

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 4, 2018**

**NEW ISSUE – BOOK-ENTRY-ONLY  
BANK QUALIFIED**

**RATINGS:**  
Moody’s Investors Service: Aa3  
Standard & Poor’s: AA  
(See “RATINGS” herein)

*In the opinion of Bond Counsel, subject to the conditions and limitations stated therein, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes,(ii) will not be an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; and (iii) will be exempt from all State of South Carolina, county, municipal, and all other taxes and assessments, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except estate or other transfer taxes, provided that the interest thereon may be includable for certain franchise fees or taxes. The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. For a more complete discussion of federal tax consequences to recipients of interest on the Bonds, see "TAX EXEMPTION AND OTHER TAX MATTERS" herein.*

**\$6,000,000\* LIMITED GENERAL OBLIGATION BONDS  
(BLUFFTON TOWNSHIP FIRE DISTRICT) SERIES 2018  
BEAUFORT COUNTY, SOUTH CAROLINA**

**Dated: Date of Delivery**

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

The \$6,000,000\* Limited General Obligation Bonds (Bluffton Fire District), Series 2018 (the “Bonds”) will be limited general obligation debt of Beaufort County, South Carolina (the “County”), and as such the full faith, credit, resources and taxing power of the County within the Bluffton Fire District 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. Purchases of beneficial 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 Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System.” Regions Bank, Atlanta, Georgia will serve as Registrar/Paying Agent for the Bonds.

The Bonds will be dated their date of delivery, and will mature serially on March 1 in each of the years and in the principal amounts and bear interest at the rates shown on the inside front cover page. Interest on the Bonds is first payable on September 1, 2019, and semiannually thereafter on each March 1 and September 1. The Bonds will be subject to redemption prior to their stated maturities.

The Bonds are offered when, as and if issued and subject to the approving opinion as to legality of McNair Law Firm, P.A., Columbia, South Carolina. It is expected that the Bonds in definitive form will be available for delivery on or about December 27, 2018.

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 Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”) except for information which may be omitted pursuant to Rule 15c2-12.

Dated: \_\_\_\_\_, 2018.

\_\_\_\_\_  
\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. The Series 2014A Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy the Series 2014A Bonds nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

<b>(March 1)</b>	<b>Principal</b>	<b>Interest</b>	<b></b>	<b>CUSIP</b>
<b><u>Year</u></b>	<b><u>Amount*</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>No.</u></b>
2020	\$160,000			
2021	210,000			
2022	220,000			
2023	225,000			
2024	235,000			
2025	245,000			
2026	255,000			
2027	270,000			
2028	280,000			
2029	290,000			
2030	305,000			
2031	315,000			
2032	325,000			
2033	340,000			
2034	350,000			
2035	365,000			
2036	380,000			
2037	395,000			
2038	410,000			
2039	425,000			

\*Preliminary, subject to adjustment.

**COUNTY COUNCIL  
OF BEAUFORT COUNTY, SOUTH CAROLINA**

D. Paul Sommerville, Chairman  
Gerald W. Stewart, Vice Chairman  
Rick Caporale  
Michael Covert  
Gerald Dawson  
Brian Flewelling  
Steven G. Fobes  
York Glover, Sr.  
Alice G. Howard  
Stewart H. Rodman  
Roberts "Tabor" Vaux, Jr.

John L. Weaver  
Interim County Administrator

Alicia Holland, CPA  
Chief Financial Officer

**BOARD OF COMMISSIONERS  
BLUFFTON TOWNSHIP FIRE DISTRICT**

Mike Raymond, Chairman  
Thomas Mike, Sr., Vice-Chairman  
Elaine Lust, Secretary  
Joe Paolo, Treasurer  
Paul Hamilton  
Ed Olsen  
Louis Poindexter

John Thompson  
Fire Chief

Bond Counsel  
McNair Law Firm, P.A.  
Beaufort, South Carolina  
Columbia, South Carolina

Financial Advisor  
Hilltop Securities Inc.  
Charlotte, North Carolina

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TABLE OF CONTENTS

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	<u>Page</u>
<b>INTRODUCTION .....</b>	<b>1</b>
<b>THE BONDS .....</b>	<b>1</b>
DESCRIPTION .....	1
REDEMPTION PROVISIONS .....	1
NOTICE OF REDEMPTION .....	1
BOOK-ENTRY-ONLY SYSTEM .....	1
PURPOSE .....	5
SECURITY .....	5
AUTHORIZATION .....	6
INITIATIVE AND REFERENDUM .....	6
DEFEASANCE .....	6
<b>THE BLUFFTON TOWNSHIP FIRE DISTRICT .....</b>	<b>7</b>
<b>CERTAIN FISCAL MATTERS .....</b>	<b>8</b>
PROPERTY ASSESSMENT RATES .....	8
STATE TAX REFORM .....	9
PAYMENTS IN LIEU OF TAXES .....	12
EXEMPT MANUFACTURING PROPERTY IN THE COUNTY .....	13
TAX COLLECTION PROCEDURE .....	13
COUNTY INVESTMENT POLICY .....	14
ASSESSED AND ESTIMATED MARKET VALUES .....	14
TAX RATES .....	15
TAX COLLECTIONS .....	15
TEN LARGEST TAXPAYERS .....	16
<b>THE COUNTY .....</b>	<b>16</b>
GENERAL DESCRIPTION .....	16
FORM OF GOVERNMENT .....	16
COUNTY EMPLOYEES .....	17
SERVICES PROVIDED .....	18
SERVICES PROVIDED BY OTHER GOVERNMENTAL ENTITIES .....	18
FRINGE BENEFITS AND RETIREMENT .....	19
LIABILITY INSURANCE .....	19
SCHOOL DISTRICT .....	20
<b>FIRE DISTRICT DEBT STRUCTURE .....</b>	<b>20</b>
LEGAL DEBT LIMIT OF THE FIRE DISTRICT .....	20
OUTSTANDING INDEBTEDNESS .....	21
DESCRIPTION OF GENERAL OBLIGATION INDEBTEDNESS BY ISSUE OF THE FIRE DISTRICT .....	21
COMPOSITE DEBT SERVICE .....	21
OVERLAPPING DEBT .....	22
<b>COUNTY DEBT STRUCTURE .....</b>	<b>22</b>
LEGAL DEBT LIMIT OF THE COUNTY .....	22
OUTSTANDING INDEBTEDNESS .....	23
DESCRIPTION OF GENERAL OBLIGATION INDEBTEDNESS BY ISSUE OF THE COUNTY .....	23
COMPOSITE DEBT SERVICE .....	24

OTHER FINANCIAL OBLIGATIONS OF THE COUNTY .....	24
GENERAL OBLIGATION DEBT ON A PER-CAPITA BASIS.....	25
LEGAL DEBT LIMIT OF COUNTIES, INCORPORATED MUNICIPALITIES AND SPECIAL PURPOSE DISTRICTS .....	25
LEGAL DEBT LIMIT OF SCHOOL DISTRICTS .....	25
MISCELLANEOUS DEBT INFORMATION.....	26
<b>FINANCIAL AND TAX INFORMATION .....</b>	<b>27</b>
FIVE YEAR SUMMARY OF GENERAL FUND OPERATIONS OF COUNTY .....	27
FIVE YEAR SUMMARY OF GENERAL FUND OPERATIONS OF FIRE DISTRICT .....	28
FINANCIAL STATEMENTS .....	28
BUDGET PROCEDURE .....	29
GENERAL FUND BUDGET FOR THE 2018-2019 FISCAL YEAR .....	29
<b>ECONOMIC AND DEMOGRAPHIC INFORMATION .....</b>	<b>29</b>
LOCATION AND HISTORY .....	29
AGRICULTURE AND FORESTRY.....	30
TOURISM.....	30
COMMERCE AND DEVELOPMENT .....	30
CAPITAL INVESTMENT .....	32
MAJOR EMPLOYERS .....	32
LABOR FORCE.....	33
UNEMPLOYMENT RATE.....	33
PER CAPITA PERSONAL INCOME .....	34
MEDIAN FAMILY INCOME .....	34
RETAIL SALES.....	35
MEDIAN AGE AND EDUCATION LEVELS.....	35
CONSTRUCTION ACTIVITY .....	35
POPULATION GROWTH.....	36
FACILITIES LOCATED WITHIN OR SERVING THE COUNTY .....	36
FINANCIAL INSTITUTIONS .....	37
<b>TAX EXEMPTION AND OTHER TAX MATTERS .....</b>	<b>37</b>
INTERNAL REVENUE CODE OF 1986.....	37
SOUTH CAROLINA TAXATION .....	39
[ORIGINAL ISSUE DISCOUNT .....	39
PREMIUM BONDS .....	39
<b>LEGAL MATTERS .....</b>	<b>40</b>
BOND COUNSEL OPINION.....	40
LITIGATION .....	40
UNITED STATES BANKRUPTCY CODE.....	40
<b>RATINGS.....</b>	<b>41</b>
<b>UNDERWRITING .....</b>	<b>41</b>
<b>FINANCIAL ADVISOR .....</b>	<b>41</b>
<b>CERTIFICATE CONCERNING THE OFFICIAL STATEMENT .....</b>	<b>42</b>
<b>CONTINUING DISCLOSURE UNDERTAKING.....</b>	<b>42</b>
<b>MISCELLANEOUS.....</b>	<b>43</b>
APPENDIX A - Financial Statements of the Fire District for the Fiscal Year Ended June 30, 2018	
APPENDIX B - Form of Legal Opinion	
APPENDIX C - Form of Continuing Disclosure Certificate	

## **INTRODUCTION**

This Official Statement is provided for the purpose of furnishing certain information in connection with the public invitation for bids for the purchase of the \$6,000,000\* Limited General Obligation Bonds (Bluffton Township Fire District), Series 2018 (the “Bonds”) of Beaufort County, South Carolina (the “County”). This Official Statement has been prepared under the supervision of Alicia Holland, Chief Financial Officer of the County and John Thompson, Fire Chief, Bluffton Township Fire District (the “Fire District”). The information furnished herein includes a description of the Bonds, the Fire District, the County and their indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to the County and the State of South Carolina (the “State”).

## **THE BONDS**

### **Description**

The Bonds will be limited general obligation bonds of the County; will be issuable initially in fully registered book-entry-only form in denominations of \$5,000 each or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; will be numbered from R-1 upward; and when issued will be registered to Cede & Co., as nominee for DTC. The Bonds will be dated their date of delivery; will bear interest from their date at the rates shown on the inside front cover hereof payable initially on September 1, 2019, and semiannually thereafter on March 1 and September 1 of each year until they mature; and will mature on March 1 in each of the years and in the principal amount shown on the inside front cover hereof.

### **Redemption Provisions**

The Bonds maturing prior to March 1, 2029 shall not be subject to redemption prior to their stated maturities. The Bonds maturing on and after March 1, 2029, shall be subject to redemption at the option of the County on or after March 1, 2028, as a whole or in part at any time, in such order of redemption as the County may determine, at par, plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected by lot by the Registrar. In the event the Bonds shall be called for redemption, notice of the redemption, describing the Bonds to be redeemed, specifying the redemption date and the redemption price payable on such redemption, shall be mailed by first-class mail, postage prepaid, to the registered owner thereof not less than thirty (30) days and not more than sixty (60) days prior to the redemption date. The notice of redemption may state that the County retains the right to rescind such notice on or prior to the scheduled redemption date. If the Bonds to be redeemed shall have been duly called for redemption and notice of the redemption thereof mailed as aforesaid, and if on or before the date fixed for redemption, payment thereof shall be duly made or provided for, interest on the Bonds to be redeemed shall cease to accrue from and after the redemption date specified in such notice.

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

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial owners of the Bonds (“Beneficial Owners”) will not receive physical Bonds certificates representing their interests in the Bonds purchased. So long as the Depository Trust Company, New York, New York (“DTC”), or its nominee is the registered owner of the Bonds, references in this Official Statement to the

Holders of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry only system has been discontinued, the Bonds will be available only in book-entry only form in principal amounts of \$5,000 or any integral multiple thereof.

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

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

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

*Beneficial Owners.* 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 Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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.

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

*Notices and Other Communications.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 Resolution. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar/Paying Agent and request that copies of the notices be provided directly to them.

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

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

Because DTC is treated as the Owner of the Bonds for substantially all purposes under the Resolution, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of the Beneficial Owners is unknown to the 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. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

*Principal and Interest Payments.* Payments of principal, interest and any redemption premiums 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 or Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar/Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar/Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to

the Beneficial Owners will be the responsibility of Direct and Indirect Participants. The County can give no assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

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

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

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

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

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

*Discontinuance of Book-Entry-Only System.* In the event that the Bonds are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be cancelled and the 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 shall be payable to the Registered Owners on each interest payment date and principal of the Bonds at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Bonds would be transferable on the registration books of the County maintained by the Registrar 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 will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amounts 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.

### **Purpose**

The Bonds are being issued: (i) to fund the construction and equipment of two new fire stations and renovation of an existing facility in the Fire District; (ii) to pay costs of issuance of the Series 2018 Bonds; and (iii) such other lawful purposes as the County Council shall determine.

### **Security**

For the payment of the principal and interest on the Bonds as they respectively mature and for the creation of such sinking fund as may be necessary therefor, the full faith, credit and taxing power of the County are irrevocably pledged and there shall be levied annually by the County auditor and collected by the County treasurer in the same manner as other County taxes are levied and collected, as tax, without limit, on all taxable property in the Fire District sufficient to pay the principal and interest of the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor.

In addition, Article X 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 of or interest on its general obligation debt, then, in such instance, 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.

The following table shows the amount of such State appropriations subject to being withheld under the foregoing provisions of Article X received by the County for the last five years for which information is available and the County’s projection for fiscal year ended June 30, 2019:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Received</u>
2014	\$5,992,839
2015	6,030,403
2016	6,015,503
2017	6,293,704
2018*	6,151,391
2019**	6,250,312

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\* Unaudited

\*\* Projected

### **Authorization**

The Series Bonds will be issued pursuant to and in accordance with the Constitution of the State of South Carolina, 1895, as amended (the “Constitution”), and the statutes of the State, including Title 11, Chapter 27 of the Code of Laws of South Carolina, 1976, as amended; Ordinance No 78-6 duly enacted by the Beaufort County Council on June 26, 1978, as amended (the “1978 Ordinance”) and Ordinance No. 2018/34 duly enacted by the Beaufort County Council on October 8, 2018 (the “2018 Ordinance, together with the 1978 Ordinance, the “Ordinances”) authorizing the issuance and sale of the Bonds.

### **Initiative and Referendum**

Section 4-9-1220, Code of Laws of the State of South Carolina 1976, as amended, provides that within 60 days after the enactment of any ordinance authorizing the issuance of bonds, the repayment of which requires a pledge of the full faith and credit of a county, a petition signed by 15% of the qualified electors of the county may be filed requesting that any such ordinance be repealed. If such ordinance is not repealed, the question of repeal of the ordinance must be submitted to the electors within one year.

A county, under Section 11-27-40 of the Code of Laws of the State of South Carolina 1976, as amended, may publish a notice in a newspaper of general circulation in the county of the adoption of an ordinance authorizing general obligation bonds. In the event such a notice is published, the above initiative and referendum provisions would not be applicable unless a notice, signed by not less than five qualified electors, of the intention to seek a referendum, were to be filed with the clerk of court of the county and the clerk of the county council within 20 days following such publication.

The 2018 Ordinance was enacted on October 8, 2018. The time to file a notice of intention to seek a referendum expired on December 8, 2018.

### **Defeasance**

(i) Such Bond or Bonds shall have been purchased by the County and surrendered to the County for cancellation or otherwise surrendered to the County or the Paying Agent and is canceled or subject to cancellation by the County or the Paying Agent; or

(iii) Payment of the principal of and interest on Bonds either (1) shall have been made or caused to be made in accordance with the terms thereof; or (2) shall have been provided for by irrevocably

depositing with a bank or other financial institution in trust and irrevocably set aside exclusively for such payment, (a) moneys sufficient to make such payment, or (b) Government Obligations (as defined below) maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the corporate trustee. At such time as such Bonds shall no longer be deemed to be outstanding under the Ordinance, such Bonds shall cease to draw interest from the due date thereof and, except for purposes of any such payment from such moneys or Government Obligations as set forth in (ii) above, shall no longer be secured by or entitled to the benefits of its authorizing ordinance.

“Government Obligations” means any of the following:

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

**THE BLUFFTON TOWNSHIP FIRE DISTRICT**

Pursuant to the provisions of the 1978 Ordinance (the “Fire Ordinance”), the County created the “Bluffton Township Fire District” or the “Fire District.” As such, the Bluffton Township Fire District is a special taxing district. The Fire District is a service and tax district of the County and is not a political subdivision of the State or the County separate and distinct from the County. All matters with respect to the Fire District are under the control of the County Council. Administration has been delegated to the Commissioners of the Fire District. The Fire District maintains eight fire stations in the County South of the Broad River with the exception of the Town of Hilton Head Island and Daufuskie Island.

The Fire District Board of Commissioners is composed of seven members appointed by the County Council. The Board includes one member nominated by the Bluffton Town Council for appointment by the County Council; one member who resides in each of County Council Districts 5, 6, 7, 8, and 9; and the seventh member is at large from one of the five County Council Districts making up the Fire District. Terms of office are four years or reappointed until successors are appointed and qualify.

Below is the current list of members of the Board of Commissioners and when their current terms expire:

<u>Commissioner</u>	<u>Expiration of Current Term</u>
Mike Raymond, Chairman	February 2022
Thomas Mike, Vice Chairman	February 2022
Elaine Lust, Treasurer	February 2020
Joe Paolo, Secretary	February 2021
Paul Hamilton	February 2021
Ed Olsen	February 2021
Louis Poindexter	February 2020

John Thompson has been employed by the Fire District since November 5, 2007. He started as Assistant Chief of Operations and was promoted to Fire Chief upon the retirement of Chief Barry Turner in December 2013. Prior to serving at Bluffton, he served with the Town of Hilton Head Island Fire & Rescue Department for 20 years and left there as the Training Chief. Mr. Thompson served in the Army

Reserve as a Combat Engineer for six years and has a Bachelor's of Science Degree in Fire Services. He is responsible for the day-to-day operations of the Bluffton Township Fire Department which currently employs 148 individuals full-time.

## **CERTAIN FISCAL MATTERS**

### **Property Assessment Rates**

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

- (1) Real and Personal Property of Manufacturers and Utilities – 10.5% of fair market value;
- (2) Transportation Companies for Hire (railroads and pipelines) – 9.5% of fair market value;
- (3) Inventories of Business Establishments – 6% of fair market value;
- (4) Legal Residence and not more than five contiguous acres – 4% of fair market value;
- (5) Agricultural property used for such purposes owned by individuals and certain small corporations – 4% of use value (if the property owner makes proper application and qualifies);
- (6) Agricultural and timberlands belonging to large corporations (more than 10 shareholders) – 6% of use value; (if the property owner annually makes proper application and qualifies);
- (7) All other real property – 6% of fair market value; and
- (8) Motor Vehicles – 6.75%, decreasing to 6.0% in 2007; and
- (9) All other personal property – 10.5% of fair market value.

In South Carolina, local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. Taxes are levied by the Auditors of the various counties. In the County, current and delinquent tax collections are made through the office of the County Treasurer. Tax bills are mailed from the County Treasurer's office on September 30 or as soon thereafter as is practicable. Real and personal property taxes (except taxes on motor vehicles) are payable on a monthly basis and are payable on or before January 15 without penalty. A penalty of 3% is added on January 16<sup>th</sup>, an additional penalty of 7% is added on February 2<sup>nd</sup> and an additional penalty of 5% is added on February 17<sup>th</sup>, at which time the office of the County Treasurer issues orders of execution on all unpaid accounts. The County Sheriff is authorized to seize by appropriate means the personal property of a defaulting taxpayer. Thereafter, such property may be sold to satisfy unpaid personal property taxes. Delinquent taxes on real property may be collected through sale of the property by the County.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a County. Under 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. The County completed a reassessment in Fiscal Year 2013 which was implemented in Fiscal Year 2014. The next reassessment is scheduled for Fiscal Year 2018 to be implemented in Fiscal Year 2019. Regulations adopted by the DOR prior to the 1995 law and which are still in place also require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

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

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

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

### **State Tax Reform**

On June 1, 2006, the South Carolina General Assembly adopted House Bill 4449 which became Act 388 (“Act 388”), which provides, among other things, a new mechanism for the funding of a portion of school operations and a limitation on annual growth in millage levied by political subdivisions and school districts for operations. . The operating millage limits and limitations on increases in assessed value were further modified by the General Assembly in its 2011 session (the “2011 Amendments”).

#### *Sales Tax Imposition; Exemption of Owner-Occupied Property from School Operating Taxes.*

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

Effective beginning with tax year 2007, all owner-occupied real property in the State will be exempted from ad valorem real property taxes levied for school district operations (the “New Homestead Exemption”). Proceeds of the sales tax deposited in the Homestead Exemption Fund will be distributed to all school districts of the State in substitution for the ad valorem real property taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event shall the amount of sales taxes distributed to the school district or districts within any county be less than \$2,500,000 in the aggregate.

As described above, the New Homestead Exemption is for owner-occupied real property. Commercial property and other non-owner-occupied residences will continue to be subject to ad valorem real property taxes, including for school district operations. See “—*Local Option Sales Tax for Additional Tax Relief.*”

Act 388 provides that reimbursement in Fiscal Year 2007-08 for amounts not collected by reason of the New Homestead Exemption shall be equal to the amount estimated to be otherwise collected in Fiscal Year 2007-08 by the school district from school operating millage imposed on owner-occupied residential property therein. Beginning in Fiscal Year 2008-09 and continuing each year thereafter, the aggregate reimbursement to the school districts of the State will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by

the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. The aggregate amount of the reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the State's "Education Finance Act."

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

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

#### *Limitation on Millage Increases*

Act 388 also imposes a limitation on increases in millage levied for operational purposes by all political subdivisions and school districts. As of July 1, 2007, annual millage levies may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district, as the case may be. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes and only in a year in which such condition exists:

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

After giving effect to the amendments in Act No. 388 and the 2011 Amendments, the local governing body (a) may no longer override the Operating Millage rate increase limitation, except as described herein, (b) may increase the Operating Millage from a previous year (beginning in 2007) by an amount equal to (1) the percentage increase in population of the governmental unit during such previous year plus (2) the Average CPI Increase plus (3) the operating millage increase allowed by operating of clauses (1) and (2), but not imposed, for the three property tax years preceding the year to which the current limit applies, and (c) may by a two-thirds vote of the members of the local governing body

increase Operating Millage above the limits described in (2) in response to the following limited events: (A) the deficiency, if any, of the preceding year; (B) any catastrophic event outside the control of the local governing body; (C) compliance with a court order or decree; (D) taxpayer closure due to circumstances outside the control of the local governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or (E) compliance with a regulation promulgated or statute enacted by the federal or state government after January 1, 2007, for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government. The limitation on Operating Millage increases does not affect millage that is levied to pay bonded indebtedness or payments for real property purchased using a lease-purchase agreement or used to maintain a reserve account.

#### *Local Option Sales Tax for Additional Tax Relief*

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

Act 388 further provides that if a county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the Code of Laws of South Carolina 1976, as amended.

#### *Reassessment Valuations Limited*

Act 388 also provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale 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. The limitations on reassessment described in this paragraph were approved in a State-wide referendum held on November 7, 2006. The 2011 Amendments further provided for an exemption from the increase in assessed value as of the date of an assessable transfer equal to 25% of the assessed value of certain real property subject to a 6% assessment ratio (generally, commercial property).

#### **Homestead Exemptions -- Property Tax Relief**

South Carolina provides, among other exemptions, two exemptions for homesteads. The first is a general exemption from all ad valorem property taxes and applies to the first \$50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the “Homestead Exemption”). The second exemption (the “Property Tax Relief Exemption”) applies only to ad valorem taxes levied for school operating budgets (exclusive of amounts in those budgets for the payment of lease-purchase agreements for capital construction) (the “School Taxes”). The Property

Tax Relief Exemption applies to property classified as the legal residence and up to 5 contiguous acres of land contiguous thereto when owned by the occupant of such residence. The value of the property exempted pursuant to the Property Tax Relief Exemption is determined each year by a formula which takes into account the amount made available by the General Assembly for such purpose in a State Property Tax Relief Fund and the total School Taxes but for such exemption. In both cases, the revenues that would have been received by various taxing entities but for the exemptions are replaced by funds from the State. 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. In the case of the Property Tax Relief Exemption, the payments are to be made from the State Property Tax Relief Fund and are due by April 15 of each year, but an amount equal to 90% of such payments is required to be paid to the school districts during the last calendar quarter of the calendar year ending prior to such April 15.

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

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

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

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

Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of computing the index of taxpaying ability pursuant to the 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 as a means for the owner to pay for costs incurred from economic development activities. If a county, municipality or special purpose district agrees to allow a credit against the payments in lieu of taxes it would otherwise receive, it is subject to the same limitations on calculation of its debt limit as described in the preceding paragraph.

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

### **Exempt Manufacturing Property in the County**

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 by ordinance grant a similar exemption to manufacturing establishments. Presently there is no exempt manufacturing property located in the County.

### **Tax Collection Procedure**

In the County, taxes are collected for County and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar year basis. Real and personal property taxes in the County are payable on or before January 15 of each year for the prior tax year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for motor vehicles expires. If real property taxes are not paid on or before January 15, a penalty of 3% is added; if not paid by February 2, an additional penalty of 7% is added; if not paid on or before February 17, an additional penalty of 5% is added and taxes go into execution. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is empowered to seize and sell so much of the defaulting taxpayer's estate -- real and personal or both -- as may be sufficient to satisfy the taxes.

Act 388 permits counties to allow real property taxpayers to elect to pay their taxes in six installments each year for tax years beginning after 2006.

## County Investment Policy

Pursuant to Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, the County Treasurer may invest money subject to his control and jurisdiction 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 that the same are insured by an agency of the federal government;
- (4) Certificates of deposit where the certificates are insured by an agency of the federal government or, if not so insured, 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 certificates of deposit so secured, including interest;
- (5) Repurchase agreements when collateralized by securities as set forth in Section 6-5-10; and
- (6) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) above, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

In addition to these investments, the State has established a South Carolina Pooled Investment Fund into which any county treasurer may deposit public moneys in excess of current needs. The State Treasurer may invest the moneys of the fund in the same types of investments provided for in Section 6-5-10 above (as well as those permitted in Sections 11-9-660 and 11-9-661) and then may sell to all political subdivisions of the State participation units in the fund which shall be legal investments for the subdivisions in addition to the investments and deposits authorized in the sections detailed herein.

### Assessed and Estimated Market Values

The assessed value and estimated market value of all real and personal property in the Fire District for each of the last five years for which data is available is set forth below:

<u>Tax Year</u>	<u>Assessed Value</u>	<u>Estimated Market Value</u>
2013	\$443,535,069	\$10,090,544,333
2014	451,444,799	10,270,492,857
2015	476,852,397	10,571,348,696
2016	522,373,865	11,926,343,950
2017	571,973,630	13,058,758,676

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Source: Fire District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

## Tax Rates

The following table gives the millage levied for the Fire District in each of the last five years.

<u>Tax Year</u>	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>
2013	24.02	0.00	24.02
2014	24.02	0.00	24.02
2015	24.02	1.22	25.24
2016	24.64	1.10	25.74
2017	24.70	1.04	25.74

Source: Fire District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

## Tax Collections

The following table sets forth total taxes levied and collected in the Fire District for each of the tax years shown below.

<u>Tax Year</u>	<u>Taxes Levied</u>	<u>Total Current Collections</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Total Collections as a Percentage Taxes Levied</u>
2013	\$10,152,237	\$ 9,888,082	\$255,886	\$10,143,968	99.92%
2014	9,900,184	9,650,787	110,923	9,761,710	98.60
2015	10,877,898	10,602,609	116,364	10,718,973	98.54
2016	11,683,268	11,256,691	145,656	11,402,347	97.60
2017	12,365,703	12,097	---	12,097,033	97.83

Source: Fire District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

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## Ten Largest Taxpayers

The ten largest taxpayers in the Fire District, the assessed value of their taxable property, and the total amount of Fire District taxes paid by each for the 2017 Tax Year are shown below.

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Fire District Taxes Paid</u>
South Carolina Electric & Gas	\$9,293,670	\$2,397,950.97
Bluffton Telephone Company Inc.	5,492,540	1,337,470.53
Palmetto Electric Coop	4,889,950	1,218,297.69
PBLH LLC	3,068,240	855,304.19
CPI/Blaze Myrtle Park	2,524,500	598,702.34
May River Forest LLC	1,574,180	472,917.72
COROC/Hilton Head Island LLC	1,475,820	356,044.66
Bluffton Associates, LLC	1,474,760	350,561.26
Berkeley Place Bluffton SC	1,075,690	312,255.42
Time Warner Cable Southeast	1,136,330	274,485.82

Source: County Treasurer

## THE COUNTY

### General Description

The County is located in the southeastern corner of the State of South Carolina, known as the “Lowcountry.” With a land area of approximately 637 square miles, it is bordered to the south and east by the Atlantic Ocean, to the west by Jasper County, and to the north by Hampton County and Colleton County. The County stretches nearly 30 miles along the Atlantic Ocean and includes 64 major islands and hundreds of small islands.

### Form of Government

The County operates under the Council-Administrator form of government in accordance with Title 4, Chapter 9 of the Code of Laws of South Carolina, 1976, as amended (the “Home Rule Act”). The County Council consists of 11 members who are elected in each general election from single member districts for four year terms beginning on January 1 of the year of their election. Beginning in 1994, five members are elected in presidential election years and six members are elected in other general election years. The council elects a Chairman at its first meeting in January following the general election.

The members of the County Council, their occupations, the districts they represent and the years in which their present terms expire are as follows:

<u>Name</u>	<u>Occupation</u>	<u>District</u>	<u>Term Ends</u>
D. Paul Sommerville, Chairman	Labor Relations	MCAS/Beaufort/Lady's Island/Fripp Island #2	12/2018
Gerald W. Stewart, Vice Chairman	Retired – Business Executive	Sun City/Okatie #6	12/2018
Rick Caporale	Retired - Telecommunications Consultant	Hilton Head Island/Bluffton #8	12/2018
Michael E. Covert	Business Executive	Buckwalter in Bluffton #7	12/2020
Gerald Dawson	Retired – US Postal Service	Sheldon/Dale/Lobeco/Burton #1	12/2020
Brian E. Flewelling	Title Abstractor	Okatie/Burton/Shell Point #5	12/2020
Steven G. Fobes	Retired – Bank Executive	Hilton Head Island #10	12/2018
York Glover, Sr.	Retired – Clemson Extension Office	Beaufort/Lady's Island/St. Helena Island/Parris Island #3	12/2020
Alice G. Howard	Retired – Community Plans and Liaison Officer	Beaufort/Town of Port Royal/Shell Point/Parris Island #4	12/2018
Stewart H. Rodman	Retired – Business Executive	MCAS Beaufort Hilton Head Island #11	12/2018
Roberts “Tabor” Vaux, Jr.	Attorney	Bluffton/Pritchardville/Daufuskie Island #9	12/2018

In addition to the County Council, the County has six other elected officials who are responsible for the duties specified in the legislation establishing their offices: Auditor, Coroner, Sheriff, Clerk of Court, Probate Judge, and Treasurer.

### **County Employees**

The County Council appoints a County Administrator who serves at the pleasure of County Council and is responsible for County operations, subject to supervision of County Council. The County Administrator has the responsibility for preparing the County's annual budget for submission to County Council prior to the beginning of each fiscal year. The County Administrator supervises the expenditure of appropriated funds. Changes in the budget in the course of the fiscal year must be approved by County Council. See **“FINANCIAL AND TAX INFORMATION - Budget Procedure.”**

Following are brief resumes of the Interim County Administrator and the Chief Financial Officer of the County.

*John L. Weaver, Interim County Administrator.* Mr. Weaver previously served as the County Attorney for Lancaster County, SC, a position he held for four years. He previously served as County Administrator, Assistant County Administrator and County Attorney for Horry County, SC, which has a population nearing 300,000 and is situated further up the coast from Beaufort County in the Pee Dee region.

During Mr. Weaver’s tenure with Horry County Government, he worked for a County Council with 12 members (11 single-districts and 1 at-large) and managed a workforce of approximately 1,800.

Mr. Weaver served as a Captain in the United States Air Force. He has more than 20 years of private sector experience which includes serving as a general manager and corporate counsel for a South Carolina-based building supplier. He has also practiced law in a variety of areas including governmental relations.

Mr. Weaver holds a Bachelor of Arts degree in political science from The Citadel and a Juris Doctor degree from the University of South Carolina. He is a member of the International City/County Management Association and the South Carolina Bar.

*Alicia Holland, Chief Financial Officer.* Mrs. Holland is a Certified Public Accountant in the State of South Carolina. Mrs. Holland holds a Master of Accounting from Georgia Southern University and a Bachelor of Science degree in Accounting from Clemson University. Prior to coming to work for the County, Mrs. Holland was a Senior Auditor for Holland, Henry and Bromley, LLP in Savannah, Georgia from 2006 to 2010. Prior to her public accounting experience, Mrs. Holland was the Senior Accountant at Beaufort Jasper Water and Sewer Authority for 3 years. Mrs. Holland joined Beaufort County’s Finance Department in April 2010.

As of June 30, 2018, the County employed 1,227 full-time equivalent employees, consisting of:

<u>Department</u>	<u>FTE</u>
General Government	297
Public Safety	516
Public Works	109
Public Health	156
Public Welfare	5
Culture and Recreation	91
Enterprise Funds	53
Total	1,227

**Services Provided**

The County provides various local services which are funded primarily from the County’s *ad valorem* tax levy. These services include: administrative services; judicial services; law enforcement; public works, community and human services; and other miscellaneous services. The County also collects fees and user charges to offset the cost of providing certain of these services.

**Services Provided by other Governmental Entities**

The municipalities located within the County (including the City of Beaufort, the Town of Port Royal, the Town of Bluffton, and the Town of Hilton Head Island) also provide many of the services listed above and, in some cases, additional services not provided by the County. In addition, several special purpose districts created by State legislation, some of which have taxing authority, provide certain services with funds from taxes levied and collected on their behalf by the County. Water and sewer services are provided by the Beaufort-Jasper Water and Sewer Authority and municipalities and other public service districts within the County. Fire protection is provided by organized fire districts, public service districts, voluntary firefighting units and municipal fire departments.

County government does not control these separate bodies. Refuse collection is franchised to private contractors. Household garbage transfer stations are provided at various locations throughout the County.

### **Fringe Benefits and Retirement**

Substantially all full-time, permanent employees of the County participate in statewide, cost sharing multiple-employer defined benefit pension plans administered by the State Retirement System. Generally all employees, with the exception of law enforcement personnel and certain others, participate in the South Carolina Retirement System (“SCRS”). Law enforcement personnel and certain other employees participate in the South Carolina Police Officers Retirement System (“PORS”). Contribution rates are actuarially established. Employees covered by SCRS contribute 9.00% of their gross salary and PORS contribute 9.75% of their gross salary. The County contributes 14.56% of the total gross salaries of employees covered by SCRS and 17.24% of the total gross salaries of employees covered by PORS. The County’s contributions to SCRS for the years ended June 30, 2018, 2017 and 2016 were \$5,530,801, \$4,488,733 and \$3,945,862, respectively, which are equal to the required contributions. The County’s contributions to PORS for the years ended June 30, 2018, 2017 and 2016 were \$3,288,124, \$2,873,395 and \$2,623,439, respectively, which are equal to the required contributions.

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

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

Based on the County’s best estimates at this time, the increase in retirement expenses for the 2018-19 fiscal year will be approximately \$1,600,000.

### **Liability Insurance**

Subject to specific immunity set forth in the South Carolina Tort Claims Act (the “Act”), local governments including the County are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the State Fiscal Accountability Authority, 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’s Administrator, the amount of liability

coverage maintained by the County is sufficient to provide protection against any loss arising under the Act.

### **School District**

The School District of Beaufort County, South Carolina (the “School District”) is coextensive with the County. The School District, which was established by State legislation, provides certain services with funds from taxes levied and collected for it by the County. The School District currently operates 21 elementary schools, two Pre-K-8 schools, one K-8 school, six middle schools, seven high schools, one alternative school and one adult education center.

## **FIRE DISTRICT DEBT STRUCTURE**

### **Legal Debt Limit of the Fire District**

Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the “Constitution”), provides that counties shall have the power to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law. General obligation debt may be incurred only for a public and corporate purpose in an amount not exceeding 8% of the assessed value of all taxable property of such county without the necessity of holding a referendum. General obligation debt authorized by a majority vote of the qualified electors of the County voting in a referendum may be incurred without limitation as to amount. Title 4, Chapter 15 of the Code of Laws of the State of South Carolina 1976, as amended, provides that the governing bodies of the several counties of the State may issue general obligation bonds to defray the cost of any authorized purpose and for any amount not exceeding its applicable constitutional debt limit.

Under Article X, Section 14 of the Constitution, bonded indebtedness of the Fire District existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of the qualified electors of the County voting in a referendum is not considered in determining the Fire District’s 8% debt limitation.

The Fire District’s debt limitation is computed below:

Assessed Value (tax year 2017)	\$571,973,630
	x <u>8%</u>
Constitutional Debt Limit	45,757,890
Outstanding Debt Subject to Limit	<u>7,135,000</u>
Legal Debt Limit Without a Referendum	\$ 38,622,890

**Outstanding Indebtedness**

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

Year Ended <u>June 30</u>	General Obligation <u>Indebtedness</u>
2013	\$ 0
2014	0
2015	8,080,000
2016	7,725,000
2017	7,435,000
2018	7,135,000

**Description of General Obligation Indebtedness by Issue of the Fire District**

The following table gives specific information concerning limited general obligation bond issues of the Fire District outstanding as of the date hereof.

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Outstanding</u>	<u>Amount Subject to 8% Debt Limit</u>
June 2, 2015	3.00%-3.265%	03/012019-2035	\$7,135,000	\$7,135,000

**Composite Debt Service**

The following table sets forth the debt service requirements for the Fire District’s outstanding general obligation bonds and the Bonds.

<u>Fiscal Year Ending June 30</u>	<u>Principal and Interest on Outstanding Bonds</u>	<u>Principal and Interest on the Bonds</u>	<u>Total Debt Service</u>
2019	\$ 570,019		
2020	565,719		
2021	566,269		
2022	566,519		
2023	569,769		
2024	567,019		
2025	568,519		
2026	569,019		
2027	566,719		
2028	569,119		
2029	570,525		
2030	565,900		
2031	565,950		
2032	569,325		
2033	567,000		
2034	569,150		
2035	<u>569,938</u>		
Total	\$9,656,475		

Totals may not add due to rounding.

## Overlapping Debt

The following table sets the total amount of general obligation indebtedness of each political subdivision overlapping the Fire District outstanding as of June 30, 2018.

<u>Political Subdivision</u>	General Obligation <u>Debt</u>
Beaufort Co. School District	\$ 265,939,621
Beaufort County	218,159,372
Town of Bluffton	5,415,000
 <u>Special Purpose Districts</u>	
Broad Creek Public Service District	3,220,000

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Source: Finance Department of each Political Subdivision.

## COUNTY DEBT STRUCTURE

### Legal Debt Limit of the County

Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the "Constitution"), provides that counties shall have the power to incur bonded indebtedness in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law. General obligation debt may be incurred only for a public and corporate purpose in an amount not exceeding 8% of the assessed value of all taxable property of such county without the necessity of holding a referendum. General obligation debt authorized by a majority vote of the qualified electors of the County voting in a referendum may be incurred without limitation as to amount. Title 4, Chapter 15 of the Code of Laws of the State of South Carolina 1976, as amended, provides that the governing bodies of the several counties of the State may issue general obligation bonds to defray the cost of any authorized purpose and for any amount not exceeding its applicable constitutional debt limit.

Under Article X, Section 14 of the Constitution, bonded indebtedness of the County existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of the qualified electors of the County voting in a referendum is not considered in determining the County's 8% debt limitation.

The County's debt limitation is computed below:

Assessed Value (tax year 2017)	\$1,813,283,219
	<u>                  x                  8%</u>
Constitutional Debt Limit	\$ 145,062,658
Outstanding Debt Subject to Limit	<u>          93,263,213</u>
Legal Debt Limit Without a Referendum	\$ 51,799,445

## Outstanding Indebtedness

The following table sets forth the amount of general obligation indebtedness of the County (including special assessment districts) at the end of each of the past five fiscal years:

Year Ended <u>June 30</u>	General Obligation <u>Indebtedness</u>
2014	\$205,699,020
2015	210,665,556
2016	196,814,520
2017	212,745,823
2018	218,159,372

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Source: County

## Description of General Obligation Indebtedness by Issue of the County

The following table gives specific information concerning all general obligation issues of the County outstanding as of the date hereof.

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Outstanding</u>	<u>Amount Subject to 8% Debt Limit</u>
03/10/2010	5.00%	03/01/2019-20	\$ 5,915,000	\$ 3,488,667
11/18/2010	3.00%-4.00%	02/01/2019-22	3,900,000	3,900,000
12/28/2011 <sup>1</sup>	2.00%-3.50%	03/01/2019-31	9,440,000	0
02/07/2012	4.00%	03/01/2019-23	8,340,000	3,433,578
09/05/2012	3.00%-5.00%	02/01/2019-25	21,470,000	7,392,121
10/11/2012 <sup>2</sup>	3.50%	10/11/2019-52	5,535,070	5,535,070
05/10/2013	3.00%-4.00%	05/01/2019-33	5,760,000	5,760,000
05/10/2013 <sup>1</sup>	2.00%-4.00%	05/01/2019-33	19,140,000	0
05/10/2013	1.50%-5.00%	03/01/2019-26	27,765,000	9,423,441
11/06/2014	2.00%-3.25%	03/01/2019-34	16,510,000	12,265,279
11/06/2014	2.50%-4.00%	03/01/2021-29	22,570,000	13,311,786
04/12/2016 <sup>3</sup>	2.00%-4.00%	03/01/2019-27	16,600,000	0
08/18/2017	3.00%-5.00%	02/01/2022-37	51,000,000	25,999,800
08/22/2017	5.00%	02/01/2019-20	<u>4,130,000</u>	<u>2,753,471</u>
Total			\$218,075,070	\$93,263,213

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<sup>1</sup> Debt approved by referendum and paid from a separate dedicated source of revenue.

<sup>2</sup> USDA Loan.

<sup>3</sup> Debt that refunded debt approved by referendum

## Composite Debt Service

The following table sets forth the debt service requirements for the County's outstanding general obligation bonds and the Bonds.

<u>Fiscal Year Ending June 30</u>	<u>Principal and Interest on Outstanding Bonds</u>
2019	\$23,597,480
2020	23,668,680
2021	24,088,605
2022	24,074,905
2023	23,292,655
2024	22,775,655
2025	20,613,905
2026	13,220,505
2027	12,668,555
2028	12,668,505
2029	12,629,042
2030	11,125,530
2031	11,123,805
2032	8,974,099
2033	9,021,380
2034	6,885,080
2035	5,583,167
2036	5,577,074
2037	5,576,449
2038	280,980
2039	280,980
2040	280,980
2041	280,980
2042	280,980
2043	280,980
2044	280,980
2045	280,980
2046	280,980
2047	280,980
2048	280,980
2049	280,980
2050	280,980
2051	280,980
2052	280,980
2053	<u>279,601</u>
Total	\$281,659,377

Totals may not add due to rounding.

## Other Financial Obligations of the County

In September 2007, the County issued a note for \$1,800,000 for the balance owed for the construction of hangars at the Hilton Head Island Airport. The note is payable in quarterly payments of \$31,634, including interest at 5.0% through June 2032.

The County leases certain office space and machinery and equipment under cancellable operating leases. Under the terms of the lease agreements, the County's obligation to continue rental obligations is contingent upon the continued appropriation of funds by the County for that purpose. Total rental expenses for the year ended June 30, 2018, were approximately \$140,000.

### **General Obligation Debt on a Per-Capita Basis**

The following table sets forth the amount of net County debt for each of the past five fiscal years expressed per capita and as a percent of assessed property value:

Year Ended <u>June 30</u>	<u>Net County Debt</u> <sup>1</sup>	Net County Debt <u>Per Capita</u> <sup>2</sup>	Net County Debt as % of <u>Assessed Value</u>
2013	\$225,081,846	\$1,339	12.34%
2014	218,411,235	1,271	12.84
2015	221,013,070	1,257	13.15
2016	206,794,151	1,151	11.61
2017	259,702,444	1,418	14.21

<sup>1</sup> Includes the County's TIF Refunding Bond, capital leases and premiums less debt service funds.

<sup>2</sup> Based on U.S. Census Bureau estimates of population.

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017.

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

Under the provisions of Article X, Section 14 of the Constitution, each incorporated municipality and special purpose district may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law (a) incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and (b) incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, and bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding eight percent (8%) of the assessed value of all taxable property therein.

### **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. After November 30, 1982, each school district may incur general obligation debt, upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district. Bonded indebtedness existing on November 30, 1982, and bonded indebtedness authorized by a majority vote of the qualified electors of the school district voting in a referendum will not be considered in the computation of the 8% limitation.

**Miscellaneous Debt Information**

Neither the County nor the Fire District has 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. Neither the County nor the Fire District has used the proceeds of any bonds or other securities (other than tax anticipation notes, if any) for current operating expenses at any time within the last 25 years.

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## FINANCIAL AND TAX INFORMATION

### Five Year Summary of General Fund Operations of County

The following table sets forth a summary of the County's General Fund operations for the fiscal years ended June 30, 2013 through June 30, 2017.

	2013	2014	2015	2016	2017
<b>Revenues</b>					
Property Taxes	\$ 72,758,007	\$ 75,970,366	\$ 77,616,896	\$ 83,368,168	\$ 90,408,180
Licenses and Permits	2,816,396	2,924,767	2,980,846	2,921,451	3,783,566
Intergovernmental	7,821,442	8,064,239	8,133,250	8,107,737	9,073,332
Charges for Services	11,734,648	11,585,385	12,247,866	12,01,180	12,932,986
Fines and Forfeitures	748,503	784,462	751,667	796,253	687,234
Interest	92,665	65,098	30,685	68,823	122,859
Miscellaneous	594,964	461,017	487,853	521,349	405,252
<b>Total Revenues</b>	<b>\$ 96,566,625</b>	<b>\$ 99,855,334</b>	<b>\$ 102,249,063</b>	<b>\$ 107,784,981</b>	<b>\$ 117,413,409</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	\$ 19,541,629	\$ 19,950,274	\$ 20,284,682	\$ 31,905,771	\$ 33,758,616
Public Safety	41,575,053	43,975,663	45,600,505	42,654,239	42,207,355
Public Works	13,675,578	14,168,422	14,261,316	13,260,603	13,448,750
Public Health	4,138,661	3,162,173	2,470,465	2,370,043	2,341,646
Public Welfare	701,540	997,129	880,097	794,523	850,124
Cultural and Recreation	11,020,381	11,557,640	11,143,279	10,251,175	10,524,835
Disaster Related Expenditures	---	---	---	---	38,727,223
Capital Projects	1,704,091	4,193,130	2,461,006	2,228,882	3,546,981
<b>Total Expenditures</b>	<b>\$ 92,356,933</b>	<b>\$ 98,004,431</b>	<b>\$ 97,101,350</b>	<b>\$ 103,465,236</b>	<b>\$ 145,405,530</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>\$ 4,209,692</b>	<b>\$ 1,850,903</b>	<b>\$ 5,147,713</b>	<b>\$ 4,319,745</b>	<b>\$ (27,992,121)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	\$ 1,656,696	\$ 1,249,591	\$ 1,257,189	\$ 1,359,505	\$ 1,755,870
Issuance of Notes	---	---	---	---	30,250,000
Transfers Out <sup>1</sup>	(3,987,127)	(3,549,094)	(3,483,188)	(3,720,671)	(4,799,316)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (2,330,431)</b>	<b>(2,299,503)</b>	<b>(2,225,999)</b>	<b>\$ (2,451,166)</b>	<b>\$ 27,206,554</b>
<b>Net Change in Fund Balance</b>	<b>1,879,261</b>	<b>(448,600)</b>	<b>2,921,714</b>	<b>1,858,579</b>	<b>(785,567)</b>
<b>Fund Balance Beginning of Year</b>	<b>\$ 22,342,008</b>	<b>\$ 24,221,269</b>	<b>\$ 23,772,669</b>	<b>\$ 26,694,383</b>	<b>\$ 28,552,962</b>
<b>Fund Balance End of Year</b>	<b>\$ 24,221,269</b>	<b>\$ 23,772,669</b>	<b>\$ 26,694,383</b>	<b>\$ 28,552,962</b>	<b>\$ 27,767,395</b>

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017

<sup>1</sup> General operating funds that are transferred to special funds thereby restricting their uses.

## Five Year Summary of General Fund Operations of Fire District

The following table sets forth a summary of the Fire District's General Fund operations for the fiscal years ended June 30, 2014 through June 30, 2018.

	2014	2015	2016	2017	2018
<b>Revenues</b>					
Property Taxes	\$10,239,744	\$11,039,697	\$12,047,448	\$12,570,292	\$13,434,695
Fees	64,489	78,688	89,120	99,140	124,000
Grant Revenue	---	---	---	152,017	337,644
Interest Income	2,755	694	4,373	8,583	26,416
Proceeds from Sale of Assets	305,000	---	---	---	---
Miscellaneous Income	6,038	38	19,643	1,000	3,982
<b>Total Revenues</b>	<b>10,618,026</b>	<b>11,119,117</b>	<b>12,160,584</b>	<b>12,831,032</b>	<b>13,926,737</b>
<b>Expenditures</b>					
Public Safety-Fire Protection					
Personnel	10,120,369	10,182,357	10,559,975	11,331,848	12,054,918
Administration	414,615	434,414	416,964	458,389	477,258
Utilities and Services	77,532	62,062	79,232	84,376	101,721
Maintenance	405,610	302,601	287,250	404,578	381,377
Training	85,851	68,722	65,501	92,072	94,567
Equipment	30,291	93,910	61,644	126,989	265,276
Capital Outlay	1,893,944	33,126	76,577	194,709	78,988
<b>Total Expenditures</b>	<b>13,028,212</b>	<b>11,177,192</b>	<b>11,547,143</b>	<b>12,692,961</b>	<b>13,454,105</b>
Excess Revenues Over (Under) Expenditures	(2,410,186)	(58,075)	613,441	138,071	472,632
<b>Other Financing Sources (Uses)</b>					
Transfers In	564,878	---	---	---	---
Transfers Out	---	---	---	(19,884)	---
<b>Total Other Financing Sources (Uses)</b>	<b>564,878</b>	<b>---</b>	<b>---</b>	<b>(19,884)</b>	<b>---</b>
Change in Fund Balance	(1,845,308)	(58,075)	613,441	118,187	472,632
Fund Balance Beginning of Year	3,363,009	1,517,701	1,459,626	2,073,067	2,191,254
Fund Balance End of Year	\$ 1,517,701	\$ 1,459,626	\$ 2,073,067	\$ 2,191,254	\$ 2,663,886

Source: Fire District's Comprehensive Annual Financial Report for fiscal years ended June 30, 2013 through June 30, 2017.

## Financial Statements

The financial statements of the Fire District for years ended June 30, 2014, 2015, 2016, 2017 and 2018 have been audited by Crowley Wechsler & Associates LLC. A portion of the audited financial statements of the Fire District for the year ended June 30, 2018, is attached to this Preliminary Official Statement as Appendix B. Copies of complete audited financial statements for the year ended June 30, 2018, and prior years are available for inspection at the Fire District offices.

## Budget Procedure

Prior to the County Finance Committee's presentation of the budget to the County Council, the Fire Chief is required to develop an operating and capital budget and present it to the Fire District's Board of Commissioners for review and approval. In the event there are less funds on hand or the projected revenue from property taxes will not support the budget the, Board of Commissioners also recommends additional taxes to fully fund the budget. Once the budget is approved by the Board of Commissioners it is forwarded to the County as the recommended budget for the Fire District for the upcoming fiscal year. The County Council Finance Committee reviews the budget and if in agreement with the Board of Commissioner's recommendation includes the budget and adopts it during its normal budget adoption process. Any millage increases proposed by the Board of Commissioners and approved by the County Council are added as additional taxes for the next fiscal year.

## General Fund Budget for the 2018-2019 Fiscal Year

The following is a summary of the General Fund Budget of the Fire District for the fiscal year ending June 30, 2019.

	<u>2018-2019</u>
<u>Revenues</u>	
Property Taxes	\$14,580,120
Fees	75,000
Federal SAFER Staffing Grant	<u>527,000</u>
Total Revenues	\$15,182,120
 <u>Expenditures</u>	
Salaries	\$ 8,618,796
Benefits	4,460,854
Purchased Services	1,778,836
Supplies	<u>228,180</u>
Total Expenditures	\$15,086,666

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Note: The difference between Revenue and Expenditures will go to fund balance.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Location and History

The County is located in the southern coastal area of the State known as the "Lowcountry." The County is bordered on the east by the Atlantic Ocean, on the north by Colleton County, and on the west by Hampton and Jasper Counties. It includes more than 60 small islands designated as "sea islands," the largest of which are connected by highway bridges.

The County was formed in 1769, and has a land area of 587 square miles. The County is one of the fastest growing in South Carolina. The County seat is the City of Beaufort. Since the 1600's, agriculture has played an important role in the economy of the Lowcountry. Currently, however, the Lowcountry generally and the County, specifically, although farming and timber are still present, have significantly diversified their economic base.

## **Agriculture and Forestry**

Only 12 percent of the County's land is used for agriculture. In 2011, the County ranked 2nd in the State in production of melons. Preliminary cash receipts for crop and livestock production in the County in 2011, the latest year for which information is available, amounted to \$14,199,000, including crops at \$12,749,000 and livestock and livestock products at \$1,450,000, according to the Department of Applied Economics & Statistics at Clemson University and the South Carolina Agricultural Statistics Service.

About 34% of the County's land is forested, and the County ranks 45th among the State's 46 counties in delivered value of timber. The delivered value of harvested timber sold in 2013, the latest year for which information is available, was \$4,514,846.

## **Tourism**

In 2017, tourists spent approximately \$1.37 billion in the County, according to a report by the U.S. Travel Association to the South Carolina Department of Parks, Recreation and Tourism entitled "The Economic Impact of Travel on South Carolina Counties 2017." In 2017, tourism was responsible for \$261.6 million in payroll, 14,200 jobs, and \$41.2 million in local tax receipts in the County. With respect to total expenditures, employment and local tax receipts, the County ranked third behind only Horry County (where Myrtle Beach is located) and Charleston County. The County ranked fourth in payroll behind only Horry County, Charleston County and Greenville County. Approximately 10% of the total amount spent by tourists in all of South Carolina's 46 counties in 2017 was spent in the County.

## **Commerce and Development**

The County is a center for tourism, recreation, retirement, associated services, and the military. The County is also the ideal location for business and industry. With locational proximity between two growing ports for shipping and receiving, and access to major transportation corridors and railways, movement of goods and products within our region rivals those in other parts of the nation. The County is competitively positioned to pursue business and industry in target clusters of healthcare aerospace/transportation, biomedical, back office, information technology, light manufacturing, logistics and distribution.

Hilton Head Island, Fripp Island and Hunting Island are all located in the County. Interstate Highway I-95, a major north-south artery from Maine to Florida, runs just a few miles outside the County and has helped promote the development of both the business and tourism industry significantly. Four-lane highways, U.S. Highway 21 and Highway 170 connect the County to I-95 and U.S. 278 to Hilton Head Island.

In 2017, Geismar a French manufacturer and distributor of railway maintenance equipment, launched operations in the County, creating its new North American headquarters and the company's first manufacturing facility in the United States. The development resulted \$2.9 million of new capital investment and led to the creation of 50 new jobs.

Also, in 2017, Harris Pillow Supply made a \$2 million investment as they expanded into a new building and pledged to add 22 new jobs over the next five years.

Major residential developments in the southern portion of the County include Sun City Hilton Head, a 5,000-acre community with more than 4,000 homes and about 8,000 residents within the County. The County portion of the community is built out. Continued expansion into a neighboring county will

more than double its current number of homes. Sun City Hilton Head, a Del Webb / Pulte Homes senior community, has a significant economic impact. It has created more than 1,000 permanent jobs, will increase the County's tax base by 25 percent over five years, and was the spark for the increased commercial construction along the U.S. 278 Corridor, including a Target store, Wal-Mart Superstore, Home Depot and several major supermarkets. Additional developments in the southern part of the County include Spring Island, Callawassie Island, Colleton River Plantation, Palmetto Bluff, Belfair and Westbury Park. In northern Beaufort County, communities continue to develop on Lady's Island, Cat Island, Dataw Island, Bray's Island and in Habersham and throughout the City of Beaufort. Hilton Head Island is a major destination for tourists and anchors tourism in the region to the rest of the world. As such, several hotels and resorts embarked upon multi-million-dollar projects to improve and expand existing facilities and properties. The Inn at Harbour Town recently completed a multi-million-dollar renovation of all its guest rooms, common areas and meeting space. The Beach House, a Holiday Inn Resort, also recently complete a multi-million-dollar revitalization, which resulted in the facility's status being upgraded to the new boutique family of hotels known as The Beach House.

Several other establishments quickly followed suit, as The Sonesta Resort Hilton Head Island, The Westin Hilton Head Resort & Spa, Omni Hilton Head Oceanfront Resort, Sea Pines, and Hilton Head Marriott Resort and Spa also upgraded their facilities. Travel and tourism is more than a \$1.5 billion industry for Beaufort County, providing more than 17,200 jobs in the county.

Other Hilton Head Island improvements include a \$13 million investment by the town to convert the existing enclosed Coligny Mall into an open-air mixed-use development containing retail, restaurant and residential components, as well as a community park.

Southeastern (formerly called Blanchard and Calhoun) and Kroger Co. began redeveloping the old Shelter Cove Mall located on Hilton Head Island. The center, which now has about 30 restaurants and stores, was named the South Carolina Municipal Association's economic development project of the year in March 2016. Work on a luxury apartment complex adjacent to Shelter Cove is nearing completion. This marks the last major step in the successful redevelopment of the Shelter Cove shopping center.

RBC Bank and Boeing is in the midst of investing more than \$25 million over five years in what's now known as the RBC Heritage, a major golf tournament that's been played on Hilton Head Island since 1969. However, the tournament is more than just a round of golf on Harbour Town Golf Links. The tournament is transmitted around the globe and the exposure translates into a stream of tourism and sales that fuels the economics of the Lowcountry and the entire State. According to the Clemson Economic Impact Study, the tournament infuses \$96 million into the State each year.

The Port of Port Royal, the former break-bulk cargo port of the South Carolina State Ports Authority, is located in the County. In September 2017, the 317 acres formerly occupied by the port at the waterfront edge of downtown Port Royal was purchased at state auction for \$9 million. While just 52 acres can be developed, developers expect about \$200 million in development, which will include park and green space.

The U.S. Marine Corps Recruit Depot at Parris Island, the Marine Corps Air Station-Beaufort, and the Beaufort Naval Hospital are all located within the County. These locations have benefited by the Department of Defense closing certain other military bases in the nation. In 2014, the local population of the Department of Defense at the Recruit Depot alone was 288 Marine officers, 18,643 enlisted Marines (including 16,983 recruits) and 886 civilians. In 2009, Beaufort City Council signed a resolution supporting the Department of Defense's proposal to locate up to 11 joint strike fighter jets at the Air Station beginning in 2013. The Air Station began receiving the first F-35s in 2014.

University of South Carolina – Beaufort (“USCB”), the Lowcountry’s regional senior campus of the University of South Carolina, is located in the County. In 2017, USCB’s Small Business Development Center, a free consulting service for entrepreneurial start-ups, assisted 276 citizen, helped 18 new businesses get started, assisted with the injection of \$8.8 million in capital investment, and helped save or create 106 local jobs representing approximately \$4.1 million in annual wages. In addition, USCB is in the midst of expanding in the Town of Hilton Head Island. The \$29.5 million project includes a 38,000 square-foot, two-story classroom and office building that will house the university’s hospitality management program and the Osher Lifelong Learning Institute where nearly 400 upper level hospitality students will receive state-of-the-art hospitality management training.

**Capital Investment**

The following table sets forth the total announced capital investment for new and expanded industry within the County since 2013.

<u>Year</u>	<u>Company</u>	<u>Industry</u>	<u>Project Type</u>	<u>Investment</u>	<u>Jobs</u>
2013	DUER High Performance Composites	Manufacturing	New	\$ 1,000,000	47
2015	Shelter Cove Towne Center	Retail	Redevelopment	74,000,000	250
	Walmart Super Center (Bluffton/Lady’s Island)	Retail	New	25,000,000	600
	Hilton Head Hospital – Bluffton Outpatient Facility	Healthcare	New	18,000,000	120
	Medical Development Corporation	Healthcare	New	12,000,000	65
2017	Geismar	Manufacturing	New	2,900,000	50
	Harris Pillow	Manufacturing	New	2,000,000	22

Source: Beaufort County Economic Development Corporation

**Major Employers**

The following table shows the largest employers located within the County and the type of business for each:

<u>Name</u>	<u>Type of Business</u>
Beaufort County School District	Education
Beaufort Memorial Hospital	Healthcare
Beaufort County	Local Government
Marine Corps Community Services	Military
Publix Super Markets, Inc.	Retail
Sea Pines Resort	Real Estate
Wal-Mart Associates, Inc.	Retail
Tenet Physician Services of Hilton Head	Healthcare
Care Core National, LLC	Healthcare
Department of Defense	Government

Source: Beaufort County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017.

## Labor Force

The composition of the nonagricultural civilian labor force working in the County (regardless of place of residence), for the last five years for which information is available, is as follows:

<u>Sector</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Manufacturing	1,033	1,026	1,068	984	1,072
Non-Manufacturing:					
Construction, Forestry & Mining	6,510	6,809	7,050	7,518	7,773
Transportation and Public Utilities	1,298	1,320	1,435	1,561	1,692
Wholesale and Retail Trade	12,462	13,283	13,345	13,154	13,442
Information	836	794	735	804	809
Finance, Insurance, and Real Estate	11,517	11,779	11,691	12,372	12,598
Services (including Agricultural Services)	43,638	45,640	48,026	49,231	50,639
Government	<u>20,297</u>	<u>19,740</u>	<u>20,428</u>	<u>20,589</u>	<u>20,935</u>
TOTAL	97,591	100,391	103,778	106,213	108,960

Source: U.S. Bureau of Economic Analysis.

Notes: Totals may not add due to rounding.

The labor force participation rate of residents of the County (regardless of place of employment) for the past five years is as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Civilian Labor Force	67,239	69,435	71,661	72,535	74,104
Employment	62,946	65,493	67,748	69,081	71,113
Unemployment	4,293	3,942	3,913	3,454	2,991

Source: U.S. Bureau of Economic Analysis.

## Unemployment Rate

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

<u>Date</u>	<u>Unemployment Rate</u>	<u>Date</u>	<u>Unemployment Rate</u>
October 2017	4.0%	April 2018	2.5%
November 2017	3.8	May 2018	2.6
December 2017	3.9	June 2018	3.4
January 2018	4.8	July 2018	3.3
February 2018	4.4	August 2018	3.4
March 2018	3.9	September 2018	3.1(P)

(P) Preliminary

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

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2013	6.4%	7.6%	7.4%
2014	5.7	6.5	6.2
2015	5.5	6.0	5.3
2016	4.8	5.0	4.9
2017	4.0	4.3	4.4

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

### **Per Capita Personal Income**

The County's per capita income has remained above state and national levels from 1996 to 2017. The per capita personal income in the County, the State and the United States for each of the last five years for which information is available is shown below.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	\$45,050	\$35,665	\$44,826
2014	48,282	37,537	47,025
2015	50,785	39,424	48,940
2016	51,613	40,312	49,831
2017	52,763	41,633	51,640

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Source: U.S. Bureau of Economic Analysis.

### **Median Family Income**

The table below shows the median family income for a family of four in the County, State and the United States for the last five years:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2014	\$63,400	\$54,300	\$63,900
2015	68,900	55,500	65,800
2016	67,100	56,100	65,700
2017	70,300	58,300	68,000
2018	72,200	62,500	71,900

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

## Retail Sales

The following table shows the level of gross retail sales for businesses located in the County:

Calendar Year Ended <u>December 31</u>	Total <u>Retail Sales</u>
2013	\$3,942,856,990
2014	4,014,461,572
2015	4,353,268,764
2016	4,471,473,961
2017	4,631,672,263

Source: South Carolina Department of Revenue

## Median Age and Education Levels

The following table illustrates the changes in the median age of the County and the percentage of the population 25 years old and older with a bachelor's degree or higher from Census 2000 to Census 2010. Median age and education statistics for the State and the United States are included for comparison purposes.

	<u>Median Age (in years)</u>			<u>Percentage over 25 with bachelor's degree</u>		
	<u>County</u>	<u>South Carolina</u>	<u>United States</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2000	35.8	35.4	35.3	33.2%	20.4%	24.4%
2010	40.6	37.9	37.2	37.4	25.3	29.3

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

## Construction Activity

The following table shows the approximate number of residential, commercial and miscellaneous building permits issued by the County for construction and the approximate cost of construction represented by those permits in each of the last five complete years for which information is available.

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Miscellaneous</u>	<u>Total</u>	<u>Total</u>
	<u>Permits</u>	<u>Permits</u>	<u>Permits<sup>(1)</sup></u>	<u>Permits</u>	<u>Construction Costs</u>
2013	2,485	101	1,063	3,649	\$164,698,000
2014	1,853	116	1,150	3,119	187,600,000
2015	1,931	151	1,670	3,752	225,487,000
2016	1,975	148	1,409	3,532	157,221,000
2017	2,161	217	1,119	3,497	239,901,000

<sup>(1)</sup> Includes HVAC and electrical permits.

Sources: County Building Inspector

## Population Growth

The following table shows population information for the County for the last four decades for which census figures are available.

	<u>Beaufort County</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1980	65,364	8%	3,121,820	21%	226,545,805	11%
1990	86,425	32	3,486,703	12	248,709,873	10
2000	120,937	40	4,012,012	15	281,421,906	13
2010	162,233	34	4,625,364	15	308,745,538	10
2017*	186,844	15	5,024,369	9	325,719,178	6

\*Estimate

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

The following table shows the 2000 Census population, 2010 Census population and 2017 estimated population of all incorporated municipalities located within the County:

<u>Municipality</u>	<u>2000 Census</u>	<u>2010 Census</u>	<u>2017 Estimate</u>
City of Beaufort	12,950	12,361	13,729
Town of Bluffton*	1,275	12,530	21,085
Town of Hilton Head Island	33,862	37,099	40,055
Town of Port Royal*	3,950	10,678	12,886

\*A portion of this growth is due to annexation.

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

## Facilities Located Within or Serving the County

*Transportation.* Three U.S. Highways run through the County. U.S. 17 runs north-south along the coast, connecting the County with Charleston to the north and Savannah, Georgia to the south. U.S. 21 connects U.S. 17 with the City of Beaufort, several islands in northern Beaufort County, and the furthest east point in the County: Hunting Island State Park. U.S. 278 connects U.S. 17 with southern Beaufort County, including Hilton Head Island. The County is served by approximately 133 motor freight carriers. Rail facilities are provided in the County by CSX Railroad which interfaces with Port Royal Railroad at Yemassee, and Amtrak provides passenger service.

There are two airports located in the County, the Beaufort County Airport, on Lady's Island, and the Hilton Head Island Airport. The Hilton Head Island facility is currently serviced by American Airlines from Charlotte and NETJETS from Fort Lauderdale, Raleigh/Durham and Charlotte. The terminal at the Hilton Head Island Airport was completed in November 2002. In 2015, the Hilton Head Island Airport announced that it had been awarded just over \$13 million in Federal Aviation Administration grant funds to assist with safety projects. The Beaufort County Airport is maintained for general aviation service only.

*Hospital Facilities.* Beaufort Memorial Hospital ("Beaufort Memorial") is a non-profit hospital accredited by The Joint Commission on Accreditation of Healthcare Organizations for 197 beds (169 acute, 14 rehabilitation and 14 mental health). It employs 1,709 people, including a medical staff of nearly 230 board-certified or board-eligible providers. In 2011, Beaufort Memorial was designated as the first Pathway to Excellence hospital in the State and earned redesignation three year later. The main hospital

is located in the City of Beaufort. Beaufort Memorial's cancer center in the Town of Port Royal is affiliated with Duke University. Beaufort Memorial's clinic in the Town of Bluffton includes doctors' offices, laboratory, x-ray and health education programs. Hilton Head Regional Hospital, a 93-bed acute care hospital, is located within the Town of Hilton Head Island. A U.S. Naval Hospital is also located within the County which has 49 staffed beds and 5 intensive care unit beds.

*Recreation.* Hunting Island State Park ("Hunting Island") is located in the County. Hunting Island is South Carolina's most popular state park, attracting more than a million visitors each year. The 5,000-acre park includes five miles of beach, thousands of acres of marsh, tidal creeks and maritime forest, a saltwater lagoon and ocean inlet. Amenities include a fishing pier and some of the state's most desirable campsites and cabins, some of which were built by the Civilian Conservation Corps in the 1930s. The park also includes South Carolina's only publicly accessible historic lighthouse. Dating from the 1870s, the Hunting Island Lighthouse is 170 feet tall.

*Higher Education.* University of South Carolina – Beaufort ("USCB"), the Lowcountry's regional senior campus of the University of South Carolina, is located in the County. USCB itself has two campuses in the County: one in the City of Beaufort, and the other in the Town of Bluffton, near Hilton Head Island. USCB offers baccalaureate degrees and provides local access to graduate courses and programs through the USC Extended Graduate Campus. USCB had a Fall 2017 headcount enrollment of 2,077 students.

Technical College of the Lowcountry, a public two-year institution, has two campuses in the County: one in the City of Beaufort, the other in the Town of Bluffton. It also has field education offices at the Marine Corps Air Station and Parris Island Marine Recruit Depot. Technical College of the Lowcountry offers more than 70 degree, diploma, or certificate programs, and is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS). It had a Fall 2017 headcount enrollment of 2,314 students.

Webster University, a private graduate institution, has three campuses in the County: at the Beaufort Naval Hospital, Marine Corps Air Station, and Parris Island Marine Recruit Depot. Each location offers Masters in Business Administration degrees as well as master's degrees in other subject areas.

## **Financial Institutions**

According to the Federal Deposit Insurance Corporation, as of June 30, 2018, there were 57 branches of commercial banks and 2 branches of savings institutions in the County, with total deposits of approximately \$4.3 billion on at all financial institutions. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

### **Internal Revenue Code of 1986**

In the opinion of Bond Counsel, to be delivered on the date of issuance of the Bonds, assuming continuing compliance by the County with certain covenants and the requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable regulations promulgated thereunder (the "Regulations"), interest on the Bonds is excludable from gross income of the registered owners thereof for federal income tax purposes under existing statutes, regulations, and judicial decisions. Interest on the Bonds is not an item of tax preference in computing the alternative minimum taxable income of

individuals. Bond Counsel has expressed no opinion regarding other federal tax law consequences arising with respect to the Bonds.

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

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

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

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

## **South Carolina Taxation**

The interest on the Bonds is exempt from all State taxation except estate or other transfer taxes. Section 12-11-20 of the South Carolina Code of Laws of 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed at the rate of 4-1/2% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term “entire net income” includes income derived from any source whatsoever including interest on obligations of any state and any political subdivision thereof. Interest on the Bonds will be included in such computation.

### **Designation as Qualified Tax-Exempt Obligations**

The County has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265 of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

### **[Original Issue Discount**

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

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

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

### **Premium Bonds**

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

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

## **LEGAL MATTERS**

### **Bond Counsel Opinion**

The issuance of the Bonds is subject to the favorable opinion of McNair Law Firm, P.A., Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of South Carolina. The proposed form of Bond Counsel's opinion appears as Appendix C to this Official Statement.

The McNair Law Firm, P.A., has assisted the County by compiling certain information supplied to them by the County and others and included in this Official Statement, but said firm has not made an independent investigation or verification of the accuracy, completeness or fairness of such information. The opinion of McNair Law Firm, 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.

### **Litigation**

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

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

### **United States Bankruptcy Code**

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

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

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") (collectively, the "Rating Services") have assigned their municipal bond ratings of "Aa3" and "AA" respectively, to the Bonds. Such ratings reflect only the views of the Rating Services and an explanation of the significance of such ratings may be obtained from the Rating Services. The County has furnished to the Rating Services certain information and materials respecting the County and the Bonds. Generally, the Rating Services base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Services, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Bonds have been purchased at a competitive sale from the County for resale by \_\_\_\_\_ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds for \_\_\_\_\_. The initial public offering prices of the Bonds as shown on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may also allow a concession from the public offering prices to certain dealers. If all of the Bonds are sold at the public offering yields as set forth on the inside front cover of this Official Statement, the Underwriter anticipates a total selling compensation of \$\_\_\_\_\_. The Underwriter has received no fee from the County for underwriting the Bonds.

### **FINANCIAL ADVISOR**

Hilltop Securities Inc. ("Hilltop") is acting as Financial Advisor (the "Financial Advisor") to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

Hilltop has provided the following for inclusion in this Official Statement. Hilltop has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County with respect to the issuance of the Bonds, but the Financial Advisor does not guarantee the accuracy or completeness of such information. Hilltop has or may have other business relationships with the County from time to time and may be acting in capacities other than as a financial advisor. The participation of Hilltop should not be seen as a recommendation to buy or sell the Bonds, and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

## **CERTIFICATE CONCERNING THE OFFICIAL STATEMENT**

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

## **CONTINUING DISCLOSURE UNDERTAKING**

The County has covenanted, pursuant to Section 11-1-85, South Carolina Code of Laws 1976, as amended, to file with a central repository for availability in the secondary bond market when requested, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of tax revenue or the County's tax base.

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 ("Rule 15c2-12"), the County has entered into a Continuing Disclosure Certificate for the benefit of the holders of the Bonds. The form of the Continuing Disclosure Certificate is attached hereto as Appendix C.

The County has entered into continuing disclosure undertakings with regard to each of the bond issues set forth in the table entitled "Description of General Obligation Indebtedness by Issue" shown herein and the Series 2015 Fire Bonds.

For fiscal year ended June 30, 2013, the County caused its Comprehensive Annual Financial Report (the "2013 CAFR") and its operating data (the "2013 Operating Data Filing") to be filed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") on January 27, 2014. With the exception of information regarding the millage assessed for County operations and debt service ("Tax Rate Information") for fiscal year 2013-14 and information regarding the County's operating revenue ("County Operating Revenue Information") for fiscal year 2013-14, the information required to be included in the County's annual report for fiscal year ended June 30, 2013 was included in the 2013 CAFR or the 2013 Operating Data Filing. Tax Rate Information and County Operating Revenue Information for fiscal year 2013-14 was included in the 2014 Operating Data Filing (defined below).

For fiscal year ended June 30, 2014, the County caused the following documents to be filed on EMMA as follows: (a) its operating data on January 26, 2015 (the "2014 Operating Data Filing"), (b) its draft Comprehensive Annual Financial Report on January 27, 2015 (the "Draft 2014 CAFR"), and (c) its final Comprehensive Annual Financial Report on March 10, 2015 (together with the Draft 2014 CAFR, the "2014 CAFR"). With the exception of Tax Rate Information for fiscal year 2014-15, the information required to be included in the County's annual report for fiscal year ended June 30, 2014 was included in the 2014 CAFR, the 2014 Operating Data Filing, or its Final Official Statement dated October 23, 2014 filed on EMMA on November 6, 2014. Tax Rate Information for fiscal year 2014-15 was included in the 2015 CAFR (defined below).

For fiscal year ended June 30, 2015, the County caused the following documents to be filed on EMMA as follows: (a) its draft Comprehensive Annual Financial Report on January 26, 2016 (the “Draft 2015 CAFR”), and (b) its final Comprehensive Annual Financial Report on February 3, 2016 (the “Final CAFR,” and together with the Draft 2015 CAFR, the “2015 CAFR”). The County filed the Draft 2015 CAFR on January 27, 2016 and the Final CAFR on February 4, 2016, as its operating data. Except as otherwise noted below, the information required to be included in the County’s annual report for fiscal year ended June 30, 2015 was included in the 2015 CAFR, its Final Official Statement dated May 12, 2015 filed on EMMA on June 1, 2015, or its previous continuing disclosure filings referenced above. Tax Rate Information, the County’s budget, the amount of state appropriations subject to withholding under Article X of the South Carolina Constitution that the County anticipates receiving, for fiscal year 2015-16 were included in the County’s Final Official Statement dated March 22, 2016, which was filed on EMMA on April 12, 2016. Information regarding the assessed value and estimated true value of all taxable property in the County by classification was included in a supplemental filing made on EMMA on April 24, 2017.

For fiscal year ended June 30, 2016, the County caused its operating data (the “2016 Operating Data Filing”) and its unaudited financial statements (the “2016 Unaudited Financials”) to each be filed on EMMA on January 26, 2017 (the “2017 CAFR”). The County caused its final Comprehensive Annual Financial Report to be filed on EMMA on June 30, 2017. Information relating to the outstanding indebtedness of the County by issue was not included in the 2016 Operating Data Filing but was included in the 2017 CAFR.

For fiscal year ended June 30, 2017, the County caused Notices of Failure to File to be filed on EMMA on January 26, 2018 and February 1, 2018. The County caused its operating data, its Comprehensive Annual Financial Report and the Comprehensive Annual Financial Report for the Fire District to each be filed on EMMA on June 29, 2018.

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

## MISCELLANEOUS

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief summaries of such provisions thereof and do not purport to describe with particularity all provisions thereof.

Please address further inquiries, or requests for additional copies of this Preliminary Official Statement to Joshua A. Gruber, Interim County Administrator, Beaufort County, South Carolina, 100 Ribaut Road, Room 156, Beaufort, South Carolina 29901-1228, Telephone (843) 470-2592; the County’s Bond Counsel, Francenia B. Heizer, Esquire, McNair Law Firm, P.A., 1221 Main Street, Suite 1800, Columbia, South Carolina 29201, Telephone (803) 799-9800, e-mail: [fheizer@mcnair.net](mailto:fheizer@mcnair.net); or the County’s Financial Advisor, Chad Cowan, Vice President, Hilltop Securities, 5925 Carnegie Boulevard, Suite 380, Charlotte, North Carolina 28209, telephone (704) 654-3451, e-mail: [Chad.Cowan@hilltopsecurities.com](mailto:Chad.Cowan@hilltopsecurities.com).

The delivery of this Official Statement and its use in connection with the sale of the Bonds has been duly authorized by officials of the County in their capacity.

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Interim County Administrator,  
Beaufort County, South Carolina

**APPENDIX A**

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

**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

(Date of Delivery)

County Council  
Beaufort County, South Carolina  
Beaufort, South Carolina

\$\_\_\_\_\_ LIMITED GENERAL OBLIGATION BONDS  
(BLUFFTON TOWNSHIP FIRE DISTRICT) SERIES 2018  
BEAUFORT COUNTY, SOUTH CAROLINA

We have served as bond counsel for Beaufort County, South Carolina (the “County”) in connection with the issuance of \$\_\_\_\_\_ Limited General Obligation Bonds (Bluffton Township Fire District), Series 2018 dated \_\_\_\_\_, 2018 (the “Bonds”). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

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

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

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

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

1. The Bonds have been authorized and executed by the County and are valid and binding limited general obligations of the County.
2. The County has power and is obligated to levy and collect annually an ad valorem tax, without limit as to rate or amount, on all taxable property in the Bluffton Township Fire District sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), 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 County has covenanted to comply with such requirements. 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 to be retroactive to the date of issuance of the Bonds.

4. The Bonds have been designated by the School District as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

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

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

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

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

Very truly yours,

McNAIR LAW FIRM, P.A.

**APPENDIX C**  
**CONTINUING DISCLOSURE CERTIFICATE**

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Beaufort County, South Carolina (the “County”) in connection with the issuance of \$ \_\_\_\_\_ Limited General Obligation Bonds (Bluffton Township Fire District), Series 2018, Beaufort County, South Carolina (the “Bonds”). The Bonds are being issued pursuant to an ordinance adopted by the County Council of the County (the “Ordinance”). The County covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the County for the benefit of the beneficial owners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

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

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

“**Bonds**” shall mean the \$ \_\_\_\_\_ Limited General Obligation Bonds (Bluffton Township Fire District”), Series 2018, Beaufort County, South Carolina, dated \_\_\_\_\_, 2018.

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

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

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

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

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

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

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

**SECTION 3. Provision of Annual Reports.**

(a) The County shall, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 2020, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the County shall provide the Annual Report to the Dissemination Agent, if other than the County; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the County may be included in such Annual Report in lieu thereof, and the County shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual

Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report.

(b) If the County is unable to provide to the Repository an Annual Report by the date required in subsection (a), the County shall send a notice to the Municipal Securities Rulemaking Board and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

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

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

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

- (a) County population;
- (b) County total state appropriations subject to withholding under Article X, Sec. 15, South Carolina Constitution;
- (c) Outstanding Indebtedness of the County and the Fire District;
- (d) Assessed and Estimated Market Value of taxable property in the Fire District;
- (e) Tax rates for the Fire District;
- (f) Tax collections for the Fire District; and
- (g) Five largest taxpayers (including fee-in-lieu-of-tax) for the Fire District.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an "obligated person" (as defined by the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Tender offers;
- (10) Defeasances;
- (11) Release, substitution, or sale of property securing repayment of the securities;
- (12) Rating changes;
- (13) Bankruptcy, insolvency, receivership or similar event of the County;
- (14) The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), or (15) above, the County shall as soon as possible determine if such event would be material under applicable federal securities laws. If the County determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the County shall promptly, and no later than 10 business days after the occurrence of the event, file a notice of such occurrence with the Repository.

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the County, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

SECTION 13. Counterparts. This Disclosure Certificate 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.

BEAUFORT COUNTY, SOUTH CAROLINA

By: \_\_\_\_\_  
Interim County Administrator

Dated: \_\_\_\_\_, 2018

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Beaufort County, South Carolina  
Name of Issue: \$\_\_\_\_\_ Limited General Obligation Bonds (Bluffton Township Fire District), Series 2018, Beaufort County, South Carolina  
Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that Beaufort County, South Carolina (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the County as Dissemination Agent. The County has notified us in writing that the Annual Report will be filed by \_\_\_\_\_.

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

BEAUFORT COUNTY, SOUTH CAROLINA