,564
Inventory and Other Assets	326,086
Capital Assets:	
Non-Depreciable	6,659,643
Depreciable, Net	134,153,945
TOTAL ASSETS	218,366,858
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Refunding Charges	221,050
Deferred Pension Charges	15,898,004
Deferred Other Postemployment Benefit Charges	25,411,681
TOTAL DEFERRED OUTFLOWS OF RESOURCES	41,530,735
LIABILITIES	
Accounts Payable	1,413,360
Accrued Salaries and Benefits	3,363,118
Accrued Interest Payable	499,599
Due to Other Governments	376,049
Unearned Revenue	1,507,215
Short-Term General Obligation Bond Payable	270,000
Non-Current Liabilities:	
Long-Term Obligations - Due Within One Year	9,233,502
Long-Term Obligations - Due in More than One Year	45,341,134
Net Pension Liability - Due in More than One Year	98,673,620
Net Other Postemployment Benefit Liability - Due in More than One Year	81,329,655
TOTAL LIABILITIES	242,007,252
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	9,334,630
Deferred Other Postemployment Benefit Credits	38,808,289
TOTAL DEFERRED INFLOWS OF RESOURCES	48,142,919
NET POSITION	
Net Investment in Capital Assets	98,202,782
Restricted For:	
Debt Service	21,772,894
Student/Pupil Activities	1,308,924
Unrestricted	(151,537,178)
TOTAL NET POSITION	\$ (30,252,578)

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

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Primary Government Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 66,395,803	-	34,282,892	-	\$ (32,112,911)
Support Services	55,705,740	1,927,585	31,173,226	-	(22,604,929)
Community Services	26,467	-	10,299	-	(16,168.00)
Interest and Other Charges	1,386,846	-	-	-	(1,386,846)
TOTAL PRIMARY GOVERNMENT	\$ 123,514,856	1,927,585	65,466,417	-	(56,120,854)
General Revenues:					
Property Taxes Levied for General Purposes					41,323,741
Property Taxes Levied for Debt Service					7,939,824
Local Option Sales Tax					8,992,255
State Revenue in Lieu of Taxes					15,313,873
Investment Earnings					31,666
Miscellaneous					82,833
Gain on Disposal of Capital Assets					4,879
Total General Revenues					<u>73,689,071</u>
CHANGE IN NET POSITION					<u>17,568,217</u>
NET POSITION, Beginning of Year, As Previously Reported					(46,187,767)
Change in Accounting Principle - GASB #101 - Note I.B					(1,633,028)
NET POSITION, Beginning of Year, As Restated					<u>(47,820,795)</u>
NET POSITION, End of Year					<u>\$ (30,252,578)</u>

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

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2025

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
ASSETS			
Cash and Cash Equivalents	\$ 4,301,842	-	-
Cash and Cash Equivalents, Restricted	-	6,799	-
Cash and Cash Equivalents Held by County Treasurer	12,266,477	-	-
Receivables, Net:			
Taxes	1,623,208	-	-
Accounts	-	-	-
Other	3,930	-	-
Due From:			
State Agencies	182,450	-	-
Federal Agencies	-	2,522,667	-
Other Funds	25,415,453	215,143	1,504,424
Inventories	-	-	-
TOTAL ASSETS	\$ 43,793,360	2,744,609	1,504,424
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 1,400,408	5,126	1,283
Accrued Salaries and Benefits	3,116,451	124,326	96,303
Due To:			
Due to State Department of Education	-	80,411	295,638
Other Funds	1,719,567	-	-
Unearned Revenue	-	396,015	1,111,200
Short-Term General Obligation Bond Payable	-	-	-
TOTAL LIABILITIES	6,236,426	605,878	1,504,424
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue - Property Taxes	633,493	-	-
FUND BALANCES:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Student/Pupil Activities	-	1,308,924	-
Assigned for:			
Appropriated for Use in FY 2026 Budget	2,842,288	-	-
Board Approved Funds for Capital Projects	8,000,000	-	-
Special Education Programs	-	829,807	-
Unassigned	26,081,153	-	-
TOTAL FUND BALANCES	36,923,441	2,138,731	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 43,793,360	2,744,609	1,504,424

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

SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE - DISTRICT	DEBT SERVICE - FACILITIES CORPORATION	CAPITAL PROJECTS - DISTRICT	CAPITAL PROJECTS - FACILITIES CORPORATION	TOTAL GOVERNMENTAL FUNDS
-	-	-	-	-	\$ 4,301,842
5,630	-	1,242	-	13,281	26,952
-	53,693,337	-	-	-	65,959,814
-	301,104	-	-	-	1,924,312
9,334	-	-	-	-	9,334
4,436	-	-	-	-	8,366
-	725,020	-	-	-	907,470
1,566,427	-	-	-	-	4,089,094
-	-	-	28,445,991	-	55,581,011
326,086	-	-	-	-	326,086
1,911,913	54,719,461	1,242	28,445,991	13,281	\$ 133,134,281
1,359	-	-	5,184	-	\$ 1,413,360
26,038	-	-	-	-	3,363,118
-	-	-	-	-	376,049
3,476,695	32,178,210	-	18,206,539	-	55,581,011
-	-	-	-	-	1,507,215
-	270,000	-	-	-	270,000
3,504,092	32,448,210	-	18,211,723	-	62,510,753
-	137,469	-	-	-	770,962
326,086	-	-	-	-	326,086
-	22,133,782	1,242	-	-	22,135,024
-	-	-	10,234,268	13,281	10,247,549
-	-	-	-	-	1,308,924
-	-	-	-	-	2,842,288
-	-	-	-	-	8,000,000
-	-	-	-	-	829,807
(1,918,265)	-	-	-	-	24,162,888
(1,592,179)	22,133,782	1,242	10,234,268	13,281	69,852,566
1,911,913	54,719,461	1,242	28,445,991	13,281	\$ 133,134,281

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

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

JUNE 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 69,852,566
---	----------------------

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the governmental funds.	770,962
---	---------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$259,072,123, and the accumulated depreciation is \$118,258,535.	140,813,588
--	-------------

Deferred refunding charges are amortized over the lives of the bonds; however, in governmental accounting, deferred refunding charges are expenditures the year they are incurred.	221,050
--	---------

The 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 retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(92,110,246)
--	--------------

The District's proportionate shares of the net other postemployment benefit ("OPEB") liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State OPEB plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(94,726,263)
---	--------------

Accrued interest on the bonds in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(499,599)
---	-----------

Long-term liabilities, including bond premiums, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of the following:

Bonds	(49,054,000)	
Premium on Bonds	(2,805,150)	
Compensated Absences	<u>(2,715,486)</u>	<u>(54,574,636)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (30,252,578)</u></u>
---	--------------------------------------

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

(This page intentionally left blank.)

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	GENERAL	SPECIAL REVENUE	SPECIAL REVENUE - EIA
REVENUES			
Local Sources:			
Taxes	\$ 41,133,980	-	-
Investment Earnings	13,412	-	-
Other Local Sources	47,659	2,096,938	-
State Sources	53,856,593	861,852	9,852,363
Federal Sources	-	7,171,964	-
TOTAL REVENUES	95,051,644	10,130,754	9,852,363
EXPENDITURES			
Current:			
Instruction	58,652,527	4,961,511	2,414,180
Support Services	38,916,674	4,677,012	539,771
Community Services	-	26,467	-
Intergovernmental	18,915	93,211	-
Capital Outlay	6,389,433	233,493	15,712
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Bond Issuance Costs	-	-	-
TOTAL EXPENDITURES	103,977,549	9,991,694	2,969,663
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,925,905)	139,060	6,882,700
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	4,879	-	-
Transfers In	12,225,422	141,935	-
Transfers Out	(1,405,538)	(70,994)	(6,882,700)
TOTAL OTHER FINANCING SOURCES (USES)	10,824,763	70,941	(6,882,700)
NET CHANGES IN FUND BALANCES	1,898,858	210,001	-
FUND BALANCES, Beginning of Year	35,024,583	1,928,730	-
FUND BALANCES, End of Year	\$ 36,923,441	2,138,731	-

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

SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE - DISTRICT	DEBT SERVICE - FACILITIES CORPORATION	CAPITAL PROJECTS - DISTRICT	CAPITAL PROJECTS - FACILITIES CORPORATION	TOTAL GOVERNMENTAL FUNDS
-	7,895,162	-	-	-	\$ 49,029,142
-	-	18,254	-	-	31,666
373,052	9,004,108	-	-	-	11,521,757
-	499,361	-	-	-	65,070,169
8,539,662	-	-	-	-	15,711,626
8,912,714	17,398,631	18,254	-	-	141,364,360
-	-	-	-	-	66,028,218
9,193,369	-	-	11,209	-	53,338,035
-	-	-	-	-	26,467
-	-	-	-	-	112,126
97,564	-	-	6,181,316	-	12,917,518
-	5,776,000	2,140,000	-	-	7,916,000
-	1,706,469	603,825	-	6,231	2,316,525
-	61,938	5,100	-	-	67,038
9,290,933	7,544,407	2,748,925	6,192,525	6,231	142,721,927
(378,219)	9,854,224	(2,730,671)	(6,192,525)	(6,231)	(1,357,567)
-	-	-	-	-	4,879
378,219	-	2,730,362	6,415,520	-	21,891,458
-	(8,260,498)	-	(5,271,728)	-	(21,891,458)
378,219	(8,260,498)	2,730,362	1,143,792	-	4,879
-	1,593,726	(309)	(5,048,733)	(6,231)	(1,352,688)
(1,592,179)	20,540,056	1,551	15,283,001	19,512	71,205,254
(1,592,179)	22,133,782	1,242	10,234,268	13,281	\$ 69,852,566

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2025

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (1,352,688)
---	-----------------------

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.	234,424
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term obligations in the Statement of Net Position.	7,916,000
Deferred refunding charges are expenditures the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities. This is the net change in the current period.	(98,254)
Bond premiums are reflected as other financing sources in the governmental funds when they are received but are amortized over the lives of the bonds in the Statement of Activities. This amount is the difference between the premiums received and the amortization for the current period.	1,000,745
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 is the net change in accrued interest.	94,226
Changes in the District's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	6,028,109
Changes in the 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.	1,580,543
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.	(233,607)
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital asset additions of \$11,793,189 exceeded depreciation expense of \$9,394,470 in the current year.	2,398,719

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 17,568,217</u>
--	-----------------------------

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

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

The *Cherokee County School District, South Carolina* (the “District”), was formed in 1968 through the consolidation of three previous school districts in the county: Gaffney, Blacksburg, and Cherokee. The District is controlled by a Board of Trustees (the “Board”) which has oversight responsibility over public education in Cherokee County with a superintendent serving as the chief administrative officer. The District receives funding from local, state, and federal government sources, and must comply with the related requirements of these funding source entities. The District is governed by a nine-member Board.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The District's financial statements are prepared in accordance with generally accepted accounting principles 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 reporting principles. The more significant of the District’s accounting policies are described below.

All activities for which the Board exercises oversight responsibility have been incorporated into the financial statements to form the reporting entity. The District’s financial statements include the accounts of all District operations, including general operations and supporting services, food service operations, capital projects, and debt service activities.

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

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

Blended component units, although legally separate entities, are in substance part of the government's operations and data from these units are combined with data of the primary government in the financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the District. The District has one blended component unit (as discussed below) and no discretely presented component units.

Blended Component Unit

SCAGO Educational Facilities Corporation for Cherokee County School District, Inc. (“Facilities Corporation”) was incorporated as a nonprofit 501(c)(3) organization incorporated on April 11, 2006 for the educational and charitable purposes, specifically to 1) to acquire or lease real and/or personal property and develop, finance, construct, acquire, install and operate certain educational facilities to be used by the District and such other projects located in and for the benefit of the District as may be permitted by applicable law;

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

2) to acquire, by gift, lease or purchase, and to sell, lease, sublease, convey, assign, mortgage, pledge or otherwise encumber any property, real or personal, incidental to carrying out such projects; 3) to finance or refinance the costs of acquiring, constructing and installing such projects by the issuance and sale from time to time by the Issuer of its installment purchase revenue bonds in one or more series, or such other financing means as may be deemed necessary and desirable by the Issuer in accordance with applicable law; 4) to convey to the District title and exclusive possession and use of the applicable projects, including any additions to such projects, upon terms agreed upon between the Issuer and the District; 5) to carry on or engage in any other activities which the Issuer may deem necessary, proper or convenient in connection with the purposes hereinabove described; provided, however, that the Issuer must at all times be operated as a nonprofit corporation as provided in the Nonprofit Corporation Act; and 6) to exercise all the rights, privileges, powers, and immunities available to nonprofit corporations under the laws of the State.

The Facilities Corporation is governed at a minimum by five board members who are appointed by the South Carolina Association of Governmental Organization ("SCAGO"). Three of the board members are board members of SCAGO and the remaining two are appointed by the SCAGO Board, with the stipulation that the member must be a resident of geographic area of the District, unless compelling reasons justify an alternate appointment. The number of directors of the Facilities Corporation board may be increased or decreased, and the positions held by persons comprising directors may be modified, as may be determined from time to time by the majority vote of the members of the Board; provided however, in no event will the Board consist of less than five directors or more than ten directors. However, in all events, less than 50% of the members of the Issuer Board shall be representatives of or controlled by the District. Because the Facilities Corporation exclusively benefits the District, the Facilities Corporation financial information is blended with that of the District in these basic financial statements. Separate financial statements for the Facilities Corporation are not issued.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of activities of the District (the "Primary Government") and its component units. Interfund activity (except for interfund services provided and used between functions) has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not report any business-type activities.

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

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

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 has been received by the government.

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. 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 funds are used by the District:

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

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

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

- i) The **Special Revenue Fund, a major fund** and an unbudgeted fund, is used to account for financial resources provided by federal, state and local projects and grants (including pupil/student activity funds) that are restricted, committed or assigned for special educational programs or other special programs.

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- ii) The **Special Revenue - Education Improvement Act (“EIA”) Fund, a major fund** and an unbudgeted fund, is used to account for and report the restricted revenue from the South Carolina Education Improvement Act of 1984 (which is legally required by the state to be accounted for as a specific revenue source) which are restricted for specific programs authorized or mandated by EIA.
- iii) The **Special Revenue - Food Service Fund, a major fund** and an unbudgeted fund, is used to account for and report the financial resources received that are restricted for the cafeteria operations at school locations. These resources primarily consist of revenues received (a) from breakfast, lunch, and other food sales and (b) from the United States Department of Agriculture’s (“USDA”) approved school breakfast and lunch programs.

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

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

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

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

Change in Accounting Principle

The District adopted GASB Statement No. 101 “*Compensated Absences*” for the year ended June 30, 2025 (“GASB #101” or “Statement”). The objective of GASB #101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Under GASB #101, a government should generally recognize a compensated absence liability for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The adoption of GASB #101 had no impact on the District’s governmental fund financial statements but has resulted in the restatement of the District’s beginning net position for the year ended June 30, 2025 for its government-wide financial statements to reflect the reporting of compensated absences liability under this new methodology. Net position of the District’s government-wide financial statements as of July 1, 2024 was decreased by approximately \$1,633,000 reflecting the cumulative change in accounting principle related to the adoption of this Statement. See Notes I.C.6 and III.F in the notes to the financial statements for more information regarding the District’s compensated absences.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not money market mutual funds are reported as investments.

Cherokee County (the “County”) also holds cash and cash equivalents of the District which are property taxes, federal and state revenues, and other funds collected by the District’s fiscal agent that have not been remitted to the District. Currently, the County Treasurer invests the District funds primarily in demand deposit accounts (in the County’s name). The County Treasurer oversees investing all monies held by the County in accordance with State Investment Statutes and is responsible for maintaining adequate federal depository insurance and collateral for these deposits.

Investments

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

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

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

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

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

- Money market mutual funds ("MMMF") are generally open-ended funds that invest primarily in short term government debt securities that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

2. Restricted Assets

The District established certain accounts for assets restricted for specific purposes, typically by outside parties or legal agreement. Certain bond indentures 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; and (iii) bond proceeds to be used for construction purposes as required in the bond agreement.

3. Receivables and Payables

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

4. Inventories and Prepaid Items

Inventories

Inventories in the Special Revenue - Food Service Fund consist of purchased goods, supplies, and USDA commodities, which are stated at values assigned by the USDA. Under the system of accounting for inventories, materials and supplies are carried in an inventory account at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures/expenses when consumed rather than when purchased (consumption method).

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods but are generally recorded as an expenditure when purchased (purchase method) on the governmental funds financial statements. On the government-wide financial statements, prepaids are recorded on the consumption method if significant.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The capital asset system is updated for additions and retirements during the year. Donated capital assets are recorded at estimated acquisition value (as estimated by the District) at the date of donation. The District maintains individual and group purchase capitalization thresholds of \$5,000 and \$250,000, respectively, for furniture and equipment, vehicles, land improvements and buildings and improvements. The 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.

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

Description	Estimated Useful Lives
Buildings	40 years
Improvements	10-20 years
Furniture, Equipment and Vehicles	3-15 years

6. Compensated Absences

The District's 12-month employees earn vacation days at the rate of one day per month for a maximum of twelve days per year. Employees may accumulate a carryover a maximum of 30 days from year to year. Employees will not receive a lump sum payment for accumulated unused vacation days upon resignation, retirement, or termination from the District. All full-time employees of the District will accrue sick leave in varying amounts based on active months of service. Employees may accrue and carry over up to 120 days of sick leave. Sick leave can only be used for valid illness. Upon separation from the District, no sick leave balances will be paid out.

The District reports compensated absences in accordance with the provisions of GASB Statement No. 101 "*Compensated Absences*." Accumulated vacation days are accrued based on each employees current pay rate and expected usage. Sick leave is accrued based on the employees current pay rate and estimated future sick leave usage. The entire compensated absence liability and expense is reported on the government-wide financial statements. In addition, compensated absences are reported in governmental funds only if they have unused reimbursable leave still outstanding following an employee's resignation, retirement, or separation from the District. The District estimates what will be paid out related to its compensated absences liability based on a last-in first-out basis. The District reflects changes to its compensated absences liability each year on a net basis on its long-term obligation rollforward.

7. 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.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. *Accrued Liabilities and Long-Term Obligations (Continued)*

However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Long-term debt 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 and payable.

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, debt premiums are deferred and amortized over the life of the debt using the effective interest method. Amortization of premiums are included in interest expense. Long-term debt premiums are included with long-term debt and other long-term obligations. Debt issuance costs are expensed when incurred.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has three types of deferred outflows of resources: (1) The District reports *deferred refunding charges* in its Statements of Net Position. If material, deferred refunding charges, which is the difference between the reacquisition price and the net carrying amount of the defeased debt, are deferred and amortized over the life of the refunding debt, which has the same maturity as the debt that was refunded. Amortization of deferred refunding charges is included in interest expense. (2) The District 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. (3) The District reports *deferred other postemployment benefit ("OPEB") charges* in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has three types of deferred inflows of resources: (1) The District reports *unavailable revenue* for property taxes only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The District also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (3) The District reports *deferred OPEB credits* in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. *Fund Balance*

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

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

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 a resolution made by the Board, which is 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.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed and that such assignments are made before the report issuance date. At this time, the Board has not formally granted the right to make assignments of fund balance for the District to anyone other than itself. Assigned fund balance for the District consists of (a) motions approved by the Board before the report issuance date that are for a specific purposes or (b) appropriations of current fund balance (made in the annual budget process) for the succeeding budget year.

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

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

The District has formally adopted a minimum fund balance policy for its General Fund which requires the District to maintain a minimum of 60 days worth (16.67%) of the current year's budgeted General Fund expenditures with a goal of maintaining 90 days worth (25%) to be available as unassigned fund balance. The District exceeded the minimum fund balance policy for the year ended June 30, 2025.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Position

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

11. Pensions and Other Postemployment Benefits

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

12. Fair Value

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

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

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

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

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fair Value (Continued)

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

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

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

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

13. Accounting Estimates

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

14. Comparative Data

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

II. STEWARDSHIP AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets and formal budgetary integration are employed as management control devices during the year for the General Fund. The General Fund is the only fund with a legally adopted budget. Special revenue programs are managed by informal budgets and capital projects are budgeted on a long-term project basis, rather than annual appropriations. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District presents a formal General Fund budget to the Board of Trustees prior to year-end and the final budget is approved prior to July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Budgets are adopted on the modified accrual basis of accounting for the General Fund and are consistent with U.S. generally accepted accounting principles.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

II. STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The District's policies allow funds to be transferred between functions and objects. The Executive Director of Finance is authorized to transfer budgeted amounts within and among departments; however, the Board must approve any revisions that alter total expenditures.

Therefore, the legal level of budgetary control is at the fund level. The Board may authorize supplemental appropriations. There were no Board approved supplemental appropriations during the fiscal year. All appropriations for the General Fund lapse at fiscal year-end.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2025, none of the District's bank balances of approximately \$12,531,000 (which had a carrying value of approximately \$4,328,000 due to outstanding checks) were exposed to custodial credit risk.

As of June 30, 2025, the County held deposits of approximately \$65,960,000 on behalf of the District. The County Treasurer oversees investing all monies held by the County and is responsible for maintaining adequate federal depository insurance and collateral for these deposits.

Investments

As of June 30, 2025, the District had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating (2)	Fair Value	WAM
Money Market Mutual Fund	Level 1	AAAm,Aaa-mf	\$ 1,242	< 1 year

(1) See Note I.C.12 for details of the District's fair value hierarchy.

(2) If available, credit ratings are for Standard and Poor's and Moody's Investors Service.

WAM – Weighted Average Maturity

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

A. Deposits and Investments (Continued)

Investments (Continued)

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

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

Certain cash, cash equivalents and investments of the District are legally restricted for specified purposes. The major types of restrictions at June 30, 2025 were those imposed by the revenue source (i.e. debt proceeds, grants, etc.).

B. Property Taxes Receivable and Unavailable/Unearned Revenue

The County is responsible for levying and collecting sufficient property taxes to meet funding obligations for the District. This obligation is established each year by the Board and does not necessarily represent actual taxes levied or collected. 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 on October 1 based on an assessed value of approximately \$176.6 million (\$167.3 million in the prior year) at rates of 201.8 mills (same as the prior year) for the General Fund and an assessed value of approximately \$247.2 million (\$234.6 million in the prior year) at rates of 30.0 mills (same as the prior year) for the Debt Service Fund. These taxes are due without penalty through January 31. Penalties are added to taxes depending on the date paid as follows:

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

Current year real and personal taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of August 1 of the calendar year following the levy date. 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 of approximately \$1,924,000 includes an allowance for uncollectible amounts of approximately \$956,000 at June 30, 2025. Allowances for uncollectible amounts were not necessary for the other receivable accounts.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

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

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable revenue). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue). At June 30, 2025, the various components of unavailable/unearned revenue reported in the governmental funds were as follows:

Unavailable Revenue - Property Taxes - General Fund	\$ 633,493
Unavailable Revenue - Property Taxes - Debt Service - District Fund	137,469
Unearned Revenue from Special Revenue Funds	1,507,215
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 2,278,177</u>

C. Interfund Receivables and Payables

Interfund balances at June 30, 2025, consisted of the following individual fund receivables and payables:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 25,415,453	\$ 1,719,567
Special Revenue Fund	215,143	-
Special Revenue - EIA Fund	1,504,424	-
Special Revenue - Food Service Fund	-	3,476,695
Debt Service - District Fund	-	32,178,210
Capital Projects - District Fund	28,445,991	18,206,539
Totals	<u>\$ 55,581,011</u>	<u>\$ 55,581,011</u>

Most normal cash activities are pooled and recorded in the General Fund, and as a result, receivable and payables exist at year end that are either due to or due from the General Fund in the other funds. Various differences include Special Revenue payments not received from the State Department of Education until after the fiscal year-end and construction-related costs in the Capital Projects – District Fund. The receivable in the Capital Projects – District Fund and the payable in the Debt Service – District Fund is mostly due to the cash for the Capital Projects – District Fund being recorded/held in the Debt Service – District Fund (as these amounts are centralized and held by the County Treasurer).

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

D. Capital Assets

Capital asset activity for the District for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 2,767,461	7,501	-	-	\$ 2,774,962
Construction in Progress	3,225,674	6,914,632	-	(6,255,625)	3,884,681
Total Capital Assets, Non-Depreciable	<u>5,993,135</u>	<u>6,922,133</u>	<u>-</u>	<u>(6,255,625)</u>	<u>6,659,643</u>
Capital Assets, Depreciable:					
Buildings	165,596,600	-	-	5,640,891	171,237,491
Improvements Other Than Buildings	55,147,300	1,381,618	-	614,734	57,143,652
Furniture, Equipment, and Vehicles	20,589,953	3,489,438	(48,054)	-	24,031,337
Total Capital Assets Depreciable	<u>241,333,853</u>	<u>4,871,056</u>	<u>(48,054)</u>	<u>6,255,625</u>	<u>252,412,480</u>
Less: Accumulated Depreciation for:					
Buildings	73,428,398	3,915,681	-	-	77,344,079
Improvements Other Than Buildings	21,470,488	3,416,786	-	-	24,887,274
Furniture, Equipment, and Vehicles	14,013,233	2,062,003	(48,054)	-	16,027,182
Total Accumulated Depreciation	<u>108,912,119</u>	<u>9,394,470</u>	<u>(48,054)</u>	<u>-</u>	<u>118,258,535</u>
Total Capital Assets, Depreciable, Net	<u>132,421,734</u>	<u>(4,523,414)</u>	<u>-</u>	<u>6,255,625</u>	<u>134,153,945</u>
Governmental Activities Capital Assets, Net	<u>\$ 138,414,869</u>	<u>2,398,719</u>	<u>-</u>	<u>-</u>	<u>\$ 140,813,588</u>

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

	Capital Asset Additions	Depreciation Expense
Governmental Activities:		
Instruction	\$ 199,092	\$ 5,197,127
Support Services	11,594,097	4,197,343
Total	<u>\$ 11,793,189</u>	<u>\$ 9,394,470</u>

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

E. Short-Term Obligations

In May 2024, the District issued its Series 2024A General Obligation Bond (direct borrowing/placement) in the amount of \$329,000 for the purpose of making payments to SCAGO for a portion of the installments of purchase price due in fiscal year 2024 under the Facilities Agreement. This bond, including interest (4.50%) of approximately \$12,000, was repaid at maturity in February 2025.

In September 2024, the District issued its Series 2024B General Obligation Bond (direct borrowing/placement) in the amount of \$9,763,000 for the purpose of making payments to SCAGO for a portion of the installments of purchase price due in fiscal year 2025 under the Facilities Agreement, for payments related to Series 2017 AUSA and Series 2021 AUSA, and for future capital projects. This bond, including interest (5.00%) of approximately \$206,000, was repaid at maturity in February 2025.

In May 2025, the District issued its Series 2025A General Obligation Bond (direct borrowing/placement) in the amount of \$270,000 for the purpose of making payments to SCAGO for a portion of the installments of purchase price due in fiscal year 2025 under the Facilities Agreement. This bond, including interest (5.00%) of approximately \$11,000, will be repaid at maturity in March 2026.

Following is a summary of the changes in the District's short-term obligations for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Series 2024A General Obligation Bond	\$ 329,000	-	329,000	\$ -
Series 2024B General Obligation Bond	-	9,763,000	9,763,000	-
Series 2025A General Obligation Bond	-	270,000	-	270,000
Total Governmental Activities	<u>\$ 329,000</u>	<u>10,033,000</u>	<u>10,092,000</u>	<u>\$ 270,000</u>

F. Long-Term Obligations

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

Acquisition, Use, and Security Agreements ("AUSA") are typically associated with secured loans, often used in the context of business financing. These agreements outline the terms under which a lender provides funds to a borrower and includes provisions on how the debt is to be acquired, used, and secured. The District's AUSA are collateralized by modular units placed at multiple locations in the District. The lessor will not release individual assets from the collateral pools as the principal of the AUSA is paid down. Instead, the lessor and the District agree that lessor's collateral shall be reduced with each principal payment down to the amount of the outstanding principal balance plus any fees or amounts owned by the District under the AUSA. In the event of default or nonappropriation by the District, the lessor will be able to select, in its sole discretion, which equipment from the collateral pool – in a value up to the outstanding balance plus any fees or amounts owed by the District under the AUSA – shall be subject to the lessor's lien. The collateral is being depreciated where the modular units were installed, and therefore the net book value of these assets has not been determined. This debt is not subject to the 8% debt limit. The full faith, credit, and taxing powers of the District are not pledged for the payment of principal nor the interest thereon.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

F. Long-Term Obligations (Continued)

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

Each of the District's outstanding debt issues are either direct borrowings/placements ("DBP") or publicly traded ("PT"). The District's DBP debt are generally collateralized by the underlying capital assets and contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the District is unable to make payment (acceleration clauses) and (b) lender could exercise its option to demand return of the financed assets.

The District had the following outstanding long-term indebtedness at June 30, 2025:

- \$60,000,000 publicly traded GOB ("Series 2016A GOB") issued in March 2016 and due in annual principal installments ranging from \$1,425,000 to \$6,445,000 beginning March 1, 2017 through March 1, 2031 plus interest ranging from 2.0% to 5.0% due semi-annually on March 1st and September 1st. A premium of approximately \$8,116,000 was received and will be amortized over the life of the bonds. The Series 2016A GOB was part of the 2005 bond referendum ("Referendum") approved by Cherokee County voters authorizing the Board to issue GOB in a principal amount not to exceed \$89,000,000. The bond proceeds were used to fund construction and other capital items.
- \$13,000,000 direct borrowing/placement AUSA ("Series 2017 AUSA") issued in February 2017 and due in annual principal installments ranging from \$1,020,000 to \$2,324,000 beginning December 1, 2017 through December 1, 2025 plus interest at 1.989% due annually on December 1st. The debt proceeds were used to fund improvements and other capital items.
- \$3,000,000 direct borrowing/placement AUSA ("Series 2021 AUSA") issued in February 2021 and due in annual principal installments ranging from \$345,000 to \$691,000 beginning December 1, 2021 through December 1, 2026 plus interest at 1.24% due annually on December 1st. The debt proceeds were used to fund improvements and other capital items.

The IPRB and IPRRB were issued pursuant to a Facilities Agreement and Base Lease Agreement between the District and the Facilities Corporation. These agreements were authorized and approved by the Board of Trustees of the District in 2006. The Facilities Agreement permits the District to design, construct, renovate equip, furnish occupy and operate the facilities in exchange for the payment by the District on a semi-annual basis of installments of the purchase price of the facilities sufficient to pay the principal and interest on the IPRB and IPRRB as such amounts become due. By making each such payment of purchase price, the District acquires an undivided interest in the facilities. Upon the making of the final scheduled payment of purchase price under the Facilities Agreement, the District will have purchased all interest of Facilities Corporation in the facilities and will own the facilities outright. The District's obligations under the facilities agreement are from year to year only and do not constitute a mandatory payment obligation of the District in any fiscal year in which funds are not appropriated by the District to pay the installment payments of purchase price due in such fiscal year. However, the District would forfeit possession of the facilities for the remainder of the term of the lease if it did not make the payment to the Facilities Corporation.

The Facilities Corporation IPRB and/or IPRRB are not debt of the District; however, as the Facilities Corporation is blended with the operations of the District, the debt of the Facilities Corporation is included with the District's other obligations as required by GAAP.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

F. Long-Term Obligations (Continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

Long-Term Obligations	Type of Issuance	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:						
Debt:						
<u>District</u>						
Series 2016A GOB	PT	\$ 38,270,000	-	4,060,000	34,210,000	\$ 4,270,000
Series 2017 AUSA	DBP	2,418,000	-	1,197,000	1,221,000	1,221,000
Series 2021 AUSA	DBP	1,787,000	-	519,000	1,268,000	577,000
<u>Facilities Corporation</u>						
Series 2015 IPRRB	PT	14,495,000	-	2,140,000	12,355,000	2,245,000
Total Debt		<u>56,970,000</u>	<u>-</u>	<u>7,916,000</u>	<u>49,054,000</u>	<u>8,313,000</u>
Premiums:						
Premium on Series 2016A GOB		2,729,213	-	669,434	2,059,779	-
Premium on Series 2015 IPRRB		1,076,682	-	331,311	745,371	-
Total Premiums		<u>3,805,895</u>	<u>-</u>	<u>1,000,745</u>	<u>2,805,150</u>	<u>-</u>
Total Net Debt		60,775,895	-	8,916,745	51,859,150	8,313,000
Compensated Absences *		2,481,879	233,607	-	2,715,486	920,502
Total Governmental Activities		<u>\$ 63,257,774</u>	<u>233,607</u>	<u>8,916,745</u>	<u>54,574,636</u>	<u>\$ 9,233,502</u>

* The District implemented GASB #101 which resulted in the beginning balance for compensated absences being restated. See Note I.B for more details.

The Debt Service Funds have primarily been used to service all debt service of the District. Payments for the District's compensated absences and other long-term liabilities associated with its participation in the State retirement and OPEB plans (see Note IV.A and Note IV.B) are paid from the various funds for which the employees' salaries are charged (i.e. General Fund, Special Revenue Fund, Special Revenue – EIA Fund, and Special Revenue – Food Service Fund).

Section 15 of Article X of the South Carolina State Constitution allows Districts to incur a legal debt limit not to exceed eight percent of the assessed value of all taxable property in the District, unless approved by a majority vote in a referendum authorized by law. At June 30, 2025, the District's assessed property valuation for the Debt Service Fund was approximately \$247,175,000, and the legal debt limit was approximately \$19,774,000, of which the District had \$270,000 outstanding debt (short-term debt) subject to this limit at June 30, 2025.

Interest paid on most of the debt issued by the District is exempt from federal income tax. The District sometimes temporarily reinvests the proceeds of such tax-exempt debt in materially higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government on the fifth anniversary of the issuance of the tax-exempt debt and every five years, thereafter, until the debt has been repaid, in accordance with the arbitrage regulations. As of June 30, 2025, the District does not have any significant positive arbitrage on any of its outstanding indebtedness.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

F. Long-Term Obligations (Continued)

The annual debt service requirements to maturity for long-term indebtedness at June 30, 2025 are as follows:

Years Ended June 30	Publicly Traded		Direct Borrowing/Placement		Totals
	Principal	Interest	Principal	Interest	
2026	\$ 6,515,000	1,785,400	1,798,000	40,009	\$ 10,138,409
2027	7,905,000	1,466,775	691,000	8,568	10,071,343
2028	8,205,000	1,189,925	-	-	9,394,925
2029	8,560,000	834,125	-	-	9,394,125
2030	8,935,000	486,388	-	-	9,421,388
2031	6,445,000	193,350	-	-	6,638,350
Totals	<u>\$ 46,565,000</u>	<u>5,955,963</u>	<u>2,489,000</u>	<u>48,577</u>	<u>\$ 55,058,540</u>

G. Transfers In and Out

Transfers between funds for the year ended June 30, 2025, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 12,225,422	\$ 1,405,538
Special Revenue Fund	141,935	70,994
Special Revenue - EIA Fund	-	6,882,700
Special Revenue - Food Service Fund	378,219	-
Debt Service - District Fund	-	8,260,498
Debt Service - Facilities Corporation Fund	2,730,362	-
Capital Projects - District Fund	6,415,520	5,271,728
Totals	<u>\$ 21,891,458</u>	<u>\$ 21,891,458</u>

During the course of normal operations, the District has transactions between funds to fund construction activities, service debt, required matches, supplemental funding, and accounting practice. These transactions are generally reflected as transfers. Funds were transferred into the General Fund from the Special Revenue Fund and the Special Revenue – EIA Fund to cover EIA State Aid to Classrooms and indirect costs for federal programs. Funds were transferred into the General Fund from the Capital Projects - District Fund for various capital projects. The District's General Fund had transfers to the Special Revenue Fund to support other special programs and to the Capital Projects - District Fund to pay for capital projects. The District's General Fund had a transfer to the Special Revenue - Food Service Fund to cover a portion of fringe benefits for food service. The Debt Service – District Fund transfers out were for debt service payments and to distribute bond proceeds for capital projects.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION

A. Retirement Plans

The District participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to the SCRS to newly hired state, public higher education institution and public school district employees, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. The PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

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 and other benefits to police officers and firefighters. The PORS also covers peace officers, coroners, probate judges, and magistrates.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. 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 first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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 the SCRS, newly hired state, public school and higher education employees, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012 have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as the SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to the SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by the 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; be a coroner in a full-time permanent position; or be 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 the PORS. Magistrates are required to participate in the 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. 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.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, the SCRS and PORS (“Plans”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9.00 percent for the SCRS and 9.75 percent for the PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both the SCRS and PORS until reaching 18.56 percent for the SCRS and 21.24 percent for the PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified the statute such that the employer contribution rates for the SCRS and PORS can be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of the SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plans. Finally, under the revised statute, the contribution rates for the SCRS and PORS may not be decreased until the Plans are at least 85 percent funded.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Plan Contributions (Continued)

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

	SCRS and State ORP Rates	PORS Rates
	2025	2025
Employer Contribution Rate: ^		
Retirement*	18.41%	20.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	18.56%	21.24%
Employee Contribution Rate ^	9.00%	9.75%

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

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

The actual and required contributions to the SCRS, ORP, and PORS were approximately \$11,128,000, \$197,000, and \$50,000, respectively, for the year ended June 30, 2025 and include the nonemployer contributions noted below.

Nonemployer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2025. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2025 were approximately \$520,000 and \$1,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the District's governmental fund financial statements.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of the plan 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 regarding the net pension liability 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 GASB No. 67 valuation report prepared as of June 30, 2024 is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023 and will be used for future valuations.

The June 30, 2024 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2023. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions for any of the systems.

The following tables provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2024 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-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 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity	9.0%	9.60%	0.86%
Private Debt	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real Estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
Total Expected Real Rate of Return	100.0%		5.49%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.74%

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

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2024 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 61,369,806,968	37,919,492,371	\$ 23,450,314,597	61.8%
PORS	\$ 10,177,904,231	7,178,118,865	\$ 2,999,785,366	70.5%

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

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

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2025, the District reported liabilities of approximately \$98,300,000 and \$374,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2024, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2023 that was projected forward to the measurement date. The District's proportion of the NPL were based on a projection of the District's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2024 measurement date, the District's SCRS proportion was 0.419183 percent, which was a decrease of 0.011306 from its proportion measured as of June 30, 2023. At the June 30, 2024 measurement date, the District's PORS proportion was 0.012462 percent, which was a decrease of 0.000170 from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of approximately \$5,254,000 and \$90,000 for the SCRS and PORS, respectively. At June 30, 2025, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 3,230,479	\$ 121,996
Change in Assumptions	1,733,008	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,787,519
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	-	5,398,328
Employer Contributions Subsequent to the Measurement Date	10,804,738	-
Total SCRS	<u>15,768,225</u>	<u>9,307,843</u>
PORS		
Differences Between Expected and Actual Experience	35,106	2,143
Change in Assumptions	8,139	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	20,958
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	37,501	3,686
Employer Contributions Subsequent to the Measurement Date	49,033	-
Total PORS	<u>129,779</u>	<u>26,787</u>
Total SCRS and PORS	<u>\$ 15,898,004</u>	<u>\$ 9,334,630</u>

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

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

Approximately \$10,805,000 and \$49,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2026	\$ (4,804,057)	29,559	\$ (4,774,498)
2027	2,019,173	28,038	2,047,211
2028	(564,835)	1,902	(562,933)
2029	(994,637)	(5,540)	(1,000,177)
Total	<u>\$ (4,344,356)</u>	<u>53,959</u>	<u>\$ (4,290,397)</u>

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina 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 TPL.

Sensitivity Analysis

The following table presents the sensitivity of the District's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability of the SCRS	\$ 127,385,435	98,299,801	\$ 71,514,235
District's proportionate share of the net pension liability of the PORS	541,592	373,819	236,404
Total	<u>\$ 127,927,027</u>	<u>98,673,620</u>	<u>\$ 71,750,639</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS and PORS. The ACFR is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plans

The PEBA is the state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts, and retirement systems. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of the PEBA. By law, the SFAA also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits ("OPEB"). See Note IV.A for more details on the PEBA and the SFAA.

For purposes of measuring the net OPEB liability ("NOL"), deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

The PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB trust funds. This information is publicly available through the PEBA – Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB trust fund financial information is also included in the Annual Comprehensive Financial Report of the state.

Plan Descriptions

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

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

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

Plan Benefits

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

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

Plan Benefits (Continued)

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability. Since the employer contribution/premium paid and the proportionate share of the NOL and related deferred outflows and inflows of resources related to the SCLTDITF are not material to the District, no SCLTDITF OPEB amounts have been recorded in these financial statements and only limited note disclosures have been provided related to these benefits.

Plan Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through nonemployer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Nonemployer contributions may consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2024 was 6.35 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Nonemployer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves. However, due to the COVID-19 pandemic and the impact it has had on the PEBA – Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income.

The covered payroll surcharge rate for the year ended June 30, 2025 was 6.35% and was calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws. The actual and required contributions to the SCRHITF were approximately \$3,914,000 for the year ended June 30, 2025.

The State (via state appropriations) and the PEBA – Insurance Benefits (via state statute to transfer amounts above 140% of incurred but not reported claims) contributed to the SCRHITF on behalf of the District approximately \$12,000 for the year ended June 30, 2024 (measurement period). The contributions from these nonemployer contributing entities were not significant for the year ended June 30, 2025 and thus were not recognized in the District's governmental fund financial statements.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective NOL arising from contributions to the OPEB plan during the measurement period from nonemployer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of the District's Proportionate Share of the Net OPEB Liability and the Schedule of the District's Contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about the District's NOL, funded status of the OPEB Plan, and the District's contributions to the OPEB Plan.

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

The total OPEB liability ("TOL"), NOL, and sensitivity information were determined by the consulting actuary and are based on the June 30, 2023 actuarial valuation. The TOL was rolled-forward from the valuation date to the OPEB plan's fiscal year ended June 30, 2024 using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used in the latest valuation for the SCRHITF:

Valuation Date:	June 30, 2023
Actuarial Cost Method:	Individual Entry - Age Normal
Actuarial Assumptions:	
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of plan investment expense (including inflation)
Single Discount Rate:	3.97% as of June 30, 2024
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ending June 30, 2019
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with multipliers based on plan experience; the rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.
Health Care Trend Rate:	Initial trend starting at 6.50% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Participation Assumption:	79% for retirees who are eligible for funded premiums 59% for retirees who are eligible for partial funded premiums 20% for retirees who are eligible for non-funded premiums
Notes:	The single discount rate changed from 3.86% as of June 30, 2023 to 3.97% as of June 30, 2024.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of returns represents 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 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. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
US Domestic Fixed Income	80.0%	0.95%	0.76%
Cash equivalents	20.0%	0.35%	0.07%
Total	100.0%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			2.75%

Single Discount Rate

The Single Discount Rate of 3.97% was used to measure the TOL for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the SCRHITF'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).

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

The NOL is calculated separately for each system and represents that particular system's TOL determined in accordance with GASB No. 74 less its fiduciary net position. NOL totals, as of the June 30, 2024 measurement date for the SCRHITF, are presented in the following table:

System	Total OPEB Liability	OPEB Plan Fiduciary Net Position	Net OPEB Liability (Asset)	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 17,894,389,610	1,772,587,512	\$ 16,121,802,098	9.91%

The TOL is calculated by PEBA's actuary, and the fiduciary net position is reported in the PEBA's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the PEBA's notes to the financial statements and required supplementary information. Liability calculations performed by the PEBA's actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 are not applicable for other purposes, such as determining the OPEB Plans' funding requirements.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

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

At June 30, 2025, the District reported a liability of approximately \$81,330,000 for its proportionate share of the NOL for the SCRHITF. The NOL was measured as of June 30, 2024, and the TOL for the SCRHITF used to calculate the NOL was determined based on the most recent actuarial valuation report of June 30, 2023 that was projected forward to the measurement date. The District's proportion of the NOL was based on a projection of the District's long-term share of contributions to the SCRHITF relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2024 measurement date, the District's proportion was 0.504470 percent, which was a decrease of 0.019688 from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized OPEB income of approximately \$1,545,000 for the SCRHITF. At June 30, 2025, the District reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,227,716	\$ 12,037,335
Change in Assumptions	17,418,760	16,699,542
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	396,698	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	-	10,071,412
Employer Contributions Subsequent to the Measurement Date	3,368,507	-
Total	<u>\$ 25,411,681</u>	<u>\$ 38,808,289</u>

Approximately \$3,369,000 that was reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date (which includes an adjustment for an implicit subsidy) to the SCRHITF, will be recognized as a reduction of the NOL in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the SCRHITF will increase (decrease) OPEB expense as follows:

Year Ended June 30,	Increase (Decrease) OPEB Expense
2026	\$ (3,245,102)
2027	(3,443,932)
2028	(5,091,074)
2029	(5,620,115)
2030	(625,672)
Thereafter	1,260,780
Total	<u>\$ (16,765,115)</u>

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

Sensitivity Analysis

The following table presents the sensitivity of the District's NOL for the SCRHITF to changes in the discount rate, calculated using the discount rate of 3.97%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.97%) or 1% point higher (4.97%) than the current rate:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB Liability	\$ 96,544,488	81,329,655	\$ 69,150,367

The following table presents the sensitivity of the District's NOL to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 6.50% decreasing to 4.25%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.50% decreasing to 3.25%) or 1% point higher (7.50% decreasing to 5.25%) than the current rate:

	1% Decrease (5.50% decreasing to 3.25%)	Current Healthcare Cost Trend Rate (6.50% decreasing to 4.25%)	1% Increase (7.50% decreasing to 5.25%)
Net OPEB Liability	\$ 66,878,339	81,329,655	\$ 100,073,776

OPEB Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the OPEB Plans administered by the PEBA is available in the separately issued financial statements and required supplementary information for the South Carolina Public Employee Benefit Authority, Insurance Benefits and Other Post Employment Benefits Trust Funds. This information is publicly available through the Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223.

C. Grants

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

D. Risk Management

The 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 District carries insurance for workers' compensation, property and casualty losses. There has been no reduction in insurance coverage as compared to the previous year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

IV. OTHER INFORMATION (CONTINUED)

E. Commitments and Contingencies

Litigation

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

Construction Commitments

As of June 30, 2025, the District had outstanding construction commitments of approximately \$7,172,000 primarily related to Gaffney High School softball and baseball fields and the Blacksburg High School softball and baseball fields.

F. Tax Abatements

The District does not have any of its own tax abatement agreements. The District's property tax revenues were reduced by approximately \$8,740,000 under agreements entered into by Cherokee County, South Carolina.

G. Subsequent Event

In September 2025, the District issued its Series 2025B General Obligation Bond in the amount of \$10,922,000 for the purpose of paying a portion of the Facilities Corporation purchase price installments, capital needs of the District, and issuance costs. The bond, including interest at 5.00%, is due at maturity on March 2, 2026.

Required Supplementary Information

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETS AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 35,119,524	35,119,524	41,133,980	\$ 6,014,456
Investment Earnings	-	-	13,412	13,412
Other Local Sources	121,344	121,344	47,659	(73,685)
State Sources	52,731,659	52,731,659	53,856,593	1,124,934
TOTAL REVENUES	87,972,527	87,972,527	95,051,644	7,079,117
EXPENDITURES				
Current:				
Instruction	61,181,791	61,181,791	58,652,527	2,529,264
Support Services	39,075,742	39,075,742	38,916,674	159,068
Intergovernmental	30,000	30,000	18,915	11,085
Capital Outlay	58,235	58,235	6,389,433	(6,331,198)
TOTAL EXPENDITURES	100,345,768	100,345,768	103,977,549	(3,631,781)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,373,241)	(12,373,241)	(8,925,905)	3,447,336
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	4,879	4,879
Transfers In	7,510,183	7,510,183	12,225,422	4,715,239
Transfers Out	(75,000)	(75,000)	(1,405,538)	(1,330,538)
TOTAL OTHER FINANCING SOURCES (USES)	7,435,183	7,435,183	10,824,763	3,389,580
NET CHANGES IN FUND BALANCES	(4,938,058)	(4,938,058)	1,898,858	6,836,916
FUND BALANCE, Beginning of Year	35,024,583	35,024,583	35,024,583	-
FUND BALANCES, End of Year	\$ 30,086,525	30,086,525	36,923,441	\$ 6,836,916

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

Note: The District's original and final budget reflected an expected use of fund balance of approximately \$4,938,000.

Note: The District's actual expenditures exceeded the budget due to unbudgeted capital outlay. The District elected not to amend the budget.

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District 's Proportion of the Net Pension Liability	0.419183%	0.430489%	0.448108%	0.481744%	0.487184%	0.493551%	0.507040%	0.513360%	0.522420%	0.533690%
District's Proportionate Share of the Net Pension Liability	\$ 98,299,801	104,081,276	108,630,934	104,255,633	124,484,043	112,698,040	113,611,913	115,564,557	111,588,782	\$ 101,216,123
District's Covered Payroll	\$ 57,987,515	54,734,694	53,715,147	54,861,268	54,697,453	52,642,966	52,911,558	52,081,056	50,958,201	\$ 50,436,892
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.52%	190.16%	202.24%	190.04%	227.59%	214.08%	214.72%	221.89%	218.98%	200.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.79%	58.65%	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 11,324,594	10,693,246	9,558,024	8,837,797	8,473,833	8,455,904	7,608,527	7,124,915	5,982,458	\$ 5,594,611
Contributions in Relation to the Contractually Required Contribution:										
Contributions from the District	10,804,739	10,173,391	9,038,169	8,317,942	7,953,978	7,936,049	7,088,672	6,605,060	5,982,458	5,594,611
Contributions from the State	519,855	519,855	519,855	519,855	519,855	519,855	519,855	519,855	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
District's Covered Payroll	\$ 61,407,421	57,987,515	54,734,694	53,715,147	54,861,268	54,697,453	52,642,966	52,911,558	52,081,056	\$ 50,958,201
Contributions as a Percentage of Covered Payroll	18.44%	18.44%	17.46%	16.45%	15.45%	15.46%	14.45%	13.47%	11.49%	10.98%

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District 's Proportion of the Net Pension Liability	0.012462%	0.012632%	0.011819%	0.007798%	0.006695%	0.006434%	0.006090%	0.005800%	0.005610%	0.005660%
District's Proportionate Share of the Net Pension Liability	\$ 373,819	384,524	354,451	200,637	222,022	184,338	172,586	158,758	142,296	\$ 123,316
District's Covered Payroll	\$ 245,801	221,321	179,988	114,421	97,803	93,319	84,307	78,033	71,501	\$ 70,092
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	152.08%	173.74%	196.93%	175.35%	227.01%	197.54%	204.71%	203.45%	199.01%	175.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.53%	67.79%	66.45%	70.37%	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 49,768	52,208	44,795	34,080	20,870	17,839	16,088	13,692	11,112	\$ 9,824
Contributions in Relation to the Contractually Required Contribution:										
Contributions from the District	49,033	51,473	44,060	33,345	20,135	17,104	15,353	12,957	11,112	9,824
Contributions from the State	735	735	735	735	735	735	735	735	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
District's Covered Payroll	\$ 234,313	245,801	221,321	179,988	114,421	97,803	93,319	84,307	78,033	\$ 71,501
Contributions as a Percentage of Covered Payroll	21.24%	21.24%	20.24%	18.93%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2025	2024	2023	2022	2021	2020	2019	2018
District's Proportion of the Net OPEB Liability	0.504470%	0.524158%	0.548329%	0.559801%	0.594448%	0.602848%	0.614536%	0.618523%
District's Proportionate Share of the Net OPEB Liability	\$ 81,329,655	68,620,072	83,410,937	116,568,375	107,306,463	91,159,808	87,083,346	\$ 83,777,927
District's Covered Payroll	\$ 58,233,316	54,956,015	53,895,135	54,975,689	54,795,256	52,727,116	52,995,865	\$ 52,159,090
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	139.7%	124.9%	154.8%	212.0%	195.8%	172.9%	164.3%	160.6%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.9%	11.2%	9.6%	7.5%	8.4%	8.4%	7.9%	7.6%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year (measurement date).
The District adopted GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.
The discount rates used by year were as follows:

3.97%	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.56%
-------	-------	-------	-------	-------	-------	-------	-------

CHEROKEE COUNTY SCHOOL DISTRICT
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 3,914,250	3,697,816	3,434,751	3,368,446	3,435,981	3,424,704	3,189,806	\$ 2,914,773
Contributions in Relation to the Contractually Required Contribution	3,914,250	3,697,816	3,434,751	3,368,446	3,435,981	3,424,704	3,189,806	2,914,773
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	\$ -
District's Covered Payroll	\$ 61,641,734	58,233,316	54,956,015	53,895,135	54,975,689	54,795,256	52,727,116	\$ 52,995,865
Contributions as a Percentage of Covered Payroll	6.35%	6.35%	6.25%	6.25%	6.25%	6.25%	6.05%	5.50%

Notes to Schedule:

The District adopted GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.
The above amounts exclude any adjustments for implicit subsidies made by the District.

APPENDIX B

FORM OF BOND COUNSEL OPINION

(Date of Delivery)

Board of Trustees
Cherokee School District No. 1 of
Cherokee County, South Carolina
Gaffney, South Carolina

CHEROKEE SCHOOL DISTRICT NO. 1 OF CHEROKEE COUNTY, SOUTH CAROLINA
[GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2026A]
[GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026B]
\$ _____

We have served as bond counsel for Cherokee School District No. 1 of Cherokee County, South Carolina (the "School District") in connection with the issuance of [\$ _____ General Obligation Refunding and Improvement Bonds, Series 2026A] [\$ _____ General Obligation Refunding Bonds, Series 2026B] dated _____, 2026 (the "Bonds"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

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

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

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

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

1. The Bonds have been authorized and executed by the School District and are valid and binding general obligations of the School District.

2. The School District has power and is obligated to cause to be levied and collected annually a tax, without limit, on all taxable property in the School District sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary [therefor][to provide for the prompt payment thereof].

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The School District has covenanted to comply with the requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

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

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

Very truly yours,

BURR & FORMAN LLP

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Cherokee School District No. 1 of Cherokee County, South Carolina (the “School District”) in connection with the issuance of its \$_____ [General Obligation Refunding and Improvement Bonds, Series 2026A] [General Obligation Refunding Bonds Series 2026B] (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the School District (the “Resolution”). The School District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the School District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean the School District or any successor Dissemination Agent designated in writing by the School District and which has filed with the School District a written acceptance of such designation.

“Financial Obligation” is defined by the Rule as and for purposes of this Disclosure Certificate shall mean (1) a debt obligation, (2) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (3) a guarantee of either of the foregoing; provided, however, that a “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” shall mean for purposes of the Rule, the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean _____ and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Depository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Depository” shall mean any public or private repository or entity designated by the State of South Carolina as a state depository for the purpose of the Rule. As of the date of this Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) The School District shall, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 2027, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the School District shall provide the Annual Report to the Dissemination Agent, if other than the School District; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the School District may be included in such Annual Report in lieu thereof, and the School District shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report.

(b) If the School District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the School District shall send a notice to the Repository, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and

(2) if the Dissemination Agent is other than the School District, file a report with the School District and (if the Dissemination Agent is not the Registrar) the Registrar certifying whether the Annual Report has been provided pursuant to this Disclosure Certificate, and, if provided, stating the date it was provided, and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information) applicable to governmental entities such as the School District, and shall, in addition, contain or incorporate by reference the following information relating to the most recently completed fiscal year:

- (a) School District enrollment;
- (b) Total state appropriations subject to withholding under Article X, Sec. 15, South Carolina Constitution;
- (c) Funding under Aid to Classrooms Program and Education Improvement Act;
- (d) Outstanding Indebtedness of the School District;
- (e) Assessed Value of Taxable Property in the School District;
- (f) Assessed and Estimated Actual Value of Taxable Property in the School District;
- (g) Tax collections for the School District; and
- (h) Ten largest taxpayers for the School District.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the School District is an "obligated person"

(as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the National Repository. The School District shall clearly identify each such other document so incorporated by reference. If any of the information included in paragraphs (a) through (h) above becomes unavailable to the School District due to actions or inactions taken by a third party provider of such information, then the School District shall be required to include in its Annual Report an explanation of why the information has become available, but will not be required to send a notice to the Repository as described in 3(b) hereof.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the School District shall give, or cause to be given, notice of the occurrence of any of the following events (the “Listed Events”) with respect to the securities being offered:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (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 security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Tender offers;
- (10) Defeasances;
- (11) Release, substitution, or sale of property securing repayment of the securities;
- (12) Rating changes;
- (13) Bankruptcy, insolvency, receivership or similar event of the School District;
- (14) The consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District 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;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee;
- (16) Incurrence of a Financial Obligation of the School District; or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect security holders; and
- (17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties.

(b) Whenever the School District obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), (15) or (16) above, the School District shall as soon as possible determine if such event would be material under applicable federal securities laws. If the School District determines that knowledge of the occurrence of such event would be material under applicable

federal securities laws, the School District shall promptly, and no later than ten business days after the occurrence of the event, file a notice of such occurrence with the Repository.

(c) Whenever the School District obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), (13) or (17) above, the School District shall promptly, and no later than ten business days after the occurrence of the event, file a notice of such occurrence with the Repository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District 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 School District, 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 School District.

SECTION 6. Termination of Reporting Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Bond.

SECTION 7. Dissemination Agent. The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the School District.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the School District, to the effect that such amendment or waiver 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.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School District chooses to include any information in any notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the School District shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School District, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the School District, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The provisions of this Section 11 shall apply if the School District is not the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Dissemination Agent, the Participating Underwriter, and holders from time to time of the Bonds and shall create no rights in any other person or entity.

CHEROKEE SCHOOL DISTRICT NO. 1 OF
CHEROKEE COUNTY, SOUTH CAROLINA

By: _____
District Superintendent

Dated: _____, 2026

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of School District: Cherokee School District No. 1 of Cherokee County, South Carolina

Name of Bond Issue: \$_____ [General Obligation Refunding and Improvement Bonds, Series 2026A] General Obligation Refunding Bonds, Series 2026B]
Cherokee School District No. 1 of Cherokee County, South Carolina

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that Cherokee School District No. 1 of Cherokee County, South Carolina (the "School District") has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the School District as Dissemination Agent. The School District has notified us in writing that the Annual Report will be filed by _____.

Dated: _____

CHEROKEE SCHOOL DISTRICT NO. 1 OF
CHEROKEE COUNTY, SOUTH CAROLINA