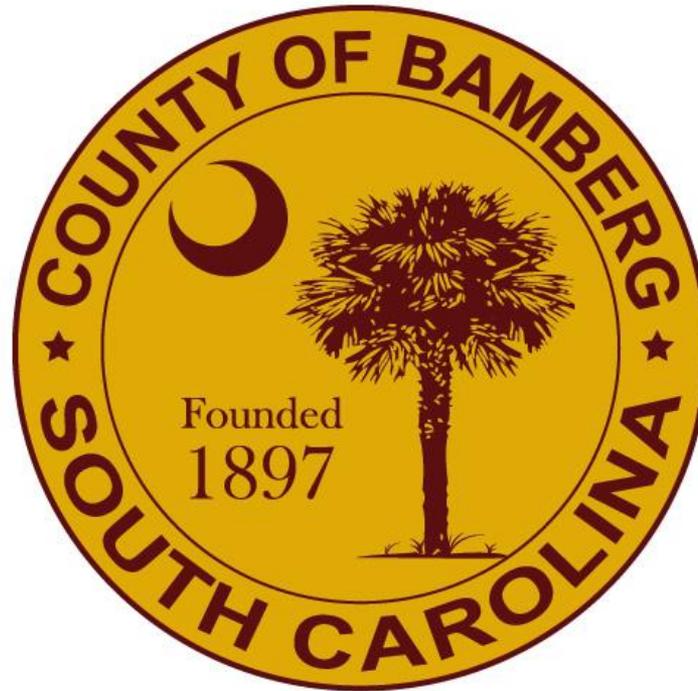


# BAMBERG COUNTY LONG-TERM DEBT SUMMARY





The purpose of this special report is to provide detail about Bamberg County's long-term debt.

Note that the figures presented are taken from the County's audited financial statements dated June 30, 2015.

# How is long-term debt categorized in governmental entities?

- Two main categories:
  - **Governmental activities** which consist of general government, judicial, public safety, public works (road maint.) economic development, culture and recreation, and health and welfare
  - **Business-type activities** which consist of our Solid Waste/Landfill operation, inclusive of the Keep America Beautiful and the Litter Control departments

<u>Governmental Activities</u>	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
Accrued Compensated Absences	197,996	158,062	174,969	192,484
Closure/Post-closure Cost	446,644	436,099	-	-
General Obligation Bonds	1,350,000	1,310,000	1,360,000	1,483,288
Revenue Bonds	-	8,440,000	8,435,000	8,305,000
Anticipation Notes	1,250,140	-	-	-
Notes Payable	-	125,280	93,208	9,096
Capital Leases	273,910	221,402	346,766	739,172
<b>Total Gov. Activities</b>	<b>3,518,690</b>	<b>\$ 10,690,843</b>	<b>\$ 10,409,943</b>	<b>\$ 10,729,040</b>
<u><b>Business-type Activities</b></u>				
Accrued Compensated Absences	-	25,397	33,164	30,651
Closure/Post-closure Cost	-	-	429,513	419,466
Capital Leases	-	-	-	203,770
<b>Total Business-type</b>	<b>-</b>	<b>\$25,397</b>	<b>\$ 462,677</b>	<b>\$ 653,887</b>
<b>Combined Total Debt</b>	<b>3,518,690</b>	<b>\$10,716,240</b>	<b>\$ 10,872,620</b>	<b>\$ 11,382,927</b>

# Installment Purchase Revenue Bond (IPRB)

- In 2013 the County issued an \$8,440,000 installment purchase revenue bond. This bond was issued to finance voter approved capital projects, refinance some outstanding debt of the County and to reimburse the County for cash expended on capital projects in prior years.
- Originally issued at interest rate of 8.875%, refinanced down to 3.933% in November 2015
- Saving \$1.2 million in interest costs over the life of the bond

# Bamberg County: Bond Rating

On August 17, 2015 Bamberg County team made a bond rating presentation to Standard & Poor's Credit Rating Services in New York City.

The presentation was the culmination of several months of advance preparation that involved the gathering of financial and economic data.

# Credit Rating

- A credit rating is very important for a county's financial health
- A credit rating is an opinion of an entity's creditworthiness
- The rating captures the entity's ability to meet its financial commitments as they come due
- A number of firms provide credit ratings and each firm has its own unique method to arrive at a rating
- There are several major rating agencies:
  1. **Standard & Poor's**
  2. Moody's Investors Service
  3. Fitch



# Credit Rating



- Council has the ability to impact this very important criteria
- Through the hiring of professional administrators, and
- Through sound policy setting and guidance that maintains county on solid financial footing, and
- Through approving budgets that provide adequate revenue streams to maintain and grow county services, and
- Through participation in Bond Rating presentations

# Factors that rating agencies look for:

- **Financial factors**

1. Fund Balance
2. Budgetary controls
3. Investment policies

- **Debt factors**

1. General obligation debt per capita
2. General obligation debt as a percentage of assessed value
3. Legal debt margin



# Factors that rating agencies look for:

- **Economic factors**

1. Existing industries
2. Capital investments
3. Diversity and strength of tax base
4. Economic outlook, technical training, per capita income, unemployment rate



# Why do we care about our credit rating?

- Two main reasons
  1. Credit ratings affect the cost of debt, i.e. the interest
    - \* Credit ratings and interest rates are inversely related
    - \* Higher cost of debt limits the number of new projects
  2. Affect the marketability of county bond issuances
    - \* Many investors cannot, or will not purchase non-investment grade bonds
    - \* A decrease in credit rating can restrict the county's growth and future prosperity



# Ratings Explained

- Hierarchy of letters and number scale
- Each agency has a different rating scale



# Ratings Explained

Moody's	S&P	
Aaa	AAA	Prime, Maximum Safety
Aa1	AA+	
Aa2	AA	
Aa3	AA-	High Grade, High Quality
A1	A+	
A2	A	
A3	A-	Upper Medium Grade

# Ratings Explained

Moody's	S&P	Definitions
Baa1	BBB+	Lower Medium Grade
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	Non-Investment Grade
Ba2	BB	Speculative
Ba3	BB-	

Can go all way down to C range which is extremely speculative and may be in default

# RESULTS!

- Standard & Poor's  
Credit Rating Services  
issued.....



# INVESTMENT GRADE RATING



- ISSUER CREDIT RATING OF “A” FOR THE COUNTY
- UNDERLYING RATING OF “A-” ON THE 2013 IPRB

# So how do we utilize this rating?



- The County was able to refinance existing debt to achieve lower interest costs and more favorable terms
- The County has been able to purchase vehicles and equipment and finance those purchases at very low interest rates
- Local banks are proud to work with the County by providing financing for various purposes
- The County will be considered investment grade by future lenders and investors
- We plan to build on this success: Maintain and even better the rating in the future

# Legal Debt Margin

- Counties are limited to general obligation borrowing
- General obligation simply means that the debt is backed by the full faith and credit power of the entity
- Debt Margin is calculated by taking the total debt and subtracting the actual debt
- The limit is 8% of the assessed value of the County

**BAMBERG COUNTY, SOUTH CAROLINA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2015**

Real and Other Personal Property Assessed Value	\$ 25,424,990
Vehicles Assessed Value	4,341,820
Total Taxable Assessed Value	29,766,810
Debt Limit - Eight Percent (8%) of Total Taxable Assessed Value	2,381,345
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt - Note 12	1,483,288
<b>LEGAL DEBT MARGIN</b>	<b>\$ 898,057</b>

# Prior Years-Legal Debt Margin

Bamberg County's LDM has remained relatively constant. This has been by design so that the County might use this as an outlet for an emergency need.

Bamberg County Legal Debt Margin	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
Per audited financial statements	\$ 916,738	\$ 1,022,914	\$ 984,219	\$ 898,057

# Comparing to School District Debt

SD2 recently had a referendum approved by voters-will allow them to issue up to \$38 million in general obligation bonds.

	6/30/14	6/30/15
SD#1	\$ 29,476,286	\$ 29,183,140
SD#2	\$ 632,137	\$ 178,226
Bamberg County	\$ 10,872,620	\$ 11,382,927



# Conclusion

- Bamberg County is cognizant of its responsibility to its citizens: To provide services within the confines of the fiscal ability of the County
- The County Administration and staff take this responsibility very seriously and are supported by a progressive and involved County Council
- Bamberg County has improved its financial position: a) first “clean” audit opinion for June 30 2015, b) fund balance improving c) able to replace aging fleet of vehicles and equipment which are essential to providing public safety and public works activities
- Still work to be done but we are on the right path