

**NEW ISSUE  
BOOK-ENTRY-ONLY**

**RATING: Moody's Investors Service: "Aa3"  
(See "Rating" Herein)**

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

**OFFICIAL STATEMENT  
Relating to the Issuance of  
\$19,125,000 GENERAL OBLIGATION BONDS, SERIES 2017  
OF NEWBERRY COUNTY, SOUTH CAROLINA**

The General Obligation Bonds, Series 2017 (the "Bonds"), will be general obligation bonds of Newberry County, South Carolina (the "County"), and as such the full faith, credit, resources and taxing power of the County will be irrevocably pledged for the payment thereof. See "THE BONDS - Security" herein.

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

The Bonds will be dated April 27, 2017, the date of delivery, and will mature serially on November 1, 2017 and on May 1 in each of the years and in the principal amounts and bear interest at the rates shown below. Interest on the Bonds is first payable on November 1, 2017 and semiannually thereafter on each May 1 and November 1 until the Bonds are paid in full. The Bonds are not subject to redemption prior to maturity.

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Price</u>
11/01/2017	\$2,015,000	5.00%	102.096%
5/01/2018	1,235,000	4.00	103.072
5/01/2019	1,525,000	4.00	105.814
5/01/2020	2,600,000	5.00	111.110
5/01/2021	2,725,000	5.00	114.120
5/01/2022	2,865,000	5.00	116.572
5/01/2023	3,005,000	5.00	118.655
5/01/2024	3,155,000	5.00	120.623

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

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

**HILLTOP SECURITIES**

This Official Statement is dated April 17, 2017.

**DTC Bond**

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

NEWBERRY COUNTY, SOUTH CAROLINA

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COUNTY COUNCIL

Henry Livingston, Chairman  
Kirksey Koon, Vice Chairman  
Edgar Baker  
John Caldwell  
Dr. Harriet L. Rucker  
Steve Stockman  
William D. Waldrop

STAFF

Wayne Adams, County Administrator  
Debbie Cromer, Finance Director

COUNTY ATTORNEY

A.J. Tothacer, Jr., Esquire  
Newberry, South Carolina

BOND COUNSEL

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

FINANCIAL ADVISOR

Compass Municipal Advisors, LLC  
Columbia, South Carolina

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APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2016

APPENDIX B – FORM OF BOND COUNSEL OPINION

APPENDIX C – FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT PURSUANT TO RULE 15c2-12

## **INTRODUCTION**

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

### **The Issuer**

The \$19,125,000 General Obligation Bonds, Series 2017 (the “Bonds”), are being issued by Newberry County, South Carolina (the “County”), a body politic and corporate and a political subdivision of the State of South Carolina.

### **The Bonds**

The Bonds will be general obligation bonds of the County; will be issuable in fully registered form and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”); will be dated as of April 27, 2017, the date of delivery, and will bear interest from their dated date at the rates shown on the front cover hereof. Interest on the Bonds shall be payable initially on November 1, 2017 and semiannually thereafter on May 1 and November 1 of each year until they respectfully mature. The Bonds will mature serially in successive annual installments on November 1, 2017 and on May 1 in each of the years 2018 through 2024, inclusive, all as set forth on the front cover hereof. The Bonds are not subject to redemption prior to their stated maturities. See “THE BONDS” for further information.

### **Purpose of the Bonds**

The Bonds are issued for the purpose of providing funds to construct certain improvements within the County as approved by a referendum held on November 8, 2016( the “2016 Referendum”) pursuant to the Capital Project Sales Tax Act, Sections 4-10-300 *et seq.*, Code of Laws of South Carolina, 1976, as amended (the “Sales Tax Act”).

### **Tax Status of Interest on the Bonds**

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

### **Professionals Involved in the Offering**

Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, is acting as Bond Counsel in connection with the issuance of the Bonds and Compass Municipal Advisors, LLC, Columbia, South Carolina, is serving as Financial Advisor to the County for the purpose of this matter. Branch Banking and Trust Company, Wilson, North Carolina will serve as the Registrar/Paying Agent for the Bonds.

## **Independent Auditors**

The financial statements of the County for the fiscal years ended June 30, 2012 through June 30, 2016 have been audited by Rish and Enzastiga, Certified Public Accountants, Lexington, South Carolina. A copy of the basic financial statements of the County for the year ended June 30, 2016 is attached to this Official Statement as Appendix A. Copies of complete audited financial statements for the year ended June 30, 2016 and prior years are available for inspection at the County offices and are also available online at [www.newberrycounty.net](http://www.newberrycounty.net).

## **Authorization for the Bonds**

The Bonds are issued pursuant to Article X, Section 14(6) of the Constitution of the State of South Carolina, 1895, as amended; certain portions of the Code of Laws of South Carolina, 1976, as amended (the "SC Code"), including the Capital Project Sales Tax Act, Sections 4-10-300 *et seq.* of the SC Code (the "Sales Tax Act"), Sections 4-15-10 *et seq.* of the SC Code (the "County Bond Act"), Sections 11-15-410 *et seq.* of the SC Code, and the 2016 Referendum.

An ordinance (the "Bond Ordinance") authorizing the issuance of the Bonds was adopted by the County Council of the County on March 1, 2017.

## **Information Concerning Terms of the Offering**

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

## **General**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. Copies of the Preliminary Official Statement, the Official Statement, the Bond Ordinance, and related documents and information are available by contacting Wayne Adams, Newberry County Administrator, Courthouse Annex, 1309 College Street, Post Office Box 156, Newberry, South Carolina 29108, telephone (803) 321-2100 or Theodore B. DuBose, Haynsworth Sinkler Boyd, P.A., Bond Counsel, Post Office Box 11889, Columbia, South Carolina 29211, telephone (803) 540-7830.

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## **THE BONDS**

### **Description**

The Bonds here offered constitute an issue of \$19,125,000 General Obligation Bonds, Series 2017, of the County (the “Bonds”). The Bonds bear interest from their date at the rates shown on the front cover hereof, payable initially on November 1, 2017 and semiannually thereafter on May 1 and November 1 of each year until they respectively mature. The Bonds will mature serially in successive annual installments on November 1, 2017 and on May 1 in each of the years and in the principal amounts set forth on the front cover hereof. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds will be issued in fully registered book-entry form and will be dated as of April 27, 2017. The Bonds shall be issued under the DTC Book-Entry-Only System issued in the denominations of \$5,000 or integral multiples thereof, registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Branch Banking and Trust Company, Wilson, North Carolina shall serve as Registrar and Paying Agent for the Bonds for so long as the same are held under a Book-Entry-Only System (the “Registrar/Paying Agent”).

### **Book-Entry-Only System**

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial Owners (as defined below) will not receive physical 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 Owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Bond Ordinance contains provisions applicable to periods when DTC or its nominee is not the registered owner.

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market



instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Registrar/Paying Agent or County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Treasurer of Newberry County, and the Registrar/Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

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

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

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

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

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

### **Discontinuance of Book-Entry-Only System**

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

### **Defeasance**

If all of the Bonds and all interest thereon shall have been paid and discharged, then the obligations of the County under the Bond Ordinance and all other rights granted thereby shall cease and determine. The Bonds shall be deemed to have been paid and discharged under each of the following circumstances:

(i) If the Registrar/Paying Agent shall hold, at the stated maturities of the Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the Principal Installment and interest thereof; or

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

(iii) If the County shall elect to provide for the payment of the Bonds prior to their stated maturities and shall have deposited with the Paying Agent or Escrow Agent, as the case may be, in an irrevocable trust, moneys which shall be sufficient, or Government Obligations, the principal of and interest on which, when due, will provide moneys, which together with moneys, if any, deposited with said Paying Agent or Escrow Agent at the same time, shall be sufficient to pay when due the Principal Installment and interest due and to become due on the Bonds on and prior to their maturity dates. As used in this paragraph, "Government Obligations" means direct general obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which is fully and unconditionally guaranteed by the United States of America.

## Authorization for the Bonds

The Bonds are issued pursuant to Article X, Section 14(6) of the Constitution of the State of South Carolina, 1895, as amended (the "State Constitution"), the provisions of Title 11, Chapter 27, Section 40 of the Code, and the provisions of Title 4, Chapter 15, of the Code (the "County Bond Act"). Pursuant to the provisions of Article X, §14 of the Constitution of the State of South Carolina, 1895, as amended, the County may incur general obligation debt in the amount authorized by a majority vote of the qualified electors of the County voting in a referendum authorized by law. Such general obligation debt is not subject to the general obligation debt limitation (8% of assessed value) otherwise imposed by the State Constitution.

The provisions of Title 11, Chapter 27, Section 40, Code of Laws of South Carolina, 1976, as amended, empower the County Council of the County to order any such referendum as is required by Article X of the Constitution, to prescribe the notice thereof and to conduct or cause to be conducted such referendum in the manner prescribed by Title 4, Chapter 15, of the Code.

The following question was submitted to the electors of the County in the 2016 Referendum pursuant to the State Constitution, the County Bond Act, and the CPST Act:

*Must a special one percent sales and use tax be imposed in Newberry County for not more than seven years to raise the amounts specified for the following purposes:*

<u>No.</u>	<u>Project Description</u>	<u>Cost</u>
1	800 MHz Emergency Services Radio System	\$7,400,000
2	City of Newberry - Recreational Complex Construction	4,075,000
3	County of Newberry - Newberry Museum	2,200,000
4	City of Newberry - Opera House HVAC Improvements	155,000
5	Town of Prosperity - Recreational Complex Improvements	770,000
6	Consolidated Fire District - Water Supply Improvement	1,000,000
7	Town of Whitmire - Town Hall/Police Department Remodel/Upgrades	1,000,000
8	Town of Pomaria - Old Pomaria School Building Renovation	655,000
9	Town of Little Mountain - Computer Center and Library Upgrades	245,000
10	Town of Silverstreet - Demolition of Old School Building/New Walking Track	700,000
11	Newberry County - Detention Center Repairs/Improvements	1,600,000
12	Newberry County Water & Sewer Authority - Mid-Carolina Commerce Park	1,400,000

*and must the County Council of Newberry County be authorized to issue not exceeding \$19,800,000 principal amount of general obligation bonds of Newberry County, provided that the proceeds of such bonds shall be applied to defray the costs of the foregoing purposes, plus issuance costs, and provided further that in the event the sales and use tax to be imposed as stated herein is inadequate for the payment of such bonds, such bonds shall be payable from an ad valorem tax imposed on all taxable property in Newberry County?*

The 2016 Referendum resulted favorably by a vote of 11,067 to 5,115.

## Security

For the payment of principal of and interest on the Bonds, as the same respectively mature and for the creation of such sinking fund as may be necessary therefor, the full faith, credit and taxing power of the County are hereby irrevocably pledged, and there shall be levied annually by the County Auditor and collected by the County Treasurer, in the same manner as county taxes are levied and collected, a tax on all taxable property in the County, sufficient to pay the Principal Installment and interest on such Bonds as they respectively mature, and to create such sinking fund as may be necessary therefor. In accordance with the Sales Tax Act, the County Council of the County has determined that the Bonds shall be additionally secured by a pledge of such of the proceeds of the sales tax authorized by the Sales Tax Question remaining after deduction of administrative costs of the South Carolina Department of Revenue, excluding any investment earnings thereon.

## Additional Security for the Bonds

Article X, Section 14, Paragraph (5) of the Constitution of the State of South Carolina, 1895, as amended, provides:

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

As is the case with the enforcement of the pledge of the full faith, credit and taxing powers of the County, mandamus may be available to require the State Treasurer to fulfill the duty imposed by the provision of Article X referred to above.

The following table shows the amount of State General Fund appropriations subject to being so withheld which were received by the County for the fiscal years shown below:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2017 <sup>(1)</sup>	\$1,416,000
2016	1,373,099
2015	1,377,077
2014	1,385,518
2013	1,379,739
2012	1,154,509

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<sup>(1)</sup> Budgeted.

## Miscellaneous

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

## THE COUNTY

### General Description

The County is one of the oldest counties in the State, having been created by the division of the old Ninety Six District in 1785. The County is located in the central Piedmont portion of the State and has land area of approximately 630 square miles. Approximately 54,000 acres located in the northeastern portion of the County are within the Sumter National Forest. The County is bounded on the north by Union County, on the east by Fairfield and Richland Counties, on the south by Lexington and Saluda Counties, and on the west by Greenwood and Laurens Counties.

### Form of Government

The County has adopted a Council-Administrator form of government in accordance with Title 4, Chapter 9 of the Code (the "Home Rule Act"). Under this form of county government, a county council must employ an administrator (the "County Administrator"), who is the administrative head of the County government and is responsible for the administration of all the departments of the County government which the county council has the authority to control. State law requires that the County Administrator be employed with regard to his or her executive and administrative qualifications only. The term of employment of the County Administrator is at the pleasure of the County Council and he or she is compensated for services as the County Council may determine.

The seven members of Newberry County Council ("County Council") are elected in the November general elections from single-member districts for staggered four-year terms beginning on January 1 of the year following their election. The present members of County Council, their occupations and years of service on County Council are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Years of Service</u>
Henry Livingston, Chairman	Real Estate Agent	18
Kirksey Koon, Vice Chairman	Businessman	8
Scott Cain	Retired	3
Travis Reeder	Education	2
Dr. Harriett L. Rucker	Retired	1
Steve Stockman	Retail Sales	8
William D. Waldrop	Retired Farmer	31

The County Administrator is responsible for executing the policies, directives and legislative actions promulgated by the County Council and supervising the expenditure of the appropriated funds. The County Administrator also is responsible for the preparation of annual operating and capital improvement budgets for submission to County Council. In February of each year, the heads of the various departments of the County submit, in writing, their requirements and needs for the ensuing fiscal year to the County Administrator. The County Administrator reviews and evaluates each department's request and prepares a proposed budget. In April of each year, the proposed budget is submitted to County Council and, soon thereafter, is presented at a public hearing after due notice has been provided. Pursuant to the provisions of the Home Rule Act, County Council must take formal action by an ordinance in adopting its annual budget. All ordinances are required to be read at three public meetings of the County Council on three separate days with an interval of not less than seven days between the second and third reading. In order to modify the original ordinance adopting the budget, formal action must be taken again by ordinance with due notice provided.

Wayne Adams began serving as the County Administrator on September 18, 2006. Mr. Adams is a graduate of the University of South Carolina, having earned a Master's Degree in Public Administration.

### **Services Provided by the County**

The County provides a broad range of local services to its residents, commuters, business visitors, and tourists. These local functions are in addition to the substantial services provided in the County by the State and federal governments, and other local government entities.

The County operates and maintains various programs which are funded from County revenues, as reflected in its annual budget for the fiscal year ending June 30, 2016, and which include the following:

- (1) Legislative;
- (2) Judicial;
- (3) Executive;
- (4) Elections;
- (5) Financial Administration;
- (6) Other General Government;
- (7) Public Safety;
- (8) Public Works;
- (9) Health and Social Services;
- (10) Culture and Recreation;
- (11) Conservation of Natural Resources;
- (12) Economic Opportunity and Development;
- (13) Solid Waste Collection and Disposal;
- (14) E-911 System; and
- (15) Tourism Promotion and Related Events.

Most of the above services are funded by the County out of its general operating *ad valorem* tax levy. The County currently has no plans of providing services in addition to those described above.

### **County Employees**

In order to provide these services, the County, in its budget for the fiscal year ending June 30, 2016, authorized 195 full time equivalent positions, consisting of:

<u>Services</u>	<u>Full-Time Equivalent</u>
General Government	37
Judicial	19
Public Works	19
Public Safety	105
Social and Health	8
Internal Services	<u>7</u>
Total	195

The County operates 11 volunteer fire stations and three substations with approximately 251 volunteer firefighters. The County also operates seven volunteer rescue squads with approximately 146 volunteers. Law enforcement for the County is maintained by a staff of six in administrative positions, 39 employees in operations and support and 33 employees at the County Jail. Emergency Medical Services serve County residents through five stations and 23 full-time employees.

### **Services Provided by Other Governmental Entities**

The several municipalities within the County also provide some of the services listed above and additional services not provided by the County. The Newberry County Water and Sewer Authority, a special purpose district created by State legislation, provides waterworks and services within portions of the unincorporated areas of the County.

### **Solid Waste Disposal**

The County is charged by law with arranging for the disposal of municipal solid waste generated within the County. The County has contracts for the collection and transportation of its non-recyclable solid waste from the Newberry County Transfer station and from its twelve convenience centers to a landfill operated by the firm in Union County. The Newberry County Transfer station (Permit No. 361001-6001) is located at 11374 South Carolina Highway 34, approximately one third (1/3) mile east of I-26, and three (3) miles from the City of Newberry. This transfer station began operation in December 1993 and processes approximately 150 tons of municipal solid waste per day.

The County's twelve convenience centers accept only residential waste, including household trash, white goods (washer/dryers, refrigerators, stoves, etc.), furniture, and tires (four (4) per visit). All commercial and business waste must be taken directly to the Newberry County Transfer Station.

### **Budget Procedure and Accounting Policies**

Pursuant to Section 4-9-10 *et seq.*, Code of Laws of South Carolina, 1976 as amended (the "Home Rule Act"), the fiscal year for county governments begins on July 1 of each year and ends on June 30 of the following year. The County Council is required to adopt annually, prior to the beginning of each fiscal year, operating and capital budgets for the operation of county government. The budgets must identify the sources of anticipated revenue, including taxes necessary to meet the financial requirements of the budgets adopted.

The County Council may make supplemental appropriations which shall specify the source of funds for such appropriations. A supplemental appropriation is defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget.

The South Carolina State Constitution requires each county to prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. If a county's expenses exceed income in any year, the governing body of the county is required in the following year to levy taxes in an amount which, when added to all other sources of income will be sufficient to pay such deficiency and the estimated expenses for such year.

The County adopted its final budget for the year ending June 30, 2016 on June 25, 2015 and for the year ending June 30, 2017 on June 1, 2016.



## General Fund Budgets for 2015-2016 and 2016-2017

The following is a summary of the General Fund Budgets of the County (as originally adopted) for the fiscal years ended June 30, 2016 and June 30, 2017:

	<u>2015-2016</u>	<u>2016-2017</u>
<b><u>General Fund Revenues:</u></b>		
Taxes	\$17,997,713	\$18,388,632
Charges for Services	1,275,524	1,449,646
Intergovernmental	2,780,912	2,849,850
Licenses and Permits	214,500	267,000
Fees and Fines	683,222	654,000
Other	<u>317,552</u>	<u>296,739</u>
Total Revenues	\$23,269,423	\$23,905,867
<b><u>General Fund Expenditures:</u></b>		
General Government	\$6,418,007	\$6,242,136
Administration - Judicial	1,676,224	1,765,856
Public Works	4,089,803	4,209,389
Public Safety	8,989,138	9,446,087
Social and Health	1,049,073	1,127,934
Internal Services	<u>1,047,178</u>	<u>1,114,465</u>
Total Expenditures	\$23,269,423	\$23,905,867

The Council has formally adopted a policy which requires an undesignated, unrestricted fund balance equal to not less than four (4) month's operating expenditures, based on the then-current year's budget, and has directed the levy of sufficient operating millage as required to maintain such balance from year to year. The ability to levy millage to maintain a fund balance at a stated level may be subject to the restrictions of Act 388 of the 2006 Acts and Joint Resolutions of the General Assembly ("Act 388") which will limit annual millage increases for operations to growth factors based upon inflation and population growth. See "CERTAIN FISCAL MATTERS–Millage Levy Authority" herein.

## County Operating Revenues

The audited financial statements of the County for the fiscal year ended June 30, 2016 indicate that 79.0% of general fund revenues came from taxpayers of the County; 8.5% came from intergovernmental revenues; 8.1% came from County fines and forfeits; and 4.4% came from other revenue sources.

*Revenues from Ad Valorem Taxes.* The largest source of County operating revenues comes from ad valorem taxes paid by taxpayers within the County. A discussion of general tax information, tax rates and millage levied upon taxpayers of the County for County purposes is presented below. All the revenues from ad valorem taxes and fees in lieu of taxes (see "Payments in Lieu of Taxes" below) are either general fund revenues and may therefore be used by the County on an unrestricted basis or are collected for the purposes of paying debt service on general obligation bonds of the County.

The County received the following amounts as general fund revenues from ad valorem taxes and fees-in-lieu of taxes:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Local</u> <u>Revenues</u>	<u>Fee-in-Lieu</u> <u>of Taxes</u>
2017 <sup>(1)</sup>	\$13,982,273.02	\$1,439,857.58
2016	15,489,400.56	1,369,265.23
2015	16,861,582.69	1,390,511.75
2014	14,730,622.66	1,145,553.89
2013	15,173,562.87	1,121,581.83
2012	14,472,288.39	1,203,578.24

<sup>(1)</sup> Budgeted. As of January 31, 2017.

Source: Newberry County Treasurer

### **Capital Projects Sales Tax**

The County presently imposes a “Capital Project Sales Tax” (the “CPST”) at the rate of one percent on retail sales pursuant to Sections 4-10-300 *et seq.*, Code of Laws of South Carolina, 1976, as amended (the “CPST Act”). The present CPST was imposed beginning on May 1, 2012 and will expire on April 30, 2017. The current instance of the CPST was the third sequential imposition of the CPST in the County, approved in each case by referendum, the original imposition of a CPST having commenced in 1999. Proceeds of the CPST have been applied to pay debt service on general obligation bonds of the County. Proceeds of these bonds were applied to defray the cost of capital projects for the County government and various other local governments located within the County. By virtue of the 2016 Referendum, the CPST will be again reimposed in the County as of May 1, 2017 and shall continue in place to April 30, 2024.

The CPST is administered and collected by the South Carolina Department of Revenue in the same manner as other sales and use taxes. The revenues of the tax are remitted to the South Carolina Department of Revenue and placed on deposit with the State Treasurer and credited to a fund separate and distinct from the General Fund of the State. After deducting the amount of any refunds made and costs to the South Carolina Department of Revenue of administering the tax (not to exceed one percent of the revenues) the State Treasurer will distribute the revenues quarterly to the County Treasurer and the revenues must be used only for the purposes stated in the imposition ordinance. Net revenue derived from the collection of CPST is remitted quarterly in January, April, July, and October, by the State Treasurer’s Office to the County Treasurer. Net revenues received by the County Treasurer are deposited into a separate Capital Projects Sales Tax fund and applied solely to pay debt service on the bonds issued in connection therewith. Investment earnings derived from such net revenue, however, are not pledged to the payment of the Bonds and may be used by the County to fund other projects approved in the Referendum to the extent Bond proceeds are insufficient therefore. Upon payment in full of debt service on such bonds, any funds remaining in the Capital Projects Sales Tax fund will be applied, if necessary, to complete any of the projects, and then to projects approved in a subsequent CPST referendum. If the CPST is not extended, any remaining funds must be expended as directed by the County Council, but only on the type of expenditures permitted by the CPST Act.

## Capital Projects Sales Tax Collections

The table below sets forth the amount of net Capital Projects Sales Tax revenues remitted to the County Treasurer during the past five fiscal years.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Capital Projects</u> <u>Sales Tax Received</u>
2017 <sup>(1)</sup>	\$1,947,102.97
2016	3,565,969.54
2015	3,415,388.68
2014	3,322,473.01
2013	3,126,384.71
2012	3,347,169.63

<sup>(1)</sup> As of October 2016.

Source: Newberry County Treasurer.

## Permitted Investments

Pursuant to Section 6-5-10 of the Code, the County Treasurer may invest money subject to his control and jurisdiction in investments specified under said Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, or in the South Carolina Pooled Investment Fund. Section 6-5-10 provides the following investments: (1) obligations of the United States and its agencies; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan associations to the extent that the same are insured by an agency of the federal government; (4) certificates of deposit and repurchase agreements which are collaterally secured by securities of the type described in subsections (1), (2) or (3) of this paragraph; and (5) certain no load open-end or closed-end management type investment companies or trusts which are, in essence, an indirect investment in investments of the kind described in (1) and (2) above or repurchase agreements collateralized by such investments. The South Carolina Pooled Investment Fund is managed by the South Carolina State Treasurer.

## Fringe Benefits and Retirement

The County contributes to the South Carolina State Retirement System (SCRS) and the Police Officers Retirement System (PORS), both of which are cost-sharing, multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board.

Both the SCRS and PORS offer retirement and disability benefits, costs of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. Both employees and employers are required to contribute to the SCRS and PORS per the authority of Title 9-1-480 Code of Laws of South Carolina, 1976, as amended. Employee required contributions to the SCRS and PORS are 8.66% and 9.24%, respectively.

In addition to the above rates, participating employers of the SCRS contribute .15% of payroll to provide a group life insurance benefit for their participants. Participating employers under the PORS also contribute .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for their participants. All employers contribute at the actuarially required contribution rates.

The County and employee contribution totals are shown below for the past five fiscal years:

<u>SCRS</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Payroll	\$4,488,298	\$4,271,819	\$3,976,427	\$3,909,129	\$3,918,719
Covered Payroll	4,488,298	4,271,819	3,976,427	3,909,129	3,918,719
County Contribution	489,673	459,221	415,537	408,504	367,772
Employee Contribution	366,243	341,746	298,232	273,639	254,717
Group Life	6,732	6,408	5,965	5,864	5,878
County Contribution %	10.91%	10.75%	10.60%	10.60%	8.46%
Employee Contribution %	8.16%	8.00%	7.50%	7%	6.50%

<u>PORS</u>					
Total Payroll	\$3,524,119	\$3,425,356	\$3,324,992	\$3,207,633	\$3,176,343
Covered Payroll	3,524,119	3,425,356	3,324,992	3,207,633	3,176,343
County Contribution	470,117	445,639	413,629	381,708	360,928
Employee Contribution	308,008	288,072	260,679	224,534	206,462
Group Life and AD	7,048	6,851	6,650	6,415	5,353
Accidental Death	7,048	6,851	6,650	6,415	6,353
Contributions					
County Contribution %	13.34%	13.01%	12.84%	11.763%	11.763%
Employee Contribution %	8.74%	8.41%	7.84%	7.00%	6.50%

### **Post-Retirement Health Insurance Benefits**

The County participates in group health, dental, life and accidental death and dismemberment insurance programs for all regular employees working at least thirty (30) hours per week. The County pays a portion of the premium cost for eligible employees. If an employee desires to cover dependents, he/she must pay the additional premium through authorized payroll deductions. The terms of such coverage are not guaranteed and are subject to change.

The County also provides health insurance for retired employees. However, the terms of such coverage are not guaranteed and are subject to change.

### **GASB 45**

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45 (“**GASB 45**”) which generally requires that state and local governmental employers account for post-employment health care and other benefits (“**OPEBs**”) on an accrual basis similar to the manner in which they currently account for pensions. GASB 45 also requires disclosure of information about the plans in which an employer participates, the funding policy followed, and the actuarial valuation process and assumptions. According to an Actuarial Valuation Report prepared for the County, an actuarial calculation of the unfunded liability as of June 30, 2015 was \$7,150,140 and the annual required contribution (“**ARC**”) on June 30, 2015 was \$665,388. The County will receive an updated Actuarial Valuation Report following the close of Fiscal Year 2017. The County has determined to address its unfunded OPEB liability on a pay-as-you-go basis. To that end in Fiscal Year 2016, the County made contributions and payments of \$126,280 towards its ARC.

During the last five fiscal years, the County's annual OPEB cost was as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$849,833	\$126,280	14.86%	\$4,565,313
2015	849,833	126,280	14.86	3,841,760
2014	707,753	75,378	8.21	3,118,207
2013	707,753	66,243	9.36	2,485,832
2012	496,023	67,308	13.57	1,844,322

## **GASB 68**

The County has implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" ("**GASB 68**") and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" ("**GASB 71**" and collectively, the "**Statements**"). The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments that participate in single-employer or cost-sharing multiple employer plans are now required to recognize a net pension liability for their single-employer plan or their proportionate share of the net pension liability of cost-sharing multiple employer plans. It is GASB's intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the County's financial obligations to current and former employees for past services rendered. In particular, these Statements require the County to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for the County's participation in the State Retirement System Plans (the "**State Retirement Plans**"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the County's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority ("**PEBA**") which administers the State Retirement Plans. However, the adoption has resulted in the restatement of the County's net position as of July 1, 2015 for its government-wide funds financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified plans in accordance with the provisions of these Statements. Net position of the County's governmental activities on the government-wide financial statements as of July 1, 2015 was decreased by approximately \$14,669,606, reflecting the cumulative change in accounting principle related to the adoption of these Statements related to the State Retirement Plans.

## **Liability Insurance**

Subject to specific immunity set forth in the South Carolina Torts Claims Act (the “Tort Claims Act”), local governments including the County are liable for damages not to exceed \$300,000 per person and \$600,000 per occurrence; provided, however, with respect to any licensed physician or dentist employed by a governmental entity and acting within the scope of his profession, local governments including the County may be liable for damages not to exceed \$1,200,000 per person and per occurrence. No punitive or exemplary damages are permitted under the Tort Claims Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Budget and Control Board, private carriers, self-insurance, or pooled self-insurance funds. The County currently maintains liability insurance coverage with the South Carolina Insurance Reserve Fund. In the opinion of the County Administrator, the amount of liability coverage maintained by the County is sufficient to provide protection against any loss arising under the Tort Claims Act. In the opinion of the County Attorney, there is no litigation pending or threatened against the County which is not adequately insured by such coverage.

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## FINANCIAL AND TAX INFORMATION

### Five Year Summary of General Fund Operations

The following table sets forth a summary of the County's General Fund operations as of June 30 of each of the years shown.

<u>REVENUES:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Property Taxes	\$17,897,233	\$17,426,698	\$17,477,723	\$19,021,233	\$19,286,669
Intergovernmental	1,631,463	2,187,193	2,045,484	2,326,315	2,067,272
Fines and fees	1,499,473	1,889,183	1,911,310	1,996,678	1,977,358
Other	<u>634,084</u>	<u>886,337</u>	<u>642,253</u>	<u>1,271,649</u>	<u>1,060,508</u>
Total Revenue	\$21,662,253	\$22,389,411	\$22,076,770	\$24,615,875	\$24,391,807
<u>EXPENDITURES:</u>					
Legislative	261,093	269,591	274,670	313,280	324,069
Administration	991,058	1,175,720	1,390,944	1,216,028	1,393,824
Tax Assessment & Collection	1,380,820	1,434,466	1,419,660	1,480,244	1,488,418
Registration & Election	179,142	163,419	130,623	178,052	192,823
Administration of Justice	1,669,612	1,639,673	1,670,738	1,758,080	1,796,443
Law Enforcement	3,280,465	3,294,519	3,835,638	3,610,794	3,717,100
Detention	1,731,690	1,810,606	1,794,903	1,897,008	1,840,462
Public Safety	3,756,314	3,820,839	3,242,061	3,271,856	3,600,511
Public Works	4,221,255	4,363,585	4,594,421	5,016,323	5,549,005
Planning & Development	403,927	494,910	535,312	1,022,774	1,036,684
Social Services	248,820	252,752	251,954	257,681	265,515
Public Health	24,879	18,003	18,182	23,037	22,957
Agriculture & home economics	123,545	96,003	106,927	118,249	120,895
Capital Outlay	233,238	136,995	1,475,802	--	--
Capital construction & improvements	--	--	--	631,889	146,449
Miscellaneous	<u>387,602</u>	<u>432,204</u>	<u>414,076</u>	<u>336,034</u>	<u>295,038</u>
Total Expenditures	\$18,893,460	\$19,403,285	\$21,155,911	\$21,131,329	\$21,790,193
Excess of Revenue Over/(Under) Expenditures	2,768,793	2,986,126	920,859	3,484,546	2,601,614
<u>OTHER FINANCING SOURCES</u> <u>(USES)</u>					
Operating Transfers In/(Out)	--	--	--	(2,145,687)	--
Surplus property sales	30,874	--	--	--	--
Transfer from Special Revenue	215,853	--	--	--	--
Transfer to Capital Projects	(623,398)	(2,343,395)	(2,882,678)	--	--
Transfer to Special Revenue (includes Special Education)	<u>(779,962)</u>	<u>(717,420)</u>	<u>(1,436,162)</u>	<u>--</u>	<u>(999,502)</u>
Excess Revenues Over/(Under) Expenditures/Other Financing Sources	1,612,160	74,689	(3,397,981)	1,338,859	1,602,112
Beginning Fund Balance (July 1)	\$14,407,788	\$16,019,948	\$15,945,259	\$12,547,278	\$13,886,137
Ending Fund Balance (June 30)	<u>\$16,019,948</u>	<u>\$15,945,259</u>	<u>\$12,547,278</u>	<u>\$13,886,137</u>	<u>\$15,488,249</u>

The County's general fund balance as of June 30, 2016 was \$15,488,249. This fund balance was classified as follows: Designated: \$2,112,889 and Undesignated: \$13,375,360.

Source: County Finance Director and audited financial statements of the County.

## **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;
- (2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business - 9.5% of fair market value;
- (3) Legal residence and not more than five contiguous acres - 4% of fair market value (if the property owner makes proper application and qualifies);
- (4) Agricultural real property used for such purposes owned by individuals and certain corporations - 4% of use value (if the property owner makes proper application and qualifies);
- (5) Agricultural property and timberlands belonging to corporations having more than 10 shareholders - 6% of use value (if property owner makes proper application and qualifies);
- (6) All other real property - 6% of fair market value;
- (7) Business inventories - 6% of fair market value (as of 1988, there is available an exemption from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the bonded debt limit);
- (8) Motor vehicles – 6.0%; and
- (9) All other personal property - 10.5% of fair market value.

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 (with the exception of Manufacturer's Real Property which is certified by the South Carolina Department of Revenue (the "DOR")). The County Auditor appraises and assesses all motor vehicles (except for large trucks, which are appraised and assessed by the DOR), marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the 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 business equipment.

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

The DOR has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the County. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that



appraisal as a new assessment in the following year. Regulations of DOR effectively require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value. Under present law, reassessment within a county may be delayed upon action of the governing body of such county for one year, and may be further delayed by legislative enactment at the state level. The County last completed and implemented a reassessment program for the 2014 tax year (corresponding to the County's 2014-15 Fiscal Year.) The next reassessment is scheduled to take place in the 2019 tax year.

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

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

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

### **Millage Levy Authority**

County governments in the State enjoyed fiscal autonomy from 1975 through 2007. Beginning with Fiscal Year 2007-08, all local governments in the State have been subject to Act No. 388 which limits increases in the rate of millage levied for operational purposes by all political subdivisions. The annual millage rate for operations of a political subdivision may increase only at a rate equal to the sum of (a) the increase in the prior year's consumer price index, plus (b) the rate of population growth of that political subdivision.

The limitation on millage rate increases imposed by Act 388 may be overridden by a vote of two-thirds of the governing body of the political subdivision, but only for the following purposes and only in a year in which such condition exists:

- (1) deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.

Additionally, Act 388 permits a local government such as the County to apply in any year millage rate increases which were permitted under Act 388, but not implemented, in any of the three most recent prior fiscal years under the inflation and population growth limitations imposed by Act 388. For example, if a local government was allowed a three mill increase in 2015 and a five mill increase in 2016 but implemented neither, it could implement an eight mill increase in 2017 (along with any increase arising that year) under Act 388.

### **Homestead Exemption**

South Carolina provides, among other exemptions, for homesteads, a general exemption from all ad valorem property taxes and applies to the first \$50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the “Homestead Exemption”). In the case of the Homestead Exemption, the State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State’s general fund. The following table shows amounts received by way of reimbursing appropriations from the State for Homestead Exemption for all purposes by all taxing entities with the County.

<u>Fiscal</u> <u>Year</u>	<u>Homestead</u> <u>Exemption</u>
2016	\$1,503,429.85
2015	1,484,306.98
2014	1,460,553.99
2013	1,408,728.84
2012	1,409,825.34

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Source: Newberry County Treasurer.

### **Payments in Lieu of Taxes**

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

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

issuance of special source revenue bonds secured by payments in lieu of taxes. A county government may also divert payments in lieu of taxes derived from an MCIP to its own corporate purposes or those of other taxing entities in that county.

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

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

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

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

### **Exempt Manufacturing Property**

Article X, Section 3 of the Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may grant a similar exemption to manufacturing establishments. The following table shows the level of tax-exempt manufacturing property located within the County for the past five tax years.

<u>Tax Year</u>	<u>Exempt Assessed Value</u>
2016	\$5,262,870
2015	4,869,420
2014	3,728,100
2013	2,937,916
2012	2,617,740

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Source: County Auditor.

## Assessed Value

Set forth below is the assessed value of taxable real and personal property of the County for the last five years in which data is available.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Calendar</u> <u>Year</u>	<u>Real</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Total</u> <u>Assessed Value</u>
2016	2015	\$96,791,740	\$42,132,740	\$138,924,480
2015	2014	95,327,370	39,803,780	135,131,150
2014 <sup>(1)</sup>	2013	91,202,213	35,706,730	126,908,943
2013	2012	89,285,610	35,014,840	124,300,450
2012	2011	88,450,710	34,600,380	123,051,090

<sup>(1)</sup> Reassessment.

Excludes the assessed value of motor carrier reimbursements, reimbursements of manufacturer's depreciation, assessment of property otherwise subject to negotiated fees in lieu of taxes, property situated in a multi-county industrial park and Merchants' Inventory.

Source: County Auditor.

## Tax Year 2015 Market Value/Assessment Summary of the County

<u>Classification of Property</u>	<u>Assessed Value</u>	<u>Assessment Ratio</u>	<u>Market Value</u>
1. Real Property and Mobile Homes	\$92,386,190	4.00% & 6.00%	\$1,970,858,250
2. Motor Vehicles	15,650,570	6.00 & 10.50	260,842,833
3. Public Utilities	10,923,650	10.50	104,034,761
4. Manufacturing – Real	4,405,550	10.50	41,957,619
5. Manufacturing – Personal	7,091,640	10.50	67,539,428
6. Marine Equipment	1,514,520	10.50	1,442,095
7. Business Personal Property - Auditor	683,620	10.50	6,510,666
8. Transportation Cos. for Hire	1,219,130	9.50	12,832,947
9. Airplanes	8,440	4.00	211,000
10. Merchant's Fixtures and Equipment	3,561,920	10.50	33,923,047
11. Merchant's Inventory	<u>1,479,250</u>	6.00	<u>24,654,186</u>
<b>TOTAL</b>	<b>\$138,924,480</b>		<b>\$2,524,806,832</b>

Excludes motor carrier reimbursements pursuant to §12-37-2810 *et seq.* of the South Carolina Code in the amount of \$976,330; reimbursements of manufacturer's depreciation pursuant to §12-37-935(b) of the South Carolina Code in the amount of \$1,038,930; property in multi-county industrial parks in the amount of \$10,897,178; and property subject to a negotiated fee in lieu of tax but not situated in a multicounty industrial park in the amount of \$150,102. Also excludes assessed value of manufacturing property exempt from County taxes in the amount of \$5,262,870.

Source: County Auditor.

## Millage History

The following table shows the millage history for County Operations and Debt Service for the fiscal years shown:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
County Operations	128.6	128.7	125.5	125.0	125.0
County Debt Service	7.3	8.8	9.1	10.5	9.3
Community Service	<u>6.3</u>	<u>6.7</u>	<u>6.6</u>	<u>6.7</u>	<u>6.9</u>
Total	142.2	144.2	141.2	142.2	141.2

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Source: County Auditor.

## Tax Collection Procedure

Real and personal taxes in the County are due on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for each such motor vehicle expires. If property taxes, other than taxes on motor vehicles, are not paid before January 16, a penalty of 3% is added; if not paid before February 2, an additional penalty of 7% is added; if not paid before March 17, an additional penalty of 5% is added and taxes go into execution. Taxes on motor vehicles are subject to similar penalties measured from due date thereof. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is responsible for the collection of delinquent taxes and 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 of the County

The following table shows the amount of taxes levied in the County for all taxing entities (adjusted to include additions, abatements, and nulla bonae), and taxes collected as of June 30 of the year following the year in which the levy was made, for the last five fiscal years. Delinquent taxes include taxes levied in prior years but collected in the year shown.

<u>Fiscal Year</u>	<u>Taxes Subject to Collection</u>	<u>Current Collections</u>	<u>Current % Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Collections</u>	<u>Total % Collected</u>
2015-16	\$57,104,816	\$54,353,644	95%	\$2,060,555	\$56,414,199	99%
2014-15	53,739,996	52,322,570	97	2,637,184	54,959,754	102
2013-14	52,842,298	47,750,626	90	2,436,253	50,186,879	95
2012-13	51,784,468	48,225,891	93	1,918,003	50,143,894	97
2011-12	48,608,954	46,289,683	96	2,088,194	48,377,877	99
2010-11	46,599,941	45,152,833	97	2,465,087	47,617,920	102

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Source: Newberry County Treasurer.

## Ten Largest Taxpayers

The ten largest taxpayers in the County, the tax year 2015 assessed value for the taxable property located within the County of each of these taxpayers, and the amount of 2015-16 Fiscal Year taxes and fee-in-lieu of taxes paid to all taxpaying entities in the County are shown in the following table:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Paid</u>
1. Oscar Mayer Foods Corp.*	\$6,055,664	\$2,001,956.67
2. Newberry Electric Cooperative	3,627,800	1,385,819.60
3. F.G. Wilson USA LLC* **	3,042,961	1,162,411.00
4. Georgia Pacific Wood Products*	2,741,520	890,054.27
5. Duke Energy Corp.	2,132,120	814,469.84
6. Kiswire Inc.	1,956,702	744,105.92
7. South Carolina Electric & Gas	1,947,270	743,857.14
8. International Paper Co.	1,322,160	448,840.66
9. Bellsouth Telecomm. Inc.	1,042,630	398,284.66
10. Pioneer Frozen Foods SC Inc.*	970,756	370,828.98

\*Includes fee-in-lieu of tax.

\*\*Facility will cease operations in 2017.

Source: Newberry County Auditor.

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## DEBT STRUCTURE

### Legal Debt Limit of the County

The County may incur general obligation debt in principal amount not exceeding 8% of the assessed valuation of property within its jurisdiction without approval by referendum. General obligation debt approved by referendum is subject to no limits as to principal amount. Payment on debt service of the County's obligations is handled by the Newberry County Treasurer. The County's estimated debt limitation is computed below, based upon estimated valuations.

2015 Assessed Value	\$137,445,230
Plus Merchant's Inventory	<u>1,479,250</u>
Total	\$138,924,480
	<u>x</u> 8%
Constitutional Debt Limit	\$11,113,958
Outstanding Debt Subject to Limit	<u>3,468,317</u>
General Obligation Debt Available Without Referendum	\$7,645,640

Statutes authorizing the payment of fees in lieu of taxes (See "CERTAIN FISCAL MATTERS—Payments in Lieu of Taxes" above) provide that the property from which such fees are derived may be included in the calculation of debt limit. These statutes provide formulae whereby the assessed value for debt limit purposes of property subject to a fee in lieu of taxes is determined, based upon the most recently received annual payments in lieu of taxes received by a particular taxing entity. The foregoing calculation of debt limit does not include that derived from property subject to fees in lieu of taxes. The issuance of the Bonds will have no impact on the County's debt limit.

### General Obligation Bonds of the County

The outstanding general obligation bonded indebtedness of the County includes the issues listed below.

- (a) The outstanding \$85,000 of an original issue of \$700,000 General Obligation Bonds, Series 2007, of the County, which matures on September 1, 2017;
- (b) The outstanding \$117,317.57 of an original issue of \$1,000,000 General Obligation Bonds, Series 2007A, of the County, which matures on November 16, 2017;
- (c) The outstanding \$325,000 of an original issue of \$1,132,000 General Obligation Bonds, Series 2010 of the County, which mature on May 20 in each of the years as follows:
  - \$159,000 in the year 2017; and
  - 166,000 in the year 2018
- (d) The outstanding \$870,000 of an original issue of \$2,552,000 General Obligation Refunding Bonds, Series 2010B of the County, which mature on March 1 in each of the years as follows:
  - \$290,000 in the year 2018;
  - 290,000 in the year 2019; and
  - 290,000 in the year 2020.

- (e) The outstanding \$1,200,000 General Obligation Bond (Promissory Note to South Carolina Public Service Authority), Series 2013A of the County, dated August 23, 2013, which matures on April 1 in each of the years as follows:

\$10,000.00 in the year 2018;	\$237,906.70 in the year 2021;
228,668.49 in the year 2019	242,664.83 in the year 2022; and
233,241.86 in the year 2020;	247,518.12 in the year 2023.

- (f) The outstanding \$871,000 of an original issue of \$871,000 General Obligation Bond, Series 2016, of the County, which matured on April 14, 2017.

### Composite Debt Service of the County

The following table shows annual principal and interest requirements on the outstanding general obligation bonds of the County and on the Bonds.

Calendar Year	Outstanding Bonds	Series 2017 Bonds	Total
2017	\$1,572,556.27	\$2,489,643.33	\$4,062,199.60
2018	513,900.63	2,038,200.00	2,552,100.63
2019	556,620.49	2,273,000.00	2,829,620.49
2020	549,544.49	3,252,500.00	3,802,044.49
2021	252,468.49	3,244,375.00	3,496,843.49
2022	252,468.49	3,244,625.00	3,497,093.49
2023	252,468.49	3,237,875.00	3,490,343.49
2024	--	3,233,875.00	3,233,875.00
Total	\$3,950,027.35	\$23,014,093.33	\$26,964,120.68

### Capital Leases and Other Debt

The County has entered into lease-purchase and installment purchase contracts which are subject to annual appropriation and, accordingly, are not classified as general obligation debt under the State Constitution, and are not subject to the debt limitation of the County. The following table provides specific information concerning such debt as of March 1, 2017:

#### Capital Lease-Purchases:

Purpose	Issue Date	Final Maturity	Annual Payments	Amount Outstanding
Public Works Facility	4/30/2013	12/30/27	\$152,977	\$1,444,081
Radio Upgrade & Equipment	12/12/2014	12/30/18	277,015	542,768
Vehicles and Solid Waste	12/15/2015	12/30/19	144,461	420,206
Vehicles & Equipment	12/13/2016	12/30/20	146,625	542,206

Source: Newberry County Finance Director.

The County Council has since Fiscal Year 2011 acquired public works equipment and emergency services vehicles through lease purchase contracts, entered into in December of each year. The County also entered into an installment purchase contract in 2013 to defray the cost of a public works administration facility. Debt service on these lease purchase and installment purchase contracts is in each case due on December 30 of each year and is paid in each year from the proceeds of a general obligation



bond (“Annual Funding Bonds”) of the County. Annual Funding Bonds are issued in December of a given fiscal year and paid in full in April of that same fiscal year. The County issued in December, 2016 its \$871,000 Annual Funding Bond, Series 2016, to make the most recent debt service payment under the lease-purchase and installment purchase financings shown above. This Annual Funding Bond matured on April 14, 2017.

### **Legal Debt Limit of 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, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding 8% of the assessed value of all taxable property therein.

### **Special Tax Districts**

The State Constitution and the Home Rule Act empower counties to tax different areas at different rates of taxation related to the nature and level of governmental services provided. Special tax districts may be created for a variety of purposes. The special tax districts may be created by three procedures: (i) a petition of freeholders (signed by 75% of the freeholders) in a proposed special tax district followed by an ordinance of county council; (ii) a petition of 15% of the electors in a proposed special tax district followed by a favorable election; and (iii) where the entire unincorporated area of the County is the proposed area, no petition is required, and the district can be created by ordinance of County Council. Following one of the above procedures, a special tax district is then created by ordinance of the County Council. Foxbriar subdivision was recently created as a special tax district in the County for road and stormwater drainage improvements.

Sections 14 and 12 of Article X of the South Carolina Constitution provide that bonded indebtedness may be incurred by counties 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 a county, such as a special tax district as described in the preceding paragraph, 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 of counties under the 8% debt limitation.

### **Legal Debt Limit of School Districts**

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

## Overlapping Debt

The following table sets forth the assessed value for Tax Year 2015 of all taxable property in each political subdivision having outstanding general obligation debt which overlaps the County, either in whole or in part; the total amount of general obligation indebtedness of each such political subdivision which was outstanding as of March 2, 2017; and the percentage of each political subdivision's assessed value within the County to that political subdivision's total assessed value.

<u>Political Subdivision:</u>	<u>Assessed Value Within the County</u>	<u>% of Assessed Value Located in County</u>	<u>General Obligation Indebtedness</u>
City of Newberry	\$28,243,260	100.00%	-0-
Town of Little Mountain	902,770	100.00	7,605
Town of Pomaria	467,790	100.00	-0-
Town of Prosperity	3,110,450	100.00	33,479
Town of Whitmire	2,064,010	100.00	-0-
<u>School District</u>			
School District of Newberry County	147,186,124	100.00	\$55,970,000*
<u>Special Purpose District</u>			
Newberry County Water & Sewer Authority	N/A	100.00	-0-

<sup>(1)</sup> Amount shown is outstanding balance of Series 2014 Installment Purchase Revenue Refunding Bonds issued on behalf of the School District of Newberry County by a support organization. Annual payments, which are subject to appropriation, have to date been paid from the proceeds of general obligation bonds issued semi-annually by the School District of Newberry County.  
Source: County Auditor

## Miscellaneous Debt Information

The County 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 County 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 County has not used the proceeds of any bonds or other securities (other than tax anticipation notes) for current operating expenses at any time within the last 25 years.

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## **ECONOMIC CHARACTERISTICS**

### **Description of Newberry County, South Carolina**

The economy of the County is both agricultural and industrial in nature - both are important sources of employment for the residents of the County. Similar to many of the other counties in the Piedmont section of the State, the County has developed a substantial manufacturing base. Domestic and international companies are attracted by the transportation network, skilled workforce and the quality of the community of the County. The Newberry County Economic Development Office works with existing and prospective business and industry to facilitate investment and economic growth in the County.

The County is business ready and home to eight industrial sites, with industrial buildings to accommodate businesses with space needs ranging up to 150,000 square feet. Trucast, a British firm making fly wheels for turbine engines, was the first occupant of the county-owned industrial park near Interstate 26. Kiswire, a Korean firm that makes steel wire for tires, is also located in the industrial park. The County is home to several other international companies such as: Komatsu America from Japan, which produces wheel loaders and forklifts; West Fraser of Canada which produces lumber and wood by-products; Arctichill, Inc., also of Canada, which makes water chillers and cooling towers; and ISE Newberry, Inc., also of Japan, which processes eggs and egg products.

### **Commerce and Industry**

In December, 2016, MM Technics, a newly formed American subsidiary of Muhr Metalltechnik, GmbH & Co. KG, announced plans to construct a new 40,000 square foot facility which is expected to be operational by the end of 2017. The facility will have a new 800-ton mechanical feed press which it will use to stamp metal structural parts as a Tier 1 BMW supplier. This \$12.6 million investment is expected to create 65 jobs over the next five years.

In October, 2016, West Fraser announced the expansion of its sawmill operations in the County. The company will invest \$33 million to procure wood, services and goods in the County. The company also plans to install a log merchandiser designed to increase production by more than 37%. West Fraser produces lumber, laminated veneer lumber, medium-density fiberboard, plywood, pulp, newsprint and wood chips as well as energy through several bioenergy initiatives. The company has grown into the largest lumber producer in North America, operating facilities throughout western Canada and the southern United States.

Caterpillar, Inc. announced in April, 2016 the closing of its Newberry F.G. Wilson USA LLC electric generator plant, which employed a work force of up to 325 in the past several years. Operations from the Newberry plant are being consolidated in other Caterpillar locations.

In March, 2016, Falcon Boats announced plans to establish operations in the County to manufacture a new line of sportfishing boats. The company purchased an existing building, and has begun manufacturing its first model, the F-215. Initially established as Marine Pro in Irmo, S.C., the company previously specialized in boat repairs and modification. The company plans to invest \$1.5 million and to create 35 new jobs over the next five years.

In 2015, Sea Pro Boats constructed a 200,000 square-foot facility in the Town of Whitmire, which houses the company's headquarters and manufacturing operations. The \$5.5 million investment is expected to generate approximately 238 new jobs.

In 2014, Kiswire, Inc., a manufacturer of steel cord and bead wire for the tire industry, commenced the second phase of its expansion in the County, investing approximately \$30 million and creating 45 new jobs. The first phase which was completed in 2013 represented a \$15 million investment and 30 new jobs. Kiswire employs approximately 200 people between its two County locations.

Also in 2014, Metal Masters, Inc. expanded its operations in the County by constructing a new facility across the street from its current location. The new building sits on 13 acres, encompasses over 40,000 square feet, and houses a machine shop, fabrication shop and offices. Metal Masters provides metalwork, welding, mechanical services and fabrication contracting to the majority of the County's industry such as Kraft and Komatsu.

### **Major Manufacturing Employers**

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

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Kraft Foods	Processed turkey	2,500
Georgia-Pacific Corp.	Southern pine plywood	278
Pioneer Frozen Foods	Frozen dough products	200
Valmont Composite Structures	Fiberglass light poles	200
Komatsu America	Wheel loaders and forklifts	165
West Fraser	Lumber and wood by-products	150
ISE Newberry	Egg processing and products	120
Merchants Foodservice	Wholesale food distribution	120
Kiswire Inc. (2 plants)	Bead wire and Steel cord	190
Trucast, Inc.	Turbo charger wheels	100

Source: Newberry County Economic Development website.

### **Retail Sales**

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

<u>Year</u>	<u>Retail Sales</u>
2015	\$945,715,405
2014	819,614,990
2013	792,208,533
2012	772,804,682
2011	762,347,235

Source: South Carolina Department of Revenue, Administrative Division.

## Population

The following table shows the population of the County for the years indicated:

<u>Year</u>	<u>Population</u>
2015 <sup>(1)</sup>	38,012
2010	37,508
2000	36,108
1990	33,172
1980	31,242
1970	29,273

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<sup>(1)</sup> July 1, 2015 Estimate.

Source: Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office; U.S. Census Bureau, Population Division.

## Municipalities Located Within the County

The City of Newberry, the County Seat, is the largest incorporated municipality located within the County and is governed by a Council-Manager form of government, comprised of six elected councilmen. City Council appoints the City Manager to serve as the City's Chief Administrative Officer. The following table shows the population of the County's municipalities for the last four decennial years:

<u>Municipality</u>	<u>2015<sup>(1)</sup></u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
Newberry	10,279	10,277	10,580	10,543	9,866
Chappells	n/a	n/a	n/a	45	109
Little Mountain	259	291	255	235	282
Peak	51	64	61	78	82
Pomaria	102	179	177	267	271
Prosperity	1,112	1,180	1,047	1,116	803
Silverstreet	158	162	216	156	200
Whitmire	1,357	1,441	1,512	1,702	2,038

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<sup>(1)</sup> Estimate.

Source: U.S. Census Bureau, Population Division; Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office.

## Per Capita Personal Income

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2015	\$34,660	\$38,302	\$48,112
2014	33,192	36,860	46,414
2013	32,759	35,287	44,462
2012	32,077	35,244	44,266
2011	31,224	33,803	42,453

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Source: Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office; U.S. Department of Commerce; Bureau of Economic Analysis.

## Unemployment Rates

The unemployment rate for the County for January, 2017 was 4.2%. The average annual unemployment rates in the County, the State and the United States for each of the last five years for which data is available are shown in the following table.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2016	n/a	4.8%	4.9%
2015	5.3%	6.0	5.3
2014	5.7	6.4	6.2
2013	7.2	7.6	7.4
2012	8.8	9.2	8.1
2011	10.4	10.6	8.9

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

## Labor Force

	<u>Annual Average</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Civilian Labor Force	18,577	18,209	17,921	18,506	18,831
Employment	16,653	16,605	16,623	17,452	17,829
Unemployment	1,924	1,604	1,298	1,054	1,002
Percent of Labor Force	10.4%	8.8%	7.2%	5.7%	5.3%

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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.

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

## Construction Activity

The following table provides the approximate number and value of building permits issued by the County for the years indicated.

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>No. of Permits</u>	<u>Value of Permits</u>	<u>No. of Permits</u>	<u>Value of Permits</u>
2016	87	\$16,750,330	19	\$15,427,751
2015	77	15,423,087	17	24,777,131
2014	57	11,779,440	7	11,386,987
2013	82	24,985,133	36	26,029,480
2012	71	11,132,663	32	5,370,688

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Source: Newberry County Building Department.

The following table provides the approximate number and value of building permits issued by the City of Newberry for the years indicated.

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>No. of Permits</u>	<u>Value of Permits</u>	<u>No. of Permits</u>	<u>Value of Permits</u>
2015	217	\$1,289,339	145	\$6,273,259
2014	258	1,854,421	102	2,412,662
2013	262	1,699,870	109	4,239,197
2012	287	6,691,708	93	6,956,511
2011	301	2,101,539	112	3,444,350

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Source: City of Newberry Planning and Development Department.

### **Facilities Serving the County**

*Transportation:* Interstate 26, the principal east-west corridor of South Carolina, bisects the County and is within four miles of the City of Newberry. I-85 intersects I-26, 55 miles west of Newberry, and I-385 to Greenville branches at Clinton, just 21 miles west. I-26 intersects both I-20 and I-77 at Columbia, the state capitol, just 38 miles east. In addition, the County is served by U.S. Highway 76 as well as numerous State highways such as 34, 219 and 121.

Charleston, just 153 miles south on I-26, is the nearest port city. There are approximately 37 motor freight carriers with four truck terminals. CSX and Norfolk Southern provide rail service. Rail passenger is also available through AMTRAK in the City of Columbia.

*Air Service:* The Newberry Municipal Airport, two miles north of the City of Newberry, has a 4,000 foot paved and lighted runway. Services available at the airport include flight instruction, aircraft rental, aircraft repair, and tiedown and hangar storage. In addition, regular scheduled commercial airline service is offered by two airports within approximately 60 miles of Newberry: the Columbia Metropolitan Airport and the Greenville/Spartanburg International Airport.

*Recreation:* Dreher Island State Park consists of three islands, 348 acres and provides access to twelve miles of shoreline on Lake Murray. Open year round, the Park has 112 camping sites, sheltered picnic areas, hiking and mountain biking trails, boat ramps, rental slips and vacation villas. Dreher Island is a popular location and launching spot for major, national fishing tournaments. Lynches Woods is a 276-acre woodland area located behind Piedmont Technical College. The 4.7 mile scenic road has hiking and equestrian trails. Lynches Woods has a three-mile trail which serves as the gateway to the Upstate for the Palmetto Trail. A fourteen-mile trail of the Palmetto Trail begins near the Town of Whitmire in the Sumter National Forest. Covering 56,595 acres in the County, the Sumter National Forest offers numerous outdoor activities such as hunting, fishing, primitive camping, nature trails, bird-watching, equestrian trails, picnicking and boating.

The County has two 18-hole golf courses: the Mid-Carolina Country Club in the Town of Prosperity and The Country Club of Newberry located in the City of Newberry.

Carter & Holmes Orchids was founded in 1946 and has grown to 18 greenhouses covering two acres. In the 1990's, they began hybridizing orchids and developed their own laboratory for seed and tissue culture. Carter & Holmes' hybridizing program has resulted in worldwide recognition as a source for outstanding orchids. They ship orchid plants of many genera to hobbyists and commercial growers through the United States and many countries around the world.

*Public Schools* – There are 14 fully-accredited schools located in the Newberry County School District - 8 elementary, 2 middle, 3 high schools and one vocational center. Approximately 5,661 pupils were enrolled in the public school system in the County for the 2009-10 school year based on a 45-day average daily membership. All public schools are fully accredited by the South Carolina Department of Education and Southern Association of Colleges and Schools. Full accreditation assures that the district has met the minimum standards for class size, qualifications of teachers, school facilities, instructional materials and curriculum.

*Higher Education:* Newberry College's 90-acre campus is located in the City of Newberry. Founded in 1856, Newberry College is a fully accredited four-year, coeducational college of liberal arts and sciences, offering 33 majors, 39 minors, and awarding degrees in Bachelor of Arts, Bachelor of Music, Bachelor of Music Education and Bachelor of Science, to name a few. The College offers pre-professional programs in dentistry, engineering, law, medicine, occupational and physical therapy, seminary and veterinary medicine. The athletics program includes seventeen NCAA competitive teams for both men and women who participate in NCAA Division II intercollegiate sports. The College had a Fall 2016 enrollment of 1,070 students.

Presbyterian College ("PC") is a private, four-year, fully accredited, co-educational, liberal arts college located on a 240-acre campus in the City of Clinton, 21 miles from the City of Newberry. PC offers Bachelor of Arts and Bachelor of Science degrees in approximately 30 majors and pre-professional programs in law, medicine, dentistry, pharmacy, veterinary medicine, health sciences, engineering dual-degree, forestry and environmental studies, teacher education and certification and theology. The 54,000 square-foot Presbyterian College School of Pharmacy is located approximately one mile from PC, and is accredited by the Accreditation Council for Pharmacy Education. Presbyterian College had a Fall 2015 enrollment of 1,379 students.

Piedmont Technical College (PTC) is a public, comprehensive two-year, post-secondary technical college headquartered in Greenwood, approximately 37 miles from Newberry. Founded in 1966, PTC contributes to the economic growth and development of the largest and most diverse region of the technical college system serving seven counties – Abbeville, Edgefield, Greenwood, Laurens, McCormick, Newberry and Saluda. PTC provides educational opportunities for students to acquire the knowledge and skills for employment in engineering technology, industrial technology, agriculture, business, health and public service. PTC offers university transfer; associate degrees, diplomas and certificates in technical and occupational areas; college preparatory programs; student development programs providing academic, career and individual support; and custom-designed credit and non-credit programs which provide training for business and industry. PTC had a total Fall 2016 enrollment of 4,907 students.

Applying proceeds of the CPST imposed in the County following a referendum held in 2010, the County acquired and upfitted a former retail facility to house the Newberry County satellite campus of PTC. Associate degrees in the following areas are offered at PTC-Newberry: occupational therapy assistant, administrative office assistant, arts, science, business, criminal justice, early care and education, general technology-patient care technician, human services, mechatronics technology and veterinary technology. Certificates are awarded in accounting, early childhood development, emergency medical technician, entrepreneurship, health care, health care-veterinary technology, infant/toddler, mechatronics



technology, office technician and patient care technician. Fall 2016 enrollment at PTC-Newberry included 246 full time and 392 part-time students.

*Medical Services:* Hospital facilities within the County include the 90-bed acute and 12 bed sub-acute Newberry County Memorial Hospital (NCMH) which was constructed in 1976. A \$13.425 million renovation and expansion project was completed in 2002, completely changing the first floor by making it a patient-friendly outpatient services mall. Additional renovations continued with the opening of a satellite office in the Town of Little Mountain in 2003 and the New Beginnings birthing unit being expanded and renovated in 2004. In 2006, the proceeds of the CPST allowed NCMH to add a new and larger laboratory area, surgical dressing rooms, pediatric rooms, and obstetrical operating room in New Beginnings and an expanded chemotherapy area. Completed in 2008, the Atrium Center includes a new and expanded Wellness and Rehabilitation Center, a 1.5 teslar MRI and five physician offices. In 2008, full oncology services became available locally with the opening of Newberry Oncology Associates, and in 2009, the hospital opened the Wound Care and Hyperbaric Medicine Center.

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## **LEGAL MATTERS**

### **Litigation**

There is no litigation presently pending or, to the knowledge of the County, threatened challenging the validity of any general obligation indebtedness, including the Bonds, issued or proposed to be issued by the County.

### **Legal Opinion**

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

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

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

### **United States Bankruptcy Code**

The undertakings of the County should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. Section 901, *et. seq.*, as amended (the "Bankruptcy Code"), and other laws affecting creditors' rights and public instrumentalities 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 but does not limit or impair the power of a state to control a municipality by legislation; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each 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 or otherwise modify indebtedness under its plan varying from the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

## **Federal Income Tax Generally**

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

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

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

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

## **State Tax Exemption**

Bond Counsel is of the further opinion that the Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the

South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Bonds or the interest thereon under the laws of any other jurisdiction.

### **Collateral Federal Tax Considerations**

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

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

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

### **Original Issue Premium**

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

## **Continuing Disclosure**

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

The County has covenanted for the benefits of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events, if material, and, in addition, to file an annual report containing certain financial information and operating data. The notices of material events and the annual report will be filed by the Issuer with the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the Listed Events are set forth in Appendix C, "Disclosure Dissemination Agent Agreement." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12 (the Rule).

Within the past five (5) years, the County was not timely in filing its audited financial statements for fiscal year 2012 (192 days late). The County failed to timely file a Notice of Failure to File in connection with that late filing, but such Notice was filed on April 17, 2017. The County's 2014 audited financial statements were timely filed, but the County recently discovered that the accompanying report of the independent auditor as filed on EMMA was not signed; the County has filed a signed copy of that report.

In addition, the County is required under a previous continuing disclosure undertaking to report overlapping indebtedness within the County but had not previously done so, nor did it timely file Notices of Failure to File in connection therewith. The County filed on EMMA on March 14, 2017 a document showing overlapping indebtedness in the County as of July 1 for fiscal years 2011 through 2015, and filed on EMMA on April 19, 2017 a Notice of Failure to File such information.

## **Closing Certifications**

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

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

## **Conclusion**

Further inquiries should be addressed to Wayne Adams, Newberry County Administrator, Courthouse Annex, 1309 College Street, Post Office Box 156, Newberry, South Carolina 29108, telephone (803) 321-2100. Requests for additional copies of this Official Statement may be addressed to Theodore B. DuBose, Haynsworth Sinkler Boyd, P.A., 1201 Main Street, 22nd Floor, Columbia, South Carolina 29201, telephone (803) 540-7830.

## **RATING**

Moody's Investors Service, Inc. (the "Rating Agency"), has assigned its municipal bond rating of "Aa3" to the Bonds. No other rating agencies were requested to assign a rating to the Bonds. An explanation of the significance of the rating may be obtained from the rating agency furnishing such rating. The rating reflects only the view of such rating agency and the County makes no representation as to the appropriateness of the rating.

The County has furnished to the Rating Agency certain information and materials respecting the County and the Bonds. Generally, the Rating Agency bases its rating 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 rating will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Agency, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased at a competitive sale from the County for resale by Hilltop Securities Inc. (the "Purchaser"). The Purchaser has agreed, subject to certain conditions, to purchase the Bonds at 113.002%. The initial public offering prices of the Bonds are as shown on the front page of this Official Statement and may be changed from time to time by the Purchaser. The Purchasers may also allow a concession from the public offering prices to certain dealers. The initial public offering prices average approximately \$2.19 per \$1,000 face amount of the Bonds in excess of the purchase price paid to the County by the Purchaser. The Purchaser has not received a fee from the County for underwriting the Bonds.

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## CERTIFICATION

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

Certain of the information set forth in this Official Statement and in the appendices hereto has been obtained from sources other than the County that are believed to be reliable but is not guaranteed as to accuracy or completeness by the County. 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 County.

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

s/\_\_\_\_\_  
County Administrator  
Newberry County, South Carolina

**APPENDIX A**

**AUDITED FINANCIAL INFORMATION**

Fiscal Year Ended June 30, 2016



AUDITED FINANCIAL STATEMENTS

**NEWBERRY COUNTY, SOUTH CAROLINA**  
Newberry, South Carolina

June 30, 2016



# RISH & ENZASTIGA

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

The Newberry County Council  
Newberry, South Carolina

We have audited the accompanying primary government financial statements of the governmental activities and each major fund of Newberry County, South Carolina, as of and for the year ended June 30, 2016 and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. However, the primary government financial statements, because they do not include the financial data of component units of Newberry County, South Carolina, do not purport to, and do not, present fairly the financial position of Newberry County, South Carolina, as of June 30, 2016, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis (p 7-18) and budgetary comparison (p. 25) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have issued a report dated September 16, 2016 on our consideration of the County's internal control structure and on its compliance with laws and regulations. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.



Lexington, South Carolina  
September 16, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**INTRODUCTION**

This narrative overview gives an analysis of the financial activities of the County for the fiscal year ended June 30, 2016. Our purpose is to inform our citizens of the effect of our County's operations and to present our financial position. The readers should also review the detail statements and the notes to the financial statements to enhance their understanding of the County's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial aspects were as follows:

- **Net Position:** The County's Total Net Position as of June 30, 2016, was \$29,083,532 which represented an increase of \$448,890 from the prior year end.
- **Revenues and Expenditures:** Revenues totaled \$30,855,223 and expenditures totaled \$31,597,099 for all Governmental Funds at the fund level. Accordingly, expenditures exceeded revenues by \$741,876 before other financing activities. The general fund increased the fund balance by \$1,602,112. The debt service fund balance decreased \$3,192,209. The capital projects fund balance decreased \$1,660,265 from spending for lease purchase and sales tax projects.
- **Capital Assets:** The County had capital asset additions in the governmental activities of \$559,760 consisting of purchases of equipment and building improvements. Depreciation expense in governmental activities was \$2,905,422. This resulted in a net decrease of capital assets of \$2,345,662.
- **General Fund/Fund Balance:** Our principal operating fund, the General Fund, had \$24,391,807 in fiscal year 2016 Revenues, which primarily consisted of property taxes and intergovernmental sources. Net other financing uses were \$999,502, and \$21,790,193 in expenditures increased the fund balance \$1,602,112.
- **Debt:** The County retired \$8,131,610 in principal for governmental activities bonds and lease purchase outstanding. The Debt Service Fund Balance decreased from \$6,090,116 to \$2,897,907. Bonds payable are \$6,900,406 at June 30, 2016 and lease purchase payable is \$3,053,476. Detail for long term debt is shown in Note F. The County implemented GASB 68 – Pension Liabilities in FY 2015. At year end the net pension liability was \$14,669,606 – see Note G.

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business. These statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include legislative, finance, election and registration, public safety, public works, social services, education and cultural, and public health expenditures.

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

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

**NEWBERRY COUNTY, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -**  
**CONTINUED**  
**YEAR ENDED JUNE 30, 2016**

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

**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 inflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating the County'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 County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains its accounting records in conformity with the Governmental Accounting Standards. 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, Debt Service, Capital Projects Funds and non-major Special Revenue funds.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of county residents and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The primary funds are held for fire service protection, school funds and regional rescue squads



**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

**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.

**Other Supplemental Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the County's budget process. The County adopts an annual expenditure budget for the general fund. A budgetary comparison statement has been provided for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$29,083,532 as of June 30, 2016. The largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending.

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

The following table presents a summary of the County's net position for the fiscal year ended June 30, 2016.

Current assets	\$	25,322,332
Non-current assets		34,560,018
Deferred outflow – pension		<u>2,560,556</u>
Total assets and debits		<u>62,442,906</u>
Current liabilities		4,170,420
Non-current liabilities		28,202,188
Deferred inflow		<u>986,766</u>
Total liabilities & def inflows		<u>33,359,374</u>
Net position	\$	<u><u>29,083,532</u></u>
Net position -		
Invested in capital assets,		
net of related debt	\$	26,524,012
Restricted		9,857,348
Unrestricted		<u>(7,297,828)</u>
Total Net Position	\$	<u><u>29,083,532</u></u>



**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- GO Bond principal payments of \$7,324,009
- Purchases of equipment and other assets of \$559,760 and depreciation of \$2,905,422
- GASB 68 - net pension liability - \$14,669,606

**Changes in net position:** The County's governmental activities revenues for the fiscal year ended June 30, 2016, were \$30,638,453. The total cost of all programs and services was \$30,189,563. The following table presents a summary of the activity that resulted in changes to total net position for the fiscal year ended June 30, 2016.

<b>REVENUES:</b>	Amount
Program revenues:	
Charges for services	\$ 1,526,099
Operating grants and contributions	135,305
Capital grants	608,072
General revenues:	
Property taxes	20,556,808
Intergovernmental sources	2,058,717
Fines and assessments	919,426
Sales tax	3,674,114
Miscellaneous	<u>1,159,912</u>
Total revenues	<u>30,638,453</u>
<b>EXPENSES:</b>	
Governmental - current	( 27,186,768)
Intergovernmental – capital	
Construction & improvements	( 2,815,909)
Interest and fees	<u>( 186,886)</u>
Total expenses	<u>( 30,189,563)</u>
Increase in net position	<u><u>\$ 448,890</u></u>

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

**Statement of Activities:** The following table presents the cost of the major functional activities: current, capital outlays and debt service. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

	Total Expenses	Net Revenue (Expense)
Governmental - Current	\$ 26,780,079	\$ (24,917,292)
Intergovernmental – capital		
Construction & improvements	2,815,909	(2,815,909)
Debt Service - interest	<u>186,886</u>	<u>(186,886)</u>
 Total expenses	 <u>\$ 30,189,563</u>	 <u>\$(27,920,087)</u>

- The cost of all activities this year was \$30,189,563
- Net cost of governmental activities (\$27,920,087) was financed by general revenues (\$28,368,977), which are made up of primarily property taxes (\$20,556,808), intergovernmental sources (\$2,058,717), fines and assessments (\$919,426), sales tax (\$3,674,114), and other revenue (\$1,159,912).

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

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

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$22,154,642, a decrease of \$3,335,678 since June 30, 2015. A fund balance of \$13,375,360 or 60.37 percent of total governmental fund balance constitutes unreserved and unassigned, which is available for spending at the County's discretion.

The remaining fund balance is reserved:

- \$ 5,633,900 assigned for future capital projects
- \$ 2,897,907 assigned for debt service
- \$ 226,924 committed for special revenue
- \$ 20,551 nonspendable for inventory - fuel

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$1,602,112 was due to lower expenditures than anticipated. The Debt Service Fund balance showed a decrease of \$3,192,209. The Capital Projects Funds showed a fund balance of \$3,521,011, a combination of remaining Lease purchase and GO Bonds proceeds. The Capital Projects had expenditures of \$3,229,220

**BUDGETARY HIGHLIGHTS**

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund is provided in this report.

The County budgeted \$23,083,248 in General Fund Revenue with actual revenue totaling \$24,391,807 for a difference of \$1,308,559. The budget for expenditures was \$23,389,945 with the actual expenditures being \$21,790,193 for a difference of \$1,599,752. The general fund transferred \$999,502 to special revenue projects. The results from revenue, expenditures and other financing sources and uses caused the fund balance to increase by \$1,602,112. Changes to the original and final budget were made through budget amendments during the year to adjust for various projects and costs.

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) –  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSETS**

As of June 30, 2016, the County had invested \$4,560,018. in capital assets, net of accumulated depreciation, including buildings and facilities, fire service and rescue squad vehicles, other vehicles, and other equipment. Total depreciation expense for the year was \$2,905,422 for governmental activities.

The following schedule presents capital asset balances for the fiscal year ended June 30, 2016.

	Amount
Land	\$ 8,143,969
Buildings and improvements	36,049,549
Vehicles and equipment	18,072,568
Roads	11,340,105
Airport Improvements	<u>5,654,044</u>
Total	<u>\$ 79,260,235</u>

Additional information on the County's capital assets can be found in Note N of this report.

**DEBT ADMINISTRATION**

The following table presents a summary of the County's outstanding long-term debt for the fiscal year ended June 30, 2016.

	Amount
General obligation bonds	\$ 6,900,406
Lease purchase	3,053,476
Accrued compensated absences	<u>606,895</u>
Total	<u>\$ 10,560,777</u>

State statutes currently limit the amount of general obligation debt a County may issue to 8 percent of its total assessed valuation. Additional information on the County's long-term debt can be found in Note F of this report.

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) -  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Newberry County is one of the oldest counties in the State of South Carolina, having been created by the old Ninety-Six District in 1785. The county is located in the central piedmont portion of the state and encompasses a land area of 630 square miles. Approximately 54,000 acres located within the northeastern portion of Newberry County are within the Sumter National Forest.

Agriculture and manufacturing are important sources of employment for the residents of the County. Some of Newberry County's major taxpayers are Louis Rich, Renfro Corporation, Georgia Pacific Corporation and International Paper.

Numerous factors will be considered by County Council during the process of developing the fiscal year 2016 - 2017 budget. Some of County Council's main goals are to enhance the tax base and job opportunities for Newberry County. This will be done by continuing the refinement of the County's economic development plan. This plan will consist of industrial, commercial and tourism elements. A portion of this plan includes the development of a new industrial park. County staff is currently developing a plan to implement GIS and also developing a plan to enhance the Newberry County Airport. Further, we are studying alternative sources for revenue.

Another goal established by Newberry County Council is to continue to improve the quality and efficiency of services to all our citizens. This will be accomplished by the proper alignment of resources with professional service priorities as established by County Council.

**NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) –  
CONTINUED  
YEAR ENDED JUNE 30, 2016**

**CURRENT AND PRIOR YEAR FINANCIAL ANALYSIS**

Tables I – II are presented for additional analysis of the County's finances for the FY 15-16.

Table I – Statement of Net Position – Governmental Activities – Total current assets decreased \$4,468,650 versus the prior year due to decreases in cash (debt service fund & capital projects fund). Capital assets decreased \$2,345,462 net as shown in Note N for capital asset additions for new buildings & equipment less depreciation expense. Total liabilities decreased \$5,982,404 due to net payments to debt principal. Net position increased \$448,890.

Table II – Statement of Activities – Governmental Activities – Total revenues decreased \$1,402,832 (Property taxes decreased \$415,403 and sales tax increased \$227,906) Total expenses increased \$776,015 due to higher capital spending.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Division of Financial Services, Newberry County, 1309 College Street, Newberry, South Carolina 29108. (Telephone # 803-321-2100).

Information on component units and their financial reports can be obtained by contacting Division of Financial Services, Newberry County, 1309 College Street, Newberry, South Carolina 29108. (Telephone # 803-321-2100).

NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued  
YEAR ENDED JUNE 30, 2016

Table I - Current vs. Prior - Statements of Net Position - Governmental Activities

	Governmental Activities		
	2016	2015	Variance
Assets			
Total Current Assets	\$ 25,322,332	\$ 29,790,982	\$ (4,468,650)
Other Debits	2,560,556	1,279,758	1,280,798
Capital Assets, net of accumulated depreciation	<u>34,560,218</u>	<u>36,905,680</u>	<u>(2,345,462)</u>
Total Assets	<u>\$ 62,443,106</u>	<u>\$ 67,976,420</u>	<u>\$ (5,533,314)</u>
Total Current Liabilities	\$ 4,170,420	\$ 7,540,322	\$ (3,369,902)
Non-Current Liabilities	28,202,188	30,543,954	(2,341,766)
Deferred Inflows	<u>986,766</u>	<u>1,257,502</u>	<u>(270,736)</u>
	<u>\$ 33,359,374</u>	<u>\$ 39,341,778</u>	<u>\$ (5,982,404)</u>
Net Position			
Invested in capital assets, net of related debt	\$ 26,524,012	\$ 23,215,389	\$ 3,308,623
Restricted	9,857,348	10,125,795	(268,447)
Unrestricted/(deficit)	<u>(7,297,828)</u>	<u>(4,706,542)</u>	<u>(2,591,286)</u>
Total Net Position	<u>\$ 29,083,532</u>	<u>\$ 28,634,642</u>	<u>\$ 448,890</u>

NEWBERRY COUNTY, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued  
YEAR ENDED JUNE 30, 2015

Table II - Current vs Prior - Statement of Activities - Governmental Activities

	Governmental Activities		
	2016	2015	Variance
Revenues			
Program Revenues:			
Charges for Services	\$ 1,526,099	\$ 1,395,976	\$ 130,123
Operating Grants	135,305	196,733	(61,428)
Capital Grants	608,072	1,250,652	(642,580)
General Revenue:			
Property Taxes	20,556,808	20,972,211	(415,403)
Intergovernmental Sources	2,058,717	1,287,406	771,311
Fines and Assessments	919,426	2,110,235	(1,190,809)
Sales Tax - Debt Service	3,674,114	3,446,208	227,906
Other	<u>1,159,912</u>	<u>1,381,864</u>	<u>(221,952)</u>
Total Revenues	<u>\$ 30,638,453</u>	<u>\$ 32,041,285</u>	<u>\$ (1,402,832)</u>
Expenses			
Current			
Legislative	\$ 324,069	\$ 313,280	\$ 10,789
Administration	1,656,962	2,059,892	(402,930)
Tax assessment & collection	1,511,311	1,503,137	8,174
Election & registration	192,823	178,052	14,771
Administration of Justice	1,930,516	2,045,006	(114,490)
Law enforcement	4,302,730	4,182,828	119,902
Detention	1,885,052	1,941,598	(56,546)
Public safety	4,014,035	4,132,183	(118,148)
Public works & maintenance	7,524,530	6,991,848	532,682
Planning & development	1,038,718	1,030,551	8,167
Agriculture & home economics	120,895	118,249	2,646
Public health	22,957	23,037	(80)
Social services	265,515	257,681	7,834
Miscellaneous	2,016,116	1,545,903	470,213
Emergency telephone reporting	380,539	456,834	(76,295)
Capital Construction & Improvements - Intergovernmental	2,815,909	2,230,907	585,002
Interest and Fees	<u>186,886</u>	<u>402,562</u>	<u>(215,676)</u>
Total Expenses	<u>\$ 30,189,563</u>	<u>\$ 29,413,548</u>	<u>\$ 776,015</u>
Change in Net Position	448,890	2,627,737	(2,178,847)
Net Position, Beginning of Year	28,634,642	26,006,905	<u>2,627,737</u>
Net Position, End of Year	<u>\$ 29,083,532</u>	<u>\$ 28,634,642</u>	<u>\$ 448,890</u>



BASIC FINANCIAL STATEMENTS  
PRIMARY GOVERNMENT

STATEMENT OF NET POSITION  
NEWBERRY COUNTY, SOUTH CAROLINA  
June 30, 2016

	PRIMARY GOVERNMENT	
	Governmental Activities	Total
ASSETS AND OTHER DEBITS		
Current Assets		
Cash - Notes B & C	\$ 5,775,025	\$ 5,775,025
Investments - Note C	17,263,799	17,263,799
Receivables		
Property taxes - delinquent - Note E	726,825	726,825
Fines and fees	-	-
Other	125,274	125,274
Due from other governments		
State shared revenue	403,085	403,085
Sales tax	1,007,773	1,007,773
Inventory - jet fuel	20,551	20,551
Total Current Assets	<u>25,322,332</u>	<u>25,322,332</u>
Capital Assets - Note N		
Land	8,143,969	8,143,969
Buildings	36,049,549	36,049,549
Roads	11,340,105	11,340,105
Equipment	18,072,568	18,072,568
Airport improvements	5,654,044	5,654,044
Accumulated depreciation	<u>(44,700,217)</u>	<u>(44,700,217)</u>
DEFERRED OUTFLOW - Pension	<u>2,560,556</u>	<u>2,560,556</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 62,442,906</u>	<u>\$ 62,442,906</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accrued expenses	\$ 1,248,202	\$ 1,248,202
Due to other taxing units and others	1,244,460	1,244,460
Accrued interest	84,250	84,250
Lease payable, current portion	646,421	646,421
Bonds payable, current portion	<u>947,087</u>	<u>947,087</u>
Total Current Liabilities	<u>4,170,420</u>	<u>4,170,420</u>
Bonds payable, less current portion	5,953,319	5,953,319
Compensated absences	606,895	606,895
Net Pension Liability	14,669,606	14,669,606
Net OPEB Obligation - See Note P	4,565,313	4,565,313
Lease purchase, less current portion	<u>2,407,055</u>	<u>2,407,055</u>
TOTAL LIABILITIES	<u>32,372,608</u>	<u>32,372,608</u>
DEFERRED INFLOWS		
Grant	15,815	15,815
Pension	970,951	970,951
NET POSITION		
Invested in capital assets, net of related debt, \$8,036,006	26,524,012	26,524,012
Restricted for:		
special projects, net of related debt, \$1,217,838	3,716,024	3,716,024
debt service	6,141,324	6,141,324
Unrestricted	<u>(7,297,828)</u>	<u>(7,297,828)</u>
TOTAL NET POSITION	<u>29,083,532</u>	<u>29,083,532</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 62,442,906</u>	<u>\$ 62,442,906</u>

STATEMENT OF ACTIVITIES  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue &amp; Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities						
Current						
Legislative	\$ 324,069	\$ -	\$ -	\$ -	\$ (324,069)	\$ (324,069)
Administration	1,656,962	-	-	-	(1,656,962)	(1,656,962)
Tax assessment & collection	1,511,311	-	-	-	(1,511,311)	(1,511,311)
Election & registration	192,823	-	-	-	(192,823)	(192,823)
Administration of Justice	1,930,516	-	125,651	-	(1,804,865)	(1,804,865)
Law enforcement	4,302,730	-	9,654	-	(4,293,076)	(4,293,076)
Detention	1,885,052	-	-	-	(1,885,052)	(1,885,052)
Public safety	4,014,035	210,926	-	-	(3,803,109)	(3,803,109)
Public works & maintenance	7,524,530	969,079	-	608,072	(5,947,379)	(5,947,379)
Planning & development	1,038,718	-	-	-	(1,038,718)	(1,038,718)
Agriculture & home economics	120,895	-	-	-	(120,895)	(120,895)
Public health	22,957	-	-	-	(22,957)	(22,957)
Social services	265,515	-	-	-	(265,515)	(265,515)
Miscellaneous	2,016,116	-	-	-	(2,016,116)	(2,016,116)
Emergency telephone reporting	380,539	346,094	-	-	(34,445)	(34,445)
Capital construction & improvements - intergovernmental	2,815,909	-	-	-	(2,815,909)	(2,815,909)
Debt service						
Interest & other bond costs	<u>186,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(186,886)</u>	<u>(186,886)</u>
Total Governmental Activities	<u>30,189,563</u>	<u>1,526,099</u>	<u>135,305</u>	<u>608,072</u>	<u>(27,920,087)</u>	<u>(27,920,087)</u>
 TOTAL	 <u>\$ 30,189,563</u>	 <u>\$ 1,526,099</u>	 <u>\$ 135,305</u>	 <u>\$ 608,072</u>	 (27,920,087)	 (27,920,087)
 General Revenues						
Property Taxes Levied For:						
General Purposes					19,101,975	19,101,975
Debt Service					1,454,833	1,454,833
Intergovernmental sources					2,058,717	2,058,717
Fines and assessments					919,426	919,426
Sales tax - debt service					3,674,114	3,674,114
Other					<u>1,159,912</u>	<u>1,159,912</u>
Total General Revenues					<u>28,368,977</u>	<u>28,368,977</u>
- Change in Net Position					448,890	448,890
Net Position, Beginning of Year					<u>28,634,642</u>	<u>28,634,642</u>
NET POSITION, END OF YEAR					<u>\$ 29,083,532</u>	<u>\$ 29,083,532</u>

BALANCE SHEET  
GOVERNMENTAL FUNDS  
NEWBERRY COUNTY, SOUTH CAROLINA  
June 30, 2016

	General	Debt Service	Capital Projects	Non-Major Special Revenue	Totals
<b>ASSETS</b>					
Cash - Notes B & C	\$ 3,996,291	\$ 36,673	\$ 1,077,365	\$ 664,696	\$ 5,775,025
Investments - Note C	13,819,411	1,000,742	2,443,646	-	17,263,799
Receivables					
Property taxes - delinquent - Note E	62,544	5,068	-	-	67,612
Fines and fees	-	-	-	-	-
Other	125,274	-	-	-	125,274
Due from other governments					
State shared revenue	403,085	-	-	-	403,085
Sales tax	-	1,007,773	-	-	1,007,773
Inventory - jet fuel	-	-	-	20,551	20,551
Due from other funds - Note D	<u>436,028</u>	<u>847,651</u>	<u>-</u>	<u>14,071</u>	<u>1,297,750</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 18,842,633</u></b>	<b><u>\$ 2,897,907</u></b>	<b><u>\$ 3,521,011</u></b>	<b><u>\$ 699,318</u></b>	<b><u>\$ 25,960,869</u></b>
<b>LIABILITIES, DEFERRED INFLOW &amp; FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accrued expenses	\$ 1,248,202	\$ -	\$ -	\$ -	\$ 1,248,202
Due to taxing units and others	1,244,460	-	-	-	1,244,460
Due to other funds - Note D	<u>861,722</u>	<u>-</u>	<u>-</u>	<u>436,028</u>	<u>1,297,750</u>
<b>TOTAL LIABILITIES</b>	<b><u>3,354,384</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>436,028</u></b>	<b><u>3,790,412</u></b>
DEFERRED INFLOW - grant income	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,815</u>	<u>15,815</u>
<b>FUND BALANCES</b>					
Reserved:					
Nonspendable - inventory - fuel	-	-	-	20,551	20,551
Committed for special revenue	-	-	-	226,924	226,924
Assigned for capital projects	2,112,889	-	3,521,011	-	5,633,900
Assigned for debt service	-	2,897,907	-	-	2,897,907
Unreserved:					
Unassigned	<u>13,375,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,375,360</u>
<b>TOTAL FUND BALANCES</b>	<b><u>15,488,249</u></b>	<b><u>2,897,907</u></b>	<b><u>3,521,011</u></b>	<b><u>247,475</u></b>	<b><u>22,154,642</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW &amp; FUND BALANCES</b>	<b><u>\$ 18,842,633</u></b>	<b><u>\$ 2,897,907</u></b>	<b><u>\$ 3,521,011</u></b>	<b><u>\$ 699,318</u></b>	<b><u>\$ 25,960,869</u></b>

Reconciliation of governmental fund balances to statement of net position:

Total Fund Balances - Governmental Funds	\$ 22,154,642
Capital assets, net of accumulated depreciation	34,560,018
Bonds payable	(6,900,406)
Leases payable	(3,053,476)
Compensated absences	(606,895)
Net OPEB Obligation	(4,565,313)
Net Pension Adjustment	(13,080,001)
Accrued interest	(84,250)
Recognition of deferred taxes	<u>659,213</u>
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 29,083,532</u></b>

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

NEWBERRY COUNTY, SOUTH CAROLINA

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	(3,335,678)
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	559,760	
Depreciation expense	<u>(2,905,422)</u>	(2,345,662)

Net Repayment/(Issuance) of bond principal is an expenditure/(other financing source) in the governmental funds, but it reduces/(increases) long-term liabilities in the statement of net position and does not affect the statement of activities

	(892,000)	
	<u>7,324,009</u>	6,432,009

In the statement of activities, compensated absences are measured by the amounts expended during the year. In governmental funds, expenditures for this item are measured by the amount of financial resources used.

(9,996)

Repayment/(Issuance) of lease purchase/(lease purchase proceeds) is an expenditure/(other financing source) in the governmental funds, but it reduces/(increases) long-term liabilities in the statement of net position and does not affect the statement of activities.

Issuance of principal	(700,000)	
Repayment of principal	<u>807,601</u>	107,601

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as it accrues, regardless of the due date.

Interest on bonds and lease purchase increased by:		70,528
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In the statement of activities, OPEB benefits are measured by the accrued OPEB cost recorded during the year. In governmental funds, expenditures for this item are measured by the amount of financial resources used.

(723,553)

In the statement of activities, pension plan liabilities are measured by the accrued liability recorded during the year. In governmental funds, expenditures for this item are measured by the amount of financial resources used.

470,411

Some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead recorded as deferred tax revenues. In the statement of activities, property taxes are recorded as revenue in the year levied.

		<u>(216,770)</u>
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Change in net position - governmental activities	\$	<u>448,890</u>
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STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
NEWBERRY COUNTY, SOUTH CAROLINA  
Year Ended June 30, 2016

	General	Debt Service	Capital Projects	Non-Major Special Revenue	Totals
<b>REVENUE</b>					
Taxes	\$ 19,286,669	\$ 1,486,909	\$ -	\$ -	\$ 20,773,578
Intergovernmental	2,067,272	-	-	743,377	2,810,649
Fines and fees	1,977,358	-	-	459,612	2,436,970
Sales tax	-	3,674,114	-	-	3,674,114
Other	<u>1,060,508</u>	<u>12,692</u>	<u>55</u>	<u>86,657</u>	<u>1,159,912</u>
<b>TOTAL REVENUE</b>	<b>24,391,807</b>	<b>5,173,715</b>	<b>55</b>	<b>1,289,646</b>	<b>30,855,223</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Legislative	324,069	-	-	-	324,069
Administration	1,393,824	-	-	-	1,393,824
Tax assessment & collection	1,488,418	-	-	-	1,488,418
Election & registration	192,823	-	-	-	192,823
Administration of Justice	1,796,443	-	-	117,096	1,913,539
Law enforcement	3,717,100	-	-	155,751	3,872,851
Detention	1,840,462	-	-	-	1,840,462
Public safety	3,600,511	-	-	-	3,600,511
Public works & maintenance	5,549,005	-	-	-	5,549,005
Planning & development	1,036,684	-	-	-	1,036,684
Agriculture & home economics	120,895	-	-	-	120,895
Public health	22,957	-	-	-	22,957
Social services	265,515	-	-	-	265,515
Miscellaneous	295,038	-	-	1,721,078	2,016,116
Emergency telephone reporting	-	-	-	380,539	380,539
<b>Capital outlays</b>					
Capital construction & improvements	146,449	-	3,229,220	-	3,375,669
<b>Debt service</b>					
Principal retirement - Note G	-	3,894,009	-	-	3,894,009
Interest	-	309,213	-	-	309,213
Fees & other bond service costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b><u>21,790,193</u></b>	<b><u>4,203,222</u></b>	<b><u>3,229,220</u></b>	<b><u>2,374,464</u></b>	<b><u>31,597,099</u></b>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures before Other Financing Sources	<u>2,601,614</u>	<u>970,493</u>	<u>(3,229,165)</u>	<u>(1,084,818)</u>	<u>(741,876)</u>
<b>OTHER FINANCING SOURCES</b>					
Bond proceeds	-	-	892,000	-	892,000
Bond defeasance	-	(3,312,702)	-	-	(3,312,702)
Lease purchase	-	-	700,000	-	700,000
Lease purchase payment	-	-	(873,100)	-	(873,100)
Transfer In/(Out)	<u>(999,502)</u>	<u>(850,000)</u>	<u>850,000</u>	<u>999,502</u>	<u>-</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	1,602,112	(3,192,209)	(1,660,265)	(85,316)	(3,335,678)
Fund Balance, Beginning of Year,	<u>13,886,137</u>	<u>6,090,116</u>	<u>5,181,276</u>	<u>332,791</u>	<u>25,490,320</u>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 15,488,249</u></b>	<b><u>\$ 2,897,907</u></b>	<b><u>\$ 3,521,011</u></b>	<b><u>\$ 247,475</u></b>	<b><u>\$ 22,154,642</u></b>

STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
NEWBERRY COUNTY, SOUTH CAROLINA  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Property taxes, current	\$ 15,642,437	\$ 15,642,437	\$ 16,033,649	\$ 391,212
Community service levies - taxes	878,809	878,809	878,809	-
Fee In Lieu	1,459,276	1,459,276	1,530,296	71,020
Delinquent taxes and cost	1,010,000	1,010,000	843,915	(166,085)
Intergovernmental	1,797,928	1,797,928	2,067,272	269,344
Fines and fees	1,755,456	1,755,456	1,977,358	221,902
Other	<u>539,342</u>	<u>539,342</u>	<u>1,060,508</u>	<u>521,166</u>
<b>TOTAL REVENUE</b>	<u>23,083,248</u>	<u>23,083,248</u>	<u>24,391,807</u>	<u>1,308,559</u>
Use of Fund Balance Reserves	<u>1,154,147</u>	<u>1,185,506</u>	<u>-</u>	<u>(1,185,506)</u>
<b>EXPENDITURES</b>				
Current				
Legislative	357,212	357,867	324,069	33,798
Administration	1,678,179	1,467,551	1,393,824	73,727
Tax assessment & collection	1,553,481	1,579,315	1,488,418	90,897
Election & registration	176,605	186,528	192,823	(6,295)
Administration of Justice	1,893,935	1,861,254	1,796,443	64,811
Law enforcement	3,807,210	3,872,594	3,717,100	155,494
Detention	1,987,454	2,044,739	1,840,462	204,277
Public safety	3,714,186	3,903,742	3,600,511	303,231
Public works & maintenance	5,718,343	5,739,420	5,549,005	190,415
Planning & development	1,253,473	1,263,478	1,036,684	226,794
Agriculture & home economics	117,710	117,710	120,895	(3,185)
Public health	26,352	26,352	22,957	3,395
Social services	263,419	267,358	265,515	1,843
Miscellaneous	330,214	347,179	295,038	52,141
Capital outlays				
Capital construction & improvements	<u>480,813</u>	<u>354,858</u>	<u>146,449</u>	<u>208,409</u>
<b>TOTAL EXPENDITURES</b>	<u>23,358,586</u>	<u>23,389,945</u>	<u>21,790,193</u>	<u>1,599,752</u>
Excess/(Deficiency) of Revenue Over/(Under)				
Expenditures before Other Financing Sources	<u>878,809</u>	<u>878,809</u>	<u>2,601,614</u>	<u>1,722,805</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfer to special revenue (includes Community Service Levies)	<u>(878,809)</u>	<u>(878,809)</u>	<u>(999,502)</u>	<u>(120,693)</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,602,112</u>	<u>1,602,112</u>
Fund Balance, Beginning of Year			<u>13,886,137</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 15,488,249</u>	

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS - AGENCY FUNDS

## NEWBERRY COUNTY, SOUTH CAROLINA

June 30, 2016

	Newberry County School District	Fire Departments/ Rescue Squads	Magistrates/ Clerk of Court	Market St Escrow	Total Agency Funds
ASSETS					
Cash and cash equivalents - Note B and C	\$ 1,991,119	\$ 414,999	\$ 395,920	\$ 50,000	\$ 2,852,038
Investments	<u>20,726,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,726,524</u>
TOTAL ASSETS	<u>\$ 22,717,643</u>	<u>\$ 414,999</u>	<u>\$ 395,920</u>	<u>\$ 50,000</u>	<u>\$ 23,578,562</u>
LIABILITIES					
Due to other entities	<u>\$ 22,717,643</u>	<u>\$ 414,999</u>	<u>\$ 395,920</u>	<u>\$ 50,000</u>	<u>\$ 23,578,562</u>
TOTAL LIABILITIES	<u>\$ 22,717,643</u>	<u>\$ 414,999</u>	<u>\$ 395,920</u>	<u>\$ 50,000</u>	<u>\$ 23,578,562</u>

The accompanying notes are an integral part of this statement.



NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

General

The accounting and reporting policies of Newberry County, South Carolina (the County), relating to the funds and account group included in the accompanying general-purpose financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

Reporting Entity

The foundation of a primary government is a separately elected governing body - one that is elected by the citizens in a general, popular election. As the nucleus of the financial reporting entity, the primary government generally is the focal point of the users of the financial statements. Thus, it is important to define the primary government and determine what it comprises. A primary government is any state government or general purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. These component units combined with the primary government form the Reporting Entity. These financial statements include only the data of the primary government and do not include data of component units necessary for reporting in conformity with generally accepted accounting principles.

Component units that are not included in these financial statements are the Newberry County Memorial Hospital, Newberry County Alcohol and Drug Abuse Center, Newberry County Community Hall Commission, Newberry Regional Library, and the Newberry County Airport Commission. These organizations have boards that are appointed by Newberry County Council and are fiscally dependent to varying degrees.

Rural Fire Control

The fire departments are funded by the County. The fire departments are governed by the Board of Rural Fire Control. Personnel for the fire departments serve on a volunteer basis. Additional funds are raised through donations and fund raisers upon approval of the Board of Rural Fire Control. Each Fire Department Chief controls and designates spending for each department. The funds held by each department are custodial in nature to be used for each department's fire control needs and not for the benefit of the County's daily operations. Therefore the fire departments have been shown in an agency fund and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES --Continued

Rescue Squads

The rescue squads are funded by County monies. The rescue squads are governed by the Board of Rescue Squads. Personnel for the rescue squads serve on a volunteer basis. Additional funds are raised through donations and fund-raisers upon approval of the Board of Rescue Squads.

Each rescue squad chief controls and designates spending for each rescue squad. The funds held by each squad are custodial in nature to be used for each squad's needs and not for the benefit of the County's daily operations. Therefore the rescue squads have been shown in an agency fund and do not involve measurement of results of operations.

Other Information

Since the other political subdivisions of the County, including the School District, have the authority to hire and terminate employees, establish their own operating budgets and enter into their own contracts, the County does not significantly influence their operations. As these entities have the authority to borrow funds and are responsible for funding their own deficits, the County does not have accountability for their fiscal matters. Accordingly, these other political subdivisions have been excluded from the County's financial statements.

Government-Wide and Fund Accounting

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The effect of interfund transfers has been eliminated from these statements. Governmental activities are reported separately from business-type activities.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

**GOVERNMENTAL FUNDS**

General Fund

The general operating fund of the County is used to account for all financial resources except those required to be accounted for in another fund. All property taxes, intergovernmental revenue, charges for services, fines and fees, and miscellaneous revenue are recorded in this fund except amounts which are specifically collected to service debt or for which the County Treasurer collects taxes and other funds in a fiduciary capacity. Operational expenditures for general government, public safety, public works and other departments of the County are paid through the general fund.

Special Revenue – Non-Major Funds

Special revenue funds are shown as non-major funds. These funds are for sheriff's grants and assessments, intergovernmental expenditures and clerk of court. These funds are used to account for the revenue and expenditures for specific projects outside of general fund purposes.

Capital Projects Fund - Major Fund

The Capital Projects Fund is used to account for financial resources specifically allocated for the County's future building and construction projects.

Debt Service Fund – Major Fund

This fund accounts for the accumulation of resources for and the payment of bond principal and interest. Debt Service Funds of the County are established and maintained in accordance with Acts passed by the General Assembly of South Carolina authorizing the sale of general obligation debt bonds of the County. Bonds and interest for which the County Treasurer collects and remits receipts to, or on behalf of, other governmental units are accounted for as part of the agency fund.

**FIDUCIARY FUND TYPE – AGENCY FUND**

Fiduciary Fund Type – Agency Fund - This fund accounts for assets held by the County as an agent for other governmental units. Property taxes and other revenue are collected, temporarily retained and distributed by the County Treasurer in accordance with Acts of the General Assembly of South Carolina.

## NOTES TO FINANCIAL STATEMENTS

### NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

##### Basis of Accounting- Government-wide and Governmental Funds

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. Property taxes are recognized as revenue when the County has assessed and levied the appropriate amounts due. Government-wide financial statements are prepared using a different measurement focus than government fund financial statements. A reconciliation of the two financial statements has been shown to identify the relationship between the government-wide statements and the governmental fund financial statements.

The governmental fund types utilize the modified accrual basis of accounting. The modified accrual basis of accounting is summarized as follows: Revenue is recognized when it becomes measurable and available as a net current asset. State shared revenues are considered “measurable” in the hands of the State Treasurer and are recognized as revenue at that time. Grant revenue is recognized when the corresponding expenditure is incurred. Other major revenues that are determined to be susceptible to accrual are property taxes received within 60 days of year-end, state and federal grants earned, and interest. Major revenue that is determined not to be susceptible to accrual because it is either not available soon enough to pay liabilities to the current period or is not objectively measurable include licenses, permits, and the majority of fines and fees. Expenditures are recognized when the related fund liability is incurred. An exception to the general rule includes: (1) interest on general long-term indebtedness, which is not accrued but is recorded as an expenditure when paid.

Proprietary funds utilize the accrual basis of accounting, under which, the County recognizes revenue when earned and expenses are recorded as they occur.

##### Cash and Cash Equivalents

For financial statement reporting purposes, the County considers all short-term cash investments and other highly liquid investments such as treasury bills, commercial paper, and money market funds with a maturity of three months or less to be cash and cash equivalents.

##### Investments

Investments, consisting primarily of the State Treasury Investment Pool, are stated at fair market value. It is generally the policy of the County to hold investments to maturity.

##### Inventories

The County has fuel facilities at the County Airport. . The County values its inventory at cost.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Compensated Absences

Accumulated unpaid vacation benefits are not accrued in governmental funds, as the County intends to fund such costs from future operations; i.e., from assets not representing expendable available resources at June 30, 2016. The County does not accrue sick leave as the employees' rights to it do not vest.

Budget

County Council adopts an annual appropriated budget prior to the beginning of each fiscal year. The adopted budget specifies expenditure limits appropriated to each County department. Departmental expenditures may not exceed amounts appropriated without the approval of County Council and unexpended appropriations lapse at fiscal year-end. Budget amounts reflected in the accompanying financial statements represent the appropriated budget and any revisions approved by Council during the fiscal year. Line item transfers within operating departments and any additional appropriations and transfers between departments are approved by County Council. The budget is prepared on a basis other than the one prescribed by GAAP. Adjustments are made to present the amounts properly in the general-purpose financial statements. See Note M – Budget.

Encumbrances

The County did not have any material encumbrances at June 30, 2016. Under encumbrance accounting, contracts, purchase orders and other commitments for expenditures are recorded in order to reserve that portion of an applicable appropriation as an extension of the formal budgetary integration in the County's general fund.

Fund Equity

Restricted, Committed and Assigned fund balances represent tentative plans for future use of financial resources. Restricted fund balance is when constraints are externally imposed by creditors, grantors, laws or enabling legislation and placed on resources. Committed fund balance are amounts that can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority (County Council). Assigned fund balance are amounts constrained by the government's intent to be used for a specific purpose. The County's Finance Department may assign balances for future project needs.

When both restricted, committed, assigned and unassigned resources are available for use, it is the government's policy to use restricted, committed or assigned resources first, then unassigned resources as needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Capital Assets

All Capital Assets are capitalized at historical cost and updated for additions and deletions during the fiscal year less accumulated depreciation. The County maintains a capitalization threshold of \$5,000 for capital assets – governmental activities. Donated capital assets are recorded at fair value when received. Repairs and maintenance are charged directly to operations as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets ranging from five to fifty years.

Tax Status

The County is exempt from federal and state income tax as it is part of the South Carolina government.

Revenue

Program revenues are funds that directly affect the specific expense categories on the statement of activities. Program revenues are categorized into charges for services, operating grants and capital grants. Charges for services are revenues users pay for services in the County. Operating grants are grants that are used to operate specific programs within the County. Capital grants are funds used to purchase equipment and other capital assets.

Deferred Outflows – Grant Income

Deferred outflows – grant income in the General Fund and Special Revenue Fund represent money received in advance for a project in which the expenditures are anticipated to be made in a subsequent year.

Pension Liability, Deferred Inflows & Deferred Outflows

The County implemented GASB 68 to account for Pension Liabilities through the SCRS and PORS. The standards require the recording of a pension liability for future estimated retirement costs, deferred inflows for investment experience and deferred outflows for liability experience.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE B - CASH

Deposits

At June 30, 2016, the carrying amount of the County's deposits was \$8,627,063 (\$5,775,025 for the primary government, and \$2,852,038 for the Agency Funds), which were covered by federal depository insurance, federal savings and loan insurance or by collateral held in the pledging banks' trust departments in the County's name or by their agents in the County's name. The carrying amount of the County's deposits also included \$132,667 cash on hand at June 30, 2016.

NOTE C – INVESTMENTS

Newberry County is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and agencies thereof.
2. General obligations of the State of South Carolina or any of its political units.
3. Savings and loan associations to the extent they are secured by the federal government.

Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the deposit including interest.

The County's investments are categorized below to indicate the level of risk assumed by the entity at June 30, 2016. Category 1 includes investments that are insured or registered or for which securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by the trust department or agent but not in the County's name.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Bank deposit accounts	\$ 8,627,063	\$ --	\$ --	\$ 8,627,063	\$ 8,627,063
Total	\$ 8,627,063	\$ --	\$ --		
State treasurer's investment pool				17,263,799	17,263,799
State treasurer's investment pool – Agency funds				20,726,524	20,726,524
Total Investments and Deposits				\$ 46,617,386	\$ 46,617,386

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE C – INVESTMENTS - Continued

The County has investments in the S. C. Local Government Investment Pool at June 30, 2016 of \$42,995,811 (\$17,263,799 for the primary government and \$20,726,524) for the Agency Funds) which are not categorized because they are not evidenced by securities that exist in physical or book entry form. The investment pool is managed by the State Treasurer and the fair value of the County's position equals the value of the pool's shares. Shares may lose value and fall below original cost. The investment pool does not have a credit rating. The regulatory oversight of the pool is the State of South Carolina. The pool financial statements may be obtained by writing: State Treasurer's Office, SCLGIP, PO Box 11778, Columbia, SC 29211.

The County's investment policy is the same as state law. Interest rate risk, credit risk and concentration risk are limited by State Law and investments, which consist of bank deposits and the State Treasurer's investment pool.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue	\$ 436,028
Special Revenue	General	14,071
Debt Service	General Fund	<u>847,651</u>
	Total	<u>\$ 1,297,750</u>



NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE E - PROPERTY TAXES

Property taxes are levied on real properties owned on the preceding December 31 of each County fiscal year ended June 30. Liens attach to the property at the time the taxes are levied, which is usually in October of each year. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1 - 5% of tax  
February 2 through March 16 - 10% of tax  
March 17 through March 31 - 15% of tax plus collection cost

Current year real property taxes become delinquent on March 17. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month. Only the portion of uncollected taxes at June 30, 2016, that are collected within sixty days after June 30, is considered to be available to liquidate current liabilities under the modified accrual basis of accounting. Therefore, a deferred revenue account has been provided equal to the delinquent accounts in excess of the sixty-day period.

Amounts recorded under the accrual basis of accounting are recognized as revenue when assessed and levied.

A summary of property taxes available as of June 30, 2016 follows:

General Fund	\$ 702,092
Debt Service Fund	<u>24,734</u>
Total Governmental Activities	<u>\$ 726,826</u>
General Fund	\$ 702,092
Debt Service Fund	24,733
Deferred tax revenue – Collections after 60 days	<u>(659,213)</u>
Net taxes receivable – Governmental Funds	<u>\$ 67,612</u>

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE F - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2016:

	Balance, <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance, <u>June 30, 2016</u>
Bonds payable	\$ 13,332,415	\$ 892,000	\$ 7,324,009	\$ 6,900,406
Lease purchase agreement	3,161,077	700,000	807,601	3,053,476
Accrued vacation	<u>596,899</u>	<u>9,996</u>	<u>--</u>	<u>606,895</u>
Total Long Term Debt	<u>\$ 17,090,391</u>	<u>\$ 1,601,996</u>	<u>\$ 8,131,610</u>	<u>\$ 10,560,777</u>

Bonds payable at June 30, 2016, are composed of the following:

Special Source Revenue Bond (Fee-in-Lieu) – 2006 - due in annual installments of \$195,000 - \$455,000 through April 2026; interest rate 2.8%. Current amount due \$320,000	\$ 3,835,000
\$700,000 General Obligation Bonds, Series 2007 A, due in annual installments of \$17,533 to \$92,072 through September 2017; interest rate 4.16%. Current amount due \$85,000	170,000
\$1,000,000 General Obligation Bonds, Series 2007 B, due in annual installments of \$11,015 to \$121,711 through September 2017; interest rate 3.74%. Current amount due \$113,087	230,406
\$1,132,000 General Obligation Bonds, Series 2010, due in annual Installments of \$94,720 to \$166,000 through May 2018; interest rate 3.22%. Current amount due \$159,000	325,000
\$2,552,000 General Obligation Refunding Bonds, Series 2010B, due in Annual installments of \$212,000 to \$290,000 through March 2020; Interest rate 2.44%. Current amount due \$270,000	1,140,000
\$1,200,000 – 2013 Promissory Note - due in annual Installments of \$24,000 to \$252,468 through Aug 2023; Interest rate 2.0%. Current amount due \$0. Interest only, for the construction of the industrial park building	1,200,000
\$15,625,000 – 2011 Bonds (Sales Tax) , due in annual Installments of \$2,200,000 to \$3,125,000 through March 2020; Interest rate 2.44%.	<u>--</u>
Total bonds payable	<u>\$ 6,900,406</u>

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA  
Year Ended June 30, 2016

NOTE F - LONG-TERM DEBT – Continued

Outstanding bonds payable are due as follows at June 30, 2016:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 947,087	\$ 184,002	\$ 1,131,089
2018	988,319	151,169	1,139,488
2019	645,000	134,803	779,803
2020	878,668	111,532	990,200
2021	608,242	89,659	697,901
2022 – 2026	<u>2,833,090</u>	<u>213,206</u>	<u>3,046,296</u>
Totals	<u>\$ 6,900,406</u>	<u>\$ 884,371</u>	<u>\$ 7,784,777</u>

General Obligation Bonds

Ad valorem taxes are pledged to secure the outstanding balance of each bond issue and must be levied in the amount sufficient to pay the principal and interest due each year. The South Carolina Constitution limits local unit borrowing power to 8 percent of its assessed property value. The limitation excludes bonded indebtedness existing on December 1, 1977 (date of the Constitutional amendment), certain special levies assessed on properties located in an area receiving special benefits, and other prescribed indebtedness approved by the voters. Based on the June 30, 2016 assessed property valuation, the County is below its legal debt limit of \$10,596,420. Bond indebtedness applied to the debt limit was \$3,065,406, leaving \$7,531,014 debt capacity remaining.

Special Source Revenue Bonds

The Special Source Revenue Bonds were used to purchase land for industrial parks to attract new business and investment in the County. The Revenue Bonds are going to be paid for using the County's fee-in-lieu payments received.

Sales Tax Bond Payable

An optional one-percent sales tax was instituted in the County to pay for future capital projects. The Sales Tax was pledged to secure a bond issue to fund current capital project needs. Principal payments on this bond are due annually and interest is due semi-annually.

The remaining principal and interest payments were paid to a third party during the fiscal year. The Sales Tax Bond was defeased.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE F - LONG-TERM DEBT – Continued

Lease Purchase Agreements

Lease Purchase 2012 was used to buy equipment for \$656,000. The annual interest rate is 1.23%. Annual payments of \$134,513 of principal and interest are due in December from 2016. Current principal amount due is \$132,879.

Lease Purchase 2013 was used to buy equipment for \$1,665,000. The annual interest rate is 2.64%. Annual payments of \$152,977 of principal and interest are due in December from 2016 – 2027. Current principal amount due is \$111,899.

Lease Purchase 2014 was used to buy equipment for \$1,265,000. The annual interest rate is 1.38%. Annual payments of \$277,015 of principal and interest are due in December from 2016 – 2019. Current principal amount due is \$265,856

Lease Purchase 2015 was used to buy equipment for \$700,000. The annual interest rate is 1.56%. Annual payments of \$144,461 of principal and interest are due in December from 2016 – 2019. Current principal amount due is \$135,788

Lease purchase payments are budgeted and paid through the General Fund of the County.

Outstanding lease purchase agreements are due as follows at June 30, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	646,421	53,871	700,292
2018	522,284	45,614	567,898
2019	531,186	38,863	570,049
2020	263,239	31,979	295,218
2021	124,192	110,261	234,453
2022 – 2026	671,903	92,979	764,882
2027 - 2029	<u>294,251</u>	<u>11,703</u>	<u>305,954</u>
Totals	<u>\$ 3,053,476</u>	<u>\$ 385,270</u>	<u>\$ 3,438,746</u>

Accrued Vacation

At June 30, 2016, the liability for accrued vacation benefits recorded in the governmental activities was \$606,895. Due to the nature of the obligation for accrued vacation, annual requirements to amortize such obligations are not determinable and have not been presented.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE F - LONG-TERM DEBT – Continued

Other Political Subdivisions (Overlapping Debt)

Various governing bodies within Newberry County have issued bonds for educational and other programs. The full faith and taxing power of each individual district is pledged to secure the outstanding debt of the District and the Treasurer of Newberry County collects taxes levied on property of each district for the purpose of paying the debt as it matures. The bonds mature serially and are subject to early redemption in accordance with the terms and conditions of the bond agreements.

NOTE G - PENSION PLAN

Plan Description

The County of Newberry, South Carolina contributes to the South Carolina Retirement Systems and the Police Officers Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the South Carolina Retirement Systems; a Division of the State Budget and Control Board. Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P. O. Box 11960, Columbia, S. C. 29211-1960.

Funding Policy

Both employees and employers are required to contribute to the Plans under authority of Title 9 of the SC Code of Laws. Employee required contributions to the Plans are as follows: SCRS – 8.16% of salary; PORS Class II – 8.74% of salary; PORS Class I - \$21 per month. In addition to the above rates participating employers of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. Participating employers under the Police Officers Retirement System also contribute .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for their participants. All employers contribute at the actuarially required contribution rates.

# NOTES TO FINANCIAL STATEMENTS

## NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

### NOTE G - PENSION PLAN - Continued

Following is data for the current and prior two years on total payroll, covered payroll, and employer pension contributions:

#### SCRS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total payroll	\$4,488,298	\$ 4,271,819	\$3,976,427
Covered payroll	4,488,298	4,271,819	3,976,427
County's contribution	489,673	459,221	415,537
Employee's contribution	366,243	341,746	298,232
Group life	6,732	6,408	5,965
County's Contribution %	10.91%	10.75%	10.60%
Employee's contribution %	8.16%	8.00%	7.50%

#### PORS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total payroll	\$3,524,119	\$3,425,356	\$3,324,992
Covered payroll	3,524,119	3,425,356	3,324,992
County's contribution	470,117	445,639	413,629
Employee's contribution	308,008	288,072	260,679
Group Life and AD	7,048	6,851	6,650
Accidental death	7,048	6,851	6,650
County's Contribution %	13.34%	13.01%	12.84%
Employee's contribution %	8.74%	8.41%	7.84%

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE G - PENSION PLAN - Continued

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

At June 30, 2016 the County reported the following for its proportionate share of the net pension asset (liability) for each of the Retirement Systems. The net pension asset (liability) was measured as of June 30, 2015 for SCRS and PORS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The County's proportion of the net pension asset/(liability) was based on a projection of the County's long term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by PEBA in reports provided to the County and other participating agencies.

	SCRS	PORS
Net pension asset/(liability)		
June 30, 2015	\$ (8,642,950)	\$(6,026,656)
June 30, 2014	\$ (7,536,604)	\$(5,292,435)
County's portion of the Plan's		
Total net pension (liability)	0.045572 %	0.27652 %

For the year ended June 30, 2016, the County recognized pension expense (credit) of \$706,230 for SCRS and \$536,678 for PORS. At June 30, 2016 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Liability Experience - SCRS	955,594	
Investment Experience - SCRS		511,561
Payments made in 2016 – SCRS	489,673	
Liability Experience – PORS	645,172	
Investment Experience- PORS		459,390
Payments made in 2016 – PORS	470,117	

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year June 30, 2,016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	SCRS	PORS
2017	\$ 115,409	18,845
2018	115,409	18,845
2019	62,665	18,845
2020	150,547	18,845

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

Actuarial Assumptions

Actuarial cost method	Entry Age	Entry Age
Investment rate of return	7.5%	7.5%
Proj salary increases	levels off at 3.5%	levels off at 3.5%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using the published Scale AA projected from the year 2000. The long term expected rate of return on pension plan investments for actuarial purposes is based on the 30 year capital market outlook at the end of the third quarter 2012. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of total pension liability includes a 4.75% real rate of return and 2.75% inflation component

Asset Class	Target Asset Allocation	Expected Rate of Return	Long Term Expected Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tact Asset			
Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds			
(Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Mkt)	5.0%	5.9	0.29
Commodities	<u>3.0%</u>	<u>5.1</u>	<u>0.15</u>
Total Expected			
Real Return	<u>100.0%</u>		5.88
Inflation for			
Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.63</u>



NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
SCRS	\$ 10,896,290	\$ 8,642,950	\$ 6,754,364
PORS	\$ 8,209,713	\$ 6,026,656	\$ 4,075,122

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

Pension Plan Fiduciary Net Position

	SCRS	PORS
Actuarial valuation date	June 30, 2015	June 30, 2015
Total pension asset/(liability)	\$ (44,097,310,230)	\$ (6,151,321,222)
Plan fiduciary net position	\$ 25,131,828,101	\$ 3,971,824,838
Employers Net Pension Liability	\$ 18,965,481,129	\$ 2,179,496,384
Ratio of plan net position to total pension (liability)	57.0 %	64.6 %

NOTE H - COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal Governments. Any disallowed claims, including amounts previously collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts to be immaterial.

Subsequent Events

Management has evaluated the effects of subsequent events through the date of the auditor's report.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE I - LITIGATION

The County is involved in various claims and litigation arising from the normal course of business. Management and their legal counsel believe that the ultimate disposition of these cases will not have a materially adverse effect on the financial position of the County.

NOTE J - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The County has joined with other electing members of the South Carolina Association of Counties to form a risk pool for the purpose of risk management and insurance of workers compensation claims. The County pays an annual premium to the South Carolina Association of Counties for its workers compensation insurance coverage. The risk pool agreement provides that it will be self-sustaining through member premiums.

The County continues to carry commercial insurance through the State of South Carolina Insurance Reserve for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded coverage in any of the last three fiscal years.

NOTE K – FUND BALANCE

The following amounts are shown:

Nonspendable - inventory	\$ 20,551
Committed for special revenue	226,924
Assigned for debt service	2,898,907
Assigned for capital projects	5,633,900

Nonspendable inventory is the amount reserved for jet fuel inventory. Committed for special revenue is the amount available for special revenue purposes (grants, victims and sheriff's fines and emergency 911 operations). Assigned for debt service is the amount available in the debt service fund to pay future maturities of bonds and notes payable. Assigned for capital projects is the amount available to spend on future capital projects in the County for the Courthouse Waterproofing (\$567,652), Detention Center (\$500,000), MC Commerce (\$115,000), Economic Office (\$167,300), Fairgrounds Repair (\$208,500), IT Server Center (\$121,200), Other Projects (\$433,237), GO Bond proceeds, Lease Purchase proceeds and Sales Tax Bond proceeds remaining.

NOTE L – BUDGET VARIANCES

The County had unfavorable variances in the general fund in Delinquent Taxes, Registration and Election (\$6,298 - due to higher expenditures) & Agriculture & home econ (\$3,185) due to higher costs.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE M – ENVIRONMENTAL REMEDIATION OBLIGATIONS AND CONTINGENCIES

The County stopped accepting solid waste at its landfill site in 1993. State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the landfill site after closure. However, the County may incur additional liabilities if the landfill is proven unsafe. The County has not accrued any liability and does not expect to accrue a liability at this time or in the near future. The amount the County may ultimately be liable for cannot be computed or presented at this time.

NOTE N – CAPITAL ASSETS

A summary of changes in property and equipment of the Capital Assets – Governmental Activities are as follows:

	Balance, <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance, <u>June 30, 2016</u>
Buildings and Land *	\$ 44,193,518	\$ --	\$ --	\$ 44,193,518
Vehicles and equipment	17,676,632	559,760	(163,824)	18,072,568
Roads	11,340,105	--	--	11,340,105
Airport Impr	5,654,044	--	--	5,654,044
Accumulated Depreciation	<u>(41,958,619)</u>	<u>(2,905,422)</u>	<u>163,824</u>	<u>(44,700,217)</u>
Total	<u>\$ 36,905,680</u>	<u>\$ (2,345,662)</u>	<u>\$ --</u>	<u>\$ 34,560,018</u>

\* Land of \$8,143,969 is a non-depreciable assets

The County recorded depreciation expense of \$2,905,422 shown in current expenses on the statement of activities – governmental activities. Depreciation was allocated as follows:

Administration	\$ --
Tax assessment	22,893
Admin of Justice	16,977
Law Enforcement	429,879
Detention	44,590
Public Safety	413,524
Public Works	1,975,525
Planning and Development	<u>2,034</u>
Total	<u>\$ 2,905,422</u>

The County receives a portion of road maintenance funds from the State of South Carolina through the C-Funds reimbursements, which is recorded in the non-major Special Revenue fund.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE O – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The County offers medical, prescription drug, dental, long-term disability, and life insurance benefits to its employees. All benefits are available to County retirees except disability and life insurance. The same rate structure (considering total premiums) is charged for active employees as for retirees, with slight variations for Medicare-eligible retirees. The medical/prescription drug plans consist of four options for active employees and non-Medicare eligible retirees (Savings Plan, Standard, Blue Choice HMO, and CIGNA HMO). Medicare-eligible retirees may elect a Medicare Supplement option, but not the Savings Plan option.

An employee (other than a Council Member or Elected Official) who has completed at least 20 years of service with the County is eligible to receive lifetime County-paid retiree medical and dental benefits, subject to a cap that varies by plan and tier and is based on the amount the County contributes to similarly situated active employees. The County contribution is then multiplied by a percentage based on years of service at retirement, as follows:

<u>Years of Service</u>	<u>County Percentage</u>
20 - 24	65% plus 1% for each year over 20 years
25 - 30	70% plus 5% for each year over 25 years
30 - 33	95% plus 1% for each year over 30 years
35+	100%

Council Members and Elected Officials receive similar benefits but are subject to the following benefit schedule:

<u>Years of Service</u>	<u>County Percentage</u>
12 - 15	50%
16 - 19	60%
20 - 23	65%
24 - 29	69%
30+	100%

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE O – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continued

B. Funding Policy

As required by GASB 45, an actuary will determine the County's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the County's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County has elected not to establish an irrevocable trust at this time. The County Council reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County.

C. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the County's Annual OPEB Cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

<u>Item</u>	<u>FYE 6/30/16</u>
Annual Required Contributions	\$ 905,431
Interest on Net OPEB Obligation	124,728
Adjustment to Annual Required Contributions	<u>(180,326)</u>
Annual OPEB cost	\$ 849,833
Contributions made including implicit subsidy	<u>(126,280)</u>
Increase in Net OPEB Obligation	\$ 723,553
Net OPEB Obligation – Beginning of Year	<u>3,841,760</u>
Net OPEB Obligation – End of Year	<u>\$ 4,565,313</u>

NOTES TO FINANCIAL STATEMENTS

NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE P – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continued

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the past four fiscal years ended June 30, 2016 are as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Actual Contribution</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation/ (Asset)</u></b>
06/30/09	\$545,329	\$57,598	10.56%	\$487,731
06/30/10	\$545,329	\$56,712	10.40%	\$976,348
06/30/11	\$496,023	\$56,764	11.44%	\$1,415,607
06/30/12	\$496,023	\$67,308	13.57%	\$1,844,322
06/30/13	\$707,753	\$66,243	9.36%	\$2,485,832
06/30/14	\$707,753	\$75,378	8.21%	\$3,118,207
06/30/15	\$849,833	\$126,280	14.86%	\$3,841,760
06/30/16	\$849,833	\$126,280	14.86%	\$4,565,313

D. Funded Status and Funding Progress - The funded status of the plan as of June 30, 2016 was as follows:

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets</u></b>	<b><u>Projected Unit Credit Actuarial Accrued Liability</u></b>	<b><u>Unfunded AAL (UAAL)</u></b>	<b><u>Funded Ratio</u></b>	<b><u>Covered Payroll</u></b>	<b><u>UAAL as a Percentage of Covered Payroll</u></b>
7/1/ 2008	\$0	\$4,098,135	\$4,098,135	0.00%	\$7,131,182	57.47%
7/1/2010	\$0	\$3,657,849	\$3,657,849	0.00%	\$6,986,852	52.35%
7/1/2012	\$0	\$5,367,013	\$5,367,013	0.00%	\$7,162,623	74.93%
7/1/2014	\$0	\$6,483,456	\$6,483,456	0.00%	\$7,773,864	83.40%

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. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the County are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. In future years, the schedule of funding progress will be presented in the notes to the financial statements. The schedule would present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The plan's most recent actuarial valuation was performed as of July 1, 2014. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 3 years. These assumptions reflect an implicit 3 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2016 was 24 years.

NOTE Q – TRANSFERS

Individual fund transfers for the year ended June 30, 2016 were:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 999,502
Debt Service	Capital Projects	850,000

The transfer from the general fund to the special revenue fund was to transfer levies collected for Community Service levies (Library and Piedmont Tech appropriation) and special projects. The transfer from general fund to capital fund was to pay for projects throughout Newberry County as appropriated by the budget. The transfer from debt service was from extra sales tax funds that were used for capital projects.

NOTE R – INVENTORY

The County has fuel facilities at the County Airport. Inventory consisting of jet fuel had a cost of \$20,551 at June 30, 2016. The County values its inventory at cost.

NOTES TO FINANCIAL STATEMENTS  
NEWBERRY COUNTY, SOUTH CAROLINA

Year Ended June 30, 2016

NOTE S – NET POSITION

The County has an unrestricted net deficit in the governmental activities of \$7,297,828. This deficit was caused by the implementation of GASB 68 and the Net Pension Liability.



**APPENDIX B**

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

Hilltop Securities Inc.  
Dallas, Texas

Re: \$19,125,000 General Obligation Bonds, Series 2017, of Newberry County,  
South Carolina

Sirs:

We have examined a certified copy of the Transcript of Proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance of the \$19,125,000 General Obligation Bonds, Series 2017, of Newberry County, South Carolina (the “Bonds”).

The Bonds are issued by Newberry County, South Carolina (the “County”) pursuant to and for the purposes authorized by Article X, Section 14(6) of the Constitution of the State of South Carolina, 1895, as amended; certain portions of the Code of Laws of South Carolina, 1976, as amended (the “SC Code”), including the Capital Project Sales Tax Act, Sections 4-10-300 et seq. of the SC Code, Sections 4-15-10 et seq. of the SC Code, and Section 11-27-40 of the SC Code, and a referendum held in the County on November 8, 2016. An ordinance (the “Bond Ordinance”) authorizing the issuance of the Bonds was adopted by the County Council of the County (the “Council”), the governing body of the County, on March 1, 2017.

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

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

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

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

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

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

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

Very truly yours,

**FORM OF DISCLOSURE DISSEMINATION AGREEMENT**

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of \_\_\_\_\_, 20\_\_, is executed and delivered by Newberry County, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

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

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

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

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

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

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

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

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

“Disclosure Representative” means the Newberry County Administrator, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

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

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

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

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

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

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

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

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

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

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

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

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

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2017. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
  - 1. “Principal and interest payment delinquencies;”
  - 2. “Non-Payment related defaults, if material;”
  - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
  - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
  - 5. “Substitution of credit or liquidity providers, or their failure to perform;”
  - 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
  - 7. “Modifications to rights of securities holders, if material;”
  - 8. “Bond calls, if material;”
  - 9. “Defeasances;”
  - 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
  - 11. “Rating changes;”
  - 12. “Tender offers;”
  - 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
  - 14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
  - 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
  - 1. “amendment to continuing disclosure undertaking;”
  - 2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

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

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

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

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

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

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “THE COUNTY-Five Year Summary of General Fund Operations”; “THE COUNTY-Assessed Values of the County”; “THE COUNTY-Tax Collections for the County”; “THE COUNTY-Ten Largest Taxpayers”; “THE COUNTY-Millage History”; and “THE COUNTY-General Fund Budget.”

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

### SECTION 4. Reporting of Notice Events.

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

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



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

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

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

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

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

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

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

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

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

**SECTION 7. Voluntary Filings.**

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

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

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event

Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

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

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

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

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

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

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

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

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

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

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

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

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

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

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

NEWBERRY COUNTY, SOUTH CAROLINA  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer:	Newberry County, South Carolina
Obligated Person(s):	Newberry County, South Carolina
Name of Bond Issue:	_____
Date of Issuance:	_____
Date of Official Statement:	_____

CUSIP Number: \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_

## EXHIBIT B

### NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	Newberry County, South Carolina
Obligated Person:	Newberry County, South Carolina
Name of Bond Issue:	_____
Date of Issuance:	_____
Date(s) of Disclosure Agreement:	_____
CUSIP Number:	_____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

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

cc: Issuer  
Obligated Person

**EXHIBIT C-1**  
**EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

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

[C1] \_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

[C2] \_\_\_\_\_

\_\_\_\_\_

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

[C3] \_\_\_\_\_

Number of pages attached: [C4] \_\_\_\_\_

\_\_\_\_ Description of Notice Events (Check One): [C5]

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_ Failure to provide annual financial information as required. [C6]

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

Signature:

\_\_\_\_\_

Name: [C7] \_\_\_\_\_ Title: [C8] \_\_\_\_\_

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

Date: [C9]



**EXHIBIT C-2**  
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of [C10] \_\_\_\_\_ between the Issuer and DAC.

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

[C1] \_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

[C2] \_\_\_\_\_

\_\_\_\_\_

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

[C3] \_\_\_\_\_

Number of pages attached: [C4]\_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Event Disclosure (Check One): [C11]

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

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

Signature:

\_\_\_\_\_

Name: [C7] \_\_\_\_\_ Title: [C8] \_\_\_\_\_

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

Date: [C9]

**EXHIBIT C-3**  
**VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of [C9] \_\_\_\_\_ between the Issuer and DAC.

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

[C1] \_\_\_\_\_

Issuer’s Six-Digit CUSIP Number:

[C2] \_\_\_\_\_

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

[C3] \_\_\_\_\_

Number of pages attached: [C4]\_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Financial Disclosure (Check One): [C12]

1. \_\_\_\_\_ “quarterly/monthly financial information;”
2. \_\_\_\_\_ “change in fiscal year/timing of annual disclosure;”
3. \_\_\_\_\_ “change in accounting standard;”
4. \_\_\_\_\_ “interim/additional financial information/operating data;”
5. \_\_\_\_\_ “budget;”
6. \_\_\_\_\_ “investment/debt/financial policy;”
7. \_\_\_\_\_ “information provided to rating agency, credit/liquidity provider or other third party;”
8. \_\_\_\_\_ “consultant reports;” and
9. \_\_\_\_\_ “other financial/operating data.”

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

Signature:

\_\_\_\_\_

Name: [C7] \_\_\_\_\_ Title: [C8] \_\_\_\_\_

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

Date: [C9]