

In the opinion of Pope Flynn, LLC, Bond Counsel to the Issuer, under existing law, assuming continuing compliance by the Issuer with certain covenants and the accuracy of certain representations, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, the Series 2020 Bonds and the interest thereon are exempt from all State, county, municipal, school district, and other taxes and assessments imposed within the State of South Carolina, except estate, transfer, and certain franchise taxes. See "TAX MATTERS" herein for a description of these and other tax considerations.

ANDERSON REGIONAL JOINT WATER SYSTEM, SOUTH CAROLINA



\$9,270,000
Waterworks System Refunding
Revenue Bonds
Series 2020A

\$12,515,000
Waterworks System Advance
Refunding Revenue Bonds
Taxable Series 2020B

Dated: Date of Delivery

Due: July 15, as shown on inside cover

Anderson Regional Joint Water System, South Carolina (the "Issuer"), a public body politic and corporate and a political subdivision of the State of South Carolina (the "State"), is issuing its (a) \$9,270,000 Waterworks System Refunding Revenue Bonds, Series 2020A (the "Series 2020A Bonds") for the purposes of providing funds, together with other available funds, to (i) currently refund the Currently Refunded Bonds (as defined herein) and (ii) pay certain fees and expenses in connection with the sale and issuance of the Series 2020A Bonds; and (b) \$12,515,000 Waterworks System Advance Refunding Revenue Bonds, Taxable Series 2020B (the "Series 2020B Bonds," and together with the Series 2020A Bonds, the "Series 2020 Bonds") for the purposes of providing funds, together with other available funds, to (i) advance refund the Advance Refunded Bonds (as defined herein) and (ii) pay certain fees and expenses in connection with the sale and issuance of the Series 2020B Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Issuer is issuing the Series 2020 Bonds under the Constitution and laws of the State, including Title 6, Chapters 21 and 25 and Title 11, Chapter 21 of the Code of Laws of South Carolina 1976, as amended (together, the "Enabling Act"), and a Bond Resolution and a 2020 Series Resolution (each as defined herein) adopted by the Anderson Regional Joint Water System Commission, the governing body of the Issuer.

Pursuant to the provisions of the Enabling Act, the Bond Resolution, and the 2020 Series Resolution, the Series 2020 Bonds are payable from and secured by a pledge of the revenues derived by the Issuer from the operation of the System (as defined herein), after the payment of operations and maintenance expenses relating thereto. The Issuer has entered into water sale and purchase agreements with certain wholesale water purchasers in Anderson and Pickens Counties, South Carolina, which provide for the payment of charges for water services, all as more fully described herein. Additional Bonds may be issued pursuant to the Bond Resolution and the applicable Series Resolution ("Additional Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein.

The Series 2020 Bonds will be initially issued as fully registered bonds and when delivered will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as the initial securities depository for the Series 2020 Bonds. Individual purchases of the Series 2020 Bonds by the beneficial owners will be made in denominations of \$5,000 or any whole multiple thereof. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, as nominee for DTC, references herein to registered owners or Holders shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2020 Bonds. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, the principal of and interest on the Series 2020 Bonds are payable by the Bond Registrar to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners. See Appendix I hereto. Interest on the Series 2020 Bonds is payable at the rates set forth on the inside cover hereof on each January 15 and July 15, commencing January 15, 2021, until maturity or prior redemption. See "DESCRIPTION OF THE SERIES 2020 BONDS" herein.

The Series 2020A Bonds are subject to optional redemption prior to maturity as described herein. The Series 2020B Bonds are not subject to redemption prior to maturity.

THE SERIES 2020 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY PROVISION, LIMITATION, OR RESTRICTION OF THE CONSTITUTION OR LAWS OF THE STATE OF SOUTH CAROLINA, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. THE ISSUER IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2020 BONDS OR THE INTEREST THEREON EXCEPT FROM THE GROSS REVENUES DERIVED FROM THE OPERATION OF THE SYSTEM AFTER THE PAYMENT OF OPERATION AND MAINTENANCE EXPENSES. NEITHER THE FULL FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2020 BONDS. THE ISSUER HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2020 Bonds are offered when, as and if issued by the Issuer, and accepted by Stephens Inc. (the "Underwriter"), subject to the delivery of an approving opinion by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel, as well as the approval of certain additional legal matters by Pope Flynn, LLC, as Disclosure Counsel and as General Counsel to the Issuer. Burr & Forman LLP, Greenville, South Carolina, is counsel to the Underwriter. It is expected that the Series 2020 Bonds will be available for delivery through the facilities of DTC on or about September 4, 2020.

STEPHENS INC.

MATURITY SCHEDULES

\$9,270,000 SERIES 2020A BONDS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS[†]

Due July 15	Principal Amount	Interest Rate	Yield	Price	CUSIP [†]
2021	\$ 560,000	4.000%	0.250%	103.244%	034073AY2
2022	825,000	4.000	0.300	106.881	034073AZ9
2023	860,000	4.000	0.340	110.431	034073BA3
2024	890,000	4.000	0.390	113.840	034073BB1
2025	930,000	4.000	0.480	116.911	034073BC9
2026	965,000	4.000	0.600	119.570	034073BD7
2027	925,000	4.000	0.730	121.860	034073BE5
2028	735,000	4.000	0.840	124.005	034073BF2
2029	760,000	4.000	0.930	126.069	034073BG0
2030	585,000	3.000	1.010	118.642	034073BH8
2031	400,000	3.000	1.080 [°]	117.922	034073BJ4
2032	410,000	4.000	1.170 [°]	126.297	034073BK1
2033	425,000	4.000	1.290 [°]	125.030	034073BL9

\$12,515,000 TAXABLE SERIES 2020B BONDS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS[†]

Due July 15	Principal Amount	Interest Rate	Yield	Price	CUSIP [†]
2021	\$ 20,000	0.465%	0.465%	100.000%	034073BM7
2022	2,465,000	0.535	0.535	100.000	034073BN5
2023	2,480,000	0.652	0.652	100.000	034073BP0
2024	2,495,000	0.794	0.794	100.000	034073BQ8
2025	2,515,000	0.894	0.894	100.000	034073BR6
2026	2,540,000	1.109	1.109	100.000	034073BS4

[°] Priced to first optional redemption date of July 15, 2030.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2020 Bonds and the Issuer and the Underwriter make no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future.

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This Official Statement does not constitute an offering of any security other than the original offering of the Series 2020 Bonds identified on the front cover hereof. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by Anderson Regional Joint Water System, South Carolina (the “*Issuer*”) or Stephens Inc. (the “*Underwriter*”). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

Except for information with respect to U.S. Bank National Association (the “*Trustee*”), the Trustee has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (a) the accuracy or completeness of such information, (b) the validity of the Series 2020 Bonds, or (c) the tax-exempt status of the interest on the Series 2020A Bonds.

Upon execution and delivery, the Series 2020 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the United States Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2020 Bonds for sale, and any representation to the contrary is a criminal offense.

CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY HAVE BEEN OBTAINED FROM SOURCES OTHER THAN RECORDS OF THE ISSUER AND, WHILE BELIEVED TO BE RELIABLE, IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE SYSTEM.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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OFFICIAL STATEMENT

ANDERSON REGIONAL JOINT WATER SYSTEM, SOUTH CAROLINA

\$9,270,000
Waterworks System Refunding
Revenue Bonds
Series 2020A

\$12,515,000
Waterworks System Advance
Refunding Revenue Bonds
Taxable Series 2020B

INTRODUCTION

General

This Official Statement, which includes the cover page and Appendices hereto, is provided to furnish certain information concerning the Anderson Regional Joint Water System, South Carolina (the “*Issuer*”), a public body corporate and politic and a political subdivision of the State of South Carolina (the “*State*”), and certain other information in connection with the sale by the Issuer of its \$9,270,000 Waterworks System Refunding Revenue Bonds, Series 2020A (the “*Series 2020A Bonds*”), and \$12,515,000 Waterworks System Advance Refunding Revenue Bonds, Taxable Series 2020B (the “*Series 2020B Bonds*,” and together with the Series 2020A Bonds, the “*Series 2020 Bonds*”).

Authorization

The Series 2020 Bonds will be issued pursuant to the Joint Systems Act (as defined herein), Title 6, Chapter 21, and Title 11, Chapter 21 of the Code of Laws of South Carolina 1976, as amended (collectively, the “*Enabling Act*”), a Bond Resolution adopted by the Anderson Regional Joint Water System Commission (the “*Commission*”), the governing body of the Issuer, on May 18, 2011, and amended and supplemented by resolutions adopted on January 18, 2012, and September 24, 2014 (collectively, the “*Bond Resolution*”), and a Series Resolution adopted by the Commission on June 30, 2020 (the “*2020 Series Resolution*,” and, together with the Bond Resolution, the “*Resolutions*”). For the definition of certain capitalized terms used herein and a summary of certain provisions of the Resolutions, see “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” hereto.

Purpose

The Series 2020A Bonds are being issued to provide funds, together with other available funds, to (a) currently refund the Currently Refunded Bonds (as defined herein) and (b) pay certain fees and expenses in connection with the sale and issuance of the Series 2020A Bonds. The Series 2020B Bonds are being issued to provide funds, together with other available funds, to (a) advance refund the Advance Refunded Bonds (as defined herein) and (b) pay certain fees and expenses in connection with the sale and issuance of the Series 2020B Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Issuer

The Issuer was created and established pursuant to the provisions of Title 6, Chapter 25 of the Code of Laws of South Carolina 1976, as amended (the “*Joint Systems Act*”). The Issuer owns and operates a waterworks system (the “*System*”) located in Anderson County, South Carolina (“*Anderson County*”) and Pickens County, South Carolina (“*Pickens County*”). The System includes water supply, treatment, transmission, and distribution facilities providing potable water service on a wholesale basis to the City of Anderson (“*Anderson*”), the Big Creek Water and Sewerage District of Anderson County (“*Big Creek*”), the Broadway Water and Sewerage District of Anderson County (“*Broadway*”), the City of Clemson (“*Clemson*”), the Hammond Water District (“*Hammond*”), the Homeland Park Water District (“*Homeland*”).

Park”), the Town of Pendleton (“*Pendleton*”), the Powdersville Water District (“*Powdersville*”), the Sandy Springs Water District (“*Sandy Springs*”), the Starr-Iva Water and Sewer District (“*Starr-Iva*”), the West Anderson Water District (“*West Anderson*”) and the Town of Williamston (“*Williamston*”), all being municipalities or public service districts in the State (each of which is a “*Municipal Water Purchaser*” and, collectively with each of the other Municipal Water Purchasers, the “*Municipal Water Purchasers*”). Clemson University is also purchasing its water supply from the Issuer (“*Clemson University*,” together with the Municipal Water Purchasers, the “*Water Purchasers*”). In addition, the Town of Central (“*Central*”), which is a member of the Issuer, purchases water from Clemson pursuant to the terms of an agreement between the two municipalities.

Water Sales Agreements

Pursuant to the Enabling Act, the Issuer has entered into a Restated and Amended Water Sale and Purchase Agreement, dated as of October 12, 2004, as supplemented and amended (the “*Municipal Water Sales Agreement*”), with each of the Municipal Water Purchasers. Clemson University has entered into a separate agreement with the Issuer in order to purchase water on a wholesale basis from the Issuer (the “*Clemson University Agreement*,” and together with the Municipal Water Sales Agreement, the “*Water Sales Agreements*”). The Municipal Water Sales Agreement provides, among other things, that the Issuer will own and operate the System and that the Issuer will make available to each Municipal Water Purchaser an amount of potable water equal to its Allocated Capacity, for which the Municipal Water Purchaser pays monthly charges imposed by the Issuer to meet the Issuer’s costs relating to the System. For the definition of certain capitalized terms used herein and a summary of certain provisions of the Municipal Water Sales Agreement, see “APPENDIX F—SUMMARY OF CERTAIN PROVISIONS OF THE MUNICIPAL WATER SALES AGREEMENT” hereto. The Clemson University Agreement provides, among other things, that Clemson University will purchase all of its potable water requirements from the Issuer.

Terms, References, and Summaries

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Resolutions and the Municipal Water Sales Agreement, as applicable.

Brief descriptions of the Issuer, the Series 2020 Bonds, the security and sources of payment for the Series 2020 Bonds, the Water Purchasers, the Water Sales Agreements, and the System are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available from the Issuer. This introduction provides certain limited information to serve as a guide to the Official Statement and is expressly qualified by the Official Statement as a whole. Investors should make a full review of the entire Official Statement and the documents summarized or described herein.

DESCRIPTION OF THE SERIES 2020 BONDS

General

The Series 2020 Bonds will be dated their date of delivery, will bear interest from their date to their respective maturities at the rates, and will mature, subject to prior redemption as described below, on the dates and in the amounts, all as set forth on the inside front cover page of this Official Statement. Interest on the Series 2020 Bonds will be payable on each January 15 and July 15, beginning January 15, 2021, to the person in whose name each Series 2020 Bond is registered as of the close of business on the immediately preceding January 1 and July 1, respectively, until maturity of the Series 2020 Bonds (each, a “*Record Date*”). The Series 2020 Bonds will be issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. Records of ownership and transfers of ownership of the Series 2020 Bonds will be maintained in a book-entry only system maintained through The Depository Trust Company, New York, New York (“*DTC*”). When the Series 2020 Bonds are issued, the Series 2020 Bonds will be registered on the registration books of the Issuer kept by U.S. Bank National Association, as Trustee, Registrar and Paying Agent under the Resolutions, in the name of Cede & Co., as nominee for DTC. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2020 Bonds, all payments of the principal of, premium, if any, and interest on the Series 2020 Bonds will be made by the Paying Agent directly to Cede & Co. in accordance with the Resolutions. See “APPENDIX I—DTC BOOK-ENTRY ONLY SYSTEM” hereto.

Redemption Provisions

The Series 2020A Bonds are subject to optional redemption prior to maturity as described below. The Series 2020B Bonds are not subject to redemption prior to maturity.

Optional Redemption of Series 2020A Bonds. The Series 2020A Bonds maturing after July 15, 2030, may be redeemed prior to maturity, at the option of the Issuer, in whole or in part on any date on or after July 15, 2030, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Selection of Series 2020A Bonds for Redemption. If less than all of the Series 2020A Bonds are to be redeemed, the particular Series 2020A Bonds or portion thereof of each maturity to be redeemed shall be selected as directed by the Issuer. If less than all of the Series 2020A Bonds of any particular maturity are called for redemption, the particular Series 2020A Bonds or portions thereof of such maturity to be redeemed will be selected by lot by the Trustee; provided, however, that the portion of any Series 2020A Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Series 2020A Bonds for redemption, the Trustee will treat each such Series 2020A Bond as representing that number of Series 2020A Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2020A Bond by \$5,000; and provided further that if less than all of the beneficial interests in a Series 2020A Bond of a particular maturity registered in the name of a Securities Depository or a Securities Depository Nominee are to be redeemed, the beneficial interests to be redeemed will be selected by lot by the Securities Depository in accordance with its established rules and procedures. If there is called for redemption less than all of a Series 2020A Bond, the Issuer will execute and the Trustee will authenticate and deliver, upon the surrender of such Series 2020A Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Series 2020A Bond so surrendered, Series 2020A Bonds of like maturity in any authorized denomination.

Notice of Redemption. The Trustee will give notice of redemption by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date to each registered owner of the Series 2020A Bonds to be redeemed in whole or in part at their addresses appearing in the registration books maintained by the Trustee. Such notices shall also be sent to Bondholders of \$1,000,000 or more, to the

Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board (MSRB), or to any repository in the future as designated by the MSRB, and to any Securities Depository by such method as shall then be standard in the municipal securities industry. A second notice to registered owners of the Series 2020A Bonds must be mailed by the means specified above to any registered owner of Series 2020A Bonds who has not presented Series 2020A Bonds for redemption 60 days after the redemption date. The failure of the Trustee to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Series 2020A Bonds for which notice is properly given. Any Bondholder may waive notice of redemption by delivery of a written waiver to the Trustee. The Trustee's obligation to give the notice of redemption is not conditioned upon the prior delivery to the Trustee of the redemption price of the Series 2020A Bonds to be called for redemption; however, if the redemption price has not been delivered to the Trustee at the time notice of redemption is given, the notice is required to state that it is conditioned upon such delivery. See "APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—THE BOND RESOLUTION—Notice of Redemption" hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

General

The Series 2020 Bonds will be secured solely under and pursuant to the Resolutions and in accordance with the covenants, obligations and agreements of the Issuer under the Resolutions. Under the Resolutions, the Series 2020 Bonds will be payable from and secured, equally and ratably, by a pledge of and lien upon the Gross Revenues of the Issuer derived from the System after payment of Operation and Maintenance Expenses relating to the System, as well as all funds and accounts established under the Resolutions, including all investment earnings thereon, subject only to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth therein. As further security for payment of the Bonds, the Issuer has assigned, granted and transferred to the Trustee all of the Issuer's right, title, and interest in, to and under the Municipal Water Sales Agreement, and the Issuer has authorized the Trustee, at its option, from and after the occurrence of an Event of Default under the Bond Resolution, to exercise any and all of the rights, powers and privileges conferred by the Municipal Water Sales Agreement in as full and ample manner as the Issuer is or may be authorized and empowered to exercise the same. In addition, a statutory lien upon the System is granted pursuant to the Resolutions, but such lien shall not give the Trustee or any Bondholder the right to foreclose upon or compel the sale of the System or any part thereof upon the occurrence of an Event of Default under the Bond Resolution. See "APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS" hereto for a more detailed description of the security for and sources of payment for the Series 2020 Bonds.

THE SERIES 2020 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION, LIMITATION, OR RESTRICTION OF THE CONSTITUTION OR LAWS OF THE STATE OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE FROM A REVENUE-PRODUCING PROJECT OR SPECIAL SOURCE WHICH SOURCE DOES NOT INVOLVE REVENUES FROM ANY TAX OR LICENSE. THE ISSUER IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2020 BONDS OR THE INTEREST THEREON EXCEPT FROM THE GROSS REVENUES DERIVED FROM THE OPERATION OF THE SYSTEM AFTER THE PAYMENT OF OPERATION AND MAINTENANCE EXPENSES. NEITHER THE FULL FAITH, CREDIT OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2020 BONDS. THE ISSUER HAS NO TAXING POWER.

Water Sales Agreements

Municipal Water Sales Agreement. The Issuer has entered into the Municipal Water Sales Agreement with each of the Municipal Water Purchasers. The Municipal Water Sales Agreement provides that (a) the Issuer will acquire, own and operate the System, (b) the Issuer will make available to each Municipal Water Purchaser an amount of potable water equal to its Allocated Capacity and (c) each Municipal Water Purchaser will pay to the Issuer a monthly sum imposed by the Issuer in amounts necessary to meet the Issuer's costs relating to the System as described under "THE WATER PURCHASERS—Allocated Percentages" herein (collectively referred to as the "*Contract Sums*"). For tables setting forth the Allocated Capacity and Allocated Percentage for each Municipal Water Purchaser, see "THE WATER PURCHASERS" herein. For a description of the manner of calculating each such Contract Sums, see "APPENDIX F—SUMMARY OF CERTAIN PROVISIONS OF THE MUNICIPAL WATER SALES AGREEMENT" hereto.

Nature of Obligation. Each Municipal Water Purchaser has agreed that its obligation to make the payments of the Capital Charge and the Additional Capital Charge, if applicable, under the Municipal Water Sales Agreement shall be absolute and unconditional and shall not be suspended or discontinued for any cause whatsoever, including without limiting the generality of the foregoing, the failure of the Issuer to complete the acquisition, construction, improvement, or upgrading of any component of the System, any acts or circumstances which may constitute failure of consideration, destruction of or damage to the System, and any failure on the part of the Issuer to perform and observe any agreement, whether expressed or implied, under the Municipal Water Sales Agreement. Each Municipal Water Purchaser has obligated and bound itself under the Municipal Water Sales Agreement to timely make the payments of the Capital Charge and the Additional Capital Charge, if applicable, free of any deduction, and without abatement, diminution or set-off of any sort.

Term of Agreement. The initial term of the Municipal Water Sales Agreement extends until July 15, 2032, but thereafter, absent receipt of notice from any Municipal Water Purchaser of its intent not to renew, shall be automatically extended for five-year periods. Each Municipal Water Purchaser must provide the Issuer with a written notice of its intention to renew or not to renew not less than six months prior to the end of each term, including the original term.

Municipal Water Purchaser Default. In the event any Municipal Water Purchaser fails to make its payments to the Issuer as provided in the Municipal Water Sales Agreement, the Issuer shall provide notice to all non-defaulting Municipal Water Purchasers of such circumstance. In such event, the Municipal Water Sales Agreement requires each Municipal Water Purchaser to pay all amounts then due from the defaulting Municipal Water Purchaser multiplied by the quotient obtained by dividing its Allocated Percentage by the Allocated Percentages of all non-defaulting Municipal Water Purchasers in accordance with the instructions included in said notice from the Issuer. The Issuer is required by the Municipal Water Sales Agreement to transfer to all non-defaulting Municipal Water Purchasers their *pro rata* portions (determined in the foregoing manner) of the defaulting Municipal Water Purchaser's Allocated Capacity. Any portion of the Allocated Capacity of a defaulting Municipal Water Purchaser transferred to the non-defaulting Municipal Water Purchasers shall become a part of and shall be added to the Allocated Capacities of the transferee Municipal Water Purchasers, and the transferee Municipal Water Purchasers shall thereafter be obligated to make all payments under the Municipal Water Sales Agreement in accordance with the amended Allocated Capacities and correspondingly amended Allocated Percentages. Thus, in the event a Municipal Water Purchaser fails to meet its obligations under the Municipal Water Sales Agreement and the non-defaulting Municipal Water Purchasers pay the share owed by the defaulting Municipal Water Purchaser, then (a) the revenues of the Issuer should not be diminished due to this circumstance, and (b) the Issuer's ability to meet its obligations under the Bond Resolution should not be impaired.

If a Municipal Water Purchaser were to default on the payments required to be made pursuant to the Municipal Water Sales Agreement, and if a transferee Municipal Water Purchaser refused to accept its *pro rata* portion of a defaulting Municipal Water Purchaser's Allocated Capacity, a judicial determination may be required to enforce the transfer of a defaulting Municipal Water Purchaser's Allocated Capacity. Although the Joint System Act expressly authorizes the inclusion of the above-described provisions relating to the transfer of a defaulting Municipal Water Purchaser's Allocated Capacity to non-defaulting Municipal Water Purchasers, the Issuer can give no assurance that such provisions, or the statutory authorization thereof, would be determined to be enforceable if challenged on constitutional or other grounds. In the event that the Issuer is prevented by judicial determination from transferring a defaulting Municipal Water Purchaser's Allocated Capacity, the Issuer expects that it would pursue all remedies permitted by law to receive all amounts due from the defaulting Municipal Water Purchaser. See "APPROVAL OF LEGAL MATTERS" herein for a discussion of the opinion to be rendered by Bond Counsel with respect to the enforceability of such provisions.

Pursuant to the Municipal Water Sales Agreement, each Municipal Water Purchaser agrees that (a) the obligations owed to the Issuer thereunder constitute operating expenses of such Purchaser's system, (b) that it shall not issue bonds, notes or other evidences of indebtedness payable from and secured by a lien on the revenues derived from the ownership or operation of its system prior to or superior to such Purchaser's obligation to pay the operating expenses of its respective system (including payments to be made under the Municipal Water Sales Agreement) and (c) that it will not execute or adopt any instrument securing bonds, notes or other indebtedness payable from and secured by a lien on the revenues derived from the ownership or operation of its system unless such instrument provides that any payments to be made under the Municipal Water Sales Agreement shall be payable as operating expenses of such system. Many of the Municipal Water Purchasers have debt outstanding secured by a lien on net revenues of their respective systems.

Clemson University Agreement. The Clemson University Agreement provides for the sale by the Issuer, and the purchase by Clemson University, of all water to be used on Clemson University's main campus. The Clemson University Agreement extends until April 16, 2032, is subject to periodic renewals by the parties, and may be terminated for cause by either party by giving at least three years advance written notice to the other party. The maximum amount of water that the Issuer initially agreed to deliver is 2.00 MGD. Rates under the Clemson University Agreement are based on a volumetric charge, which is currently \$1.88 per thousand gallons. If consumption by Clemson University exceeds 2.00 MGD, the volumetric charge is increased according to a series of "steps" as set forth in the Clemson University Agreement.

Rate Covenant

Under the Bond Resolution, the Issuer has covenanted and agreed to maintain rates and charges for all services furnished by the System which will at all times be sufficient to (a) provide for the payment of Operation and Maintenance Expenses, (b) maintain the Debt Service Fund (thereby facilitating the timely payment of the principal of and interest on the Bonds) in the manner prescribed in the Bond Resolution, (c) maintain the Debt Service Reserve Fund in the manner prescribed in the Bond Resolution and to maintain each Series Debt Service Reserve Fund, if any, in the manner prescribed in the Bond Resolution and in the applicable Series Resolution, (d) build and maintain the Renewal and Replacement Fund as a reserve for depreciation of the System, for contingencies and for improvements and extensions to the System other than those for maintenance purposes, (e) pay all amounts owing under any reimbursement agreement with any provider of a funding substitute for the Debt Service Reserve Fund or any Series Debt Service Reserve Fund, (f) discharge all obligations imposed by the Enabling Act and by the Bond Resolution, and (g) provide for the timely payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding.

The Issuer has further covenanted and agreed that it will at all times prescribe, maintain, and collect or cause to be collected rates and charges for the services and facilities furnished by the Issuer which, together with other income, will yield annual Net Earnings in the current Fiscal Year (as defined herein) equal to at least 120% of the Annual Principal and Interest Requirements in such Fiscal Year for all Bonds Outstanding; and, promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, will review the rates and charges for its services and will promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the Commission is required to adopt an Annual Budget, including amended rate schedules for such Fiscal Year, which will set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and which will include the amount to be deposited during such Fiscal Year in the Renewal and Replacement Fund. The Commission may at any time adopt an amended Annual Budget for the remainder of the then-current Fiscal Year.

Flow of Funds

Under the Bond Resolution, the Gross Revenues of the System (except as set forth in the Bond Resolution) are a part of the General Revenue Fund. Except as hereinafter described, the General Revenue Fund is held in the custody of the Issuer. Dispositions from the General Revenue Fund are made on or before the Business Day which is five (5) Business Days prior to the end of each month in the following order of priority:

Operation and Maintenance Fund. There will be deposited in the Operation and Maintenance Fund the amount necessary for the ensuing month for the payment of all Operation and Maintenance Expenses. Such payments will be made by or pursuant to the order of the Issuer in accordance, to the extent practicable, with the Annual Budget then in effect. The Operation and Maintenance Fund is held by the Issuer. Withdrawals from the Operation and Maintenance Fund shall be made by or on the order of the Issuer, in accordance, as nearly as may be practicable, with the Annual Budget then in effect for the payment of Operation and Maintenance Expenses.

Debt Service Fund - Payments for Bonds. Provision will be made for the payment of principal of, premium, if any, and interest on, the Bonds without priority of any Bond over any other Bond. To that end, unless otherwise provided in a Series Resolution with respect to a Series of Variable Rate Bonds, there will be deposited into the Debt Service Fund (i) the monthly fraction of the aggregate amount of interest to become due on the Bonds (excluding Reimbursement Obligations) on the next ensuing Bond Payment Date and (ii) the monthly fraction of the Principal Installment of the Bonds (excluding Reimbursement Obligations) next becoming due and payable, all in accordance with the provisions of the Bond Resolution; provided, however, that credit shall be given for certain other amounts otherwise set aside for the payment of such amounts. The Debt Service Fund is held by the Trustee. All money in the Debt Service Fund shall be used to pay the principal of and interest on the Bonds (excluding Reimbursement Obligations) in the manner prescribed in the Bond Resolution and the applicable Series Resolutions, and for no other purpose.

Debt Service Reserve Funds. Deposits will next be made into the Debt Service Reserve Fund and/or applicable Series Debt Service Reserve Funds. The market value of the cash and securities in the Debt Service Reserve Fund and/or each Series Debt Service Reserve Fund will be calculated as of the last day of each Fiscal Year (such calculation to be made within 45 days after such date) in order to determine if the Debt Service Reserve Fund contains the Reserve Requirement or such Series Debt Service Reserve Fund contains the Series Reserve Requirement, and the extent to which payments thereto or withdrawals therefrom must be made. In the event a deficiency exists in the Debt Service Reserve Fund or a Series Debt Service Reserve Fund, the deficiency will be replenished by depositing into the Debt Service Reserve Fund or Series Debt Service Reserve Fund, as applicable, on the last Business Day of each of the first four months following the month of a determination of a deficiency in the Debt Service Reserve

Fund or Series Debt Service Reserve Fund one-fourth of the amount necessary to re-establish in the Debt Service Reserve Fund the Reserve Requirement or in the Series Debt Service Reserve Fund the applicable Series Reserve Requirement; provided, however, that nothing in the Bond Resolution shall preclude the Issuer from fully re-establishing the Reserve Requirement or Series Reserve Requirement in a more timely fashion than as so prescribed. The Debt Service Reserve Fund is and any Series Debt Reserve Fund will be held by the Trustee.

Renewal and Replacement Fund. There will be deposited into the Renewal and Replacement Fund that sum which is one-twelfth of the sum which has been currently determined by the Commission to be the estimated requirement therefor for the then current Fiscal Year, which is required to be maintained in an amount necessary to provide a reasonable reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System. The Renewal and Replacement Fund is held by the Issuer and may be divided into two or more accounts. Moneys in the Renewal and Replacement Fund shall be used solely (i) for the purposes of restoring depreciated or obsolete items of the System, (ii) for improvements, betterments and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order, (iii) to defray the cost of unforeseen contingencies, (iv) to prevent defaults of Bonds and Junior Lien Bonds and (v) for optional redemption of Bonds.

Payments for Junior Lien Bonds. Provision will then be made for the payment of any other indebtedness which is junior and subordinate to the Bonds in the order of priority contemplated by the proceedings authorizing their issuance.

Surplus Money. All money remaining in the General Revenue Fund after making the payments as listed above will be disposed of for any lawful purpose in such manner as the Commission shall from time to time determine.

See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—THE BOND RESOLUTION—Establishment of Funds” and “—Disposition of Revenues” hereto.

Additional Parity Obligations

The Bond Resolution authorizes the issuance from time to time of additional Bonds (“*Additional Bonds*”) on a parity in all respects with the unrefunded maturity of the Series 2011A Bonds, the Series 2017 Bond, the Series 2017A Bond, and the Series 2020 Bonds for various purposes including the financing of improvements to the System and the refunding of any Bonds or other obligations issued pursuant to the Enabling Act. At this time, the Issuer has no plans to issue additional Series of Bonds to finance capital projects. For a more detailed description relating to the conditions precedent to the issuance of Additional Bonds, see “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—THE BOND RESOLUTION—Authorization of Bonds in a Series” hereto.

Debt Service Reserve Fund and Series Debt Service Reserve Funds

General. The Bond Resolution establishes a common Debt Service Reserve Fund to secure all Series of Bonds (excluding any Reimbursement Obligations) except (i) any Series of Bonds that is secured by a Series Debt Service Reserve Fund or (ii) any Series of Bonds which, pursuant to the applicable Series Resolution, is not secured by either a Series Debt Service Reserve Fund or the common Debt Service Reserve Fund. Pursuant to the Bond Resolution the Issuer may determine in a Series Resolution whether to (a) secure such Series of Bonds by the Debt Service Reserve Fund, (b) establish a separate Series Debt Service Reserve Fund securing only that particular Series of Bonds or (c) issue such Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund.

Debt Service Reserve Fund. The common Debt Service Reserve Fund is established by the Bond Resolution for the equal and ratable benefit of all Series of Bonds (except Reimbursement Obligations) which, pursuant to the applicable Series Resolution, are secured thereby. As of the date of this Official Statement, only the Series 2011A Bonds are currently secured by the common Debt Service Reserve Fund and, after giving effect to the refunding of the Advance Refunded Bonds, the unrefunded July 15, 2021 maturity of the Series 2011A Bonds will remain secured by the common Debt Service Reserve Fund until such maturity date. The Issuer may determine to extend the security provided by the common Debt Service Reserve Fund to additional Series of Bonds Outstanding from time to time. See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—THE BOND RESOLUTION—Establishment of Funds—Debt Service Reserve Fund” and “—PROPOSED THIRD SUPPLEMENT TO THE BOND RESOLUTION” hereto for an explanation of the calculation of the Reserve Requirement and the maintenance thereof.

Series Debt Service Reserve Fund. A Series Debt Service Reserve Fund may be established by a Series Resolution for the equal and ratable benefit only of Bonds of the applicable Series of Bonds, and is intended to insure the timely payment of the principal of, premium, if any, and interest on, such Bonds and to provide for the redemption of such Bonds prior to its stated maturities. Any Series Debt Service Reserve Fund is required to be maintained in an amount equal to the Reserve Requirement for such Series of Bonds, as established by the Series Resolution applicable to such Series of Bonds. In the event a Series Debt Service Reserve Fund is created by the provisions of a Series Resolution, the Issuer may satisfy all or a portion of the applicable Series Reserve Requirement by (a) causing to be credited thereto a surety bond, insurance policy or other funding instrument or (b) providing for such other funding mechanism in the manner set forth in the Series Resolution, in either case, upon such conditions as set forth in the Series Resolution. Withdrawals therefrom shall be made only by the Trustee who shall transmit to the applicable Bondholders, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the applicable Series of Bonds. No Outstanding Bonds are currently secured by a Series Debt Service Reserve Fund.

Neither the Series 2020A Bonds, nor the Series 2020B Bonds will be secured by either the common Debt Service Reserve Fund or by a Series Debt Service Reserve Fund.

Special Facilities Bonds

The Bond Resolution authorizes the Issuer at any time to enter into contracts, leases or other agreements pursuant to which it will agree to construct, operate and pay the costs of Special Facilities to be financed by its issuance of Special Facilities Bonds, provided that: (a) it has been determined to the Issuer’s satisfaction that the rents, revenues or receipts to be derived from the Special Facilities will be at least equal to the principal, interest and any reserve requirements contained in the resolution of the Issuer authorizing such Special Facilities Bonds and sufficient to pay all operation, maintenance and other costs and expenses applicable to such Special Facilities; and (b) no debt service or other costs or expenses related to any Special Facilities may be paid from revenues of the System deposited in the General Revenue Fund except as otherwise permitted pursuant to the Bond Resolution. The revenues derived from Special Facilities need not be deposited in the General Revenue Fund and may be pledged to secure Special Facilities Bonds.

DEBT STRUCTURE

Outstanding Indebtedness and Obligations

Bonds. The obligations of the Issuer set forth in the following table, and as discussed in greater detail below, are secured by a pledge of and lien upon the Gross Revenues of the Issuer derived from the System after payment of Operation and Maintenance Expenses relating to the System, as well as all funds and accounts established under the Bond Resolution. The pledge of and lien upon the revenues and funds

securing the Series 2020 Bonds shall be on a parity with the pledges of such revenues and funds securing the Outstanding Bonds, which will remain Outstanding after the refunding of the Refunded Bonds, and any additional Series of Bonds hereafter issued pursuant to the Bond Resolution (all such bonds being collectively referred to as the “*Bonds*”).

Series	Dated Date	Original Principal Amount	Outstanding Principal Amount
2005 ¹	December 16, 2005	\$ 4,878,605	\$ 1,858,714
2009A ¹	April 9, 2009	6,485,003	3,504,265
2011A ²	June 15, 2011	27,745,000	14,345,000
2012B ¹	April 19, 2012	8,000,000	5,401,506
2017	February 16, 2017	12,804,377	11,593,939
2017A	October 25, 2017	20,712,000	20,196,000

¹ To be refunded in whole with the proceeds of the Series 2020A Bonds.

² To be refunded in part with the proceeds of the Series 2020B Bonds. After applying the proceeds of the Series 2020B Bonds to advance refund the Advance Refunded Bonds, only the July 15, 2021 maturity of the Series 2011A Bonds will remain outstanding in a principal amount of \$2,120,000.

Pursuant to the Bond Resolution, the Issuer has previously issued Bonds comprised of two series of Bonds sold in the public capital markets or directly placed with commercial banks, and four series of Bonds sold to the South Carolina Water Quality Revolving Fund Authority (the “*State Authority*”). Bonds sold in the public capital markets include its \$27,745,000 Waterworks System Advance Refunding Revenue Bonds, Series 2011A on June 15, 2011 (the “*Series 2011A Bonds*”), which are currently outstanding in the principal amount of \$14,345,000. Bonds directly placed with commercial banks include its \$20,712,000 Waterworks System Refunding Revenue Bond, Series 2017A on October 25, 2017 (the “*Series 2017A Bond*”), which is currently outstanding in the principal amount of \$20,196,000.

The proceeds of the Series 2011A Bonds were used to refund a portion of the Issuer’s Waterworks System Revenue Bonds, Series 2002 (the “*Series 2002 Bonds*”) which were used to acquire the System from Duke Power Company, the predecessor to Duke Energy Corporation (“*Duke Energy*”). The proceeds of the Series 2017A Bond were used to refund the Issuer’s Waterworks System Refunding Revenue Bonds, Series 2012A (the “*Series 2012A Bonds*”), which were issued to refund the Series 2002 Bonds not previously refunded with the proceeds of the Series 2011A Bonds.

Bonds in the form of loans from the State Authority include (a) a \$4,878,605 State Drinking Water Revolving Loan Fund Loan on December 16, 2005, which was issued in the form of a Waterworks System Revenue Bond, Series 2005 (the “*Series 2005 Bond*”), which is currently outstanding in the principal amount of \$1,858,714; (b) a \$6,485,003 State Drinking Water Revolving Loan Fund Loan on April 9, 2009, which was issued in the form of a Waterworks System Revenue Bond, Series 2009A (the “*Series 2009A Bond*”), which is currently outstanding in the principal amount of \$3,504,265; (c) a \$8,000,000 State Drinking Water Revolving Loan Fund Loan on April 19, 2012, which was issued in the form of a Waterworks System Revenue Bond, Series 2012B (the “*Series 2012B Bond*”), which is currently outstanding in the principal amount of \$5,401,506; and (d) a \$12,804,377 State Drinking Water Revolving Loan Fund Loan on February 16, 2017, which was issued in the form of a Waterworks System Revenue Bond, Series 2017 (the “*Series 2017 Bond*”) which is currently outstanding in the principal amount of \$11,593,939.

The proceeds of the Series 2005 Bond were used to finance improvements to the System to increase the reliability and performance of the water treatment process and to increase the capacity of the water treatment plant from 32 million gallons per day (“*MGD*”) to 45 MGD. The proceeds of the Series 2009A Bond were used to construct various water transmission main improvements to the System. The proceeds of the Series 2011A Bonds were used to refund a portion of the Series 2002 Bonds which were used to

acquire the System from Duke Energy, the proceeds of the Series 2012B Bond were used to fund water treatment main improvements.

The outstanding balance of the Series 2005 Bond, the Series 2009A Bond, and the Series 2012B Bond will be currently refunded in whole with a portion of the proceeds of the Series 2020A Bonds, and the remaining outstanding balance of the Series 2011A Bonds maturing July 15, 2022 through July 15, 2026 will be refunded with a portion of the proceeds of the Series 2020B Bonds. See “PLAN OF REFUNDING” herein.

Junior Lien Bonds. On February 18, 2016, the Issuer delivered its \$3,700,000 Waterworks System Revenue Bond (Junior Lien), Series 2016 (the “*2016 Junior Lien Bond*”) of which \$510,176 is currently outstanding, and on October 25, 2017, the Issuer delivered its \$1,550,000 Waterworks System Revenue Bond (Junior Lien), Series 2017B (the “*2017B Junior Lien Bond*”), of which \$993,000 is currently outstanding. The proceeds of the 2016 Junior Lien Bond were used to defray the cost of the refurbishment and repair of filters and clarifiers of the System and the cost of a taste and odor pilot study. The proceeds of the 2017B Junior Lien Bond were used to pay the final payment of a contract to secure the original water rights to withdraw water from Lake Hartwell from the U.S. Army Corps of Engineers. Pursuant to the terms of the Bond Resolution, the 2016 Junior Lien Bond and the 2017B Junior Lien Bond are junior and subordinate in all respects to the pledges and liens made to secure the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” herein.

Capital Leases. There are no outstanding capital leases. Under the provisions of the Bond Resolution the Issuer may enter into capital leases or other lease financing agreements which are not secured by the Gross Revenues but are secured by a lien on the equipment being purchased through such financing; provided, (i) the aggregate principal amount of such obligations outstanding at any time may not exceed 10% of the value of the System, less accumulated depreciation, and (ii) the Executive Director shall certify that the loss of such equipment will not materially affect the Issuer’s ability to meet its obligations under the Bond Resolution.

Annual Debt Service

The following table sets forth the amount required to pay scheduled annual debt service on (1) the Outstanding Bonds prior to the issuance of the Series 2020 Bonds, less debt service on the Refunded Bonds, and (2) the Series 2020 Bonds, as of July 15 of each year.

Bond Year (as of 7/15)	Debt Service on Outstanding Bonds ¹	Less Debt Service on Refunded Bonds	2020A Bonds			2020B Bonds			Composite Debt Service ²
			Principal	Interest	Total ²	Principal	Interest	Total ²	
2021	\$ 6,245,083	\$ 1,592,586	\$ 560,000	\$ 312,823	\$ 872,823	\$ 20,000	\$ 86,592	\$ 106,592	\$ 5,631,912
2022	5,743,286	4,001,755	825,000	338,550	1,163,550	2,465,000	99,820	2,564,820	5,469,901
2023	5,742,649	4,006,255	860,000	305,550	1,165,550	2,480,000	86,633	2,566,633	5,468,577
2024	5,746,953	4,005,005	890,000	271,150	1,161,150	2,495,000	70,463	2,565,463	5,468,561
2025	5,579,453	4,003,005	930,000	235,550	1,165,550	2,515,000	50,653	2,565,653	5,307,651
2026	5,501,571	4,005,005	965,000	198,350	1,163,350	2,540,000	28,169	2,568,169	5,228,085
2027	5,416,331	1,130,360	925,000	159,750	1,084,750	-	-	-	5,370,721
2028	5,175,417	899,227	735,000	122,750	857,750	-	-	-	5,133,940
2029	5,185,726	899,227	760,000	93,350	853,350	-	-	-	5,139,849
2030	4,981,170	693,863	585,000	62,950	647,950	-	-	-	4,935,257
2031	4,771,300	488,498	400,000	45,400	445,400	-	-	-	4,728,202
2032	4,543,561	488,498	410,000	33,400	443,400	-	-	-	4,498,463
2033	1,259,535	488,498	425,000	17,000	442,000	-	-	-	1,213,037
2034	771,037	-	-	-	-	-	-	-	771,037
2035	771,037	-	-	-	-	-	-	-	771,037
2036	771,037	-	-	-	-	-	-	-	771,037
2037	771,037	-	-	-	-	-	-	-	771,037
2038	578,278	-	-	-	-	-	-	-	578,278
Total ¹	\$69,554,459	\$26,701,783	\$9,270,000	\$2,196,573	\$11,466,573	\$12,515,000	\$422,329	\$12,937,329	\$67,256,582

¹ Prior to the issuance of the Series 2020 Bonds and without giving effect to the refunding of the Refunded Bonds.

² Totals may not foot due to rounding.

PLAN OF REFUNDING

Series 2020A Bonds. The proceeds of the Series 2020A Bonds, net of costs of issuance, together with other available funds, will be deposited with the Trustee and applied on the date of delivery of the Series 2020A Bonds to redeem (a) \$1,858,714 principal amount of the Series 2005 Bond maturing on November 1, 2020 through February 1, 2027, (b) \$3,504,265 principal amount of the Series 2009A Bond maturing on October 1, 2020 through January 1, 2030, and (c) \$5,401,506 principal amount of the Series 2012B Bond maturing on December 1, 2020 through June 1, 2033 (the Series 2005 Bond, the Series 2009A Bond, and the Series 2012B Bond are referred to collectively as “*Currently Refunded Bonds*”).

Series 2020B Bonds. The proceeds of the Series 2020B Bonds, net of costs of issuance, together with other available funds, will be applied on the date of delivery to refund in advance of their maturities \$12,225,000 principal amount of the Series 2011A Bonds maturing July 15, 2022, through July 15, 2026 (the Series 2011A Bonds maturing on such dates are hereinafter referred to as the “*Advance Refunded Bonds*,” which are referred together with the *Currently Refunded Bonds* as the “*Refunded Bonds*”).

To accomplish the refunding of the *Advance Refunded Bonds*, a portion of the proceeds of the Series 2020B Bonds, together with other available funds, will be deposited with U.S. Bank National Association, as escrow agent (the “*Escrow Agent*”), in trust pursuant to the terms and conditions of an Escrow Deposit Agreement (the “*Escrow Agreement*”) between the Issuer and the Escrow Agent. Funds on deposit with the Escrow Agent will be used to purchase Defeasance Obligations maturing at times and in amounts sufficient to provide funds, together with other funds on deposit with the Escrow Agent and remaining uninvested, to pay the principal or redemption price of and accrued interest on the *Advance Refunded Bonds* when the same become due and payable. The Series 2011A Bonds maturing on July 15, 2021 will be paid in full on such date. The *Advance Refunded Bonds* maturing on or after July 15, 2022 will be irrevocably called for redemption on July 15, 2021, at a redemption price equal to 100% of the principal amount of the *Advance Refunded Bonds* to be redeemed, plus accrued interest to the redemption date. Upon depositing such funds with the Escrow Agent pursuant to the *Escrow Agreement*, the *Advance Refunded Bonds* will no longer be Outstanding under the Bond Resolution and will no longer be entitled to any lien, benefit or security of the Bond Resolution.

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ESTIMATED SOURCES AND USES OF FUNDS

The Issuer estimates the sources and uses relating to the proposed plan of finance to be as follows:

	<u>Series 2020A Bonds</u>	<u>Series 2020B Bonds</u>	<u>Total</u>
<u>Sources of Funds:</u>			
Principal Amount	\$ 9,270,000.00	\$ 12,515,000.00	\$ 21,785,000.00
Original Issue Premium	1,605,645.10	0	1,605,645.10
Funds Released from Series 2011A Debt Service Reserve Fund	0	280,851.09	280,851.09
Debt Service Funds on Hand	<u>94,136.32</u>	<u>245,157.69</u>	<u>339,294.01</u>
Total Sources	\$ 10,969,781.42	\$ 13,041,008.78	\$ 24,010,790.20
<u>Uses of Funds:</u>			
Redemption of Currently Refunded Bonds	10,782,455.76	0	10,782,455.76
Deposit to Defeasance Escrow Account	0	12,797,371.33	12,797,371.33
Costs of Issuance ¹	<u>187,325.66</u>	<u>243,637.45</u>	<u>430,963.11</u>
Total Uses	\$ 10,969,781.42	\$ 13,041,008.78	\$ 24,010,790.20

¹ Cost of Issuance includes underwriter's discount, legal fees, financial advisor fees, rating agency fees, fees and expenses of the Trustee and Escrow Agent, printing costs and other miscellaneous fees and expenses.

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THE ISSUER

General

The Issuer was created as of February 28, 2000, under the provisions of the Enabling Act, as a public body and body corporate and politic of the State of South Carolina and a “joint system” within the meaning of the Joint System Act. Pursuant to the Joint System Act, the Issuer is authorized to undertake the impounding, acquisition, treatment, production, transmission, distribution, service and sale of water to its members and, if approved by the governing bodies of each member, to non-members.

The Issuer’s purposes are to plan, finance, develop, construct, acquire, improve, enlarge, sell, lease, maintain and operate water facilities in order to furnish water within the service areas of its respective members. In furtherance of such purposes, the Issuer acquired the water treatment and distribution facilities of Duke Energy located in Anderson County and Pickens County, then consisting of a 32 MGD water filtration plant (the “*Plant*”) situated on Lake Hartwell and certain of the transportation mains and related pumping facilities that transport the treated water from the Plant to various areas in Anderson County and Pickens County.

Simultaneously with the transfer of the Duke Energy wholesale facilities to the Issuer, Anderson acquired the retail water facilities of Duke Energy in and adjacent to the corporate limits of Anderson, which facilities include certain of the water transmission facilities which both support retail service in Anderson and transport water across Anderson to certain of the Municipal Water Purchasers whose service area is outside Anderson. Such joint use facilities are owned, operated, and maintained by Anderson pursuant to an Operating Agreement, dated February 25, 2002 (the “*Operating Agreement*”), between the Issuer and Anderson. In addition, Anderson also acquired title to certain other facilities that are required for the Issuer to transport or store water to or for certain of the Municipal Water Purchasers. Said facilities are leased by Anderson to the Issuer. Moreover, both West Anderson and Broadway acquired, through the use of part of the proceeds of the Series 2002 Bonds, small retail portions from Duke Energy.

The Operating Agreement, which has a term of 99 years from the date thereof, enables the Issuer to perform its obligations under the Municipal Water Sales Agreement and enables Anderson to perform its obligations to provide water to its retail customers. Each of the Issuer and Anderson is granted the right to utilize certain water transmission mains that are owned and operated by the other along with related facilities necessary for the purpose of transporting and distributing potable water to the Issuer’s wholesale customers or Anderson’s retail customers, as the case may be. Each party is entitled to make connections to the transmission mains free of charge, provided that certain conditions are satisfied. Each party is responsible for all costs involved in keeping its transmission mains in good working order and condition (including operational, maintenance, repairs and capital costs) and to keep such transmission mains operational at all times.

Commission

Pursuant to the Enabling Act, the Issuer is governed by the Commission, which consists of one representative for each of the Municipal Water Purchasers, Central and the Belton-Honea Path Water Authority. Each Commissioner serves on the Commission until such time as the governing body of the respective member of the Issuer removes such Commissioner or appoints a successor. There are currently 13 members serving on the Commission with Big Creek and Hammond electing common representation.

<u>Municipal Water Purchaser</u>	<u>Board Member</u>	<u>Term Began</u>
Clemson	Benjie McGill, <i>Chairman</i>	September 17, 2007
Powdersville	Howard D. Spencer, <i>Vice Chairman</i>	January 15, 2009
Anderson	Jeff Caldwell, <i>Secretary</i>	September 12, 2005
West Anderson	C. Dwight Edwards	February 1, 2011
Sandy Springs	Robert Earle	February 26, 2013
Starr-Iva	Patrick Jackson	May 16, 2018
Hammond	Chuck Cortez	November 12, 2015
Big Creek	Chuck Cortez	January 1, 2020
Pendleton	Keith Malone	August 15, 2018
Central	Phillip Mishoe	September 17, 2007
Belton Honea Path	Mitch Ellenburg	February 21, 2017
Homeland Park	Larry Harrell	February 1, 2016
Broadway	Douglas Locke	April 26, 2002
Williamston	David Rogers	February 4, 2013

Management and Operations

Administration. The Commission appoints an Executive Director to serve as the chief administrative and operating officer for the System. The staff of the Issuer is organized into four sections: Administration, Maintenance, Operations and Engineering, with each section headed by a manager.

The principal members of the senior administrative staff of the Issuer, and a summary of their background and experience, is set forth below.

Executive Director. Scott Willett serves as Executive Director of the Issuer, and currently manages the Engineering section. As the Executive Director, Mr. Willett leads, organizes and directs the Issuer’s planning efforts to improve the capital plant and regional water delivery system and to implement a stable mix of funding sources for the System to ensure sound business management of the Issuer’s finances. He provides coordination and development of operating and capital improvement budgets, directs the agency’s public information and legislative advocacy programs and manages other resources in compliance with the policies and procedures established by the Commission. As current head of the Engineering section, he oversees and manages the capital improvement programs, provides engineering support for existing maintenance activities and directs system planning activities. Mr. Willett studied engineering at Clemson University and earned a Bachelor’s degree with honors in Environmental Planning and a Master’s degree in Water Resource Management from Southern Illinois University at Carbondale.

Operations Manager. Bryan Bates manages the Operations section. The Operations section maintains a continuous operation of the Lake Hartwell Water Treatment Plant and is a certified water quality testing laboratory for the System, member agencies, and outside parties. Mr. Bates has over 20 years of experience in the water treatment industry. He holds a Class “A” Water Distribution Operators License, as well as a Class “A” Water Treatment Plant Operators License from the State of South Carolina.

Maintenance Supervisor. David Gaily serves as Maintenance Supervisor and manages the Maintenance section. Mr. Gaily has over 33 years of experience in water distribution and maintenance, a Class “A” Distribution System Operator License and a Class “A” Water Treatment Plant Operator License in the State of South Carolina. The Maintenance Supervisor is responsible for planning and management of ongoing maintenance of the System’s facilities.

Accounting Manager. Kendall Cleary is the Accounting Manager and manages the Administration section. As Accounting Manager, Mrs. Cleary oversees and manages financial reporting, billing, purchasing, payables, and human resources. Mrs. Cleary graduated from The Ohio State University with a Bachelor’s degree in Accounting and a Master’s degree in Business Administration from The Citadel. Mrs. Cleary is a Certified Public Accountant in the State of South Carolina.

Historical Operating Results

The following table presents combining information on the financial performance of the Issuer for the past five Fiscal Years. Information for Fiscal Years 2018 and 2019 should be read in conjunction with the Issuer’s financial statements and notes thereto included in Appendix A hereto.

	Fiscal Year				
	2016	2017	2018	2019	2020 ¹
Total Operating Revenues	\$ 10,389,676	\$ 10,827,061	\$ 10,961,154	\$ 11,387,388	\$ 11,671,122
Total Operating Expenses	<u>(6,997,514)</u>	<u>(6,903,851)</u>	<u>(6,626,247)</u>	<u>(7,145,862)</u>	<u>(7,196,676)</u>
Net Operating Income	\$ 3,392,162	\$ 3,923,210	\$ 4,334,907	\$ 4,241,526	\$ 4,474,446
Non-Operating Revenues	157,646	160,739	182,033	211,579	208,484
Non-Operating Expenses	(2,401,864)	(2,341,709)	(2,076,901)	(2,343,214)	(2,219,569)
Contributions in Aid of Construction	-	-	466,275	50,347	-
Net Income/Change in Net Position	\$ 1,147,944	\$ 1,742,240	\$ 2,906,314	\$ 2,160,238	\$ 2,463,361

¹ Unaudited.

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Historical Debt Service Coverage

Set forth below is the calculation required by the Bond Resolution to compute Net Earnings and the respective debt service coverage ratios for the years shown. Such calculations should be read in conjunction with the description of the rate covenant set forth under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—Rate Covenant” herein and “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” hereto.

	Fiscal Year				
	2016	2017	2018	2019	2020 ¹
Change in Net Position	\$ 1,147,944	\$ 1,742,240	\$ 2,906,314	\$ 2,160,238	\$ 2,463,361
Less Contributions in Aid	-	-	(466,275)	(50,347)	-
Plus Interest Expense	2,257,700	2,197,538	1,929,505	2,193,873	2,071,821
Plus Water Credits	144,164	144,171	147,396	149,341	147,748
Plus Depreciation Expense	2,456,714	2,259,007	2,424,418	2,644,014	2,690,618
Plus Contingency Reserve	180,000	25,500	132,000	466,000	271,000
Plus Change in Net Pension Balances	<u>11,401</u>	<u>34,884</u>	<u>130,162</u>	<u>96,893</u>	<u>-²</u>
Net Earnings	\$ 6,197,923	\$ 6,403,340	\$ 7,203,520	\$ 7,660,012	\$ 7,644,548
Debt Service	\$ 4,652,903	\$ 4,614,092	\$ 4,658,154	\$ 5,264,847	\$ 5,272,163
Debt Service Coverage Ratio (Net Earnings/Debt Service) (1.20x required)	1.33x	1.39x	1.55x	1.45x	1.45x

¹ Unaudited.

² Change in Net Pension Balances for the 2020 Fiscal Year are unavailable at this time and have been excluded from the calculation of the unaudited Net Earnings and Debt Service Coverage Ratio for the 2020 Fiscal Year.

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Operating Budget and Budget Performance

Budget Procedures. The Issuer operates on a July 1 to June 30 fiscal year. Budgetary preparations begin in early February when capital expenditures for the Issuer’s renewal and replacement program are planned. Preliminary changes to the Issuer’s financial planning model are made and discussed with the Executive Committee of the Commission (the “*Executive Committee*”). In March of each year, sectional budget requests are developed. These requests are reviewed and used to prepare a preliminary budget. In early April, the preliminary budget and the predicted impacts from the financial planning model are reviewed by the Executive Committee, after which time the budget is made available to the public. The final budget is initially presented to the Commission for a first reading in April and usually adopted at a subsequent meeting in June.

Budget and Budget Performance. Set forth below is the operating budget of the Issuer for the fiscal year ended June 30, 2020, along with actual unaudited figures for such fiscal year, and the operating budget for the Issuer for the fiscal year ending June 30, 2021.

	<u>Fiscal Year Ending June 30</u>		
	<u>2020 Budget</u>	<u>2020 Actual¹</u>	<u>2021 Budget</u>
<u>Revenues</u>			
O&M Revenue	\$ 4,479,975	\$ 4,482,997	\$ 4,626,200
Debt Service Revenue	5,214,689	5,214,689	5,392,245
Renewal & Replacement	1,645,706	1,588,595	1,647,073
Raw Water	64,280	253,615	57,646
Miscellaneous Income	50,098	131,226	50,599
Total Revenues	\$ 11,454,748	\$ 11,671,122	\$ 11,773,763
<u>Operating Expenditures²</u>			
Salaries, Wages and Benefits	\$ 1,898,700	\$ 1,880,565	\$ 1,970,500
Operations and Maintenance	2,394,275	2,492,262	2,471,800
Professional Fees	90,000	39,030	90,000
Insurance	97,000	94,201	94,900
Total Operating Expenses	\$ 4,479,975	\$ 4,506,058	\$ 4,626,200

¹ Unaudited.

² Does not include an amount representative of depreciation. Depreciation is calculated by the Accounting Manager at the end of each Fiscal Year.

Recent Developments. Beginning in mid-March 2020 and continuing through the end of the current Fiscal Year, the State experienced the effects of the outbreak of 2019 novel coronavirus (“*COVID-19*”) nationally. See “INVESTMENT CONSIDERATIONS—Global Health Risk.” The Issuer’s position as a wholesale water provider and the unconditional nature of the obligations of the Municipal Water Purchasers to make payments under the Municipal Water Sales Agreement have largely insulated the Issuer from any negative financial impacts resulting from the effects of COVID-19 on the State and national economy. During this period, there were no defaults in the payment obligations of the Water Purchasers, nor did the Issuer experience a significant decrease in the overall demand for potable water among the Water Purchasers.

Capital Improvements

In 2018, in response to taste and odor-causing algae in the raw water sourced by the Issuer from Lake Hartwell, the Issuer completed a project to install an ozone advanced oxidation process (“AOP”) on the front end of its water treatment plant. The project was completed in March 2018. The completion of this project successfully eliminated detectable levels of taste and odor compounds in treated water leaving the water treatment plant. Other benefits of the project include a reduction in chemical usage, a reduction in water disinfection byproducts, and an elimination of color in treated water leaving the plant. The AOP project cost approximately \$12,800,000 and was financed by a loan from the State Authority in the form of the Issuer’s Series 2017 Bond.

THE SYSTEM

General

The System is defined in the Bond Resolution as the waterworks system of the Issuer as the same existed at the time of the Series 2002 Bonds and all real and personal property used or useful therefor, all apparatus and equipment used in connection therewith, and all acquisitions, replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto at any time hereafter. The facilities comprising the System consist of the AOP pretreatment facility, the Plant, water supply intake facilities, all related transmission pipes and any related ground and elevated storage tanks, booster pumping stations and related facilities and equipment used to produce or supply water for wholesale delivery. The term “System” does not include any Special Facilities if Special Facilities Bonds issued to finance them are outstanding.

The Plant is supplied by surface water from the 55,000-acre Lake Hartwell Reservoir, which lies along the border of Upstate South Carolina and Georgia. The System maintains a storage and withdrawal permit from the U.S. Army Corps of Engineers (the “Corps”) that has been sufficient to handle demands even during times of historical drought. The System is aggressively pursuing an extension of the existing withdrawal allocation and increases from the Corps to accommodate projected growth through System build-out over the next 50 years.

Service Area

The Issuer’s primary service area consists of Anderson County. Anderson County¹ lies in the northwest portion of South Carolina, abutting Lake Hartwell and the State of Georgia, southwest of Greenville County. According to the U.S. Census Bureau, Anderson County had a population of 187,126 in 2010 and an estimated population of 202,558 as of July 1, 2019. A portion of the Issuer’s service area (consisting of the City of Clemson, Central, Clemson University and a portion of Powdersville) is located in Pickens County. See Appendix B hereto for certain economic and demographic information relating to the Issuer’s service area.

Facilities

The intake structure and raw water pumps are located on the Plant property. The 48 MGD conventional Plant consists of raw water intake with a capacity of 64 MGD, the aforementioned AOP pretreatment system, dual flash mixers, four upflow clarifiers and eleven convention dual media sand

¹ The service area of Starr-Iva extends into a portion of rural Abbeville County, South Carolina where Starr-Iva provides service to approximately 3% of its total customer base. See “Appendix D—DESCRIPTION OF OTHER WATER PURCHASERS—Starr-Iva Water and Sewer District” herein.

filters. There is storage capacity of 12.5 million gallons at the Plant. The Plant is currently in compliance with all existing drinking water regulations.

The System includes over 42.4 miles of transmission mains ranging in size from 16-inch diameter to 48-inch diameter. The System operates three distinct pressure zones. Pumping for the lower pressure zone is maintained by the Plant’s high service pump station which consists of two 900-horsepower and four 350-horsepower split case pumps with a reliable pumping capacity of 54.7 MGD (as measured with the largest pump out of service). An intermediate bifurcated pumping station containing five pumps provides additional pressure for the Clemson and Williamston service areas. The Clemson service area is served by two 400-horsepower vertical turbine pumps with a reliable pumping capacity of 15.8 MGD and the Williamston service area is served by two 500-horsepower vertical turbine pumps with a reliable pumping capacity of 9.20 MGD. A separate 500-horsepower vertical turbine pump is capable of providing redundant pumping to either service area. A third pump station further boosts system pressure for the Highview service area utilizing two 125-horsepower and one 250-horsepower split case pumps with a reliable pumping capacity of 6.3 MGD. Both pump stations have installed back-up electrical generators allowing for continuous emergency operations. Supporting the transmission system, the System operates eight storage tanks with a capacity of 9.35 MGD which is in addition to the distribution storage provided by each Water Purchaser.

Water Purchaser Volume

Water sales to the Water Purchasers have been relatively stable over the life of the System. Total water sales (in gallons) to each Water Purchaser for the Fiscal Years 2016 through 2020 are shown below:

Purchaser	Fiscal Year				
	2016	2017	2018	2019	2020 ¹
Anderson	1,692,085,040	1,675,420,886	1,550,309,863	1,601,455,883	1,551,010,429
Big Creek	319,300,000	329,500,000	346,400,000	341,000,000	315,500,000
Broadway	265,805,885	266,481,792	260,901,281	254,509,570	255,064,351
Clemson	684,002,810	719,833,496	678,279,597	709,287,155	767,367,509
Clemson Univ.	334,739,199	370,396,234	339,557,047	368,504,193	357,523,888
Hammond	742,951,907	817,724,414	721,836,600	719,674,319	802,207,708
Homeland Park	260,162,000	235,569,245	242,189,114	233,363,541	238,282,493
Pendleton	110,180,000	103,540,000	85,184,693	132,686,522	147,377,208
Powdersville	220,230,000	168,700,000	180,700,000	51,800,000	61,810,837
Sandy Springs	693,464,000	676,145,000	644,365,000	646,722,002	677,007,000
Starr-Iva	335,393,612	364,136,647	347,549,155	356,585,786	362,248,451
West Anderson	488,211,643	499,088,397	476,433,623	497,168,675	487,684,885
Williamston	<u>199,366,923</u>	<u>201,995,056</u>	<u>180,843,845</u>	<u>192,152,054</u>	<u>189,669,235</u>
Total	6,345,893,019	6,428,531,167	6,054,547,818	6,104,909,700	6,212,753,994

¹ Unaudited.

Rate Structure

Under the Bond Resolution, the Issuer has covenanted and agreed to maintain rates and charges for all services furnished by the System which will at all times be sufficient to satisfy the rate covenant as described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—Rate Covenant” herein. Under the Municipal Water Sales Agreement, each Municipal Water Purchaser agrees that it will impose rates and charges for services provided by its system sufficient at all times to enable such Municipal Water Purchaser to meet its obligations thereunder. The rates and charges established by each of the Municipal Water Purchasers are not subject to review by any federal, state or local agency. For a description of the manner of calculating each of the Contract Sums under the Municipal Water Sales Agreement, see “APPENDIX F—SUMMARY OF CERTAIN PROVISIONS OF THE MUNICIPAL WATER SALES AGREEMENT—Payment for Water” hereto.

THE WATER PURCHASERS

General

The Water Purchasers consist of Anderson, Big Creek, Broadway, Clemson, Clemson University, Hammond, Homeland Park, Pendleton, Powdersville, Sandy Springs, Starr-Iva, West Anderson and Williamston. The Water Purchasers include municipalities, public service districts and a state-supported university. In addition, Central, which is a member of the Issuer, purchases wholesale water from Clemson. Prior to 2002, the Water Purchasers represented the entire customer base then served in South Carolina by Water Systems, a division of Duke Energy, based in Charlotte, North Carolina.

Collectively, the Water Purchasers represent the vast majority of all customers receiving public water service in Anderson County and some customers in Pickens County. See Appendix B hereto for certain demographic and economic information for the service area of the Issuer. Appendix C hereto provides certain information relating to the four largest customers of the Issuer: Anderson, Clemson, Hammond and Sandy Springs. Appendix D hereto provides a brief description of the other remaining Water Purchasers. **The information contained in Appendices C and D has been provided by the Water Purchasers, and neither the Issuer nor the Underwriter has made any independent investigation of such information.**

Allocated Capacity

As stated under “DEBT STRUCTURE” herein, the proceeds of the Series 2005 Bond were used to increase the capacity of the Plant from 32 MGD to 45 MGD. Subsequently, and as a result of certain improvements made to the filtering system, clarifiers and certain pumps and the implementation of certain process efficiencies, the Plant is presently capable of producing 48 MGD of treated water. The resulting 3 MGD of water is held in reserve by the System for the benefit of the Municipal Water Purchasers. The term “Allocated Capacity” under the Municipal Water Sales Agreement means that portion of the capacity of the System made available to each of the Municipal Water Purchasers and is comprised of its Initial Allocated Capacity plus, if applicable, its First Additional Allocated Capacity. A Municipal Water Purchaser’s “Initial Allocated Capacity” is the initial portion of the 32 MGD capacity of the System which was made available to such Municipal Water Purchaser, and “First Additional Allocated Capacity” is the additional capacity made available to ten of the Municipal Water Purchasers who participated in the 13 MGD expansion.

The portion of the capacity of the System afforded to each Water Purchaser is set forth below:

<u>Water Purchaser</u>	<u>Allocated Capacity (MGD)</u>	<u>Percentage of Total Capacity</u>
Anderson	14.12	29.42%
Big Creek	2.25	4.69
Broadway	1.99	4.15
Clemson	4.76	9.92
Clemson University ¹	2.00	4.17
Hammond	4.61	9.60
Homeland Park	1.07	2.23
Pendleton	0.97	2.02
Powdersville	0.79	1.65
Sandy Springs	5.54	11.54
Starr-Iva	2.53	5.27
West Anderson	3.07	6.40
Williamston	<u>1.30</u>	<u>2.71</u>
Total Allocated Capacity	<u>45.00</u>	<u>93.75%</u>
Reserved Capacity	<u>3.00</u>	<u>6.25%</u>
Total Capacity	<u>48.00</u>	<u>100.00%</u>

¹ Maximum amount allocated to Clemson University pursuant to the Clemson University Agreement.

Note: Totals may not foot due to rounding.

Allocated Percentages

The Municipal Water Sales Agreement defines Allocated Percentage, with respect to a Municipal Water Purchaser, as the percentage derived by dividing a Municipal Water Purchaser's Allocated Capacity by the total of all Allocated Capacities. The Initial Allocated Percentage with respect to a Municipal Water Purchaser means the percentage derived by dividing such Municipal Water Purchaser's Initial Allocated Capacity by 32 MGD.

Each Municipal Water Purchaser has agreed to pay to the Issuer every month pursuant to the Municipal Water Sales Agreement a monthly amount equal to (a) the Capital Charge of such Municipal Water Purchaser, plus (b) one-twelfth (1/12) of the Annual Budget of Operation and Maintenance Expenses for the Facilities multiplied by the ratio of treated water delivered to the Municipal Water Purchaser for the preceding month to all water delivered by the Issuer for the preceding month, plus (c) the System Depreciation Charge, if any. In addition, each Pumped Purchaser has agreed to pay to the Issuer every month pursuant to the Municipal Water Sales Agreement a monthly amount equal to (x) the Additional Capital Charge, plus (y) the Operational Pumping Charge, plus (z) the Pumping Depreciation Charge, if any. The Municipal Water Sales Agreement defines "Capital Charge" as one-twelfth (1/12) of one hundred thirty percent (130%) multiplied by 93.13% of the Annual Principal and Interest Requirement on the Initial Bonds in the then current Bond Year multiplied by a Municipal Water Purchaser's Initial Allocated Percentage plus one-twelfth (1/12) of one hundred thirty percent (130%) multiplied by the Annual Principal and Interest Requirement in each Bond Year applicable to the principal amount of the Improvement Bonds used to improve the Facilities multiplied by such Municipal Water Purchaser's then Allocated Percentage.

The Allocated Percentage used to determine the Capital Charge will vary as it relates to each Series of Bonds. Changes to the Allocated Percentage are only changed when additional capacity is added to the System. Increases to the System capacity are paid only by those Municipal Water Purchasers who choose to participate in the expansion of the System. The Allocated Percentages for determining the Capital Charge relating to any Series of Bonds which does not include improvements to increase the System capacity are based on the Allocated Percentages of each Municipal Water Purchaser at the time of the issuance of such Improvement Bonds.

The Municipal Water Sales Agreement defines “Additional Capital Charge” as one-twelfth of 130% multiplied by 6.87% of the Annual Principal and Interest Requirement on the Initial Bonds in each Bond Year multiplied by the ratio of treated water delivered to a Pumped Purchaser for the preceding Fiscal Year to all water delivered to all Pumped Purchasers for the preceding Fiscal Year plus one-twelfth of 130% multiplied by the Annual Principal and Interest Requirement in each Bond Year applicable to the principal amount of the Improvement Bonds used to improve the Booster Pump Stations multiplied by the ratio of treated water delivered to a Pumped Purchaser for the preceding Fiscal Year to all water delivered to all Pumped Purchasers for the preceding Fiscal Year.

The Allocated Percentages of each Water Purchaser for each Series of Bonds are set forth below:

<u>Water Purchaser</u>	<u>Initial Allocated Percentage (Series 2011A Bonds/ Series 2020 Bonds)</u>	<u>First Additional Allocated Percentage (Series 2005 Bond)</u>	<u>Allocated Percentage (Series 2009A Bond)</u>
Anderson	32.70%	28.15%	31.38%
Big Creek	4.90	5.31	5.00
Broadway	3.40	7.00	4.42
Clemson	6.30	21.08	10.58
Clemson University ¹	6.30	0.00	4.44
Hammond	8.70	14.08	10.24
Homeland Park	3.30	0.00	2.38
Pendleton	1.90	2.69	2.16
Powdersville	1.80	1.62	1.76
Sandy Springs	12.70	11.38	12.31
Starr-Iva	7.90	0.00	5.62
West Anderson	7.00	6.38	6.82
Williamston	<u>3.10</u>	<u>2.31</u>	<u>2.89</u>
Total	100.00%	100.00%	100.00%

¹ Charges to Clemson University are set with the goal of proportionate cost-sharing on an equivalent basis with the Municipal Water Purchasers.

INVESTMENT CONSIDERATIONS

The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the Series 2020 Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the Series 2020 Bonds. *In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and financial advisors when considering a purchase of the Series 2020 Bonds.*

Global Health Risk

The outbreak of COVID-19, a respiratory illness caused by a new strain of coronavirus, has affected global, national, state and local economic activity. In response to the spread of the virus, national, state and local governments appear to be altering behaviors in a manner that may negatively impact economies. In addition, there has been significant volatility in the U.S. and global stock and bond markets that has attributed to concerns about the spread of COVID-19. In light of concerns regarding the spread of COVID-19, on January 31, 2020, the Secretary of Health and Human Services (HHS) declared a public health emergency under Section 319 of the Public Health Service Act (42 U.S.C. 247d). On March 13, 2020, the President of the United States found and proclaimed that, beginning, March 1, 2020, the COVID-19 outbreak in the United States constitutes a national emergency. On March 13, 2020, the Governor of the State of South Carolina issued Executive Order 2020-08, as supplemented by Executive Order 2020-23 dated April 12, 2020 and Executive Order 2020-29 dated April 27, 2020, wherein a “State of Emergency” was declared and then sustained in the State; by other such orders, the Governor has closed schools and certain businesses, directing citizens to shelter in place and implemented other emergency controls. The Governor has also requested that utility providers, like the Municipal Water Purchasers, temporarily refrain from implementing service cut-offs due to payment delinquencies. Consistent with the Governor’s request, certain of the Municipal Water Purchasers temporarily suspended service cutoffs and the collection of late payment fees. On May 13, 2020, the Governor rescinded the request that utilities refrain from service cutoffs, but further encouraged that utilities, like the Municipal Water Purchasers, develop and implement phased plans to resume normal operations.

While certain restrictions have been lifted or reduced, the Issuer cannot predict whether consequences arising from the spread of COVID-19 or similar diseases will have a material impact on its financial condition. Overall, the extent of the total impact of COVID-19 on the Water Purchasers and the Issuer’s operational and financial performance will depend on future developments, including without limitation the duration and spread of the outbreak, travel restrictions, limitations on public gatherings, and restrictions on operations of public and private entities nation-wide and internationally. Through the end of the 2020 Fiscal Year, the Issuer had not experienced any appreciable negative financial impact due to COVID-19. See “THE ISSUER—Operating Budget and Budget Performance—*Recent Developments*.” While the future impact on the Issuer and the Water Purchasers is currently unknown, the Issuer is reviewing its options for addressing certain anticipated effects of the spread of COVID-19 that may impact its operations and finances.

Future outbreaks, epidemics, contagions, pandemics or events outside of the Issuer’s control may further affect the Water Purchasers, the System and the revenues of the Issuer.

Climate Change

Planning for climate change in the State and its impact on System operations is an unknown challenge. The State’s climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length,

intensity, and frequency of droughts and floods. Such changes may lead to lower supply and higher demand for water. The financial impact of the climate change is not yet known and therefore its future impact on Net Earnings cannot be quantified reliably at this time.

Risk of Loss, Damage or Destruction

The Issuer has covenanted in the Resolution that it will cause the System to be continuously insured against physical loss or damage. The Issuer has further covenanted that the proceeds of such insurance shall be applied to repair or replace the damaged or destroyed property. There can be no assurance that the proceeds of insurance or other sources of funds available to the Issuer for purposes of replacing, repairing, rebuilding, or restoring all or any portion of the System facilities that may be damaged or destroyed will be sufficient for such replacement, repair, rebuilding or restoration.

Cyber-Security

Computer networks and data transmission and collection are vital to the efficient operations of the System. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the Issuer, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the commercial operations, which could materially adversely affect the operations of the System. The Issuer utilizes specialized third parties to maintain the servers and software of the Issuer and to maintain the control systems for the System. The Issuer maintains an insurance policy for loss stemming from cyber-security related claims.

Other General Factors

The System has been, and may in the future be, affected by several other factors which could impact the financial condition of the System and operations of the Issuer. In addition to the factors discussed elsewhere herein, such factors include, among other things:

- Effects of compliance with rapidly changing regulatory and legislative requirements relating to climate, environmental matters, safety and permitting;
- The repeal of certain federal statutes that would have the effect of decreasing federal funding or changing federal tax policy, including the ability to issue tax-exempt obligations; and
- Effects of changes in the economy, population and demand of customers for services delivered by the System.

TAX MATTERS

Federal Income Tax Treatment of Interest on the Series 2020A Bonds

On the date of issuance of the Series 2020A Bonds, Pope Flynn, LLC, in its capacity as Bond Counsel to the Issuer (“*Bond Counsel*”), will render an opinion that, under existing law, assuming continuing compliance with certain covenants made by the Issuer to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), and the applicable regulations promulgated thereunder (the “*Regulations*”), and the accuracy of certain representations, interest on the Series 2020A Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. See “APPENDIX H—FORMS OF OPINION OF BOND COUNSEL” hereto.

The opinion of Bond Counsel is based on current statutes, regulations, judicial decisions, rulings, and other published guidance of the Internal Revenue Service (the “*IRS*”), covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2020A Bonds for federal income tax purposes. Bond Counsel’s opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The opinion of Bond Counsel described above is subject to the condition that the Issuer comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure, and investment of the gross proceeds of the Series 2020A Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2020A Bonds in order for interest thereon to be, or to continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the inclusion of interest on the Series 2020A Bonds in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2020A Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Series 2020A Bonds is conditioned on continuing compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2020A Bonds.

Other Federal Income Tax Considerations Affecting the Series 2020A Bonds

Prospective purchasers of the Series 2020A Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of Series 2020A Bonds should consult their tax own advisors as to the applicability thereof.

From time to time, there are legislative proposals in Congress which, if enacted into law, could eliminate or reduce the exclusion of the interest on the Series 2020A Bonds from gross income for federal income tax purposes or which might otherwise adversely affect the benefit or marketability of the Series

2020A Bonds. No prediction can be made as to whether any such provisions will be enacted as proposed or concerning other future legislation which, if passed, might affect the tax treatment of interest on the Series 2020A Bonds. Similarly, future clarifications of the Code by the IRS and court proceedings interpreting the Code could likewise affect the treatment of interest on the Series 2020A Bonds, as well as the benefit or marketability of the Series 2020A Bonds. Prospective purchasers of the Series 2020A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, court proceedings, and IRS actions, as to all of which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2020A Bonds. Bond Counsel's engagement with respect to the Series 2020A Bonds ends with the issuance of the Series 2020A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the holders of the Series 2020A Bonds regarding the tax-exempt status of the Series 2020A Bonds in the event of an audit examination by the IRS.

Under current procedures, parties other than the Issuer and their appointed counsel, including the holders of the Series 2020A Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees may not be practicable.

Any action of the IRS, including but not limited to selection of the Series 2020A 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 Series 2020A Bonds, and may cause the Issuer or the holders of the Series 2020A Bonds to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the Issuer may be obligated to disclose the commencement of an audit under the Continuing Disclosure Undertakings (copies of which are attached as Appendix G to this Official Statement).

Federal Income Tax Treatment of Interest on the Series 2020B Bonds

Interest on the Series 2020B Bonds (including any original issue discount accruing thereon, as discussed below) is not excluded from gross income for federal income tax purposes and will be taxable as ordinary income.

Original Issue Premium

The Series 2020A Bonds have been sold at an initial offering price which is greater than the amount payable at maturity ("*Premium Bonds*"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes original issue premium.

For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond.

Bond premium must be amortized by the owner of a Premium Bond.

For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced

by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of the Premium Bonds should consult their own tax advisers with respect to all matters relating to such bond premium.

Reporting and Withholding Requirements

Payments of interest, including payments of tax-exempt interest on the Series 2020A Bonds, are generally subject to IRS Form 1099-INT information-reporting requirements.

An owner of a Series 2020 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the Series 2020 Bonds if such owner, upon issuance of the Series 2020 Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails properly to report interest, dividends, or other "reportable payments" (as defined in the Code), or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

These requirements do not affect the exclusion of interest on the Series 2020A Bonds from gross income for federal income tax purposes.

State Tax Exemption

Bond Counsel is of the opinion that, under existing law, both the Series 2020A Bonds and Series 2020B Bonds and the interest thereon are exempt from all taxation by the State, its counties, municipalities, and school districts, except estate, transfer, and certain franchise taxes. Interest paid on the Series 2020 Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax.

The opinion of Bond Counsel is limited to the laws of the State and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2020 Bonds or the interest thereon under the laws of any other jurisdiction.

LITIGATION

There are not pending, nor to the knowledge of the Issuer are there threatened, any legal proceedings restraining, enjoining or adversely affecting the issuance or delivery of the Series 2020 Bonds, the fixing or collecting of rates and charges for the services of the System, or in any manner questioning the proceedings and Joint System under which the Series 2020 Bonds are to be issued, or which affect in any way the validity of the Series 2020 Bonds, or which in any manner affect or call in question the right of the Issuer to operate the System, or which question the validity of any provisions of the Resolutions or the Water Sales Agreements.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned ratings of "Aa3" and "AA-", respectively, to the Series 2020 Bonds. Such ratings reflect only the respective views of such rating organizations. Any explanation of the significance of the ratings may only be obtained from the respective rating agency. The Issuer furnished to each rating agency certain information and materials, some of which may not have been included herein, relating to the Series 2020 Bonds, the Water Purchasers which are parties to the Water Sales Agreements and the Issuer. Generally, rating agencies base their ratings on such information and other investigations, studies and assumptions they deem appropriate. The ratings are not recommendations to buy, sell or hold the Series 2020 Bonds. There can be no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by the respective rating agency, if in its judgment circumstances so warrant. Any revision or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2020 Bonds.

CONTINUING DISCLOSURE

The Issuer has covenanted, pursuant to Section 11-1-85 of the South Carolina Code, to file with a central repository for availability in the secondary bond market, when requested, an annual independent audit within thirty (30) days of its receipt and event specific information within 30 days of an event adversely affecting more than five percent (5%) of Gross Revenues of the Issuer.

Pursuant to Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Issuer, for the benefit of the registered and beneficial owners of the Series 2020 Bonds, will undertake, simultaneously with the issuance of the Series 2020 Bonds, pursuant to continuing disclosure undertakings (the "Continuing Disclosure Undertakings"), to provide audited financial statements ("Annual Audits") and certain annual financial information and operating data (the "Annual Information," and, together with the Annual Audits, the "Annual Reports") relating to the Issuer and Anderson, Clemson, Hammond and Sandy Springs (each an "Obligated Person" and collectively, the "Obligated Persons") to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format utilizing the EMMA system as prescribed by the MSRB by not later than seven months from the end of each respective fiscal year of the Issuer and the applicable Obligated Person. The Annual Audits will be prepared in accordance with accounting principles generally accepted in the United States of America applicable to government entities from time to time by the Governmental Accounting Standards Board. The Issuer will further undertake to provide notice to the MSRB of certain events with respect to the Series 2020 Bonds as set forth in the Continuing Disclosure Undertakings. See "APPENDIX G—FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS" hereto.

The Issuer has previously entered into continuing disclosure undertakings with respect to its Series 2011A Bonds and its Series 2012A Bonds, requiring annual filing by the Issuer of the Annual Audits and Annual Information relating to the Issuer and each Obligated Person, provided, however, that the Issuer may file on behalf of itself or any Obligated Person unaudited financial statements if any Annual Audit is not available as of the required filing date and file the applicable Annual Audit when it becomes available. The Issuer has timely filed the Annual Information with respect to itself and each Obligated Person for the fiscal years ended June 30, 2015, through the fiscal year ended June 30, 2019. The Issuer has not yet filed the Annual Information for the most recent fiscal year with respect to Sandy Springs, which operates on a fiscal year ending December 31; however, the Issuer expects to file the Annual Information with respect to Sandy Springs within seven months from the end of the fiscal year ended December 31, 2019. The Issuer has timely filed its Annual Audit with respect to fiscal years ended June 30, 2016, June 30, 2018, and June 30, 2019. On January 29, 2016, the Issuer filed its unaudited financial statements for fiscal year ended June 30, 2015. The Issuer filed its Annual Audit for fiscal year ended

June 30, 2015 on July 29, 2016, when it became available. For the fiscal year ended June 30, 2015, the Issuer timely filed Annual Audits for each of the Obligated Persons.

The following paragraph identifies instances in the past five years in which the Issuer failed to comply, in certain material respects, with its Continuing Disclosure Undertakings:

The Issuer failed to timely file its Annual Audit for the fiscal year ended June 30, 2017. In addition, the Issuer failed to timely file the Annual Audits for each of the Obligated Persons for the fiscal years ended June 30, 2016, through the fiscal year ended June 30, 2019. The Issuer filed the omitted Annual Audits for itself and the Obligated Persons on July 28, 2020. The Issuer has implemented procedures to ensure that the full Annual Report is filed going forward to meet its continuing disclosure obligations on a timely basis.

The Issuer reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that any such modification will be done in a manner consistent with the Rule. The Issuer reserves the right to terminate its obligation to provide an Annual Report and notice of material events as set forth above, if and when the Issuer no longer remains an obligated person with respect to the Series 2020 Bonds within the meaning of the Rule.

The Issuer acknowledges that its undertakings pursuant to the Rule described under this heading is intended to be for the benefit of the Holders of the Series 2020A Bonds and Series 2020B Bonds, as applicable, and shall be enforceable by the Holders of the Series 2020A Bonds and Series 2020B Bonds, as applicable; provided that the Holders' right to enforce the provisions of the undertakings shall be limited to a right to obtain specific enforcement of the Issuer's obligations pursuant to the undertakings and any failure by the Issuer to comply with the provisions of the undertakings shall not be an event of default with respect to the Series 2020A Bonds or Series 2020B Bonds, as applicable.

UNDERWRITING

The Series 2020 Bonds have been sold on a negotiated basis to the Underwriter, and the Underwriter has agreed, subject to certain conditions, to purchase (i) the Series 2020A Bonds at a purchase price of \$10,828,445.02, which is equal to the par amount of the Series 2020A Bonds, plus an original issue premium of \$1,605,645.10 and less an underwriter's discount of \$47,200.08, and (ii) the Series 2020B Bonds at a purchase price of \$12,451,277.33, which is equal to the par amount of the Series 2020B Bonds, less an underwriter's discount of \$63,722.67. The Underwriter intends to offer the Series 2020 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without requirement of prior notice. The Series 2020 Bonds may be offered and sold to certain dealers, dealer banks, and banks acting in the capacity of agents at prices lower than such public offering prices. The Underwriter reserves the right to join with other dealers and underwriters in offering the Series 2020 Bonds to the public.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Issuer relating to (a) computation of forecasted receipts of principal and interest on the Defeasance Obligations and the forecasted payments of principal and interest to redeem the Advance Refunded Bonds, and (b) computation of the yields on the Advance Refunded Bonds and the Defeasance Obligations was examined by Bingham Arbitrage Rebate Services, Inc. ("*Bingham*"). Such computations were based solely upon assumptions and information supplied by the Underwriter on behalf of the Issuer. Bingham has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which

the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL ADVISOR

First Tryon Advisors, a business of First Tryon Securities, LLC (“*First Tryon*”) is acting as Financial Advisor (the “*Financial Advisor*”) to the Issuer in connection with the issuance of the Series 2020 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2020 Bonds is contingent upon the issuance and delivery of the Series 2020 Bonds. First Tryon, 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 Series 2020 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

APPROVAL OF LEGAL MATTERS

The Series 2020 Bonds are offered when, as and if issued by the Issuer, and accepted by the Underwriter subject to the delivery of an approving opinion by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel. Copies of the forms of opinion of Bond Counsel are set forth in Appendix H hereto. Certain additional legal matters with respect to the Series 2020 Bonds are subject to approval by Pope Flynn, LLC, as Disclosure Counsel and as general counsel to the Issuer, and by Burr & Forman LLP, as counsel for the Underwriter.

As described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—Water Sales Agreements” herein, although the Joint System Act authorizes the inclusion of the provisions of the Municipal Water Sales Agreement relating to the transfer of a defaulting Municipal Water Purchaser’s Allocated Capacity to non-defaulting Municipal Water Purchasers, such provisions may be subject to challenge on constitutional or other grounds. There is no binding precedent in the State upholding or invalidating such provisions. In the forms of opinion of Bond Counsel set forth in Appendix H hereto, Bond Counsel will render an opinion with respect to the enforceability of the Municipal Water Sales Agreement, but such opinion explicitly will not pass upon the enforceability of the provisions relating to the transfer of a defaulting Municipal Water Purchaser’s Allocated Capacity to non-defaulting Municipal Water Purchasers. Instead, Bond Counsel will deliver a separate reasoned opinion, subject to all the facts, assumptions and qualifications set forth therein, that such provisions are enforceable under existing law. Among other things, such opinion will expressly state that (a) it is not a guaranty and does not insure a particular outcome in the event of a legal dispute concerning the above-described provisions and (b) it is not a prediction of what a particular court that considered such provisions on the merits would hold; but it is instead only an opinion as to the proper result to be reached by a court applying existing legal principles to the facts as described therein after appropriate briefing and argument.

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MISCELLANEOUS

This Official Statement presents brief descriptions of, among other things, certain provisions relating to and descriptions of the Series 2020 Bonds, the Enabling Act, the Issuer, the System, the Water Purchasers, the Water Sales Agreements and the Resolutions. Such descriptions do not purport to be complete and reference should be made to such documents and to the Enabling Act for full and complete statements of such provisions. All descriptions of documents herein are only summaries and are qualified in their entirety by reference to each such document. During the period of the offering, copies of such documents will be on file with the Issuer.

Insofar as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The delivery of this Official Statement has been authorized by the Issuer.

ANDERSON REGIONAL JOINT WATER SYSTEM,
SOUTH CAROLINA

By: /s/ Benjie McGill
Chairman

By: /s/ Scott Willett
Executive Director

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE ISSUER

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**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEARS ENDED JUNE 30, 2019 AND 2018**

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**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED JUNE 30, 2019 AND 2018

**Prepared By
Finance Department | Kendall Cleary, CPA | Accountant**

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**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

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**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

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INTRODUCTORY SECTION

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998 Hunters Trail Anderson, SC 29625
Phone: 864-332-6534 Fax: 864-224-6116

October 4, 2019

To the Commissioners and Customers
of Anderson Regional Joint Water System

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) for Anderson Regional Joint Water System (the “Joint Water System”) for the year ended June 30, 2019. The Joint Water System assumes responsibility for the accuracy and completeness of the information contained in this report, including all necessary disclosures. The CAFR is designed to provide the reader with a comprehensive understanding of the Joint Water System’s financial activities. The enclosed information has been presented to the best of our knowledge and belief.

The Joint Water System’s management has established a system of internal controls designed to provide reasonable, but not absolute, assurance for the safeguarding of assets and financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognized that the cost of internal controls should not exceed the benefits.

Pursuant to Section 6-25-140 of the S.C. Code of Laws, an annual audit is required of each joint water system. The accompanying financial statements were audited by Greene Finney, LLP, Certified Public Accountants. Their unmodified report on the financial statements is included in the financial section of this report.

Following the Independent Auditor’s Reports, in the financial section of this report is the Management’s Discussion and Analysis (“MD&A”). The MD&A provides an overview and analysis of the Joint Water System’s financial statements. This Letter of Transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE JOINT WATER SYSTEM

The Joint Water System was established in 2002 when thirteen separate member agencies purchased the Lake Hartwell Water Treatment Plant from Duke Power. Since the purchase of the plant, the Joint Water System has added one additional member agency and is governed by a fourteen-member Board of Commissioners representing City of Anderson, Belton-Honea Path Water Authority, Big Creek Water and Sewerage District, Broadway Water and Sewerage District, Town of Central, City of Clemson, Hammond Water District, Homeland Park Water District, Town of Pendleton, Powdersville Water, Sandy Springs Water District, Starr-Iva Water and Sewer District, West Anderson Water District, and Town of Williamston. The Joint Water System also services Clemson University as a non-governing wholesale customer.

The Lake Hartwell Water Treatment Plant is a 48 MGD plant that provides water on a wholesale basis to the various water districts. In addition to the water treatment plant, the Joint Water System operates the South Anderson Water Supply which is a raw water intake and pump station that supplies raw water to a local industry. With 50 miles of transmission main, the Joint Water System provides water to approximately 200,000 citizens across Anderson, Pickens, and Abbeville Counties.

FINANCIAL PROFILE OF THE JOINT WATER SYSTEM

The Joint Water System adopts an annual budget for management and financial planning purposes. During the budgeting process, the Board reviews and assesses future financial plans including: future rate setting projections, future foreseen debt service needs, and future capital purchases. The Joint Water System adopts the budget prior to the beginning of each fiscal year, and sets rates to meet financial, debt, and contractual obligations. One financial benchmark and contractual obligation that the Joint Water System strives to maintain is a favorable debt service coverage ratio. In the Bond Resolutions, the Joint Water System agrees to maintain a debt service coverage ratio of at least 120%. For the year ended June 30, 2019, the debt service ratio was 145%.

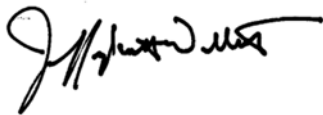
LONG-TERM FINANCIAL PLANNING

The Joint Water System prepares a 20-year Financial Pro Forma Forecast for long-term financial planning. This tool allows the Joint Water System to estimate future capital and financial needs based on growth and other economic indicators. The results produced by the pro forma are incorporation into the Joint Water System's yearly budget and capital improvement plan, which estimates the cost, timing, and funding source of future capital projects.

ACKNOWLEDGEMENTS

We appreciate the hard work consistently displayed by our commissioners and employees to provide high-quality, clean, safe, reliable, and an economical flow of drinking water to our wholesale customers in Anderson and Pickens Counties.

Respectively Submitted,



Scott Willett
Executive Director

Anderson Regional Joint Water System

List of Principal Officials

Board of Commissioners

Commissioner		Agency
Al Eaves*	Chairman	Sandy Springs Water District
Benjie McGill*	Vice-Chairman	City of Clemson
Dyke Spencer*	Secretary	Powdersville Water
Jeff Caldwell*	At large	City of Anderson
Dwight Edwards*	Past-Chairman	West Anderson Water District
Alton Boggs		Big Creek Water and Sewerage District
Chuck Cortez		Hammond Water District
Mitch Ellenburg		Belton-Honea Path Water Authority
Larry Harrell		Homeland Park Water District
Patrick Jackson		Starr-Iva Water and Sewer District
Doug Locke		Broadway Water and Sewerage District
Keith Malone		Town of Pendleton
Phillip Mishoe		Town of Central
David Rogers		Town of Williamston

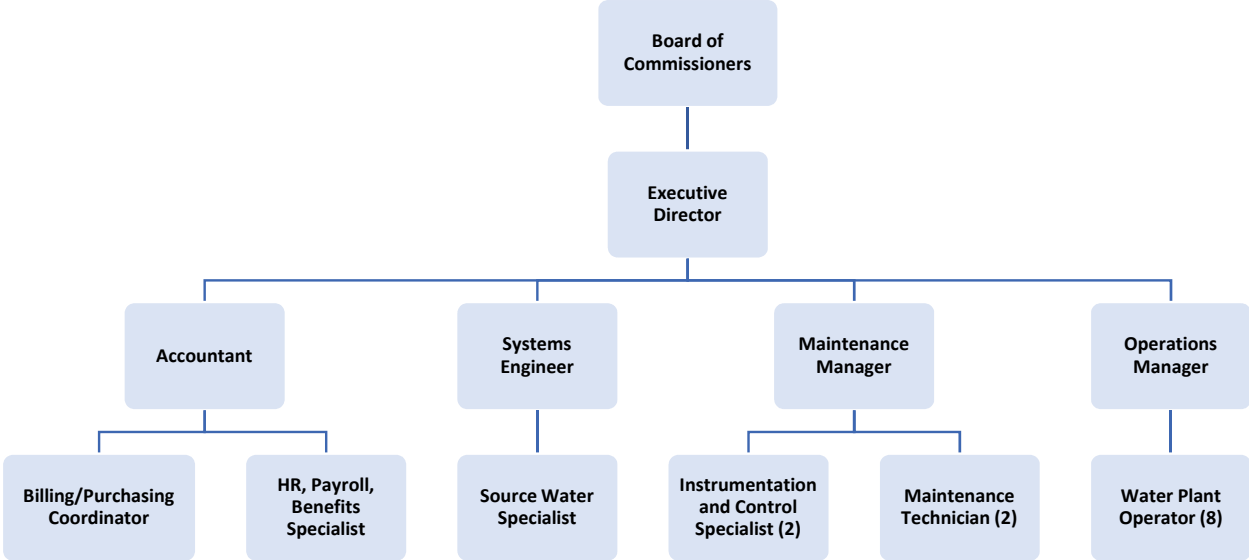
*Executive Committee

Executive Director

Scott Willett

Anderson Regional Joint Water System

Organizational Chart



FINANCIAL SECTION

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Anderson Regional Joint Water System
Anderson, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Anderson Regional Joint Water System, South Carolina (the "Joint Water System"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Joint Water System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Anderson Regional Joint Water System, South Carolina, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Joint Water System's basic financial statements. The introductory section, supplementary information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019 on our consideration of the Joint Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Joint Water System's internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
October 4, 2019

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Board of Commissioners of the Anderson Regional Joint Water System and to the community we serve:

We are pleased to transmit the Annual Financial Report of the Anderson Regional Joint Water System ("Joint Water System") for the fiscal years ending June 30, 2019 and 2018. Statement No. 34 of the Governmental Accounting Standards Board requires that management provide a discussion and analysis to accompany the financial statements. This discussion and analysis of the Joint Water System's financial performance provides an overview of financial activities for the fiscal years ending June 30, 2019, 2018, and 2017, and should be read in conjunction with the Joint Water System's financial statements.

The Joint Water System operates as a utility enterprise and maintains accounting records in accordance with the U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The basic financial statements include: **Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows;** and **Notes to the Financial Statements.**

The **Statements of Net Position** present the financial position of the Joint Water System as of specific dates. The statements provide information about the nature and amount of resources (assets and deferred outflows of resources) and obligations (liabilities and deferred inflows of resources), with the difference reported as net position, some of which may be restricted in accordance with bond covenants and Board of Commissioners' policy. Over time, increases and decreases in net position may serve as indicators of whether the financial position of the Joint Water System is improving or deteriorating.

The **Statements of Revenues, Expenses, and Changes in Net Position** present the results of the business activities over the course of the fiscal years and information about how the net position changed during those years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information on the Joint Water System's cost recovery. During fiscal year 2019, the Joint Water System recovered 93.9% of its revenue under a direct cost recovery formula. The remaining 6.1% of system costs are recovered under a revenue neutral wholesale rate under contracted sales to Clemson University, compared to 5.5% in fiscal year 2018 and 6.3% in fiscal year 2017.

The **Statements of Cash Flows** present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. These statements present cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **Notes to the Financial Statements** provide required disclosures and other information essential to fully understand the data provided in the statements. Required supplementary information and supplementary information contain additional financial data and though not a required part of the financial statements, this data enhances information provided to users.

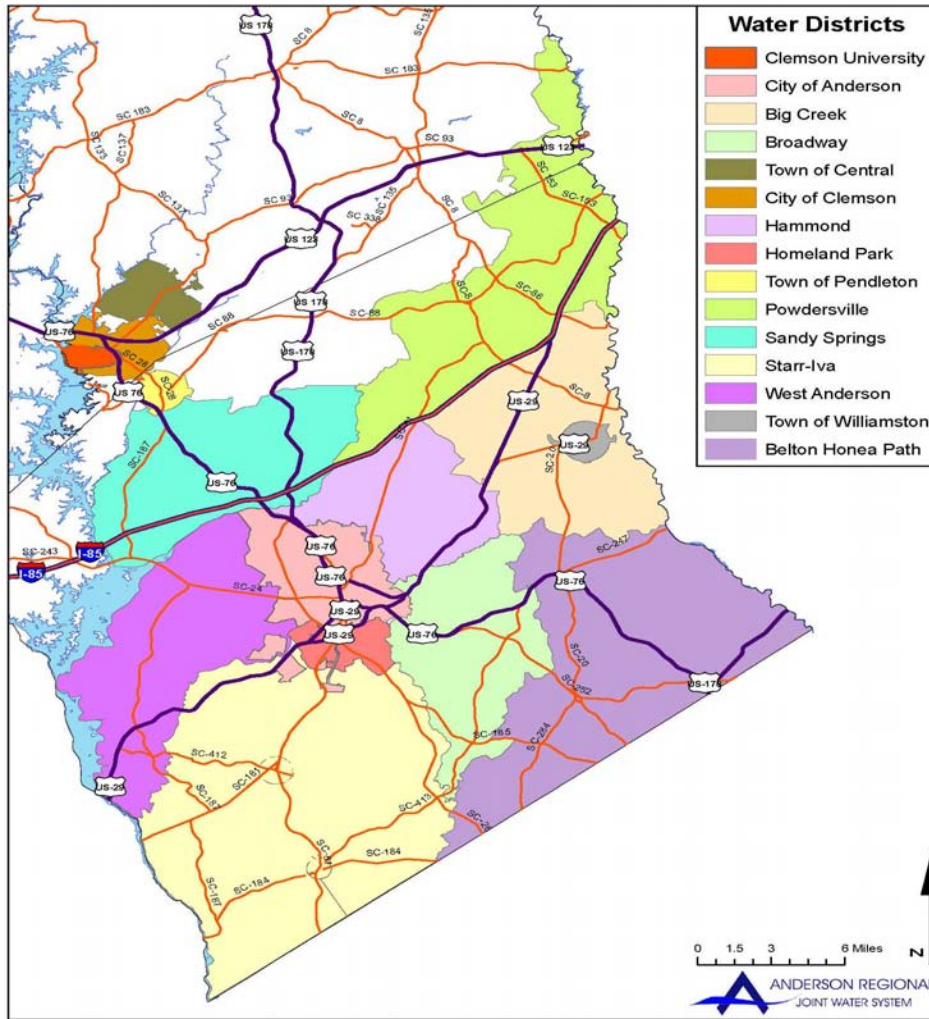
Responsibility for the accuracy of the data as well as the thoroughness of the presentation rests with the management of the Joint Water System. To the best of our knowledge, the enclosed data are accurate in all material respects and adequately present the financial position of the Joint Water System.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

The Joint Water System

Pursuant to Section 6-25-50 of the S.C. Code of Laws, the Anderson County Joint Municipal Water System, subsequently renamed the Anderson Regional Joint Water System pursuant to Resolution No. 10-12-04, effective October 12, 2004, established an entity for including, but not limited to, the planning, financing acquisition and location of water supply and water distribution systems to insure for an adequate, reliable and economical supply of water to the persons and property served by the members of the Joint Water System, and such other purposes as are or may be permitted by law.



A fourteen-member Board of Commissioners (“Board” or “Commission”) representing the participating member agencies governs the Joint Water System. Clemson University is serviced as a non-governing wholesale customer. The Commissioners serve at the pleasure of their appointing Boards or Councils. The Board, under authority of state law, has and may exercise all powers which are granted to special purpose districts by the Constitution and Laws of South Carolina, except the power to levy and collect taxes.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Actions by the Commission are approved via two voting procedures: agency votes and flow-based votes. Debt issuances are approved based on agency votes, with each agency receiving 1 vote. Debt issuances resulting in increases to total capacity require unanimous consent of the agencies participating in the issue. Debt issuances necessary to maintain system reliability require approval of a two thirds super-majority. Officers are selected based on simple majority of agency votes.

All other board actions, including budget adoption, contract award and policy changes require approval of a simple majority of flow-based votes. One thousand flow-based votes are allocated proportionately based an agency’s pro rata water purchases during the preceding calendar year. In addition, each commissioner is entitled to 1 vote. The vote allocation is re-computed annually.

Commission Flow-Based Vote Allocation

	2019 Votes		2018 Votes		2017 Votes	
	<i>Flow</i>	<i>Total</i>	<i>Flow</i>	<i>Total</i>	<i>Flow</i>	<i>Total</i>
City of Anderson	278	279	271	272	275	276
Big Creek	61	62	59	60	53	54
Broadway	46	47	45	46	43	44
Belton/Honea Path	0	1	0	1	0	1
Town of Central	0	1	0	1	0	1
City of Clemson	121	122	119	120	118	119
Hammond	123	124	129	130	135	136
Homeland Park	43	44	41	42	41	42
Pendleton	19	20	15	16	18	19
Powdersville	19	20	31	32	32	33
Sandy Springs	112	113	114	115	116	117
Starr Iva	62	63	59	60	55	56
West Anderson	84	85	84	85	81	82
Williamston	32	33	33	34	33	34
System Total	1000	1014	1000	1014	1000	1014

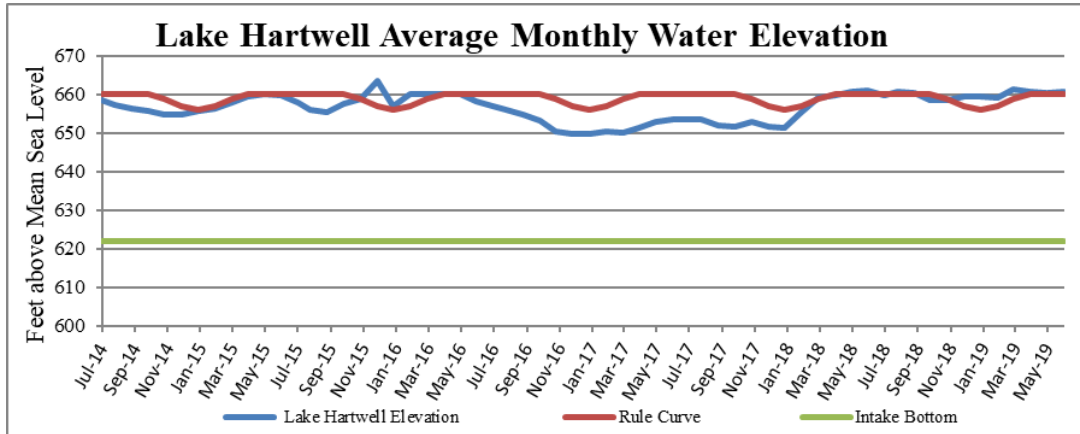
FISCAL YEAR 2019 IN REVIEW

Stable Water Resource Supplies

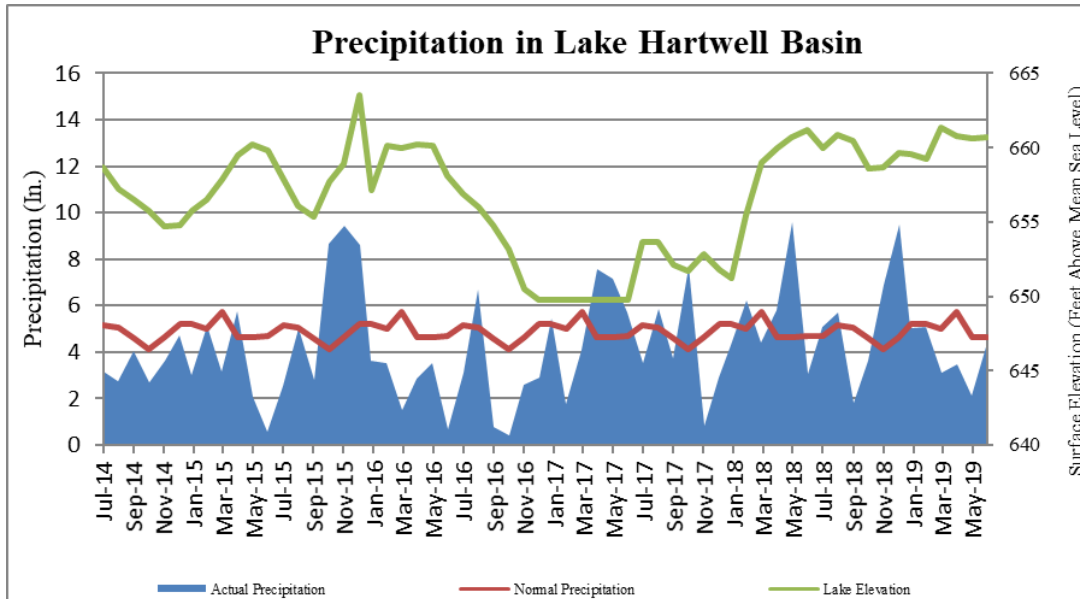
Fiscal year 2019 was characterized by increased rain, but still within normal range for annual precipitation, resulting in stable source water levels in the region. Supplies started the year at full-pool and remained there the entire fiscal year. Ground water levels which provide a long-term indicator of future stream flows remained near long-term median levels.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**



Source: USACE



Source: USACE

Advanced Oxidation Process (“Ozone”)

In response to taste and odor causing algae in the its Lake Hartwell source water, the Joint Water System installed an advanced oxidation, or ozone, treatment process on the front end of the water treatment plant. The project was completed in March 2018 and was operational for the entire year ended June 30, 2019.

As a result of this new technology becoming operational, there have been no detectable levels of taste and odor compounds leaving the treatment plant. Other benefits related to ozone include a reduction in chemical usage, no direct treatment of the source water, a reduction of disinfection byproducts, and zero color in the treated water leaving the plant.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

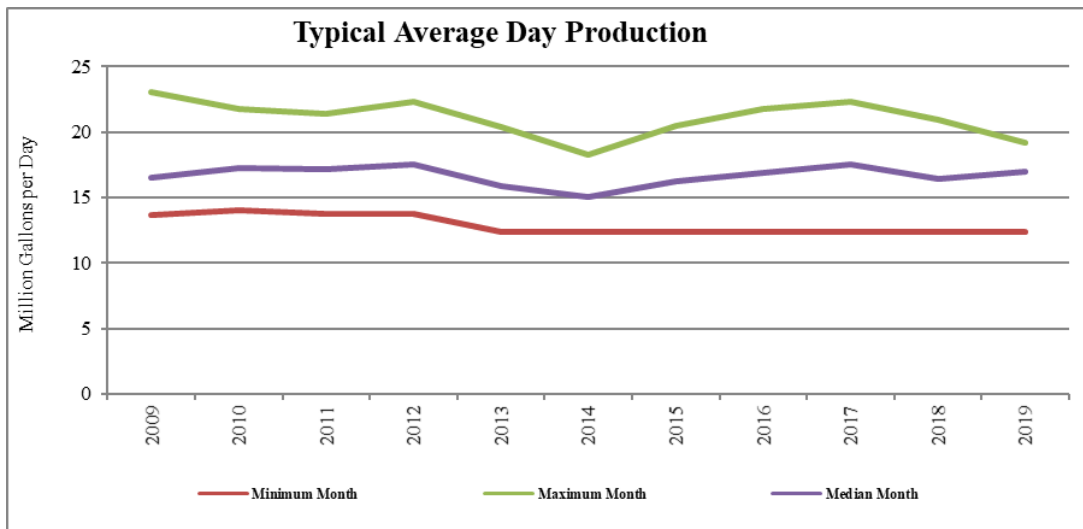
**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Prior to the completion of ozone process, the Joint Water System was purchasing and relying on powder activated carbon and direct treatment of the source water to combat taste and odor compounds. The elimination of these treatment methods has reduced spending by approximately \$600,000 per year. The ozone process uses liquid oxygen and peroxide in the treatment process and the purchase of these chemicals offset the savings by \$90,000 during fiscal year 2019.

Demand and Consumption

Stable rainfall in the area in conjunction with a growing local economy provided the impetus for water purchases during fiscal year 2019 to increase by 0.8% from fiscal year 2018.

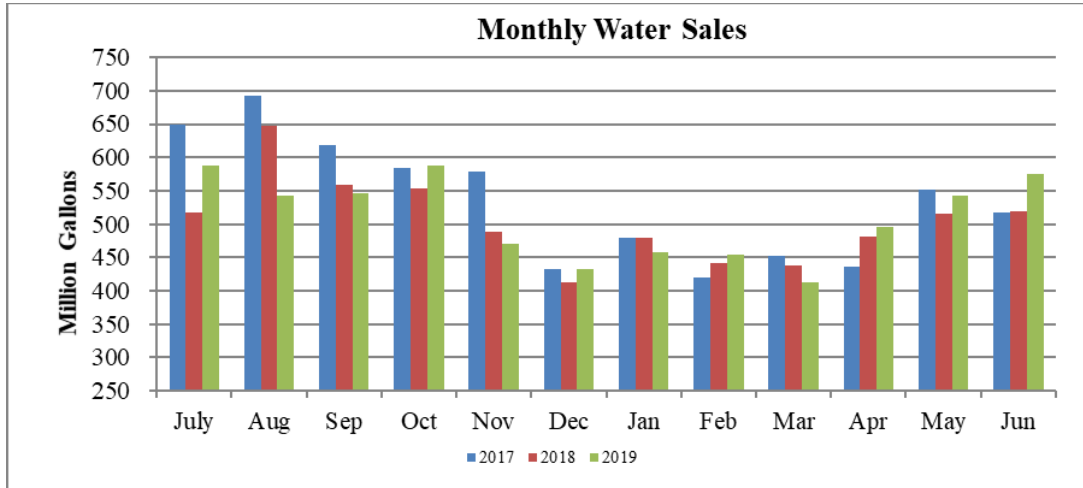
Examination of typical average day water production data shows a stabilization in the average per capita demand during the minimum month compared to the long-term average. This trend would be consistent with demand hardening at the reduced use levels associated with continued conservation behavior brought about by the 2008-2010 economic recession. Per capita water demand during the median and maximum months has also declined, potentially signalling the establishment of a "new normal" for water sales on a per capita basis.



As the following chart shows, July 2018 had higher water sales compared to the previous year due to slightly lower rain fall compared to the surrounding months. August 2018 through September 2018 experienced an uneven rainfall which resulted in decreased water sales. The remainder of the year had average rainfall resulting in similar water sales compared to fiscal year 2018.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**



**Water Purchases
In Gallons**

	2019		2018		2017	
Anderson	1,601,455,883	26.23%	1,550,307,863	25.61%	1,675,420,886	26.06%
Big Creek	341,000,000	5.59%	346,400,000	5.72%	329,500,000	5.13%
Broadway	254,509,570	4.17%	260,901,281	4.31%	266,481,792	4.15%
Clemson	709,287,155	11.62%	678,279,597	11.20%	719,833,496	11.20%
Clemson University	368,504,193	6.04%	339,557,047	5.61%	370,396,234	5.76%
Hammond	719,674,319	11.79%	721,836,600	11.92%	817,724,414	12.72%
Homeland Park	233,363,541	3.82%	242,189,114	4.00%	235,569,245	3.66%
Pendleton	132,686,522	2.17%	85,184,693	1.41%	103,540,000	1.61%
Powdersville	51,800,000	0.85%	180,700,000	2.98%	168,700,000	2.62%
Sandy Springs	646,722,002	10.59%	644,365,000	10.64%	676,145,000	10.52%
Starr-Iva	356,585,786	5.84%	347,549,155	5.74%	364,136,647	5.66%
West Anderson	497,168,675	8.14%	476,433,623	7.87%	499,088,397	7.76%
Williamston	192,152,054	3.15%	180,843,845	2.99%	201,995,056	3.14%
TOTAL	6,104,909,700	100.00%	6,054,547,818	100.00%	6,428,531,167	100.00%

System Initiatives

Additional Water Supply Storage Allocation

The Joint Water System's storage rights were initially contracted for 50 years with the contract expiring in 2017. During fiscal year 2018, the Joint Water System paid the final payment of the original contract of \$2,155,900 to secure the original raw water rights from the Army Corps of Engineers. In fiscal year 2012, Management initiated the renewal process with the Corps of Engineers. At the same time, additional capacity sufficient to meet customer demands for an estimated 30 years was sought. During fiscal year 2019, the new allocation study was not completed.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

STATISTICS

Financial Planning

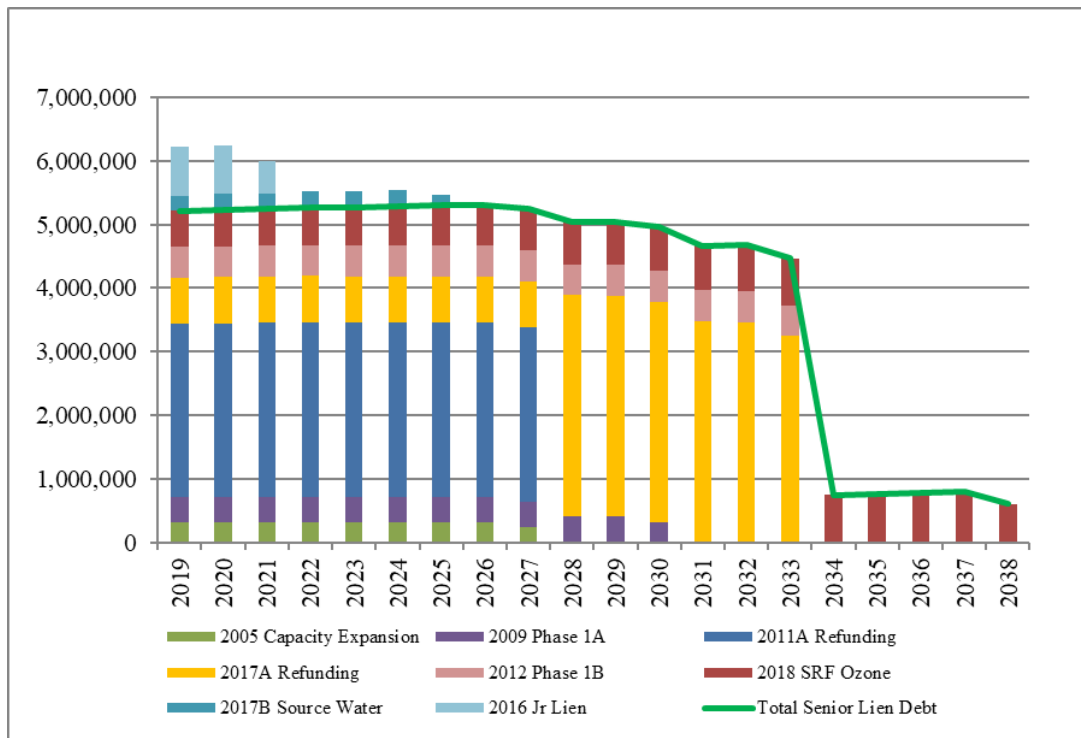
The Board has adopted a Comprehensive Financial Policy that details the parameters necessary to develop a financial model capable of evaluating multiple planning scenarios. The financial model predicts revenue, expenses and water rate requirements of the utility allowing debt issuances to be optimized under each scenario. The financial model is annually updated to provide multiple year projections for the System and estimated impacts on each member agency.

The Joint Water System adheres to SC state guidelines requiring insured or collateralized accounts with respect to investment policies for all of its funds. While the System bylaws allow the use of limited variable interest rate debt, the Commission has elected to utilize only fixed rate debt issuances. Debt issuances have been made seeking to minimize the total debt outstanding as well as year-over-year debt service cost increases wherever possible.

The Joint Water System bond covenants are strong with step-up provisions and absolute repayment obligations. All of the Joint Water System’s debt payments, regarding revenue bonds and other loan and repayment contracts, are being made in accordance with prescribed requirements. In addition to the strong financial planning during the budget preparation cycle, it has an excellent record of executing the adopted annual budget. As a result, the Joint Water System is able to maintain an AA- rating on its outstanding bonds from Standard & Poor’s and an Aa3 rating from Moody’s.

The chart below depicts the Joint Water System’s existing and planned annual debt repayment plans.

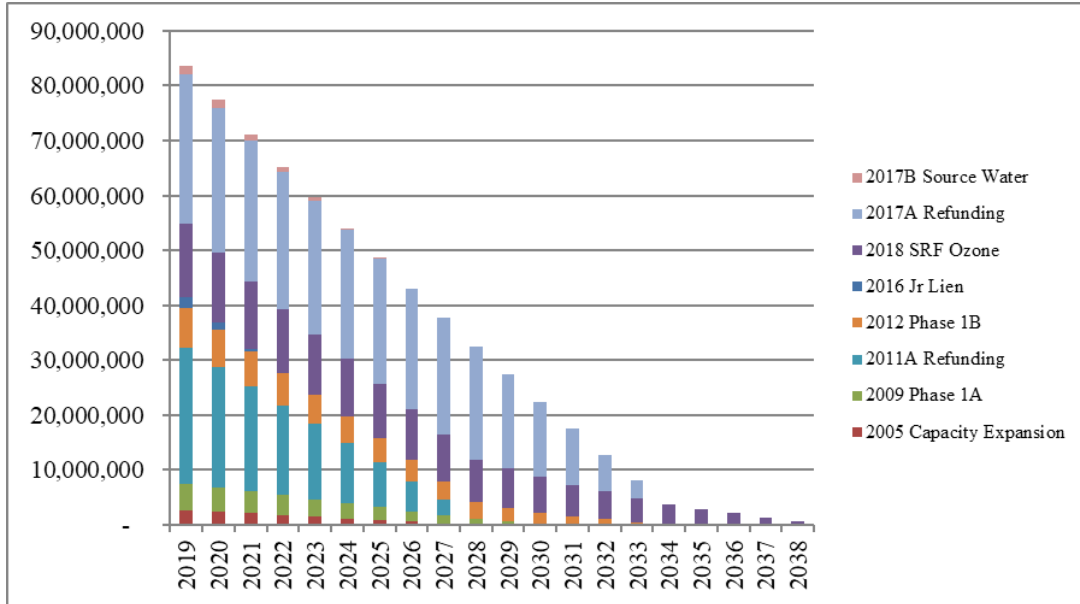
Annual Debt Service



**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Total Debt Outstanding



Potable Joint Water System Annual Revenue

FY	O&M Revenue	Debt Service	R&R Revenue	Total Revenue	Demand (kGals)	Unit cost
2010	\$3,244,935	\$4,528,110	\$1,286,558	\$9,059,603	6,306,191	1.44
2011	3,721,351	4,528,610	1,286,708	9,536,669	6,437,476	1.48
2012	3,475,668	4,706,978	1,421,477	9,604,096	6,327,755	1.52
2013	3,549,009	4,538,853	1,392,002	9,479,864	5,852,492	1.62
2014	3,413,820	4,693,037	1,436,050	9,542,907	5,569,827	1.71
2015	3,902,083	4,636,153	1,412,363	9,950,599	6,033,435	1.65
2016	4,228,816	4,652,903	1,422,323	10,304,042	6,345,893	1.62
2017	4,695,657	4,614,029	1,417,697	10,727,383	6,428,531	1.67
2018	4,683,984	4,658,154	1,497,837	10,839,975	6,054,547	1.79
2019	\$4,405,153	\$5,264,847	\$1,623,394	\$11,293,394	6,104,910	1.85

In lieu of fully funding depreciation, the Joint Water System collects funds for Repair and Replacement (“R&R”). The Water Sale and Purchase Agreement stipulates that an amount equivalent to 30% of the gross debt service payments on senior lien bonds be set aside to fund capital refurbishments. While many of the physical facilities are approaching 45 years of life, refurbishments have reduced the effective age (age since last major refurbishment) to less than 10 years on all major equipment classes.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Joint Water System Depreciation					
FY	Annual Depreciation	Cumulative Depreciation	Annual R&R	Cumulative R&R	Cumulative Depreciation Funding (%)
2010	\$1,478,538	\$10,624,628	\$1,286,558	\$9,118,081	85.82%
2011	1,595,802	12,220,430	1,286,708	10,404,789	85.14%
2012	1,649,085	13,869,515	1,421,477	11,826,266	85.27%
2013	1,737,462	15,606,977	1,392,002	13,218,268	84.69%
2014	2,049,183	17,656,160	1,436,050	14,654,318	83.00%
2015	2,222,702	19,878,863	1,412,363	16,066,681	80.82%
2016	2,238,239	22,117,102	1,422,323	17,489,004	79.07%
2017	2,259,007	24,376,109	1,417,697	18,906,701	77.55%
2018	2,424,418	26,800,527	1,497,837	20,404,538	76.13%
2019	\$2,644,014	\$29,444,541	\$1,623,394	\$22,027,932	74.81%

FINANCIAL STATEMENTS

Statements of Net Position

The Statement of Net Position is a financial snapshot of the Joint Water System at June 30, 2019 of both the potable and raw water activities. It presents the fiscal resources of the Joint Water System (assets and deferred outflows of resources), the claims against those resources (liabilities and deferred inflows of resources) and the residual available for future operations (net position). Balance sheet items are classified by liquidity as either current or non-current. Net position is classified by the ways in which they may be used for future operations.

The Joint Water System's total assets at June 30, 2019, 2018, and 2017 were \$97,716,670, \$100,659,048, and \$92,104,165, respectively. Assets consisted primarily of net capital assets, which account for \$86,783,842 of total assets during fiscal year 2019. The Joint Water System uses its capital assets to facilitate its mission, which is to provide the highest quality water at the lowest possible price. Comparable figures for total capital assets the two previous years were \$88,935,536 for fiscal year 2018 and \$82,147,897 for fiscal year 2017.

Depreciation provides an ongoing mechanism for accumulating sufficient reserves to replace plant capital when it reaches the end of its useful life. Depreciation is an annual expense that effectively reduces net position to account for facility aging. Accumulated depreciation was \$29,444,541 through fiscal year 2019, \$26,800,527 through fiscal year 2018, and \$24,376,109 through fiscal year 2017. In lieu of funding depreciation, the Joint Water System utilizes a set of Repair and Replacement Accounts. Presently, these accounts have collected 74.81% of cumulative depreciation, compared to 76.13% in fiscal year 2018 and 77.55% in fiscal year 2017.

The Joint Water System's total liabilities at June 30, 2019 totaled \$70,157,907, of which \$42,058,898 was Bond debt (which includes a premium on the bonds) used to fund capital projects. Comparably, the Joint Water System's total liabilities at June 30, 2018 totaled \$75,774,689, of which \$45,189,150 was Bond debt (which includes a premium on the bonds), and at June 30, 2017 totaled \$68,324,485, of which \$44,687,195 was Bond debt used to fund capital projects.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

**Anderson Regional Joint Water System
Condensed Statements of Net Position**

	June 30,		
	2019	2018	2017
Current assets, restricted assets, investments	\$ 10,714,629	\$ 11,493,875	\$ 9,715,773
Note Receivable	218,199	229,637	240,495
Capital assets, net	86,783,842	88,935,536	82,147,897
Total Assets	97,716,670	100,659,048	92,104,165
Deferred losses on refundings	3,557,804	3,961,326	2,419,812
Deferred pension charges	461,704	588,867	361,486
Total deferred outflows of resources	4,019,508	4,550,193	2,781,298
Current liabilities	5,708,311	6,564,898	7,739,158
Noncurrent liabilities	64,449,596	69,209,791	60,585,327
Total liabilities	70,157,907	75,774,689	68,324,485
Deferred pension credits	28,939	45,458	78,198
Total deferred inflows of resources	28,939	45,458	78,198
Net investment in capital assets	23,982,911	20,985,489	19,878,163
Restricted	8,420,416	7,932,707	7,006,699
Unrestricted	(853,995)	470,898	(402,082)
Total net position	\$ 31,549,332	\$ 29,389,094	\$ 26,482,780

The Joint Water System's net position is separated into three categories. The first category, net investment in capital assets, consists of capital assets (net of depreciation) less related outstanding debt (including deferred losses on refundings) incurred to purchase or produce those assets. The net investment in capital assets balances for 2019, 2018, and 2017 were \$23,982,911, \$20,985,489, and \$19,878,163, respectively. The second category, restricted, consists of restricted assets less accrued interest on construction related long-term debt and funds reserved for use in future years for rate stabilization. The restricted balances for 2019, 2018, and 2017 were \$8,420,416, \$7,932,707, and \$7,006,669, respectively. The third category, unrestricted net assets, consists of all other balance sheet amounts unrelated to acquisition of capital assets. The balances unrestricted balances for 2019, 2018, and 2017 were (\$853,995), \$470,898, and (\$402,082), respectively.

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the financial activity of the Joint Water System for the year ended June 30, 2019. The Joint Water system operates two separate activities: a potable water system comprising 97.9% of total and a raw water system comprising the balance. Detailed information by activity can be found in the Combining Schedule of Revenues, Expenses and Changes in Net Position. The focus of the following discussion is on operating revenues and expenses that have a significant effect on the provision of water to the customers of the Joint Water System.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

**Anderson Regional Joint Water System
Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	June 30,		
	2019	2018	2017
Operating Revenues			
Operations and maintenance	\$ 4,405,153	\$ 4,683,984	\$ 4,695,657
Debt service	5,264,847	4,658,154	4,614,029
Renewal and replacement	1,623,394	1,497,837	1,417,697
Miscellaneous	93,994	121,179	99,678
Total operating revenues	<u>11,387,388</u>	<u>10,961,154</u>	<u>10,827,061</u>
Operating Expenses			
Operations and maintenance	2,489,320	2,197,611	2,698,472
Administrative expenses	2,012,528	2,004,218	1,946,372
Depreciation	2,644,014	2,424,418	2,259,007
Total operating expenses	<u>7,145,862</u>	<u>6,626,247</u>	<u>6,903,851</u>
Net operating income	<u>4,241,526</u>	<u>4,334,907</u>	<u>3,923,210</u>
Nonoperating revenues (expenses)			
Contributions in aid of construction	(2,131,635)	(1,894,868)	(2,180,970)
	50,347	466,275	-
Increase in net position	<u>2,160,238</u>	<u>2,906,314</u>	<u>1,742,240</u>
Net position, beginning of year	29,389,094	26,482,780	24,740,540
Net position, end of year	<u>\$ 31,549,332</u>	<u>\$ 29,389,094</u>	<u>\$ 26,482,780</u>

Operating Revenues

Total Operating Revenue is generated under four categories: Operations and Maintenance Fees, Capital Charge for Debt Service, Renewal and Replacement Charges, and Miscellaneous. The potable water activity contributed 97.9% of the \$11,387,388 in total operating revenues for fiscal year 2019. In comparison, potable water actively contributed 97.8% and 98.1% for fiscal year 2018 and 2017, respectively. As shown in the financial statements, total operating revenue for 2019 increased 3.9% from 2018 and operating revenue for 2018 increased 1.2% from 2017 with relatively equivalent changes in each category.

Non-operating Revenues and (Expenses)

Non-operating revenues and (expenses) are made up of the cumulative of interest income plus proceeds from the sales of assets and grant revenues received, less interest paid on bonds and notes payable and any applicable water credits. For fiscal year 2019 net non-operating expense was (\$2,131,635), compared to (\$1,894,868) and (\$2,180,970) for 2018 and 2017, respectively.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Operating Expenses

The condensed statements of net position show the three main categories of operating expenses. On the full statements of net position presented with the Basic Financial Statements and during the budget process, operating expenses are further categorized into six functional budget groups. Operations and maintenance expenses detail the major costs of operating the water treatment plant such as chemicals, electricity, laboratory costs, and routine repairs and replacements. Administrative expenses cover most general expenses of doing business, including payroll and employee benefits. Large infrequent repairs or refurbishments that significantly extend the life of a capital item are funded from the System Repair and Replacement Fund or the Pumped Repair and Replacement Fund. Operating expenses for fiscal year 2019 were \$7,145,862, an increase of 7.8% from fiscal year 2018 and an increase of 3.5% from fiscal year 2017.

Statements of Cash Flows

Net cash provided by operating activities was \$7,562,497 in fiscal year 2019 compared to \$6,653,634 in 2018 and \$6,076,708 in 2017. The Joint Water System spent \$1,505,538 for acquisition and construction of capital assets in fiscal year 2019 compared to \$9,133,939 in 2018 and \$5,462,363 in 2017. Normal debt service payments resulted in principal payments of \$4,382,847 and interest payments of \$2,048,603 for revenue bonds and other long-term debt during fiscal year 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Joint Water System upgrades the Water Treatment Plant and supporting facilities on an ongoing basis. Total capital assets as of June 30, 2019 were \$86,783,842, a decrease of \$2,151,694 from fiscal year 2018. Capital asset additions during the year consisted of \$276,985 related to the Highview Generator Project, \$50,347 related to the SAWS Project, and \$164,998 in various equipment additions. These additions were offset by depreciation expense of \$2,644,014.

Total capital assets as of June 30, 2018 were \$88,935,536, an increase of \$6,787,639 from fiscal year 2017. The increase in capital assets from fiscal year 2017 to fiscal year 2018 was primarily due to \$9,071,588 in construction expenses related to the Advanced Oxidation (Ozone) Treatment Process offset by \$2,424,418 in depreciation expense.

See Note 3 in the accompanying notes to the financial statements for additional discussion of capital asset activity.

Debt Administration

	2019	2018	2017
Water Storage Agreement	\$ -	\$ -	\$ 2,155,900
Series 2005, SRF	2,186,114	2,441,503	2,691,226
Series 2009A, SRF 1A	3,912,209	4,230,426	4,541,582
Series 2011A, Advance Refunding	18,270,000	20,080,000	21,760,000
Series 2012A, Refunding	-	-	18,640,000
Series 2012B, SRF 1B	5,852,216	6,204,077	6,548,132
Series 2016, Jr Lien	1,265,555	2,009,234	2,741,395
Series 2017, SRF	12,272,676	12,804,377	3,101,791
Series 2017A, Refunding	20,545,000	20,712,000	-
Series 2017B, Jr Lien	\$ 1,209,000	\$ 1,414,000	\$ -

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

The Joint Water System currently has four revenue bonds outstanding and four other long-term debt issuances outstanding. The Joint Water System had no new debt issuances during fiscal year 2019 and scheduled principal and interest payments were made.

In June 2011, the Joint Water System issued \$27,745,000 in revenue bonds in order to refund the remaining balance of the 2002 Bond Issue. The balance of the 2011 Bond Issue as of June 30, 2019 is \$18,270,000.

In February 2016, the Joint Water System issued \$3,700,000 in revenue bonds in order to refund the remaining 2009B Bond Issue and to begin the engineering and design phases of the Advanced Oxidation (Ozone) Treatment Process capital project. The balance of the loan as of June 30, 2019 is \$1,265,555.

In October 2017, the Joint Water System issued \$20,712,000 in revenue bonds in order to refund the remaining balance of the 2012A Bond issue. The balance on the 2017A bond issue as of June 30, 2019 is \$20,545,000. During the same October 2017 issuance, the Joint Water System also issued \$1,702,303 in revenue bonds in order to make the final payment of the original contract to secure raw water rights from the Army Corps of Engineers. The balance on the 2017B bond issue as of June 30, 2019 is \$1,209,000.

In December 2005, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of \$4,878,604 to fund the construction on the expansion and upgrade of the Water Treatment Plant. The balance on the 2005 SRF Loan as of June 30, 2019 is \$2,186,114.

In April 2009, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of \$7,212,765 to fund water treatment main improvements (Phase 1A). The balance on the 2009A SRF Loan as of June 30, 2019 is \$3,912,209.

In April 2012, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of \$7,850,000 to fund water treatment main improvements (Phase 1B). The balance on the 2012B SRF Loan as of June 30, 2019 is \$5,852,216.

In February 2017, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of \$13,500,000 to fund the construction of the Advance Oxidation (Ozone) Treatment Process. The balance on the 2017 SRF Loan is \$12,272,676.

See Note 5 in the accompanying notes to the basic financial statements for additional discussion of long-term debt activity.

Debt Service Coverage Requirements

In the Bond Resolutions, the Joint Water System covenants and agrees that it will, at all times, maintain rates sufficient to yield annual Net Earnings in the fiscal year equal to at least one hundred twenty percent of the sum of the annual debt service payments for all senior lien bonds outstanding (1.20x). Net earnings are derived by adjusting the change in net position. The Joint Water System continues to use Pay as You Go ("PAYGO") financing of capital projects to minimize debt issuance levels which reduces current year net operating income, but provides reduced debt service expenses in future years. For fiscal year 2019, the debt service ratio was 1.45x, compared to 1.55X and 1.39X in 2018 and 2017, respectively.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Rate Covenant Compliance

	2019	2018	2017
Increase in Net Position	\$ 2,160,238	\$ 2,906,314	\$ 1,742,240
Less Contributions in Aid	(50,347)	(466,275)	-
Plus Interest Expense	2,193,873	1,929,505	2,197,538
Plus Water Credits	149,341	147,396	144,171
Plus Depreciation	2,644,014	2,424,418	2,259,007
Plus Contingency Reserve Draws	466,000	132,000	25,500
Plus Change in Net Pension Balances	96,893	130,162	34,884
Net Earnings	<u>\$ 7,660,012</u>	<u>\$ 7,203,520</u>	<u>\$ 6,403,340</u>
Debt Service	\$ 5,264,847	\$ 4,658,154	\$ 4,614,092
Debt Service Coverage Ratio - 1.20X Required	1.45X	1.55X	1.39X

A LOOK AHEAD

The MD&A section "A Look Ahead" in the Annual Financial Report of the Joint Water System for the fiscal year ended June 30, 2019 (Financial Report) contains forward-looking statements regarding the Joint Water System's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the Financial Report. Additionally, statements concerning future matters such as budgets and the financial outlook for future years, state and federal matters that may impact the Joint Water System, revenue and expense levels and other statements regarding matters that are not historical are also forward-looking statements.

Although forward-looking statements in the Financial Report reflect management's good faith judgment, such statements can only be based on facts and factors currently known. Consequently, forward-looking statements are inherently subject to risks and uncertainties. The actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of the Financial Report. Management undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the Financial Report.

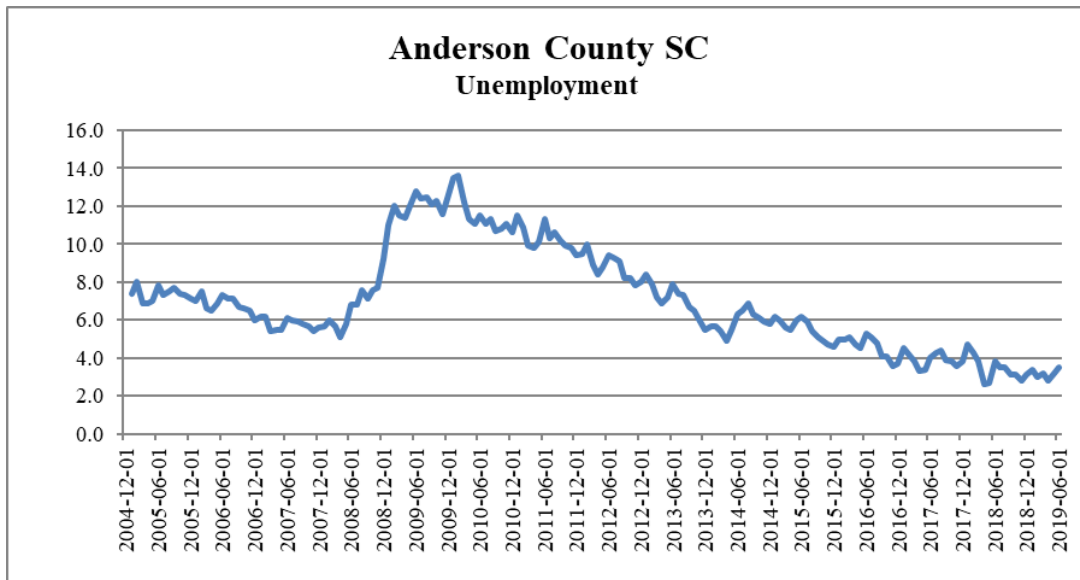
Readers are urged to carefully review and consider the various disclosures made in the Financial Report which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the Joint Water System.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

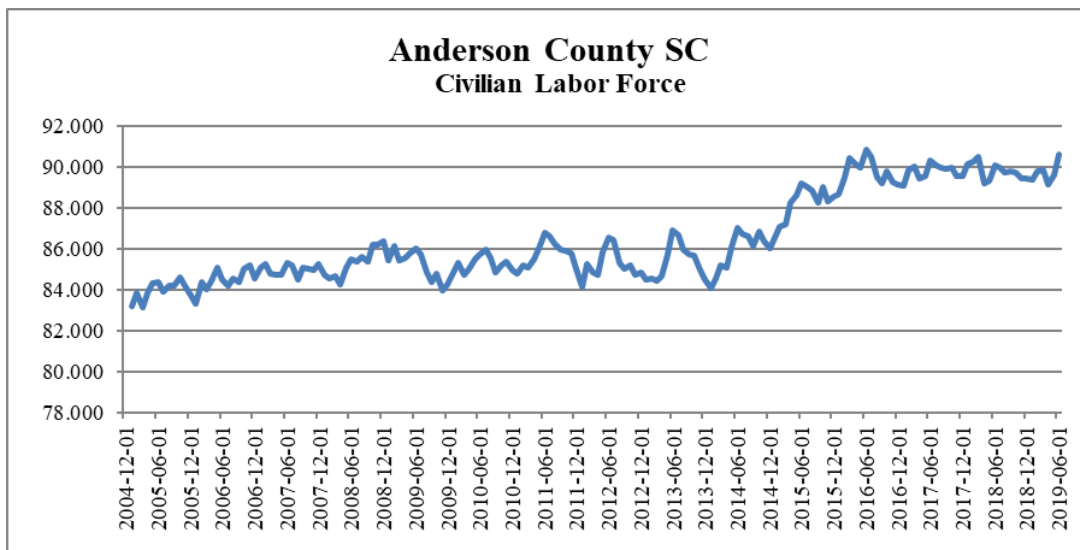
**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

Local Economy

The service area continues to experience modest population growth and job creation. Several large manufacturers are presently expanding their local workforce as part of previously announced expansions. With job creation and population increasing at approximately the same rate, the lower unemployment rate represents a stabilization in actual labor force participation rates. Sustained population growth provides the basis for projecting increased annual water demands over the immediate term. The service area is well positioned geographically and with adequate infrastructure for sustained future growth in both population and job creation.



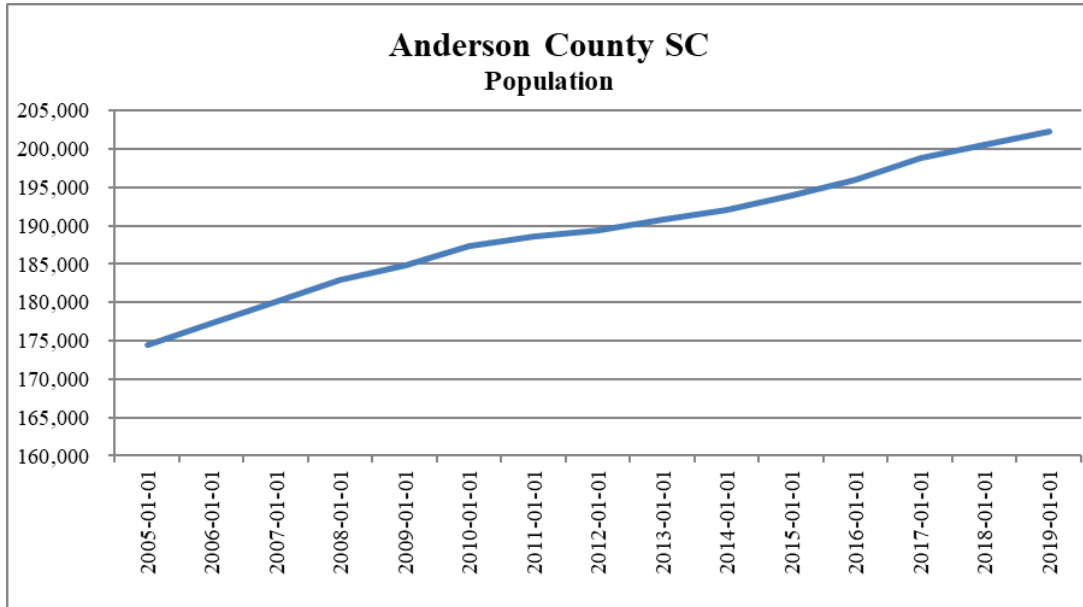
Source: Federal Reserve Bank of St. Louis



Source: Federal Reserve Bank of St. Louis

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**



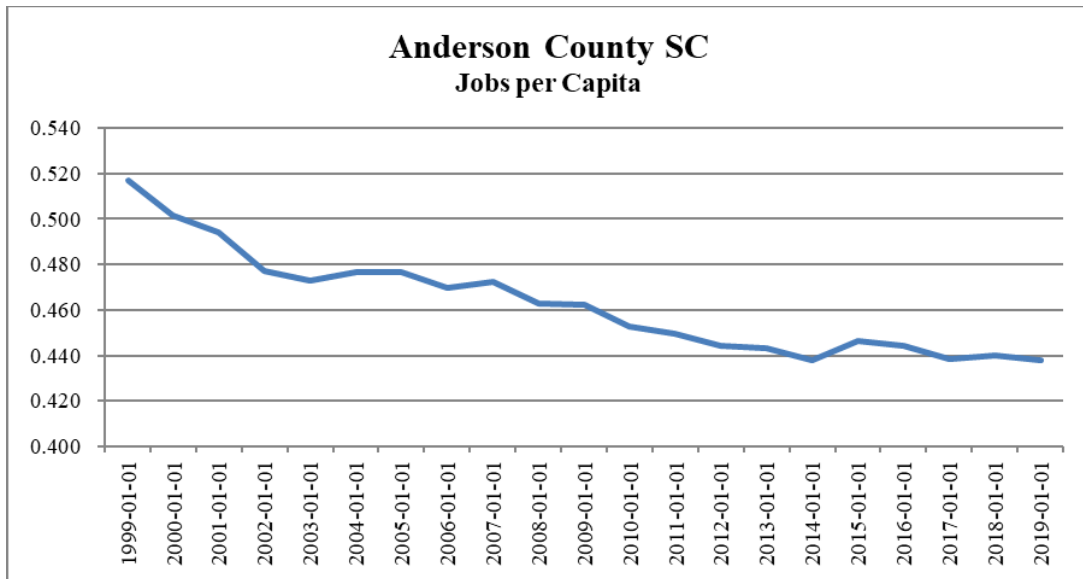
Source: Federal Reserve Bank of St. Louis w/ One Year Extrapolation to 2018

Recent Economic Development Announcements

- **TechTronic Industries Headquarters**
TTI completed construction of an innovation and manufacturing facility in Anderson County during fiscal year 2019. The new facility added 250 jobs to the already 1,100 jobs supported by TTI in Anderson County.
- **Arthrex Inc.**
Arthrex Inc., completed construction of a 200,000 square foot manufacturing facility in Anderson County during fiscal year 2019. The new facility will create more than 1,000 jobs over several years.
- **Michelin North America**
Michelin reactivated the Earthmover tire production plant in Starr, SC in the fall of 2018. The reactivation brought 100 jobs back to the plant that was idled in early 2016.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**



Fiscal Year Ending 2020 Budget

The Joint Water System's budget is determined by a variety of methods. The process begins in early February when capital expenditures for the renewal and replacement program are planned. Preliminary changes to the Joint Water System financial planning model are made and discussed with the Executive Committee. In March, sectional budget requests are developed. These requests are reviewed and used to prepare a preliminary budget. In early April, the preliminary budget and the predicted impacts from the financial planning model are reviewed by the Executive Committee, after which time it is made available for public inspection. The final budget is initially presented to the Board of Commissioners for a first reading and usually adopted at a subsequent meeting.

The fiscal year 2020 Budget received final approval in June 2019. The Commission directed previously collected R&R funds be used for debt service payments related to recently issued bonds to minimize future budget increases. The new budget will result in an approximate 1.15% (\$115,115) increase over the fiscal year 2019 budget. As per the Water Sale and Purchase Agreement budgeting guidelines, revenues and expenditures are balanced.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

5 Year Pro Forma Forecast

The Joint Water System maintains an annually updated long-term Financial Pro Forma that incorporates all existing and planned debt issuances, projected operations and maintenance budgets and future repair and replacement initiatives. It provides both an overall financial perspective and detailed estimate of each agency's cost of supply. The Joint Water System prepares a Financial Pro Forma that extends through the life of the longest debt service requirement. See the notes to the financial statements for a 20-year Financial Pro Forma Forecast.

5 Year Financial Pro Forma

	FYE 20	FYE 21	FYE 22	FYE 23	FYE 24
Operating Revenues					
O&M Payments	4,198,975	4,527,850	4,730,300	4,826,200	4,918,900
Capital Charge - Debt Service	5,485,689	5,490,245	5,494,630	5,499,194	5,498,654
Capital Charge - Repair & Replacement	1,645,707	1,647,073	1,648,389	1,649,758	1,649,596
Total Revenues	11,330,371	11,665,168	11,873,319	11,975,152	12,067,150
Total Operating Expenses	4,479,975	4,605,850	4,730,300	4,826,200	4,918,900
Net Operating Revenues	6,850,396	7,059,318	7,143,019	7,148,952	7,148,250
Total Debt Service Requirements - Senior Lien	5,485,689	5,490,245	5,494,630	5,499,194	5,498,654
Net Revenues after Debt Service	1,364,707	1,569,073	1,648,389	1,649,758	1,649,596
Interest on Debt Service Reserve Fund	140,000	140,000	140,000	140,000	140,000
Bottom Line					
Net Revenues Paid by Members	11,165,370	11,500,168	11,708,319	11,810,152	11,902,151
Increased Revenue Requirement	3.00%	3.00%	1.81%	0.87%	0.70%
DEMAND (kGals)	6,266,283	6,308,267	6,350,533	6,393,081	6,435,915
Projected Debt Service Coverage Ratio	1.300 X	1.300 X	1.300 X	1.300 X	1.300 X

Requests for Information

This report is provided as a general overview of the Anderson Regional Joint Water System finances and demonstrates the Joint Water System's accountability for the money it receives and the stewardship of the facilities it maintains. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Executive Director
Anderson Regional Joint Water System
998 Hunters Trail
Anderson, SC 29625

BASIC FINANCIAL STATEMENTS

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 402,225	\$ 471,107
Restricted cash and cash equivalents	2,405,463	2,693,184
Restricted investments	6,764,021	6,042,270
Accounts receivable		
Trade	971,223	1,601,201
Grants and contributions in aid of construction	-	466,275
Accrued interest	72,479	72,479
Prepaid expenses	99,218	147,359
Total current assets	10,714,629	11,493,875
Noncurrent assets:		
Note receivable	218,199	229,637
Capital assets, net:		
Non-depreciable	13,594,534	13,267,202
Depreciable	73,189,308	75,668,334
Total noncurrent assets	87,002,041	89,165,173
Total assets	97,716,670	100,659,048
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refundings	3,557,804	3,961,326
Deferred pension charges	461,704	588,867
	4,019,508	4,550,193
LIABILITIES		
Current liabilities:		
Accounts payable	219,191	1,188,713
Accrued interest	749,068	802,747
Accrued expenses and other liabilities	198,507	190,917
Current portion of revenue bonds	3,053,379	2,925,679
Current portion of other long-term debt	1,488,166	1,456,842
Total current liabilities	5,708,311	6,564,898
Noncurrent liabilities:		
Revenue bonds, less current portion	39,005,519	42,263,471
Other long-term debt, less current portion	22,735,049	24,223,541
Net pension liability	2,709,028	2,722,779
Total noncurrent liabilities	64,449,596	69,209,791
Total liabilities	70,157,907	75,774,689
DEFERRED INFLOWS OF RESOURCES		
Deferred pension credits	28,939	45,458
NET POSITION		
Net investment in capital assets	23,982,911	20,985,489
Restricted for debt service and renewal and replacement	8,420,416	7,932,707
Unrestricted	(853,995)	470,898
Total net position	\$ 31,549,332	\$ 29,389,094

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 and 2018**

	2019	2018
OPERATING REVENUES		
Operations and maintenance	\$ 4,405,153	\$ 4,683,984
Debt service	5,264,847	4,658,154
Renewal and replacement		
Water system	1,555,184	1,426,240
Pump station	68,210	71,597
Miscellaneous	93,994	121,179
Total operating revenues	11,387,388	10,961,154
OPERATING EXPENSES		
Salaries and wages	1,352,999	1,170,826
Payroll taxes and employee benefits	538,854	592,894
Operations and maintenance	2,489,320	2,197,611
Professional fees	23,600	151,769
Insurance	97,075	88,729
Total operating expenses before depreciation	4,501,848	4,201,829
Depreciation	2,644,014	2,424,418
Total operating expenses	7,145,862	6,626,247
Net operating income	4,241,526	4,334,907
NON-OPERATING REVENUES (EXPENSES)		
Interest income	211,579	182,033
Water credits	(149,341)	(147,396)
Interest expense	(2,193,873)	(1,929,505)
Net non-operating expenses	(2,131,635)	(1,894,868)
INCOME BEFORE CONTRIBUTIONS	2,109,891	2,440,039
Contributions in aid of construction	50,347	466,275
Increase in net position	2,160,238	2,906,314
NET POSITION, beginning of year	29,389,094	26,482,780
NET POSITION, end of year	\$ 31,549,332	\$ 29,389,094

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 11,868,023	\$ 10,808,094
Paid to suppliers for goods and services	(2,965,269)	(3,031,592)
Paid to employees for services	(1,340,257)	(1,122,868)
Net cash provided by operating activities	7,562,497	6,653,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,505,538)	(9,133,939)
Proceeds from revenue bonds	-	22,262,000
Payments on revenue bonds	(2,925,679)	(2,548,161)
Payment to Advance Refund 2012A Revenue Bonds	-	(20,536,411)
Proceeds from issuance of long-term debt	-	8,987,206
Proceeds from Contribution Receivables	516,622	-
Payments on long-term debt	(1,457,168)	(3,060,834)
Interest paid	(2,048,603)	(2,233,799)
Net cash used in capital and related financing activities	(7,420,366)	(6,263,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	(721,751)	(133,343)
Interest received	211,579	253,711
Collection of notes receivable	11,438	10,858
Net cash provided by (used in) investing activities	(498,734)	131,226
Net increase (decrease) in cash and cash equivalents	(356,603)	520,922
CASH AND CASH EQUIVALENTS, beginning of year	3,164,291	2,643,369
CASH AND CASH EQUIVALENTS, end of year	\$ 2,807,688	\$ 3,164,291
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 4,241,526	\$ 4,334,907
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	2,644,014	2,424,418
Water credits	(149,341)	(147,396)
Changes in assets and liabilities:		
Accounts receivable	629,978	(5,663)
Prepaid expenses	48,141	(8,195)
Accounts payable	43,696	(79,695)
Accrued expenses and other liabilities	7,590	5,096
Net pension liability	(13,751)	390,283
Changes in deferred outflows and inflows:		
Deferred pension charges	127,163	(227,381)
Deferred pension credits	(16,519)	(32,740)
Net cash provided by operating activities	\$ 7,562,497	\$ 6,653,634
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 402,225	\$ 471,107
Restricted cash and cash equivalents	2,405,463	2,693,184
	\$ 2,807,688	\$ 3,164,291
Noncash investing, capital and financing activities:		
Change in Accrued Capital Assets	\$ 1,013,218	\$ 78,121
State revolving fund loans not yet received	\$ -	\$ 715,380

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

The Anderson Regional Joint Water System (the "Joint Water System") is a special purpose district created by the General Assembly of the State of South Carolina on February 28, 2000. A fourteen-member Board of Commissioners representing the participating member agencies governs the Joint Water System. Clemson University also purchases water from the System, but because of state statute is exempt from membership on the Board. The fourteen member agencies who serve on the Board of Commissioners are as follows:

- Anderson, City of (Electric City Utilities)
- Belton-Honea Path Water Authority
- Big Creek Water & Sewerage District
- Broadway Water & Sewerage District
- Central, Town of
- Clemson, City of
- Hammond Water District
- Homeland Park Water District
- Pendleton, Town of
- Powdersville Water
- Sandy Springs Water District
- Starr-Iva Water and Sewer District
- West Anderson Water District
- Williamston, Town of

The Joint Water System's function is to plan and finance acquisition and location of water supply and water distribution systems to insure for an adequate, reliable and economical supply of water to the persons and property served by the members of the Joint Water System. During April 2002, water treatment facilities, equipment and trunk lines were acquired by the Joint Water System's issuance of Series 2002 Revenue Bonds. It is the Joint Water System's policy to maintain customer user rates sufficient to meet operational and maintenance expenses and to pay debt service on debt issued to finance acquiring, upgrading and maintaining the System.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

REPORTING ENTITY

This report includes all operations of the Joint Water System for which the Joint Water System's Commissioners are financially accountable. The Joint Water System does not have any component units.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

Fund Accounting

The Joint Water System maintains a single enterprise fund (one of the proprietary fund types) to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Basis of Accounting

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

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as required by GAAP. Basis of accounting refers to the timing of recording revenues and expenses. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses and liabilities are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Joint Water System's principal ongoing operations. The principal operating revenues of the Joint Water System are charges to customers for water. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Joint Water System's policy to use restricted resources first, and then unrestricted resources as needed.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The Joint Water System considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months when initially purchased are reported as investments.

Certain cash and cash equivalents are classified as restricted on the balance sheet because their use is limited by debt covenants or by the Board of Commissioners.

Investments

The Joint Water System's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Joint Water System to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Joint Water System's cash and investment objectives are preservation of capital, liquidity and yield. The Joint Water Systems guaranteed investment contract is reported at contract value. The Joint Water System reports its other cash and investments at fair value which is normally determined by quoted market prices.

RECEIVABLES

All trade and other receivables are shown net of an allowance for uncollectible amounts (if material). Trade receivables are generally comprised of amounts due from a member agency, grantor, and other fees and charges.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

INVENTORIES AND PREPAID ITEMS

The Joint Water System accounts for inventories and prepaid items under the consumption method as they are expensed when consumed (except when immaterial). Inventory items are reflected at average cost, determined generally on a first-in, first-out basis.

CAPITAL ASSETS

The Joint Water System defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at cost. Donated capital assets are recorded at estimated fair market value (as estimated by the Joint Water System) at the date of donation. Capital assets are depreciated on the straight-line method over the estimated useful lives.

Estimated useful lives of the respective capital assets as follows:

Treatment facilities, trunk lines, and equipment	15 - 40 years
Operations and maintenance equipment	5 - 15 years
Office furniture and fixtures	3 - 7 years
Vehicles	5 years

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. Interest costs related to construction is capitalized as part of the capitalized value of the asset constructed. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction in progress at June 30, 2019 represents the SAWS pump installation and the Highview generator installation.

COMPENSATED ABSENCES

It is the Joint Water System's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick pay benefits. Unused vacation and compensatory time are accumulated in varying amounts based on years of service up to a maximum of 240 hours of vacation (with those within three years of retirement allowed to accumulate up to 360 hours). Regular full-time employees accumulate 12 days of sick leave per year with a maximum of 720 hours to start each fiscal year.

Earned vacation and compensatory time will be paid out when used or at retirement up to the maximum limits. Sick leave will only be paid out when used by an employee for personal illness and any remaining unused sick leave balances will be forfeited upon separation of employment.

The Joint Water System reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the Joint Water System's financial statements.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the Joint Water System's financial statements when incurred. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

UNEARNED REVENUE

Unearned revenues in the Joint Water System represent amounts collected, but not due.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Joint Water System currently has two types of deferred outflows of resources: (1) The Joint Water System reports deferred losses on refundings which are the differences between the reacquisition prices and the net carrying amount of the defeased debt. These losses are deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of deferred losses on refundings is included in interest expense in the Statements of Revenues, Expenses and Changes in Net Position.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

The Joint Water System also reports deferred pension charges in connection with its participation in the South Carolina Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or a reduction of an expense) until that time. The Water System currently has one type of deferred inflows of resources. The Joint Water System reports deferred pension credits in connection with its participation in the South Carolina Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

PENSIONS

The Joint Water System recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Joint Water System's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Joint Water System's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

NET POSITION

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statements of Net Position. Net position is classified into three components as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of items that do not meet the definition of "restricted" or "net investment in capital assets."

REVENUES AND RECEIVABLES

Revenues and receivables, based on water consumption, are recognized when services are provided and are billed monthly.

ESTIMATES

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Joint Water System's deposits might not be recovered. The Joint Water System does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2019, none of the Joint Water System's bank balances of approximately \$2,896,128 (with a carrying value of approximately \$2,807,688) were exposed to custodial credit risk. Comparatively, as of June 30, 2018, none of the Joint Water System's bank balances of approximately \$3,181,698 (with a carrying value of approximately \$3,164,291) were exposed to custodial credit risk.

INVESTMENTS

The Joint Water System funds held in the South Carolina Local Government Investment Pool ("LGIP" or "Pool") are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72 "Fair Value Measurement and Application," investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

As of June 30, 2019, the Joint Water System had the following investments:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Investment Maturities in Years	
				< 1 yr	> 5 yrs
LGIP	NR, NR	N/A	\$ 510,598	\$ 510,598	\$ -
Guaranteed Investment Contract	NR, NR	N/A	2,537,980	-	2,537,980
Government Money Market Funds	AAAm, Aaamf	Level 1	3,715,443	3,715,443	-
Total			<u>\$ 6,764,021</u>	<u>\$ 4,226,041</u>	<u>\$ 2,537,980</u>

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

NR – Not rated.

N/A -- Not applicable.

As of June 30, 2018, the Joint Water System had the following investments:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Investment Maturities in Years	
				< 1 yr	> 5 yrs
Guaranteed Investment Contract	NR, NR	N/A	\$ 2,537,980	\$ -	\$ 2,537,980
Government Money Market Funds	AAAm, Aaamf	Level 1	3,504,290	3,504,290	-
Total			<u>\$ 6,042,270</u>	<u>\$ 3,504,290</u>	<u>\$ 2,537,980</u>

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

NR – Not rated.

N/A -- Not applicable.

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

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

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

Concentration of Credit Risk for Investments: The Joint Water System places no limit on the amount the Joint Water System may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures. The Joint Water System's Guaranteed Investment Contract ("GIC") with Morgan Stanley exceeds 5% of the Joint Water System's investments for the years ended June 30, 2019 and 2018.

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

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

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

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

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

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

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

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

RESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS

Provisions of the revenue bonds require the Joint Water System to establish various funds and restrict the use of certain cash, cash equivalents, and investments. A brief description follows:

Current principal and interest payments funds - reports resources accumulated for the next principal and interest payments.

Debt service reserves funds - reports resources set aside to cover potential future deficiencies in the current principal and interest payments funds.

Renewal and replacement ("R&R") funds - reports resources restricted primarily to fund capital asset replacements.

Cash, cash equivalents, and investments are restricted as follows at June 30:

	2019	2018
Current principal and interest payments	\$ 3,212,509	\$ 3,151,448
Debt service reserves	3,040,915	2,890,822
Capital Improvements	337,069	491,787
Renewal and replacement	2,578,991	2,201,397
Total restricted cash, cash equivalents, and investments	\$ 9,169,484	\$ 8,735,454

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the Joint Water System for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Increases	Decreases	Transfers	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	\$ 3,203,896	\$ -	\$ -	\$ -	\$ 3,203,896
Construction In progress	466,277	327,332	-	-	793,609
Water storage agreement	9,597,029	-	-	-	9,597,029
Total capital assets not being depreciated	<u>13,267,202</u>	<u>327,332</u>	<u>-</u>	<u>-</u>	<u>13,594,534</u>
Capital assets being depreciated:					
Facilities and improvements	100,479,773	164,988	-	-	100,644,761
Buildings	1,067,238	-	-	-	1,067,238
Machinery and equipment	921,850	-	-	-	921,850
Total capital assets being depreciated	<u>102,468,861</u>	<u>164,988</u>	<u>-</u>	<u>-</u>	<u>102,633,849</u>
Less accumulated depreciation for:					
Facilities and improvements	25,698,909	2,594,463	-	-	28,293,372
Buildings	265,966	27,310	-	-	293,276
Machinery and equipment	835,652	22,241	-	-	857,893
Total accumulated depreciation	<u>26,800,527</u>	<u>2,644,014</u>	<u>-</u>	<u>-</u>	<u>29,444,541</u>
Total capital assets being depreciated, net	<u>75,668,334</u>	<u>(2,479,026)</u>	<u>-</u>	<u>-</u>	<u>73,189,308</u>
Total Capital Assets, Net	<u>\$88,935,536</u>	<u>\$(2,151,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$86,783,842</u>

Depreciation expense for the year ended June 30, 2019 was \$2,644,014.

Capital asset activity for the Joint Water System for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Increases	Decreases	Transfers	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	\$ 3,203,896	\$ -	\$ -	\$ -	\$ 3,203,896
Construction In progress	4,912,427	9,071,588	-	(13,517,738)	466,277
Water storage agreement	9,597,029	-	-	-	9,597,029
Total capital assets not being depreciated	<u>17,713,352</u>	<u>9,071,588</u>	<u>-</u>	<u>(13,517,738)</u>	<u>13,267,202</u>
Capital assets being depreciated:					
Facilities and improvements	86,929,449	96,770	-	13,453,554	100,479,773
Buildings	1,003,054	-	-	64,184	1,067,238
Machinery and equipment	878,151	43,699	-	-	921,850
Total capital assets being depreciated	<u>88,810,654</u>	<u>140,469</u>	<u>-</u>	<u>13,517,738</u>	<u>102,468,861</u>
Less accumulated depreciation for:					
Facilities and improvements	23,325,198	2,373,711	-	-	25,698,909
Buildings	239,548	26,418	-	-	265,966
Machinery and equipment	811,363	24,289	-	-	835,652
Total accumulated depreciation	<u>24,376,109</u>	<u>2,424,418</u>	<u>-</u>	<u>-</u>	<u>26,800,527</u>
Total capital assets being depreciated, net	<u>64,434,545</u>	<u>(2,283,949)</u>	<u>-</u>	<u>13,517,738</u>	<u>75,668,334</u>
Total Capital Assets, Net	<u>\$82,147,897</u>	<u>\$ 6,787,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$88,935,536</u>

Depreciation expense for the year ended June 30, 2018 was \$2,424,418.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 4 – DEFERRED LOSSES ON REFUNDINGS

Deferred losses on refunding debt consisted of the following at June 30:

	2019	2018
Deferred losses on refundings	\$ 5,148,541	\$ 5,148,541
Less: accumulated amortization	(1,590,737)	(1,187,215)
Deferred losses on refundings, net	\$ 3,557,804	\$ 3,961,326

Amortization expense was \$403,522 for the year ended June 30, 2019, compared to \$354,897 for the year ended June 30, 2018.

NOTE 5 – LONG-TERM OBLIGATIONS

REVENUE BONDS PAYABLE

The Joint Water System is obligated on various series of revenue bonds issued for purposes of acquiring water treatment facilities, equipment, and trunk lines. Each debt issue is either publicly traded (“PT”) or direct borrowings/placements (“DB/DP”). The revenue bonds are generally secured/collateralized by the underlying property and contain acceleration clauses in an event of default (as defined). The debt also requires various restricted accounts (i.e. debt service reserve, renewal and replacement, etc.) to be established and maintained by the Joint Water System. Revenue bonds outstanding are as follows:

	2019	2018
Series 2011A serial bonds (PT) dated June 15, 2011 with annual principal payments ranging from \$90,000 to \$2,690,000, plus interest at 2.00 to 5.00 percent payable semi-annually through July 15, 2026.	\$ 18,270,000	\$ 20,080,000
Series 2016 serial bonds (DB/DP) dated February 18, 2016, bearing interest at the rate of 1.562%. The Bond is payable in monthly installments of principal and interest of \$64,146.20 for a period of sixty months through February 18, 2021.	1,265,555	2,009,234
Series 2017A serial bonds (DB/DP) dated October 25, 2017 with annual principal payments ranging from \$167,000 to \$3,198,000, plus interest at 2.69% payable annually through June 30, 2033.	20,545,000	20,712,000
Series 2017B serial bonds (DB/DP) dated October 25, 2017 with annual principal payments ranging from \$19,822 to \$20,762, plus interest at 2.70% payable monthly through October 25, 2024.	1,209,000	1,414,000
Gross debt	41,289,555	44,215,234
Premium on Series 2011A bonds	769,343	973,916
Net debt	42,058,898	45,189,150
Less current portion	(3,053,379)	(2,925,679)
Long-term portion	\$ 39,005,519	\$ 42,263,471

Interest expense on revenue bonds totaled \$1,483,130 for the year ended June 30, 2019, compared to \$1,436,389 for the year ended June 30, 2018. Amortization of the 2011A bond premium totaled \$204,573 for the year ended June 30, 2019, compared to \$224,973 for the year ended June 30, 2018.

The revenue bonds are payable solely from and secured by a pledge of the gross revenues of the Joint Water System.

Provisions of the revenue bond agreements require the Joint Water System to maintain user rates sufficient to generate net earnings, as defined by the agreements, of at least 120 percent of the combined annual principal and interest payments, make timely payment of principal and interest on all outstanding debt, maintain required funds for debt service reserves, and meet various other general requirements specified in the bond agreements. Net earnings as defined in the revenue bond agreements provides that the Joint Water System can add back as income amounts transferred from the R&R fund to defray the costs of unforeseen contingencies (“Contingencies”). Management believes that the Joint Water System was in compliance with these covenants at June 30, 2019 and June 30, 2018.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

REVENUE BONDS PAYABLE (CONTINUED)

Future amounts required to pay principal and interest on publicly traded revenue bonds (Series 2011A serial bonds) outstanding at June 30, 2019 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,910,000	\$ 817,650	\$ 2,727,650
2021	2,015,000	719,525	2,734,525
2022	2,120,000	626,750	2,746,750
2023	2,210,000	529,100	2,739,100
2024	2,325,000	415,725	2,740,725
2025-2027	7,690,000	522,000	8,212,000
	<u>\$ 18,270,000</u>	<u>\$ 3,630,750</u>	<u>\$ 21,900,750</u>

Future amounts required to pay principal and interest on direct borrowing/placement revenue bonds outstanding at June 30, 2019 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,143,379	\$ 594,581	\$ 1,737,960
2021	903,176	572,695	1,475,871
2022	409,000	558,928	967,928
2023	415,000	547,859	962,859
2024	431,000	536,480	967,480
2025-2029	6,764,000	2,422,390	9,186,390
2030-2033	12,954,000	699,292	13,653,292
	<u>\$ 23,019,555</u>	<u>\$ 5,932,225</u>	<u>\$ 28,951,780</u>

The \$20,712,000 in waterworks system revenue bond Series 2017A were issued to advance refund \$18,640,000 of outstanding bonds. The net proceeds of \$20,883,320 (after a transfer of \$265,333 from an existing debt escrow account and payment of \$94,013 in underwriting fees, insurance, and other issuance costs) were used to purchase SLGS Treasury securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeated and the liability for those bonds has been removed from the financial statements. These advanced refunded bonds of \$18,640,000 will ultimately be paid off in July 2022.

The Joint Water System's 2017 and 2011 bond refundings resulted in a loss of \$2,576,244 and \$2,572,297, respectively. The loss is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization is expensed over the term as a component of interest expense. The unamortized balance follows the debt for purposes of calculating the various components of net position. See Note 4 for more details on the outstanding balances of the deferred losses on refundings at June 30, 2019 and June 30, 2018.

OTHER LONG-TERM DEBT

The Joint Water System is obligated on various other long-term debt issued for purposes of upgrading water treatment facilities, equipment, and trunk lines. Each of the other long-term debt issues are considered direct borrowings/placements and are generally secured/collateralized by the underlying property and contain acceleration clauses in an event of default (as defined). Revolving fund loans outstanding are as follows:

	<u>2019</u>	<u>2018</u>
On December 16, 2005, the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to \$4,878,604 to fund construction on the expansion and upgrade of the Water Treatment Plant. The Joint Water System was reimbursed costs during construction. On May 1, 2007, the Joint Water System began making quarterly principal and interest payments. The first 19 payments of \$81,318 at 3 percent and the remaining 61 payments of \$77,045 at 2.25 percent.	\$ 2,186,114	\$ 2,441,503

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

OTHER LONG-TERM DEBT (CONTINUED)

	2019	2018
<p>On April 9, 2009, the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to \$7,212,765 to fund Water Transmission Main Improvements – Phase 1A. The Joint Water System was reimbursed for costs during construction. On July 1, 2010, the Joint Water System began making quarterly principal and interest payments. The first 6 payments of \$114,048 at 3.5 percent and the remaining 73 payments of \$102,682 at 2.25 percent.</p>	\$ 3,912,209	\$ 4,230,426
<p>On April 19, 2012, the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to \$8,000,000 to fund Water Transmission Main Improvements – Phase 1B. The Joint Water System was reimbursed for costs during construction. On September 1, 2013, the Joint Water System began making quarterly principal and interest payments of \$125,896 at 2.25 percent interest through September 1, 2014, effective December 1, 2014 a new quarterly payment amount of \$122,124 was recalculated with payments through June 2033.</p>	5,852,216	6,204,077
<p>On February 12, 2017 the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to \$13,500,000, plus capitalized interest, if any, to fund cost of construction of an Ozone addition. The Joint Water System will be reimbursed for costs during construction. On July 1, 2018, the Joint Water System will begin making quarterly principal and interest payments of \$203,234 at 1.90 percent interest through April 1, 2038. effective December 1, 2014 a new quarterly payment amount of \$122,124 was recalculated with payments through June 2033.</p>	12,272,676	12,804,377
Gross debt	24,223,215	25,680,383
Less current portion	(1,488,166)	(1,456,842)
Long-term portion	\$ 22,735,049	\$ 24,223,541

Interest expense on the long-term debt totaled \$511,794 for the year ended June 30, 2019, compared to \$363,192 for the year ended June 30, 2018.

Future amounts required to pay principal and interest on other long-term debt outstanding at June 30, 2019 are as follows:

June 30,	Principal	Interest	Total
2020	\$ 1,488,166	\$ 490,275	\$ 1,978,441
2021	1,520,008	458,434	1,978,442
2022	1,552,536	425,906	1,978,442
2023	1,585,764	392,679	1,978,443
2024	1,619,707	358,735	1,978,442
2025-2029	7,924,635	1,274,173	9,198,808
2030-2034	5,569,304	547,435	6,116,739
2035-2038	2,963,095	121,052	3,084,147
	\$ 24,223,215	\$ 4,068,689	\$ 28,291,904

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term debt for the year ended June 30, 2019.

	2019			Balance June 30, 2019
	Balance June 30, 2018	Additions	Reductions	
	Revenue Bonds - PT	\$ 20,080,000	\$ -	
Revenue Bonds - DB/DP	24,135,234	-	(1,115,679)	23,019,555
Net Premium on Revenue Bonds - PT	973,916	-	(204,573)	769,343
State Revolving Loans - DB/DP	25,680,383	-	(1,457,168)	24,223,215
\$ 70,869,533	\$ -	\$ (4,587,420)	\$ 66,282,113	

Changes in long-term debt for the year ended June 30, 2018.

	2018			Balance June 30, 2018
	Balance June 30, 2017	Additions	Reductions	
	Revenue Bonds - PT	\$ 21,760,000	\$ -	
Revenue Bonds - DB/DP	21,381,395	22,262,000	(19,508,161)	24,135,234
Net Premium on Revenue Bonds - PT	1,545,800	-	(571,884)	973,916
State Revolving Loans - DB/DP	16,882,731	9,702,586	(904,934)	25,680,383
Source Water Storage Agreement	2,155,900	-	(2,155,900)	-
\$ 63,725,826	\$ 31,964,586	\$ (24,820,879)	\$ 70,869,533	

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS

RISK MANAGEMENT

The Joint Water System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Joint Water System continues to carry commercial insurance coverage for property and casualty insurance and has effectively managed risk through various employee education and prevention programs. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions of coverage compared to the prior year.

HEALTH INSURANCE

The Joint Water System offers medical and life insurance through the State of South Carolina. The Joint Water System pays the entire cost of the employee portion of medical and dental coverage, and will pay a portion of dependent coverage if elected by the employee. Medical and life insurance totaled \$146,005 for the year ended June 30, 2019, compared to \$194,205 for the year ended June 30, 2018. The Joint Water System does not provide medical insurance to retirees.

DEFERRED COMPENSATION PLAN

The Joint Water System offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, which is administered and controlled by the State of South Carolina. The plan, available to all Joint Water System employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors of the Joint Water System in an amount equal to the fair market value of the deferred account for each participant. CitiStreet (under state contract) is the program administrator of the 457 Plan.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN

The Joint Water System participates in one of the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors ("PEBA Board"), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS" or "Plan"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

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

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

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA Board, are insufficient to maintain the period set in statute, the PEBA Board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent for the SCRS. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

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

	SCRS		
	2017	2018	2019
Employer Rate: [^]			
Retirement	11.41%	13.41%	14.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	11.56%	13.56%	14.56%
 Employee Rate	 8.66%	 9.00%	 9.00%

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

The required contributions and percentages of amounts contributed to the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Contributions	
	Required	% Contributed
2019	\$ 190,650	100%
2018	169,891	100%
2017	\$ 141,070	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS contribution increase for the year ended June 30, 2018 (measurement date). The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2018 (measurement date) to the Joint Water System was approximately \$10,786 for the SCRS.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Plan Contributions (Continued)

Eligible payrolls covered under the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Payroll
2019	\$ 1,309,406
2018	1,252,881
2017	\$ 1,220,323

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2018 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”), and are based on an actuarial valuation performed as of July 1, 2017. The TPL was rolled-forward from the valuation date to the Plan’s fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of the June 30, 2018 and 2017 measurement dates for the SCRS.

	Measurement Date	
	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	7.25%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	3.5% to 12.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (“2016 PRSC”), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
Educators	2016 PRCS Males multiplied by 92%	2016 PRCS Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRCS Males multiplied by 100%	2016 PRCS Females multiplied by 111%
Public Safety and Firefighters	2016 PRCS Males multiplied by 125%	2016 PRCS Females multiplied by 111%

Long-Term Expected Rate of Return

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

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94.00%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	<u>100.0%</u>		<u>5.03%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.28%</u>

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. The NPL total, as of the June 30, 2018 measurement date and the June 30, 2017 measurement date, for the SCRS is presented in the following table:

Measurement Date	TPL	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the TPL
June 30, 2018	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%
June 30, 2017	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

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

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

At June 30, 2019 and 2018, the Joint Water System reported a liability of \$2,709,028 and \$2,722,779, respectively, for its proportionate share of the NPL for the SCRS. The NPL was measured as of June 30, 2018 and 2017, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report as of July 1st of the preceding year that was projected forward to the measurement date. The Joint Water System's proportion of the NPL was based on a projection of the Joint Water System's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2018 measurement date, the Joint Water System's SCRS proportion was .012090 percent, which was a decrease of 0.000005 from its proportion measured as of June 30, 2017. At the June 30, 2017 measurement date, the Joint Water System's SCRS proportion was .012095 percent, which was an increase of 0.001175 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2019, the Joint Water System recognized pension expense of \$287,544 for the SCRS. At June 30, 2019, the Joint Water System reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 4,890	\$ 15,942
Change in Assumptions	107,479	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	43,033	-
Changes in Proportion and Differences Between the Employer Contribution and Proportionate Share	115,652	12,997
Joint Water System's Contributions Subsequent to the Measurement Date	190,650	-
Total SCRS	<u>\$ 461,704</u>	<u>\$ 28,939</u>

For the year ended June 30, 2018, the Joint Water System recognized pension expense of \$300,053 for the SCRS. At June 30, 2018, the Joint Water System reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 12,138	\$ 1,509
Change in Assumptions	159,389	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	76,007	-
Changes in Proportion and Differences Between the Employer Contribution and Proportionate Share	171,442	43,949
Joint Water System's Contributions Subsequent to the Measurement Date	169,891	-
Total SCRS	<u>\$ 588,867</u>	<u>\$ 45,458</u>

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

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

For the year ended June 30, 2019, the Joint Water System contributions subsequent to the measurement date of \$190,650 are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2020. For the year ended June 30, 2018, the Joint Water System contributions subsequent to the measurement date of \$169,891 were reported as deferred outflows of resources and were recognized as a reduction of the NPL in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	2019	2018
2019	\$ -	\$ 98,532
2020	150,116	159,595
2021	122,892	132,356
2022	(26,388)	(16,965)
2023	(4,505)	-
Total	\$ 242,115	\$ 373,518

Discount Rate

The discount rate used to measure the TPL for the current and preceding year was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Joint Water System's proportionate share of the NPL of the Plan to changes in the discount rate for the measurement date of June 30, 2018, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Joint Water System's proportionate share of the the net pension liability of the SCRS	\$ 3,461,635	\$ 2,709,028	\$ 2,170,987

The following table presents the sensitivity of the Joint Water System's proportionate share of the NPL of the Plan to changes in the discount rate for the measurement date of June 30, 2017, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Joint Water System's proportionate share of the the net pension liability of the SCRS	\$ 3,509,288	\$ 2,722,779	\$ 2,245,553

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Plan Fiduciary Net Position

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

Payable to Plan

The Joint Water System reported a payable of \$24,194 to the PEBA as of June 30, 2019, representing required employer and employee contributions for the month of June 2019 for the SCRS. This amount is included in Accrued Expenses and Other Liabilities on the financial statements and was paid in July 2019. The Joint Water System reported a payable of \$33,719 to the PEBA as of June 30, 2018, representing required employer and employee contributions for the month of June 2018 for the SCRS. This amount is included in Accrued Expenses and Other Liabilities on the financial statements and was paid in July 2018.

NOTE 7 – COMMITMENTS

In February 2013, the Joint Water System entered into a fifteen-year agreement for commercial power electric service. During the initial period of the agreement the Joint Water System is required to pay an excess facilities charge of \$1,535 per month through February 2028. The agreement expense was \$18,420 for the years ended June 30, 2019 and 2018. Future amounts to be paid for the commercial power electric service agreement are as follows:

Year Ended June 30,	2019	2018
2019	\$ -	\$ 18,420
2020	18,420	18,420
2021	18,420	18,420
2022	18,420	18,420
2023	18,420	18,420
2024	18,420	18,420
2025 - 2028	67,540	67,540
Total	<u>\$ 159,640</u>	<u>\$ 178,060</u>

During 2019, the South Carolina Department of Transportation ("SCDOT") has requested the Joint Water System to move its 30" DIP water line at Dixon Road. The Joint Water System does not believe that the water line needs to be moved and that the road construction work can proceed as planned. If SCDOT's request to move the water line is successful, the total estimated cost for this project is approximately \$1,400,000. At this time, it is uncertain (not probable) as to the final outcome on these discussions and thus no amounts have been recorded in these financial statements.

NOTE 8 - MAJOR CUSTOMERS

At June 30 2019, the Joint Water System had three customers which accounted for 27 percent, 12 percent, and 10 percent of operating revenue and 27 percent, 12 percent, and 9 percent of trade accounts receivable. At June 30 2018, the Joint Water System had four customers which accounted for 25 percent, 12 percent, 10 percent, and 10 percent of operating revenue and 18 percent, 8 percent, 7 percent, and 7 percent of trade accounts receivable.

REQUIRED SUPPLEMENTARY INFORMATION

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**SCHEDULE OF ANDERSON REGIONAL JOINT WATER SYSTEM'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM**

LAST SIX FISCAL YEARS

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Anderson Regional Joint Water System's Proportion of the Net Pension Liability	0.012090%	0.012095%	0.010920%	0.011083%	0.011640%	0.011640%
Anderson Regional Joint Water System's Proportionate Share of the Net Pension Liability	\$ 2,709,028	\$ 2,722,779	\$ 2,332,496	\$ 2,101,944	\$ 2,004,022	\$ 2,087,801
Anderson Regional Joint Water System's Covered Payroll	\$ 1,252,881	\$ 1,220,323	\$ 1,057,430	\$ 1,039,146	\$ 1,056,723	\$ 995,630
Anderson Regional Joint Water System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.22%	223.12%	220.58%	202.28%	189.64%	209.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	53.34%	52.91%	56.99%	59.92%	56.39%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The Joint Water System adopted GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST SIX FISCAL YEARS

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 190,650	\$ 169,891	\$ 141,070	\$ 116,952	\$ 113,267	\$ 112,013
Contributions in Relation to the Contractually Required Contribution						
Contributions from the Anderson Regional Joint Water System	190,650	159,105	141,070	116,952	113,267	112,013
Contributions from the State	-	10,786	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution Deficiency (Excess)						
Anderson Regional Joint Water System's Covered Payroll	\$ 1,309,406	\$ 1,252,881	\$ 1,220,323	\$ 1,057,430	\$ 1,039,146	\$ 1,056,723
Contributions as a Percentage of Covered Payroll	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

Notes to Schedule:

The Joint Water System adopted GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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SUPPLEMENTARY INFORMATION

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	<u>Potable Water</u>	<u>Raw Water</u>	<u>Total</u>
OPERATING REVENUES			
Operations and maintenance	\$ 4,205,548	\$ 199,605	\$ 4,405,153
Debt service	5,264,847	-	5,264,847
Renewal and replacement			
Water system	1,518,190	36,994	1,555,184
Pump station	68,210	-	68,210
Miscellaneous	93,994	-	93,994
Total operating revenues	<u>11,150,789</u>	<u>236,599</u>	<u>11,387,388</u>
OPERATING EXPENSES			
Salaries and wages	1,352,999	-	1,352,999
Payroll taxes and employee benefits	538,854	-	538,854
Operations and maintenance	2,314,753	174,567	2,489,320
Professional fees	23,600	-	23,600
Insurance	97,075	-	97,075
Total operating expenses before depreciation	<u>4,327,281</u>	<u>174,567</u>	<u>4,501,848</u>
Depreciation	2,326,042	317,972	2,644,014
Total operating expenses	<u>6,653,323</u>	<u>492,539</u>	<u>7,145,862</u>
Net operating income (loss)	<u>4,497,466</u>	<u>(255,940)</u>	<u>4,241,526</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	211,579	-	211,579
Water credits	(149,341)	-	(149,341)
Interest expense	(2,193,873)	-	(2,193,873)
Net non-operating expenses	<u>(2,131,635)</u>	<u>-</u>	<u>(2,131,635)</u>
INCOME BEFORE CONTRIBUTIONS			
Contributions in aid of construction	2,365,831	(255,940)	2,109,891
	<u>50,347</u>	<u>-</u>	<u>50,347</u>
Increase in net position	<u>2,416,178</u>	<u>(255,940)</u>	<u>2,160,238</u>
NET POSITION, beginning of year	<u>23,713,771</u>	<u>5,675,323</u>	<u>29,389,094</u>
NET POSITION, end of year	<u>\$ 26,129,949</u>	<u>\$ 5,419,383</u>	<u>\$ 31,549,332</u>

**ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Potable Water	Raw Water	Total
OPERATING REVENUES			
Operations and maintenance	\$ 4,476,454	\$ 207,530	\$ 4,683,984
Debt service	4,658,154	-	4,658,154
Renewal and replacement			
Water system	1,393,766	32,474	1,426,240
Pump station	71,597	-	71,597
Miscellaneous	121,179	-	121,179
Total operating revenues	<u>10,721,150</u>	<u>240,004</u>	<u>10,961,154</u>
OPERATING EXPENSES			
Salaries and wages	1,170,826	-	1,170,826
Payroll taxes and employee benefits	592,894	-	592,894
Operations and maintenance	2,015,119	182,492	2,197,611
Professional fees	151,769	-	151,769
Insurance	88,729	-	88,729
Total operating expenses before depreciation	<u>4,019,337</u>	<u>182,492</u>	<u>4,201,829</u>
Depreciation	2,106,446	317,972	2,424,418
Total operating expenses	<u>6,125,783</u>	<u>500,464</u>	<u>6,626,247</u>
Net operating income (loss)	<u>4,595,367</u>	<u>(260,460)</u>	<u>4,334,907</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	182,033	-	182,033
Water credits	(147,396)	-	(147,396)
Interest expense	(1,929,505)	-	(1,929,505)
Net non-operating expenses	<u>(1,894,868)</u>	<u>-</u>	<u>(1,894,868)</u>
INCOME BEFORE CONTRIBUTIONS			
Contributions in aid of construction	2,700,499	(260,460)	2,440,039
	<u>466,275</u>	<u>-</u>	<u>466,275</u>
Increase in net position	<u>3,166,774</u>	<u>(260,460)</u>	<u>2,906,314</u>
NET POSITION, beginning of year	<u>20,546,997</u>	<u>5,935,783</u>	<u>26,482,780</u>
NET POSITION, end of year	<u>\$ 23,713,771</u>	<u>\$ 5,675,323</u>	<u>\$ 29,389,094</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

TABLE OF CONTENTS

This part of Anderson Regional Joint Water System’s (“Joint Water System”) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Joint Water System’s overall financial health.

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Financial Trends Information <i>These schedules contain trend information to help the reader understand how the Joint Water System’s financial performance and well-being have changed over time.</i>	61-62
Revenue Capacity Information <i>These schedules contain information to help the reader assess the Joint Water System’s most significant local revenue source.</i>	63-64
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the Joint Water System’s current levels of outstanding debt and the Joint Water System’s ability to issue additional debt in the future.</i>	65-66
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Joint Water System’s financial activities take place.</i>	67-68
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Joint Water System’s financial report relates to the services the Joint Water System provides and the activities it performs.</i>	69-71

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**Anderson Regional Joint Water System
Net Position by Component
Last Ten Fiscal Years**

	Fiscal Year									
	2010	2011	2012	2013^	2014	2015 (1)	2016	2017^	2018	2019
Net investment in capital assets	\$ (2,916,638)	\$ (2,960,025)	\$ 6,764,644	\$ 10,381,807	\$ 13,051,846	\$ 14,347,080	\$ 14,989,451	\$ 19,878,163	\$ 20,985,489	\$ 23,982,911
Restricted for debt service and renewal and replacement	7,520,354	7,706,397	4,368,198	6,581,662	6,239,421	6,330,607	6,653,008	7,006,699	7,932,707	8,420,416
Unrestricted	3,594,684	3,433,770	2,665,474	3,364,198	2,301,035	(514,825)	(331,653)	(402,082)	470,898	(853,995)
Total net position	<u>\$ 8,198,400</u>	<u>\$ 8,180,142</u>	<u>\$ 13,798,316</u>	<u>\$ 20,327,667</u>	<u>\$ 21,592,302</u>	<u>\$ 20,162,862</u>	<u>\$ 21,310,806</u>	<u>\$ 26,482,780</u>	<u>\$ 29,389,094</u>	<u>\$ 31,549,332</u>

^As restated

(1) Restated due to the implementation of GASB #68 on pensions.

Anderson Regional Joint Water System
Changes in Net Position
Last Ten Fiscal Years

	Fiscal year									
	2010	2011	2012	2013 [^]	2014	2015 (1)	2016	2017 [^]	2018	2019
OPERATING REVENUES										
Operation and maintenance	\$ 3,244,935	\$ 3,314,929	\$ 3,381,270	\$ 3,549,009	\$ 3,413,820	\$ 3,902,083	\$ 4,228,816	\$ 4,695,657	\$ 4,683,984	\$ 4,405,153
Debt service	4,528,110	5,455,845	4,706,978	4,538,853	4,693,037	4,636,153	4,652,903	4,614,029	4,658,154	5,264,847
Renewal and replacement										
Water system	1,204,875	1,339,986	1,340,324	1,312,796	1,364,045	1,341,219	1,350,834	1,347,009	1,426,240	1,555,184
Pump station	81,683	81,641	81,153	79,206	72,005	71,144	71,489	70,688	71,597	68,210
Miscellaneous	-	61,355	94,368	48,652	38,140	162,336	85,634	99,678	121,179	93,994
Total operating revenues	<u>9,059,603</u>	<u>10,253,756</u>	<u>9,604,093</u>	<u>9,528,516</u>	<u>9,581,047</u>	<u>10,112,935</u>	<u>10,389,676</u>	<u>10,827,061</u>	<u>10,961,154</u>	<u>11,387,388</u>
OPERATING EXPENSES										
Salaries and wages	1,008,153	1,036,241	1,098,752	1,030,091	1,038,668	1,116,469	1,068,753	1,210,804	1,170,826	1,352,999
Payroll taxes and employee benefits	330,540	315,476	316,715	378,340	363,824	433,579	403,306	456,396	592,894	538,854
Operations and maintenance	1,542,557	1,614,201	1,744,900	1,869,062	2,233,994	2,968,608	2,834,616	2,698,472	2,197,611	2,489,320
Professional fees	38,869	82,789	38,434	68,093	57,001	134,612	145,737	194,928	151,769	23,600
Insurance	80,813	65,105	77,632	83,228	90,647	94,995	88,388	84,244	88,729	97,075
Total operating expenses before depreciation	<u>3,000,932</u>	<u>3,113,812</u>	<u>3,276,433</u>	<u>3,428,814</u>	<u>3,784,134</u>	<u>4,748,263</u>	<u>4,540,800</u>	<u>4,644,844</u>	<u>4,201,829</u>	<u>4,501,848</u>
Depreciation	1,697,013	1,814,277	1,867,560	1,955,937	2,267,658	2,441,177	2,456,714	2,259,007	2,424,418	2,644,014
Total operating expenses	<u>4,697,945</u>	<u>4,928,089</u>	<u>5,143,993</u>	<u>5,384,751</u>	<u>6,051,792</u>	<u>7,189,440</u>	<u>6,997,514</u>	<u>6,903,851</u>	<u>6,626,247</u>	<u>7,145,862</u>
Net operating income	<u>4,361,658</u>	<u>5,325,667</u>	<u>4,460,100</u>	<u>4,143,765</u>	<u>3,529,255</u>	<u>2,923,495</u>	<u>3,392,162</u>	<u>3,923,210</u>	<u>4,334,907</u>	<u>4,241,526</u>
NON-OPERATING REVENUES										
Interest income	260,441	272,102	227,164	158,947	158,650	158,133	157,646	160,739	182,033	211,579
Gain (loss) on sale of capital assets	-	8,452	2,500	-	(3,346)	-	-	-	-	-
Water credits	(226,260)	(940,928)	(223,841)	(160,466)	(143,790)	(144,177)	(144,164)	(144,171)	(147,396)	(149,341)
Interest expense	(3,030,746)	(3,192,740)	(2,666,291)	(2,436,919)	(2,352,959)	(2,394,320)	(2,257,700)	(2,197,538)	(1,929,505)	(2,193,873)
Amortization	(86,882)	(89,925)	(70,051)	-	-	-	-	-	-	-
Net non-operating expenses	<u>(3,083,447)</u>	<u>(3,943,039)</u>	<u>(2,730,519)</u>	<u>(2,438,438)</u>	<u>(2,341,445)</u>	<u>(2,380,364)</u>	<u>(2,244,218)</u>	<u>(2,180,970)</u>	<u>(1,894,868)</u>	<u>(2,131,635)</u>
INCOME BEFORE CONTRIBUTIONS	<u>1,278,211</u>	<u>1,382,628</u>	<u>1,729,581</u>	<u>1,705,327</u>	<u>1,187,810</u>	<u>543,131</u>	<u>1,147,944</u>	<u>1,742,240</u>	<u>2,440,039</u>	<u>2,109,891</u>
Contributions in aid of construction	-	3,479,154	3,888,593	5,628,942	76,825	3,217	-	-	466,275	50,347
Change in net position	1,278,211	4,861,782	5,618,174	7,334,269	1,264,635	546,348	1,147,944	1,742,240	2,906,314	2,160,238
NET POSITION, beginning of year	2,058,407	3,336,618	8,180,142	13,798,316	20,327,667	21,592,302	20,162,862	21,310,806	26,482,780	29,389,094
Prior period adjustment/restatement	-	-	-	(804,918)	-	(1,975,788)	-	3,429,734	-	-
NET POSITION, end of year	<u>\$ 3,336,618</u>	<u>\$ 8,198,400</u>	<u>\$ 13,798,316</u>	<u>\$ 20,327,667</u>	<u>\$ 21,592,302</u>	<u>\$ 20,162,862</u>	<u>\$ 21,310,806</u>	<u>\$ 26,482,780</u>	<u>\$ 29,389,094</u>	<u>\$ 31,549,332</u>

[^]As restated

(1) Restated due to the implementation of GASB #68 on pensions.

**Anderson Regional Joint Water System
Customers in Gallons and Dollars
Last Ten Fiscal Years**

In Gallons	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City of Anderson	1,630,500,081	1,612,278,950	1,601,112,501	1,494,611,114	1,515,362,989	1,659,869,416	1,692,085,040	1,675,420,886	1,550,307,863	1,601,455,883
Hammond Water District	654,100,000	697,100,000	705,300,000	622,300,000	611,716,150	695,128,492	742,951,907	817,724,414	721,836,600	719,674,319
City of Clemson	682,100,000	717,600,000	719,600,000	624,500,000	619,933,190	687,687,393	684,002,810	719,833,496	678,279,597	709,287,155
Sandy Springs Water District	719,418,000	732,082,000	739,907,000	685,171,000	574,342,000	634,376,000	693,464,000	676,145,000	644,365,000	646,722,002
West Anderson Water District	485,170,000	507,349,000	510,139,000	456,863,000	437,154,070	483,558,585	488,211,643	499,088,397	476,433,623	497,168,675
Clemson University	351,516,000	340,000,000	349,000,000	324,200,000	290,319,434	325,848,985	334,739,199	370,396,234	339,557,047	368,504,193
Starr-Iva Water District	410,900,000	412,500,000	347,100,000	357,600,000	349,500,000	344,625,844	335,393,612	364,136,647	347,549,155	356,585,786
Big Creek Water District	340,700,000	352,900,000	352,100,000	356,000,000	320,500,000	327,300,000	319,300,000	329,500,000	346,400,000	341,000,000
Broadway Water District	240,785,934	280,414,280	258,756,300	239,967,800	219,143,702	246,409,751	265,805,885	266,481,792	260,901,281	254,509,570
Homeland Park Water	229,201,000	235,392,000	214,220,000	224,319,000	246,768,000	244,141,000	260,162,000	235,569,245	242,189,114	233,363,541
Town of Williamston	263,000,000	256,800,000	227,300,000	206,400,000	222,527,864	182,186,406	199,366,923	201,995,056	180,843,845	192,152,054
Town of Pendleton	128,200,000	111,380,000	109,720,000	106,560,000	103,760,000	108,510,000	110,180,000	103,540,000	85,184,693	132,686,522
Powersville Water District	170,600,000	171,680,000	193,500,000	153,900,000	58,800,000	121,700,000	220,230,000	168,700,000	180,700,000	51,800,000

In Dollars	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City of Anderson	\$ 2,458,477	\$ 2,580,348	\$ 2,590,282	\$ 2,498,978	\$ 2,657,415	\$ 2,767,976	\$ 2,802,047	\$ 2,861,114	\$ 2,909,988	\$ 3,071,297
Sandy Springs Water District	1,141,970	1,207,703	1,215,510	1,174,368	1,168,649	1,215,057	1,258,638	1,280,991	1,305,225	1,360,301
City of Clemson	874,872	925,719	938,967	840,701	951,472	1,014,988	1,039,026	1,087,300	1,087,486	1,155,688
Hammond Water District	826,127	908,188	914,731	838,792	907,984	962,662	999,185	1,099,190	1,057,912	1,112,860
West Anderson Water District	595,988	632,157	639,016	610,298	636,466	665,973	677,507	724,872	734,071	770,078
Starr-Iva Water District	575,032	593,303	567,273	584,918	586,511	586,004	583,391	607,711	630,307	655,026
Clemson University	474,547	503,200	530,480	502,510	449,562	550,685	585,767	687,497	617,994	681,733
Big Creek Water District	495,283	521,828	523,160	523,522	536,951	550,207	547,475	563,446	595,746	611,431
Town of Williamston	348,098	350,225	331,781	317,934	345,782	322,584	334,333	344,850	337,965	356,705
Broadway Water District	310,002	348,431	341,086	316,790	339,786	361,180	376,588	391,688	403,150	418,561
Homeland Park Water	270,760	280,457	272,514	286,555	304,076	302,273	316,774	311,761	326,381	324,699
Powersville Water District	212,154	217,271	232,832	212,519	157,624	192,614	273,812	262,532	269,084	169,595
Town of Pendleton	\$ 190,660	\$ 191,391	\$ 188,239	\$ 181,454	\$ 194,782	\$ 200,872	\$ 205,410	\$ 202,753	\$ 197,450	\$ 242,112

**Anderson Regional Joint Water System
Ten Largest Businesses
Last Ten Fiscal Years**

In Gallons	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Clemson University	351,516,000	340,000,000	349,000,000	324,200,000	290,319,434	325,848,985	334,739,199	385,745,471	339,557,047	368,504,193
Michelin North America - Sandy Springs	151,491,839	179,299,615	149,305,900	142,815,800	146,465,300	131,032,000	145,248,800	139,164,600	140,023,800	222,301,600
Owens Corning Fiberglass	64,083,404	68,644,708	66,219,692	62,219,388	65,429,804	68,760,648	79,341,856	45,749,176	48,577,364	69,273,028
Glen Raven Mills	63,800,962	49,272,300	49,871,800	51,070,900	52,254,700	51,988,600	60,195,300	65,070,700	66,003,000	63,463,200
Michelin North America - City of Anderson	23,113,200	27,376,800	27,002,800	34,244,936	46,922,788	60,248,408	58,219,084	54,603,910	54,039,260	59,875,156
AnMed Health Main Campus	53,939,028	54,500,028	54,215,040	42,340,540	41,762,336	48,153,996	54,138,744	49,830,264	48,756,884	43,245,620
Robert Bosch Corporation	28,242,000	39,061,000	42,100,000	38,833,000	39,157,000	40,527,000	40,356,000	41,489,000	41,610,000	43,168,000
Anderson University							30,143,652	23,597,904	32,294,900	33,502,172
JPS Composite Materials Corp	27,720,132	28,238,496	28,603,520	33,291,236	33,339,856	32,992,784	30,138,416	26,600,376	29,920,000	38,250,476
AnMed Health North Campus	29,895,000	32,442,000	29,796,000	28,376,000	30,014,000	29,433,000	30,182,000		33,887,000	25,870,000
Electrolux Home Products*					27,833,000	29,835,000		20,894,000		
Anderson County	26,102,208									
First Quality Tissue SE			240,116,976	556,752,856						
Utility Services of South Carolina		22,819,000								

In Dollars	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Clemson University	\$ 474,547	\$ 503,000	\$ 530,480	\$ 502,510	\$ 449,562	\$ 550,685	\$ 585,767	\$ 687,497	\$ 617,994	\$ 681,733
Michelin North America - Sandy Springs	200,113	280,999	276,359	444,657	316,339	280,999	290,729	319,973	331,630	344,566
Owens Corning Fiberglass	144,578	171,412	180,997	179,098	183,454	182,928	199,280	145,629	183,220	197,029
Glen Raven Mills	182,198	178,864	190,524	202,796	215,124	178,684	316,745	420,463	447,734	430,722
Michelin North America - City of Anderson	49,537	65,654	69,583	88,108	124,094	160,440	159,898	153,784	147,594	164,015
AnMed Health Main Campus	86,999	97,684	104,485	84,314	84,248	98,799	114,317	104,268	104,519	98,558
Robert Bosch Corporation	91,092	133,649	144,092	134,943	131,645	151,452		153,208	175,682	162,051
Anderson University							95,978	73,500	103,502	112,712
JPS Composite Materials Corp	41,830	48,297	52,487	60,898	60,982	60,384	55,461	49,359	55,084	73,335
AnMed Health North Campus	96,636	111,291	107,448	104,392	110,949	119,964	\$ 121,082		\$ 141,545	\$ 90,796
Electrolux Home Products*					\$ 187,411	\$ 200,924		\$ 146,942		
Anderson County	\$ 98,954									
First Quality Tissue SE			\$ 134,095	\$ 270,617						
Utility Services of South Carolina		\$ 77,235								

*Data not available for Eletrolux Home Products for years 2010 through 2013

**Anderson Regional Joint Water System
 Ratios of Bonded Debt Outstanding
 Last Ten Fiscal Years**

Fiscal Year	Revenue bonds*	State revolving loans	Note Payable	Personal income (in thousands)	Estimated Population (1)	As a share of personal income	Per capita
2010	\$ 57,593,743	\$ 10,666,519	\$ 476,755	\$ 5,686,390	189,436	1.21%	\$ 363
2011^	57,625,627	10,327,618	411,284	5,690,731	192,765	1.20%	355
2012	53,497,352	12,153,460	343,122	5,783,186	194,646	1.14%	339
2013	52,340,641	16,003,977	272,157	5,928,003	195,779	1.16%	350
2014	49,494,056	16,350,486	198,274	6,074,773	197,117	1.09%	335
2015	46,904,694	15,531,019	121,353	6,662,035	199,222	0.94%	314
2016	47,230,642	14,665,796	41,269	6,855,779	200,506	0.90%	309
2017	44,687,195	16,882,731	-	6,953,875	202,140	0.89%	305
2018	45,189,150	25,680,383	-	7,244,229	206,527	0.98%	343
2019	\$ 42,058,898	\$ 24,223,215	\$ -	\$ 7,774,898	207,924	0.85%	\$ 319

(1) Sources: Appalachian Council of Governments, Anderson County Planning Division

* Debt balances include premiums and discounts

^As restated

**Anderson Regional Joint Water System
Debt Service Coverage
Last Ten Fiscal Years**

	Fiscal Year									
	2010~	2011~	2012~	2013^~	2014	2015 (1)	2016	2017^	2018	2019
Change in Net Position	\$ 1,278,211	\$ 4,861,782	\$ 5,618,174	\$ 7,334,269	\$ 1,264,635	\$ 546,348	\$ 1,147,944	\$ 1,742,240	\$ 2,906,314	\$ 2,160,238
Less Contributions in Aid	-	(3,479,154)	(3,888,593)	(5,628,942)	(76,825)	(3,217)	-	-	(466,275)	(50,347)
Plus Interest Expense	3,030,746	3,192,736	2,666,291	2,436,919	2,352,959	2,394,320	2,257,700	2,197,538	1,929,505	2,193,873
Plus Water Credits	226,260	940,928	223,841	160,466	143,790	144,177	144,164	144,171	147,396	149,341
Plus Gain/Loss on Capital Assets	-	8,452	2,500	-	3,346	-	-	-	-	-
Plus Depreciation	1,697,013	1,814,277	1,867,560	1,955,937	2,267,658	2,441,177	2,456,714	2,259,007	2,424,418	2,644,014
Plus Contingency Reserve Draws	-	-	-	-	467,841	613,887	180,000	25,500	132,000	466,000
Plus Changes in Pension Related Balances	-	-	-	-	-	-	11,401	34,884	130,162	96,893
Net Earnings	\$ 6,232,230	\$ 7,339,021	\$ 6,489,773	\$ 6,258,649	\$ 6,423,404	\$ 6,136,692	\$ 6,197,923	\$ 6,403,340	\$ 7,203,520	\$ 7,660,012
Debt Service	\$ 4,366,746	\$ 4,738,747	\$ 4,709,821	\$ 4,562,007	\$ 5,033,392	\$ 4,657,618	\$ 4,652,903	\$ 4,614,092	\$ 4,658,154	\$ 5,264,847
Debt Service Coverage Ratio*	1.43X	1.55X	1.38X	1.37X	1.28X	1.32X	1.33X	1.39X	1.55X	1.45X

*1.20X Required

^As restated

~Recalculated based on updated methods

(1) Restated due to the implementation of GASB #68 on pensions.

**Anderson Regional Joint Water System
Principal Employers (Anderson and Pickens County)
Current Fiscal Year and Nine Fiscal Years Ago**

Employer	Fiscal Year 2019			Fiscal Year 2010		
	Employees	Rank	% of System Employment	Employees	Rank	% of System Employment
Clemson University	5,268	1	2.53%	4,500	1	2.38%
Anderson County School Districts	4,082	2	1.96%	5,085	2	2.68%
Anderson Area Medical Center	3,755	3	1.81%	4,000	3	2.11%
Electrolux Home Products, Inc.	1,950	4	0.94%	1,400	5	0.74%
Robert Bosch Corporation	1,431	5	0.69%	1,250	6	0.66%
Michelin Tire Corporation	1,220	6	0.59%	800	7	0.42%
Techtronic Industries Power Equipment	1,100	7	0.53%			
Anderson County	915	8	0.44%	920	8	0.49%
First Quality	797	9	0.38%			
Glen Raven	775	10	0.37%	772	9	0.41%
State of South Carolina				1,826	4	0.96%
Wal-Mart Supercenters				725	10	0.38%

**Anderson Regional Joint Water System
Demographic and Economic Data
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Personal income (1)</u>	<u>Unemployment Rate (2)</u>
2010	189,436	\$ 30,496	12.2%
2011	192,765	30,014	10.8%
2012	194,646	30,167	9.6%
2013	195,779	30,716	8.0%
2014	197,117	31,418	6.1%
2015	199,222	34,228	6.1%
2016	200,506	35,083	5.0%
2017	202,140	35,297	4.1%
2018	206,527	36,147	3.8%
2019	207,924	\$ 38,271	3.2%

(1) Sources: Appalachian Council of Governments, Anderson County Planning Division

(2) Federal Reserve Bank of St. Louis

**Anderson Regional Joint Water System
 Departmental Breakdown of System Employees
 Last Ten Fiscal Years**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Department</u>										
Administrative	5	5	4	4	3	3	3	3	3	3
Engineering	1	1	1	1	1	1	1	1	1	1
Maintenance	5	6	6	6	6	6	6	6	6	6
Operations	9	9	8	8	7	7	7	7	7	7
	<u>20</u>	<u>21</u>	<u>19</u>	<u>19</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>

**Anderson Regional Joint Water System
Capital Assets
Last Ten Fiscal Years**

Water Distribution System	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Appurtenances</u>										
Elevated Tanks	10	10	10	10	10	10	10	10	10	10
Ground Storage Tanks	3	3	3	3	3	3	3	3	3	3
Booster Pump Stations	2	2	2	2	2	2	2	2	2	2
Master Meters	41	41	41	41	41	41	41	41	41	41
Plant Capacity	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD
<u>Water Mains</u>										
Total Linear Feet	211,200	253,440	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000
Total Linear Miles	40	48	50	50	50	50	50	50	50	50

**Anderson Regional Joint Water System
Wholesale and Retail Level of Effort
For the Year Ended June 30, 2019**

	Wholesale Water Rate (per 5,000 gal) ³	Retail Water Rate (per 5,000 gals)	Median Household Income (1)	Wholesale Level of Effort	Retail Level of Effort
City of Anderson	9.59	22.84	34,933	0.33%	0.78%
Big Creek Water District	8.97	38.63	50,986	0.21%	0.91%
Broadway Water & Sewer District	8.22	42.68	44,646	0.22%	1.15%
City of Clemson	8.15	27.41	37,792	0.26%	0.87%
Clemson University ¹	9.25	N/A	N/A	N/A	N/A
Hammond Water District	7.73	25.74	76,360	0.12%	0.40%
Homeland Park Water & Sewer District	6.96	28.00	30,862	0.27%	1.09%
Town of Pendleton	9.12	35.85	42,523	0.26%	1.01%
Powdersville Water District	16.37	36.52	64,781	0.30%	0.68%
Sandy Springs Water District	10.52	36.98	56,941	0.22%	0.78%
Starr-Iva Water & Sewer District	9.18	42.05	35,600	0.31%	1.42%
West Anderson Water District	7.74	33.43	54,010	0.17%	0.74%
Town of Williamston	9.28	33.18	47,809	0.23%	0.83%
Town of Central ²	N/A	26.00	28,030	N/A	1.11%

Note: Per the Rural Infrastructure Authority, any amount above a 2% level of effort for retail water rates is considered unaffordable.

¹ Clemson University is a state agency that does not bill water to consumers based on consumption.

² Town of Central sits on the Board of Anderson Regional Joint Water System, but they are not billed directly for wholesale water. The Town of Central receives wholesale water via the City of Clemson and are billed by them accordingly.

³ Anderson Regional Joint Water System is jointly governed by all participating member agencies. Revenues are not calculated based on a direct rate applied to gallons of water purchased, but rather on the individual member agency's allocated capital charges, budgeted expenses, and gallons purchased. The wholesale water rate presented is calculated by dividing total billings by gallons purchased.

(1) Sources: Appalachian Council of Governments, Anderson County Planning Division

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COMPLIANCE SECTION

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Anderson Regional Joint Water System
Anderson, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Anderson Regional Joint Water System, South Carolina (the "Joint Water System"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Joint Water System's basic financial statements, and have issued our report thereon dated October 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Joint Water System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Joint Water System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Joint Water System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint Water System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
October 4, 2019

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE SERVICE AREA

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ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE SERVICE AREA

The System is located in Anderson and Pickens Counties, with the System serving approximately 85% of the population of Anderson County and approximately 35% of the population of Pickens County. Certain information related to Anderson County and Pickens County is included in this Appendix B.

ANDERSON COUNTY, SOUTH CAROLINA

General

Anderson County, South Carolina is located in northwestern South Carolina in the Piedmont Plateau and contains 777 square miles. Anderson County is situated halfway between Atlanta, Georgia and Charlotte, North Carolina, and is bounded by Pickens County to the south and the State of Georgia to the west. The largest city in Anderson County is the City of Anderson, with other incorporated areas being Belton, Honea Path, Williamston, Pendleton, Starr, Iva, Pelzer, West Pelzer and a portion of the City of Clemson. According to the United States Census Bureau, Anderson County had a population of 187,126 in 2010 and an estimated population of 202,558 as of July 1, 2019.

Anderson County is traversed by Interstate I-85, which is four miles north of the City of Anderson. This proximity and access to the major north-south thoroughfare, known in economic development circles as the “I-85 Corridor”, has had a significant impact on the growth and development of Anderson County.

The City of Anderson is located in the geographic center of Anderson County, and had a population of approximately 26,686 in 2010 and an estimated population of 27,676 as of July 1, 2019. The City of Belton is located approximately seven miles west of the City of Anderson with a population of approximately 4,455 in 2019. The Town of Honea Path is located southeast of the Cities of Anderson and Belton near the border of Anderson County and had a population of approximately 3,826 in 2019. The Town of Pendleton is located northwest of the City of Anderson near Clemson University and had a population of approximately 3,285 in 2019. The Town of Williamston is located approximately ten miles from the City of Anderson near the Greenville County border and had a population of approximately 4,260 in 2019. Other incorporated areas in Anderson County are the Towns of Iva, Starr, Pelzer and West Pelzer.

Commerce and Industry

Like most of its surrounding areas, Anderson County was once dominated by textile and apparel-related industries. Today, however, Anderson County is benefiting from a diverse industrial economy, the products of which include semi-finished rubber goods, packaging machinery, fiberglass fabrics, fuel injection equipment and various textile-related goods.

Anderson County is an integral part of the I-85 Corridor within the State and is a regional retail center, serving an 11-county area, including several counties in Georgia. According to the South Carolina Department of Revenue, gross retail sales for 2019 were \$6,181,068,499.

Anderson County has numerous sites available for industrial locations or expansions, including research and industrial parks. Anderson County was chosen in the early 1980’s as the site for the Clemson Research Park (the “Clemson Park”), one in a series of three university-related research parks developed in the State by the South Carolina Research Authority, a public, non-profit corporation created by State statute. In 1986, Clemson University, which is located adjacent to the Clemson Park, began the process of consolidating its computer operations into a \$4 million center located at Clemson Park. In 2004, Clemson

University opened a \$70 million Advanced Materials Research Center in Clemson Park. The Anderson Development Partnership recently purchased Clemson Park to further Anderson County’s ability to grow economically. It is expected that these developments, along with the proximity of Clemson Park to Clemson University, will entice high technology industry into Clemson Park by offering to potential locating businesses the most modern computer facilities and equipment and research and development facilities available. The remaining two university-related research parks include the Alliance Park, a Class A industrial park located on I-85 with a 57,000-square-foot spec building, and Anderson Airport Business Park, a 157-acre park owned by Anderson County.

Recent economic developments include the announcement in July 2020 by Sargent Metal Fabricators, a custom metal fabrication company, to expand operations in Anderson County. The company’s \$9.5 million investment will create 50 new jobs over the next five years.

In October 2019 , Strategy Plastics, LLC, a full service plastic injection molding company, announced plans to expand to Anderson County. The more than \$3.4 million investment is projected to create 81 new jobs.

In February 2019, Ortec, a leading biomaterial and polymer technology company, announced growing its Anderson County operations. The company intends to invest \$20 million and create approximately 18 new jobs.

In November 2018, Bosch announced plans to expand its existing Anderson County operations. To accommodate its continued growth, Bosch is investing an additional \$45 million.

In September 2018, Element Materials Technology, a leader in materials and product qualification testing, announced plans to open new operations in Anderson County. The company’s \$3.4 million investment is projected to create 31 new jobs.

In June 2018, Southern Current, developer of utility-scale solar energy facilities across the southeastern United States, announced the expansion of its solar farm portfolio with five new facilities throughout Anderson County. The company is investing \$30 million in these projects.

Retail Sales

The following table shows gross retail sales for businesses located in Anderson County for the last five calendar years:

<u>Year</u>	<u>Gross Retail Sales</u>
2019	\$6,181,068,499
2018	6,318,872,147
2017	5,998,264,782
2016	5,549,897,945
2015	5,719,668,208

Source: South Carolina Department of Revenue.

Labor Force

The following table shows estimates of average labor force employment and unemployment in Anderson County for the past five calendar years:

	2015	2016	2017	2018	2019
Civilian Labor Force	88,613	89,049	89,513	90,434	91,576
Employment	83,814	84,947	85,993	87,481	89,109
Unemployment	4,799	4,102	3,520	2,953	2,467
Unemployment Rate	5.4%	4.6%	3.9%	3.3%	2.7%

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

Source: South Carolina Department of Employment and Workforce.

Principal Employers

The top ten principal employers located within Anderson County in 2019 and their approximate number of employees are listed below.

<u>Name</u>	<u>Approximate Number of Employees</u>
Anderson County School District	4,082
Anderson Area Medical Center (AnMed Health)	3,915
Electrolux Home Products, Inc.	1,950
Robert Bosch Corporation	1,431
Michelin North America Inc.	1,220
Techtronic Industries Power Equip.	1,100
Anderson County	915
First Quality	797
Glen Raven Custom Fabrics	775
E & I Engineering	602

Source: Anderson County 2019 CAFR.

Per Capita Income

The per capita income in Anderson County for each of the last five calendar years for which information is available is shown below.

<u>Year</u>	<u>Per Capita Income</u>
2019	N/A
2018	\$39,710
2017	38,391
2016	37,066
2015	36,161
2014	34,814

Source: United States Bureau of Economic Analysis.

Unemployment Rate

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

<u>Date</u>	<u>Unemployment Rate</u>
May 2020	12.4 ^P %
April 2020	12.6
March 2020	2.8
February 2020	2.9
January 2020	2.8
December 2019	2.2
November 2019	2.2
October 2019	2.3
September 2019	1.9
August 2019	2.7
July 2019	2.9
June 2019	3.1

^P Preliminary.

Source: U.S. Bureau of Labor Statistics.

The average unemployment rate in Anderson County, the State of South Carolina and the United States for each of the last five calendar years is shown below.

<u>Year</u>	<u>Anderson County</u>	<u>South Carolina</u>	<u>United States</u>
2019	2.7%	2.8%	3.7%
2018	3.3	3.5	3.9
2017	3.9	4.3	4.4
2016	4.6	5.0	4.9
2015	5.4	6.0	5.3

Source: South Carolina Employment Security Commission, Labor Market Information and Bureau of Labor Statistics.

PICKENS COUNTY, SOUTH CAROLINA

General

Pickens County, South Carolina is located in the Appalachian highlands of northwestern South Carolina and encompasses approximately 497 square miles. Seven incorporated municipalities are located in Pickens County: Central, Clemson, Easley, Liberty, Norris, Pickens and Six Mile. According to the United States Census Bureau, Pickens County had a population of 119,224 in 2010 and an estimated population of 126,884 as of July 1, 2019.

Commerce and Industry

Manufacturing is the primary source of economic growth in Pickens County with the presence of a diverse workforce, comprised of skilled advanced manufacturing workers in industries from metalworking and automotive to fibers and kayaks to ceramics and implant cardio defibrillators. Education also has a major presence within the area with Clemson University and the School District of Pickens County employing over 5,200 and 2,000 people, respectively. The Economic Development Alliance of Pickens County was established in 2005 to aggressively promote and preserve job opportunities and increase per capita income through recruitment and expansion of existing business and industry in Pickens County.

In August 2019, KP Components, a Denmark-based supplier that specializes in fully-automated machining of high precision metal components, announced plans to expand its Pickens County operations and construct a new 50,000 square-foot manufacturing facility and support its U.S. market growth. The more than \$16 million investment is expected to generate 47 new jobs.

In May 2019, U.S. Waffle Company, a privately-held organization utilizing fresh ingredients and state-of-the-art equipment to produce frozen pancakes and waffles, announced plans to launch a new frozen food processing facility in Pickens County. The company's \$22.1 million investment is projected to create approximately 114 new jobs.

In April 2019, IPSUM Technologies, a high-tech advanced manufacturing company focused on aerospace, space, defense, pharmaceuticals and composites, announced plans to launch new production in Pickens County, moving into an existing facility at the Pickens County Commerce Park. The \$19.3 million investment is projected to create approximately 55 new jobs.

In March 2018, United Tool and Mold, Inc., a leading provider of new tooling projects, engineering changes and repair services for the plastics industry, announced plans to expand its Pickens County operations to construct a new 60,000 square-foot, state-of-the-art facility. The \$11.1 million investment was projected to create 17 additional jobs.

Retail Sales

The following table shows gross retail sales for businesses located in Pickens County for the last five calendar years:

<u>Year</u>	<u>Gross Retail Sales</u>
2019	\$2,542,707,404
2018	2,542,119,613
2017	2,534,629,329
2016	2,548,103,490
2015	2,408,680,841

Source: South Carolina Department of Revenue.

Labor Force

The following table shows estimates of average labor force employment and unemployment in Pickens County for the past five calendar years:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force	56,157	56,452	56,283	56,971	57,667
Employment	52,909	53,633	53,956	55,050	56,063
Unemployment	3,248	2,819	2,327	1,921	1,604
Unemployment Rate	5.8%	5.0%	4.1%	3.4%	2.8%

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

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

Principal Employers

The following are the principal employers in Pickens County for the fiscal year 2019:

<u>Name</u>	<u>Approximate Number of Employees</u>
Clemson University	5,222
School District of Pickens County	2,021
ARAMARK Services	800
Pickens County	714
Palmetto Baptist Easley	656
Abbott (formerly St. Jude Medical, Inc.)	490
Reliable Automatic Sprinkler Company, Inc.	450
YH America, South Carolina, LLC	378
Comatrol (formerly Sauer-Danfoss)	336

Source: Pickens County CAFR FY 2019.

Per Capita Income

The per capita income in Pickens County for each of the last five calendar years for which information is available is shown below:

<u>Year</u>	<u>Per Capita Income</u>
2019	N/A
2018	\$38,344
2017	36,973
2016	35,645
2015	34,713
2014	33,246

Source: United States Bureau of Economic Analysis.

Unemployment Rate

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

<u>Date</u>	<u>Unemployment Rate</u>
May 2020	12.4 ^P %
April 2020	12.6
March 2020	2.8
February 2020	3.0
January 2020	2.8
December 2019	2.3
November 2019	2.3
October 2019	2.3
September 2019	2.0
August 2019	2.9
July 2019	3.0
June 2019	3.2

Source: United States Department of Labor, Bureau of Labor Statistics.

^P Preliminary.

The average unemployment rate in Pickens County, the State of South Carolina and the United States, for each of the last five calendar years is shown below.

<u>Year</u>	<u>Pickens County</u>	<u>South Carolina</u>	<u>United States</u>
2019	2.8%	2.8%	3.7%
2018	3.4	3.5	3.9
2017	4.1	4.3	4.4
2016	5.0	5.0	4.9
2015	5.8	6.0	5.3

Source: United States Department of Labor, Bureau of Labor Statistics; South Department of Employment and Workforce.

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APPENDIX C

CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS

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CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS

Set forth in this Appendix C is certain information relating to four major water purchasers of the System and their respective water systems. Each capitalized term not otherwise defined in this Appendix C shall have the meaning given in the Official Statement to which this Appendix C is attached.

CITY OF ANDERSON, SOUTH CAROLINA

The City of Anderson (“*Anderson*”) owns and operates a water and sewer system (the “*Anderson System*”) that provides water and sewer service within Anderson and its surrounding areas. The Anderson System was originally established in 1893 as Anderson Water, Light and Power Company. In 1913, the Southern Power Company, which later became Duke Energy (“*Duke Energy*”), acquired the water and power operation. Over the years, Duke Energy expanded the Anderson System to serve not only Anderson, but also a large area of Anderson County. Anderson acquired the Anderson System from Duke Energy in 2002. Anderson has always maintained ownership and operation of the sewer system portion of the Anderson System and currently provides sewer services to approximately 18,233 sewer customers in Anderson and surrounding areas. The existing wastewater treatment plants were originally constructed in 1967 and have been expanded and upgraded over the years.

Administration

Anderson is responsible for the operation of the Anderson System. The Utilities Division of Anderson, under the direction of the Utilities Director, is responsible for the day-to-day operation of the Anderson System and staffed by 17 full-time positions. The administrative and finance section, under the guidance of the Anderson Finance Director, employs 10 full-time employees.

Service Area

The water system portion of the Anderson System serves customers within the city limits and portions of Anderson County. The service area of the Anderson System is approximately 31 square miles, with Anderson encompassing approximately 14 square miles of this service area. While the majority of customers in the service area are residential, the water system portion of the Anderson System also serves commercial and industrial concerns. As of June 30, 2019, there were approximately 16,509 meters within the service area of the Anderson System. The residential meters within the water system portion of the Anderson System serve an estimated 40,500 people.

Facilities

The Municipal Water Sales Agreement allocates 14.12 MGD, or 29.42%, of the System’s water treatment plant’s total capacity of 48 MGD to Anderson. The current daily average water demand is estimated at 4.39 MGD. Pursuant to the terms of the Municipal Water Sales Agreement, Anderson is obligated to pay for its allocated capacity on a monthly basis regardless of its actual needs. While the Issuer owns and maintains the booster pump stations, storage reservoirs and transmission mains serving the wholesale interests, Anderson owns and maintains the associated potable water transmission and distribution system, the elevated storage tanks, meters, valves, fire hydrants, and related appurtenances. Specifically, Anderson owns approximately 370 miles of water lines ranging in size from ¾-inch to 30 inches, approximately 16,509 metered services, seven 500,000 gallon elevated storage tanks, approximately 1,048 fire hydrants, and the Tribble Street Operations Center on three acres. A booster pump station on Hillman Drive and a booster pump station on Highway 28 By-Pass are included within the distribution

system, each supplying special pressure requirements to one area of the water system portion of the Anderson System.

Regulation and Permits

The water system portion of the Anderson System is subject to regulation of the South Carolina Department of Health and Environmental Control (“DHEC”) with regard to the quality of water sold to customers. The State requires that distribution monitoring samples be collected and analyzed throughout the month, with monthly reports forwarded to DHEC. Anderson’s Water Department is responsible for following the Distribution Compliance Monitoring Program which states that a minimum of 50 routine total coliform samples be collected each month at any of the 60 predefined sampling locations throughout the water system portion of the Anderson System.

Historical Water Demand

The billed usage for the last five fiscal years is shown below:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Billed Usage</u> <u>(1,000 gals.)</u>
2019	1,407,489
2018	1,364,342
2017	1,465,458
2016	1,437,609
2015	1,389,043

Water Service Charges and Billing

The rates set forth in the tables below were in effect as of June 30, 2019. Rates are based on meter size. All new customers of the water system portion of the Anderson System are required to pay a security deposit of approximately \$60 for new customers inside the city limits or \$100 for new customers outside the city limits. The tables below set forth the minimum monthly charges based on meter size and the additional charge per 100 cubic feet for usage in excess of amounts allocated for each meter size.

Minimum Monthly Bill by Meter Size

<u>Meter Size</u>	<u>Water Usage</u>	<u>Minimum Charge</u> <u>(In City)</u>	<u>Minimum Charge</u> <u>(Outside City)</u>
¾-inch	200 cu. ft. or less	\$11.21	\$21.79
1-inch	400 cu. ft. or less	15.77	30.65
1½-inch	1,200 cu. ft. or less	35.40	68.80
2-inch	2,500 cu. ft. or less	66.31	128.87
3-inch	9,500 cu. ft. or less	217.68	423.04
4-inch	15,000 cu. ft. or less	366.61	654.17
6-inch	33,500 cu. ft. or less	690.87	1,342.63
8-inch	53,600 cu. ft. or less	897.16	1,743.54

Water Rates for Additional Usage

		<u>In City</u>	<u>Outside City</u>
First	200 cu. ft. or less	\$11.21	\$21.79
Next	400 cu. ft. per hundred	2.28	4.43
Next	1,400 cu. ft. per hundred	2.51	4.88
Next	18,000 cu. ft. per hundred	2.16	4.20
Next	30,000 cu. ft. per hundred	1.82	3.54
Over	50,000 cu. ft. per hundred	1.37	2.66

The projected residential monthly bill based on 800 cubic feet of usage per month is \$25.35 for customers inside the city limits and \$49.27 for customers outside the city limits. Anderson bills and collects water payments for its retail water customers. Anderson allows fifteen days before a bill is considered delinquent. If payment is not received in fifteen days then a 10% penalty is added. If any payments received by Anderson are less than the total charges for water and wastewater, the amount received will be applied to water first and wastewater second. The next payment will be applied against the unpaid portion of the previous bill first and then will follow the above procedure. Termination of service to a customer with a delinquent bill for water and or wastewater is accomplished through the termination of water service.

Largest Water System Users

The following are the largest users of the water system portion of the Anderson System (by consumption) for the fiscal year ended June 30, 2019:

<u>Customer</u>	<u>Consumption (Gallons)</u>	<u>Water Revenues</u>	<u>% of Total Water Revenues</u>
Owens Corning Fiberglass	69,273,028	\$197,029	2.67%
Michelin	59,875,156	164,015	2.22
AnMed Health	43,245,620	98,558	1.34
JPS Composite Materials Corp.	38,250,476	73,335	0.99
Anderson University	33,502,172	112,712	1.53
Anderson County	23,821,556	112,388	1.52
Plastic Omnium Industries	20,166,828	66,211	0.90
Northlake Condo HOA	12,199,132	50,423	0.68
Ashford Point LLC	9,795,808	21,827	0.30
McLaughlin Body Company	<u>6,898,804</u>	<u>31,586</u>	<u>0.43</u>
	<u>317,028,580</u>	<u>\$928,084</u>	<u>12.59%</u>

Capital Improvements

Each year, Anderson undertakes certain improvements and routine maintenance to the Anderson System to keep it in sound operating condition. During the previous three years, Anderson has undertaken certain water line improvements and replacement and a maintenance project with respect to an elevated storage tank. Over the upcoming three years, Anderson plans to undertake additional projects concerning water lines, pump stations, elevated storage tanks, and the replacement of meters; however, Anderson does not have any present plans to incur any debt secured by the revenues of the Anderson System in the next three years.

Historical Operating Statistics and Results

	<u>Fiscal Year Ended June 30,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Number of Customers by Class			
Residential	14,311	14,527	14,277
Commercial	2,521	2,790	2,599
Industrial	<u>52</u>	<u>52</u>	<u>50</u>
Totals	17,369	17,369	16,926
Water Sales (Gallons)			
Residential	688,873,442	622,665,187	626,841,206
Commercial	592,041,738	545,932,288	554,081,748
Industrial	<u>184,542,581</u>	<u>195,744,120</u>	<u>226,566,208</u>
Totals	1,465,457,761	1,364,341,595	1,407,489,160
Water Sales (Revenues)			
Residential	\$4,174,987	\$3,978,792	\$4,169,286
Commercial	2,515,319	2,323,721	2,466,926
Industrial	<u>642,840</u>	<u>684,583</u>	<u>737,750</u>
Totals	\$7,333,146	\$6,987,096	\$7,373,962
Water Operating Revenues	\$8,365,266	\$8,158,387	\$8,682,176
Water Operating Expenses ¹	\$5,447,769	\$5,477,787	\$6,131,562
Net Water Revenues Available for			
Debt Service and Transfers	\$2,917,497	\$2,680,600	\$2,550,614
Debt Service (Allocable Water Portion)	\$1,494,698	\$1,966,812	\$1,966,812

¹ Excludes depreciation.

NOTE: Anderson operates a joint water and sewer system. For purposes of debt service coverage, Anderson accounts for water and sewer revenues and expenses on a combined basis. For purposes of the above table, only water system revenues and expenses are shown.

CITY OF CLEMSON, SOUTH CAROLINA

The City of Clemson, South Carolina (“*Clemson*”) owns and operates a water and sewer system (the “*Clemson System*”) that provides water and sewer service within Clemson and its surrounding area. Clemson was incorporated in 1947 and is located in the southeastern section of Pickens County and extends into a small area of Anderson County. Clemson’s water system provides service to that area of approximately six square miles, bordering the Town of Central at Vickery Drive to the east, Clemson University and Lake Hartwell to the west, the Town of Central at Pike Road to the north, and Anderson County and Southern Railway to the south. As of June 30, 2019, the Clemson water system serviced approximately 15,100 customers through approximately 9,600 meters.

Administration

The Engineering and Utilities Division of Clemson, under the direction of the Utilities Director, is responsible for the day-to-day operation of the Clemson System and employs 26 full-time persons.

Service Area

The water system portion of the Clemson System serves customers within the city limits and surrounding areas. The service area of the Clemson System is approximately 9.0 square miles, with Clemson encompassing approximately 7.3 square miles of this service area. While the majority of customers in the service area are residential, the water system portion of the Clemson System also serves commercial and industrial concerns, as well as Clemson University. As of June 30, 2019, there were approximately 9,600 meters within the service area. The residential meters within the water system portion of the Clemson System serve an estimated 15,100 people.

Facilities

The Municipal Water Sales Agreement allocates to Clemson 4.76 MGD, or 9.92% of the System’s Plant’s total capacity of 48 MGD. Pursuant to the terms of the Municipal Water Sales Agreement, Clemson is obligated to pay for its allocated capacity on a monthly basis regardless of its actual needs. While the Issuer owns and maintains the booster pump stations, storage reservoirs and transmission mains serving the wholesale interests, Clemson owns and maintains the associated potable water transmission and distribution system, comprised of 119 miles of water lines, one booster pump station and two 500,000 gallon elevated storage tanks. Average daily water demand is 2.10 MGD.

Regulation and Permits

Clemson’s water distribution system is subject to regulation of DHEC under Permit #3910004, and there are no current regulatory issues relating to Clemson’s water distribution system.

Historical Water Demand

The historical wholesale water demand for the last five fiscal years is shown below:

<u>Fiscal Year Ended June 30</u>	<u>Wholesale Water Purchased*</u>
2019	709 MG
2018	678 MG
2017	676 MG
2016	684 MG
2015	684 MG

* MG = million gallons.

Water Service Charges and Billing

The rates set forth in the tables below went into effect on July 1, 2020. Rates represent a fixed customer charge and a volume charge per 1,000 gallons used. Service connection fees vary based on meter size as shown below. All new customers of the water system portion of the Clemson System are required to pay a security deposit of approximately \$75 (owner) or \$150 (non-owner). Clemson bills and collects water payments for its retail water customers. Clemson's water and wastewater customers are billed monthly with payment due 15 days from the billing date. The typical monthly residential bill based on 6,000 gallons of usage per month is \$32.08 for customers inside the city limits and \$51.81 for customers outside the city limits.

Schedule of Rates

<u>Customer Charge</u>	<u>Volume Charge (per 1,000 gallons)</u>	
	<u>Inside City Limits</u>	<u>Outside City Limits</u>
\$10.78 (Inside)	\$3.55	\$6.21
\$14.55 (Outside)		

New Service Connections

<u>Meter Size</u>	<u>Tap Fee (Inside)</u>	<u>Tap Fee (Outside)</u>	<u>Impact Fee</u>
¾" meter	\$1,000	\$1,200	\$800
¾" irrigation meter	\$600		\$0
All Other		By Installation	

Largest Water System Users

The following are the largest retail customers of the water system portion of the Clemson System for the fiscal year ended June 30, 2019:

<u>Customer</u>	<u>Type of Business</u>	<u>Consumptions (Gallons)</u>	<u>Water Revenues</u>	<u>% of Total Water Revenues</u>
Clemson Ridge LLC	Apartments	20,565,200	\$93,127	2.96%
CCSHP Clemson LLC	Apartments	13,506,100	75,689	2.40
Dairy Department	Dairy	7,700,000	43,506	1.38
Milliken Finishing Plant	Industrial	6,537,900	12,142	0.39
PHU Hwy 76 Clemson	Apartments	6,473,000	40,576	1.29
CN RE Davis LLC	Apartments	4,713,900	30,247	0.96
City of Clemson ¹	Municipality	4,541,200	7,390	0.23
ACC OP LLC (U center)	Apartments	4,301,100	32,177	1.02
Midas Marriott	Hotel	4,157,400	19,087	0.61
City of Clemson ¹	Municipality	4,053,200	6,609	0.21

¹Usage by the City of Clemson is broken down into its use of water at two separate facilities, a pump station and wastewater treatment plant.

Capital Improvements

Each year, Clemson undertakes certain improvements to its water system to keep its water system in sound operating condition; however, Clemson does not have any present plans to undertake any major expansions, renovations or improvements to its water system and does not plan to incur any debt secured by the revenues of such system in the next three years.

Historical Operating Statistics and Results

	<u>Fiscal Year Ended June 30,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Number of Customers by Class			
Residential	8,566	8,642	9,159
Commercial	422	454	446
Industrial	1	1	1
Other (Town of Central)	1	1	1
Totals	8,990	9,098	9,607
Water Sales (Gallons)			
Residential	403,584,280	382,429,096	411,463,500
Commercial	94,436,100	87,539,900	94,386,800
Industrial	4,058,800	9,028,700	6,537,900
Other (Town of Central)	41,466,955	16,354,018	128,100
Totals	543,546,135	495,351,714	512,516,300
Water Sales (Revenues)			
Residential	\$2,415,741	\$2,449,157	\$2,615,023
Commercial	431,727	419,903	465,168
Industrial	16,925	16,925	12,142
Other	53,677	53,677	56,829
Totals	\$2,939,662	\$2,939,662	\$3,149,162
Operating Revenues	\$3,273,632	\$3,273,632	\$3,392,346
Operating Expenses ¹	\$2,700,802	\$2,700,802	\$2,621,358
Net Operating Revenues	\$572,830	\$572,830	\$770,988
Other Income (Expenses)	\$57,148	\$57,148	\$78,029
Net Revenues Available for			
Debt Service and Other Purposes	\$629,978	\$629,978	\$849,017
Debt Service (Allocable Water Portion)	\$96,888	\$96,888	\$90,579

¹ Excludes depreciation.

HAMMOND WATER DISTRICT

Hammond Water District (the “*Hammond District*”) was organized in 1971 as a non-profit water company with financing from USDA Farmers Home Administration, and in 2001, was converted to a public service district. The Hammond District is located in the eastern portion of Anderson County bordering the I-85 corridor. The present geographical boundary of the Hammond District encompasses 38 square miles. Total water customer accounts at June 30, 2019 were 7,459.

Administration

The governing body of the Hammond District consists of a nine-member board that provides administrative and financial oversight. The day-to-day operation of the Hammond District is accomplished by a ten member staff consisting of a General Manager, Assistant Manager, an accountant, four field technicians and three customer service representatives. All meter reading is performed in-house and billing functions are contracted. The majority of the repair and maintenance of the Hammond District’s system is done in-house supplemented by contract services as required.

Chuck Cortez has been the General Manager since 2002. Mr. Cortez was previously employed with the city of Barnwell, South Carolina and has over 25 years of financial and managerial experience.

Service Area

The Hammond District provides potable water service directly to residential, commercial and industrial customers within the Hammond District. The territory served by the Hammond District is largely residential but contains numerous commercial establishments and several industrial facilities. The Hammond District’s estimated population is approximately 18,000.

The Hammond District has the authority to construct, operate and maintain water distribution facilities within its defined service territory. The territory is defined by documents on file with the South Carolina Secretary of State.

Facilities

The Municipal Water Sales Agreement allocates to the Hammond District 4.61 MGD, or 9.60% of the System’s Plant’s total capacity of 48 MGD. Pursuant to the terms of the Municipal Water Sales Agreement, the Hammond District is obligated to pay for its allocated capacity on a monthly basis regardless of its actual needs. While the Issuer owns and maintains the booster pump stations, storage reservoirs and transmission mains serving the wholesale interests, the Hammond District owns and maintains the associated potable water transmission and distribution system, comprised of approximately 400 miles of water lines, three booster pump stations and elevated storage tanks with an aggregate capacity of 2.9 MG. Average daily water demand is 2.20 MGD.

Regulation and Permits

The Hammond District’s water distribution system is subject to regulation by DHEC. The Hammond District operates under a Drinking Water System Operating Permit (Permit #0420007) issued in accordance with the State Primary Water Act.

Historical Water Demand

The historical wholesale water demand for the last five fiscal years is shown below:

<u>Fiscal Year Ended June 30</u>	<u>Wholesale Water Purchased*</u>
2019	720 MG
2018	722 MG
2017	743 MG
2016	742 MG
2015	720 MG

* MG = million gallons.

Water Service Charges and Billing

User charges are calculated to produce adequate revenues to operate, maintain and perpetuate Hammond District's water distribution system. The user charge schedule is classified into several divisions based on meter size, as shown below. The user pays a base rate which includes a stated volume of water, and any water used above such amount is billed at the volume rate. All bills include a \$0.90 DHEC charge. The typical monthly residential bill based on 6,000 gallons of usage per month is \$38.07. All new water customers must also pay a tap fee that is based on meter size and pay a non-refundable service fee of \$30. The schedule of rates for the fiscal year ended June 30, 2019 is below:

Schedule of Rates*

<u>Meter Size</u>	<u>Base Rate</u>	<u>Volume Rate (per \$1,000 Gallons)</u>
¾" Meter	\$ 15.57	\$3.75
1" Meter	27.68	3.75
1 ½ " Meter	62.28	3.75
2" Meter	110.72	3.75
3" Meter	249.12	3.75
4" Meter	442.88	3.75
6" Meter	996.48	3.75

* Bi-monthly.

New Service Connections

<u>Meter Size</u>	<u>Tap Fee</u>	<u>Impact Fee</u>
¾"	\$990	\$900
All Other		By Installation

Largest Water System Users

The following are the largest direct customers of the Hammond District for the fiscal year ended June 30, 2019:

<u>Customer</u>	<u>Consumption (1,000 Gallons)</u>	<u>Total Revenues</u>	<u>% of Total System Revenues</u>
Robert Bosch Corporation	43,168	\$168,352	4.95%
AnMed Medical	25,870	90,796	2.67
Blue Granite Water	14,643	61,776	1.82
Anderson County School District 5	3,782	24,646	0.72
Anderson Place	3,883	19,917	0.59
Walmart	3,292	14,802	0.43
YMCA	3,064	14,153	0.42
Orian Rugs	2,630	15,054	0.44
New Spring Community Church	2,232	10,443	0.31
AFCO	840	7,707	0.23

Revenues and Customers by Category

The following tables show the distribution of the Hammond District's revenues and customers based on customer category for the fiscal year ended June 30, 2019:

Revenue by Category

<u>Category</u>	<u>% of Total Revenue</u>
Residential	78%
Commercial	16
Industrial	6

Water Customers by Category

<u>Customers</u>	<u>Number of Customers</u>
Residential	7,156
Commercial	290
Industrial	<u>13</u>
Total	7,459

Capital Improvements

During the fiscal year ended June 30, 2020, the Hammond District completed or was in the process of constructing additional water distribution lines, a portion of the cost of which was paid by developer contributions. Over the next several years, the Hammond District intends to construct various line extensions and replacements and a new booster pump station. All of these projects are anticipated to be funded with available reserve funds of the Hammond District.

Historical Operating Statistics and Results

	<u>Fiscal Year Ended June 30</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Number of Customers by Class			
Residential	7,685	7,676	7,156
Commercial	309	299	290
Industrial	15	15	13
Totals	7,990	7,990	7,459
Water Sales (Gallons)			
Residential	533,844,000	464,671,000	452,088,000
Commercial	120,758,000	113,289,000	133,214,000
Industrial	49,824,000	49,514,000	47,698,000
Totals	704,426,000	627,474,000	633,000,000
Water Sales (Revenues)			
Residential	\$2,521,505	\$2,343,875	\$2,339,881
Commercial	514,114	481,411	483,513
Industrial	222,097	198,598	195,431
Totals	\$3,257,716	\$3,023,884	\$3,018,825
Operating Revenues	\$3,578,866	\$3,514,878	\$3,402,859
Operating Expenses ¹	\$2,818,229	\$2,345,509	\$2,314,858
Net Operating Revenues	\$760,637	\$1,169,369	\$1,088,001
Interest Income	\$31,757	\$52,743	\$105,545
Net Revenues Available for Debt Service and Other Purposes	\$792,394	\$1,222,112	\$1,193,546
Debt Service	\$58,139	\$58,139	\$58,139

¹ Excludes depreciation and amortization.

SANDY SPRINGS WATER DISTRICT

Sandy Springs Water District (the “*Sandy Springs District*”) was organized in 1970 as a non-profit water company to serve unincorporated areas in Northern Anderson County near the community of Sandy Springs. The company was converted in 2001 to a public service district with a territory covering a geographical area of 61.4 square miles. The Sandy Springs District currently serves approximately 5,600 customers.

Administration

The governing body of the Sandy Springs District consists of a seven-member board that provides administrative and financial oversight. The day-to-day operation of the Sandy Springs District is accomplished by a nine member staff consisting of a General Manager, four office personnel, and a field crew of five employees. All meter reading and billing functions are done in-house. The majority of the repair and maintenance of the Sandy Springs District’s water system is done in-house, supplemented by contract services as required. The Sandy Springs District currently provides similar services for Highway 88 Water Company, a non-profit water company with adjacent service territory currently serving approximately 1,460 customers.

Tracy Durham has served as the General Manger of the Sandy Springs District since 2014, and is responsible for the management of the day-to-day operations of the Sandy Springs District.

Service Area

The Sandy Springs District provides potable water service directly to residential, commercial and industrial customers within the Sandy Springs District. The territory served by the Sandy Springs District is largely residential, but contains numerous commercial establishments and several industrial facilities. The population of the Sandy Springs District is approximately 11,800.

The Sandy Springs District has the authority to construct, operate and maintain water distribution facilities within its defined service territory. The territory is defined by documents on file with the South Carolina Secretary of State.

Facilities

The Municipal Water Sales Agreement allocates to the Sandy Springs District 5.54 MGD, or 11.54% of the System’s Plant’s total capacity of 48 MGD. The Sandy Springs District owns and operates a water distribution system consisting of approximately 268 miles of PVC, ductile iron and asbestos cement water lines ranging in size from 2 inches to 10 inches and three 300,000-gallon elevated steel storage tanks and one 1,200,000 gallon storage tank. The majority of the lines are PVC; however, any replacements to these lines are being substituted with ductile iron. The Sandy Springs District’s water distribution system is entirely gravity fed, with no district-owned pumping facilities. Average daily water demand is 1.71 MGD.

Regulation and Permits

Sandy Springs District’s water distribution system is subject to regulation by DHEC. DHEC is responsible for insuring compliance with Federal and State water quality standards, for approving plans and specifications for water projects within the State, and for issuing construction permits, in addition to other administrative functions which have been delegated to DHEC by the United States Environmental Protection Agency. A Drinking Water System Operating Permit (permit #0420003) was issued for Sandy Springs District on December 10, 1999 in accordance with the State Primary Water Act.

Historical Water Demand

The historical wholesale water demand for the last five fiscal years is shown below:

<u>Fiscal Year</u> <u>Ended December 31</u>	<u>Wholesale</u> <u>Water Purchased*</u>
2019	685 MG
2018	636 MG
2017	651 MG
2016	730 MG
2015	644 MG

* MG = million gallons.

Water Service Charges and Billing

User charges are calculated to produce adequate revenue to operate, maintain and perpetuate the Sandy Springs District's water distribution system. The user charge schedule is classified into several divisions, as shown below. Customers are billed bi-monthly. All new customers must also pay a tap fee that is based upon meter size. Under the rate schedule, the Sandy Springs District charges \$0.60 per account per period to all customers to cover charges to the Sandy Springs District for testing by DHEC. The typical monthly residential bill based on 6,000 gallons of usage per month is \$48.03. The schedule of rates for the fiscal year ended June 30, 2019 is below:

Schedule of Rates

	<u>Base Rate</u>	<u>Rate Per 1,000 Gallons</u>
		<u>Rate Per 1,000</u>
¾" Meter	\$33.97/4,000 Gallons*	\$6.73 Over 4,000 Gallons
1" Meter	\$58.21/12,000 Gallons	\$6.73 Over 12,000 Gallons
2" Meter	\$78.63/22,000 Gallons	\$6.73 Over 22,000 Gallons
4" Industrial	\$114.33/34,700 Gallons	\$6.73 Over 34,700 Gallons
6" Industrial	\$156.37/50,200 Gallons	\$6.73 Over 50,200 Gallons
Special Industrial – Michelin	N/A	Cost + 10%
Special Industrial – Utility Services	N/A	Cost + 10%
Condominium Rate	42,000 Gallons (min) \$10.80 x # of units per building. Over min. \$6.73/1,000 Gallons	

* Bi-monthly

Tap Fees

¾" meter	\$1,700
1" meter	\$2,350
All Other	By Installation

Largest Water System Users

The following are the largest direct customers of the Sandy Springs District for the fiscal year ended December 31, 2019.

<u>Customer</u>	<u>Consumption (1,000 Gallons)</u>	<u>Total Billings</u>	<u>% of Total System Revenues</u>
Michelin	219,272,800	\$334,082	7.04%
Glen Raven Mills	61,213,800	415,625	8.76
Nutricia	4,457,500	35,451	0.75
Town of Pendleton	2,560,800	8,469	0.18
Milliken	2,012,700	17,322	0.37
Mt. Vernon Mills	675,300	8,881	0.19

Revenues and Customers by Category

The following tables show the distribution of the Sandy Springs District revenues and customers based on customer category for the fiscal year ended December 31, 2019:

Revenues by Category

<u>Category</u>	<u>% of Total Revenue</u>
Residential	65%
Commercial	18
Industrial	17

Water Customers by Category

<u>Category</u>	<u>Number of Customers</u>
Residential	5,314
Commercial	242
Industrial	<u>6</u>
Total	5,562

Capital Improvements

The Sandy Springs District has completed several capital improvements to its water distribution system in the last five years. These improvements include upgrades in water transmission mains from PVC to ductile iron pipe, line extensions and upgrades for new commercial and residential development as well as minor line replacements. These improvements were paid with Sandy Springs District's funds totaling more than \$1.8mm and included approximately 38,000 feet of water transmission main upgrades, replacements and extensions. The Sandy Springs District was able to secure two different CDBG Grants through Appalachian Council of Governments totaling approximately \$943,000 which allowed upgrades of 7,325 feet of water transmission mains to two areas that included original transmission mains dated back to 1971. The sole purpose of these improvements was to improve system performance and reliability. The Sandy Springs District also continues to have a steady growth of new commercial and residential developments within the system.

Historical Operating Results

The following is a summary of historical operating results of the Sandy Springs District for the fiscal years ended December 31, 2017, 2018, and 2019:

	<u>Fiscal Year Ended December 31</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenue			
Water Revenue	\$3,712,447	\$3,900,587	\$3,964,653
Penalties	35,219	42,919	50,520
Tap and Reconnection Fees	75,827	87,125	102,059
Construction Fees	-	-	-
Service Highway 88	81,847	110,929	133,694
DHEC Fees	14,660	17,712	19,177
Misc. Income	80,352	418,687	474,405
Total	4,000,352	4,577,959	4,744,507
Operating Expenses			
Accounting	\$11,900	\$12,150	\$13,780
Burglar Alarm Service	2,328	2,648	2,796
Bank Charges	-	-	26,522
Dues & Subscriptions	3,279	11,008	6,211
Group Insurance	89,825	94,765	107,640
Insurance	25,857	27,630	24,462
Retirement Plan	41,023	49,098	60,982
Pension Expense	12,257	15,057	38,949
Materials Supplies	74,215	79,790	136,051
Donations	1,430	1,820	1,540
Postage	-	-	-
Office Supplies & Expense	72,498	51,413	80,782
Repairs & Maintenance	215,928	822,863	475,069
Salaries	334,391	336,112	386,252
Payroll Taxes	25,646	27,830	33,091
Taxes & Licenses	661	544	530
Telephone	18,904	20,037	21,389
Vehicle Maintenance	15,685	24,284	16,344
Utilities	24,299	25,570	25,754
Water Purchases	1,560,491	1,571,016	1,622,460
Legal Fees	3,650	1,560	-
Lab Expense	22,429	24,312	11,872
Conventions & Meetings	24,968	24,178	24,021
Uniforms	12,148	11,649	14,099
Miscellaneous Expense	542	14,500	1,151
Total	\$2,594,354	\$3,249,834	\$3,131,747
Net Operating Revenue Before Depreciation	\$1,405,998	\$1,328,125	\$1,612,760
Interest Income	18,637	60,892	4,795
Net Revenues Available for Debt Service	1,424,635	1,389,017	1,617,555
Debt Service	\$106,053	\$109,499	\$116,317

APPENDIX D

DESCRIPTION OF OTHER WATER PURCHASERS

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DESCRIPTION OF OTHER WATER PURCHASERS

Set forth in this Appendix D is a brief description of the System's Water Purchasers with the exception of the City of Anderson, the City of Clemson, the Hammond Water District and the Sandy Springs Water District whose information is included in Appendix C to this Official Statement.

The Big Creek Water and Sewerage District of Anderson County

The Big Creek Water and Sewerage District of Anderson County ("*Big Creek*") was established in 1972 as a special purpose district by the South Carolina General Assembly. Big Creek is located in the eastern portion of Anderson County bordering the I-85 corridor approximately midway between Charlotte, North Carolina and Atlanta, Georgia. The present geographical boundary of Big Creek encompasses 56 square miles, with a population of approximately 18,500. Total water connections at the end of fiscal year 2019 were approximately 4,700.

The Broadway Water and Sewerage District of Anderson County

The Broadway Water and Sewerage District of Anderson County (the "*Broadway District*") is a special purpose district created by the South Carolina General Assembly in 1972 for the purpose of supplying potable water and sanitary sewerage services to a designated area in the southeastern portion of Anderson County, which includes the entirety of the Broadway and Martin Townships in Anderson County. The present geographical boundary of the Broadway District encompasses 52 square miles, with a population of approximately 10,600. Total water connections at the end of fiscal year 2019 were approximately 3,900.

Clemson University

Clemson University (the "*University*") is a land-grant, coeducational, public institution of higher education with a total enrollment of approximately 22,600 students in 2019. The University is located on a 1,400-acre campus in the city of Clemson, South Carolina, which is located in the foothills of the Blue Ridge Mountains, 150 miles from the major cities of Atlanta and Charlotte. Established in 1889, the University is governed by a thirteen-member Board of Trustees, six of whom are elected by the state legislature and seven of whom are self-perpetuating life members as provided by the will of Thomas Green Clemson, the University's founder. The duty of the board is to provide policy direction for the University. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly.

According to the University's mission statement, the mission of the University is to fulfill the covenant between its founder and the people of South Carolina to establish a "high seminary of learning" through its historical land-grant responsibilities of teaching, research and extended public service. The University's desire is to attract a capable, dedicated and diverse student body of approximately 19,500 undergraduate and 3,100 graduate students, with priority to students from South Carolina.

Homeland Park Water District

Homeland Park Water District (the "*Homeland Park District*") is a special purpose district created in 1950 by the South Carolina General Assembly. The Homeland Park District's purpose is to supply water and sewer to a designated area. The Homeland Park District is located near the south end of the City of Anderson. The present geographical boundary of the Homeland Park District encompasses less than 5 square miles, with a population of approximately 8,000 people. Total water connections at the end of fiscal year 2019 were approximately 3,000.

Town of Pendleton

The Town of Pendleton, South Carolina (“*Pendleton*”) is a public body politic and corporate and a municipal corporation of the State of South Carolina. Pendleton lies within the boundaries of Anderson County. Pendleton’s water system provides service to that area inside the corporate limits of Pendleton plus a one-mile radius circumscribing Pendleton. The present geographical boundary of Pendleton encompasses approximately 2.5 square miles, with a population of approximately 3,200. Total water connections at the end of fiscal year 2019 were approximately 1,800.

Powersville Water District

Powersville Water District (the “*Powersville District*”) was organized in 1971 as a nonprofit water company. In 2001, the Powersville District was converted to a special purpose district. The Powersville District’s service area is located in both Anderson and Pickens counties. The Powersville District’s boundaries encompass the Northern area of Anderson County adjacent to I-85 and the Southeastern portion of Pickens County. The Powersville District is located approximately seven miles from the City of Greenville, 20 miles from the City of Anderson and five miles from the City of Easley. The Powersville District covers approximately 150 square miles and, in recent years, has been the fastest growing area of Anderson County. Total water connections as of June 2019 were approximately 14,000.

Starr-Iva Water and Sewer District

Starr-Iva Water and Sewer District (the “*Starr-Iva District*”) was organized in 1971 as a non-profit water company to serve unincorporated areas in southern Anderson County and a small portion of Abbeville County near the communities of Starr, Iva and Flat Rock. In 2001, the Starr-Iva District was converted to a public service district. Starr-Iva currently provides water service to a 147-square mile service area and approximately 4,200 customers, approximately 60 square miles of which, and approximately 4,075 customers, are located in Anderson County, and approximately 87 square miles of which, and approximately 125 customers, are located in rural Abbeville County. The Starr-Iva District provides potable water service directly to residential, commercial, and industrial customers within the Starr-Iva District. The territory embraced within the Starr-Iva District is largely residential but contains numerous commercial establishments and several industrial facilities. The estimated population served by the Starr-Iva District is approximately 15,500.

West Anderson Water District

West Anderson Water District (the “*West Anderson District*”) was organized in 1971 as a non-profit water company to serve areas in western Anderson County. In 2001, the West Anderson District was converted to a public service district. The present geographical boundary of the West Anderson District encompasses 56 square miles, with a population of approximately 17,400. Total water connections as of December 31, 2019 were 7,200.

Town of Williamston

The Town of Williamston, South Carolina (“*Williamston*”) is a public body politic and corporate and a municipal corporation of the State of South Carolina. Williamston was incorporated in 1852 and is located in Anderson County. Williamston’s water system provides service to that area inside the corporate limits of Williamston plus a one-mile radius circumscribing Williamston. The present geographical boundary of Williamston encompasses 3.6 square miles, with a population approximating more than 4,000 people. Total water connections at the end of the fiscal year ended June 30, 2019 were approximately 1,300.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a summary of some of the terms of the Bond Resolution, the 2020 Series Resolution, and the proposed Third Supplement (as such terms are defined herein). This summary does not purport to be complete and reference is made to the entire text of the Bond Resolution, the 2020 Series Resolution, and the Third Supplement, copies of which are available during the initial offering of the Series 2020 Bonds from the Underwriter. Capitalized terms not otherwise defined herein have the meanings given to those terms in the Official Statement.

DEFINITIONS

“2020 SERIES RESOLUTION” means the resolution adopted by the Commission on June 30, 2020 entitled “A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF NOT EXCEEDING \$38,000,000 ANDERSON REGIONAL JOINT WATER SYSTEM, SOUTH CAROLINA WATERWORKS SYSTEM REFUNDING REVENUE BONDS, SERIES 2020; AND OTHER MATTERS RELATING THERETO.”

“ACCOUNTANT” means an independent firm of certified public accountants of suitable standing who audit the books, records, and accounts of the Issuer.

“ACCRETED VALUE” means the amounts set forth in and the amounts computed pursuant to a formula set forth in a Series Resolution, or determined in the manner provided in a Series Resolution, authorizing the issuance of Bonds in the form of Capital Appreciation Bonds, the Accreted Value of which will be determined in, or in the manner provided by, such Series Resolution.

“AGGREGATE 30% PURCHASER(S)” means a Purchaser or Purchasers representing, in the aggregate, thirty percent (30%) or more in the Allocated Percentages (as defined in the Water Sales Agreement) set forth in Exhibit A to the Water Sales Agreement, as such Allocated Percentages may be adjusted from time to time pursuant to the terms of the Water Sales Agreement.

“ANNUAL BUDGET” means the annual budget or amended budget of the Issuer in effect as provided in or adopted pursuant to the Bond Resolution.

“ANNUAL PRINCIPAL AND INTEREST REQUIREMENT” means, with respect to any particular Fiscal Year and to a Series of Bonds Outstanding, an amount (other than amounts paid from proceeds of Bonds) equal to the sum of (1) all interest payable on such Series of Bonds that are issued as Current Interest Bonds during such Fiscal Year plus (2) any Principal Installment of such Series of Bonds during such Fiscal Year. For purposes of computing the “Annual Principal and Interest Requirement”, the rate of interest used to determine (1) above shall be a rate per annum equal to (a) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (b) with respect to any Series of Variable Rate Bonds, the interest rate shall be assumed to be the higher of:

- (1) the actual rate on the date of calculation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding);
- (2) if the Variable Rate Bonds have been Outstanding for at least twelve (12) months, the average rate over the twelve months immediately preceding the date of calculation;
- (3) (a) if interest on the Variable Rate Bonds is intended by the Issuer to be excludable from gross income under the applicable provisions of the Code, the Bond Buyer 25 Revenue Bond Index

(or comparable index if such is no longer published) published not earlier than two weeks prior to the sale date, or (b) if interest is not intended to be so excludable, the interest rate on Government Obligations with comparable maturities; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period; and

(4) in the case of Variable Rate Bonds in which the financial covenants are based on the synthetic fixed rate under a swap, utilization of the synthetic fixed rate under a swap for purposes of performing any required calculations under the applicable legal documentation shall be permitted only if such documentation and the applicable swap satisfy the requirements specified by the Insurer of such Series of Bonds if such Series is insured;

provided, however, that any amounts payable in respect of any Reimbursement Obligations shall be excluded from the calculation of Annual Principal and Interest Requirement for the purposes of any computations made pursuant to the Bond Resolution with respect to the Bonds to be issued.

“AUTHORIZED INVESTMENTS” means, within the limitations set forth in the Bond Resolution, any investments now or hereafter permitted under Section 6-5-10 of the South Carolina Code or under Chapter 6 of Title 6 of the South Carolina Code, or any successor statutes, as the same may be further limited pursuant to the provisions of a Series Resolution.

“BOND COUNSEL” means an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Issuer and satisfactory to the Trustee.

“BOND PAYMENT DATE” means each date as shall be prescribed by any applicable Series Resolution on which interest on any of the Bonds shall be payable or on which both principal and interest shall be payable on any of the Bonds according to their respective terms.

“BOND RESOLUTION” means the resolution adopted by the Commission on May 18, 2011 entitled “A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATERWORKS SYSTEM REVENUE BONDS OF ANDERSON REGIONAL JOINT WATER SYSTEM, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,” as supplemented by resolutions adopted on January 18, 2012 and September 24, 2014 and as further supplemented and amended in accordance with its terms. See “PROPOSED THIRD SUPPLEMENT TO THE BOND RESOLUTION” herein.

“BONDHOLDER” or “HOLDER”, or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond.

“BONDS” means the Bonds or other obligations, including Reimbursement Obligations, payable from the revenues of the Issuer and issued in accordance with the provisions of the Bond Resolution but excluding Junior Lien Bonds and Special Facilities Bonds.

“CAPITAL APPRECIATION BONDS” means Bonds that bear interest payable at maturity, upon redemption prior to maturity or prior to maturity at the date set forth in, or in the manner provided in, the Series Resolution authorizing the issuance of such Bonds in the amounts determined by reference to the Accreted Value of such Capital Appreciation Bonds in accordance with the provisions of the Series Resolution authorizing the issuance of such Capital Appreciation Bonds.

“CODE” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder, in each case, as from time to time in force.

“COMMISSION” means the Anderson Regional Joint Water System Commission, the governing body of the Issuer.

“CURRENT INTEREST BONDS” means Bonds, the terms of which require the payment of interest prior to maturity and that are not Capital Appreciation Bonds.

“DEBT SERVICE FUND” means the fund or account herein so designated and designed to provide for the payment of the principal of and interest on all Bonds Outstanding and issued pursuant to the Bond Resolution (except Reimbursement Obligations), as the same respectively fall due, and as established by the provisions of the Bond Resolution.

“DEBT SERVICE RESERVE FUND” means the fund or account so designated and designed to insure the timely payment of the principal of and interest on all Bonds Outstanding (except any Bonds of a Series secured by a Series Debt Service Reserve Fund or any Bonds of a Series not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund) and to provide for the redemption of such Bonds prior to their stated maturity, as set forth more fully in the provisions of the Bond Resolution.

“DEFEASANCE OBLIGATIONS”, unless otherwise provided in a Series Resolution for a particular Series of Bonds, means Authorized Investments consisting of non-callable (i) Government Obligations, (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, and (iii) obligations of any other governmental agency rated in the highest rating category by each of the rating agencies which have an existing rating on any of the Outstanding Bonds.

“ENABLING Act” means Chapters 21 and 25 of Title 6 of the South Carolina Code, and all other statutory authorizations authorizing and enabling the Commission to adopt the Bond Resolution.

“EVENT OF DEFAULT” means those events set forth in the Bond Resolution.

“EXECUTIVE DIRECTOR” shall mean the individual who holds such title and who, among other duties, serves as the chief financial officer of the Issuer, or in the absence of such designation, the individual to whom the Commission has delegated, in writing and delivered to the Trustee, the responsibility of supervising and maintaining records and accounts relating to the collection and disbursement of the revenues derived from the operation and maintenance of the System.

“FEASIBILITY CONSULTANTS” means any independent firm of consultants, engineers or accountants employed by the Issuer and having the skill and experience in utility financing and rate design, and the design and operation of facilities owned and used by the Issuer.

“FISCAL YEAR” means the period of twelve (12) calendar months, beginning on July 1 of each year, and ending on June 30 of the following year, constituting the fiscal year of the Issuer, unless the same shall have been changed pursuant to the authorization of the Bond Resolution.

“FUNDING SUBSTITUTE” means a surety bond, insurance policy or other funding instrument, utilized by the Issuer to satisfy all or a portion of the Reserve Requirement, as further described in Section 7.05(D) of the Bond Resolution.

“GENERAL REVENUE FUND” means the account or accounts established and maintained by the Issuer in such fashion as to adequately reflect all of the receipts and revenues derived from the operation of the System and all interest and other income earned by the Issuer in connection with the System, as established by the provisions of the Bond Resolution.

“GOVERNMENT OBLIGATIONS” means:

- (1) direct obligations of the United States of America for the payment of which the full, faith and credit of the United States of America are pledged; and
- (2) obligations, specifically including interest payment strips, including, without limitation, REFCORP interest strips, the payment of the principal (if any), the premium (if any) and the interest (if any) on which is fully guaranteed as a full, faith and credit obligation of the United States of America.

“GROSS REVENUES” or “GROSS REVENUES OF THE SYSTEM” means:

- (1) all receipts and revenues derived from the operation of the System (but excluding those receipts and revenues allocable to the operation of Special Facilities) including without limitation, service fees and all amounts received by the Issuer pursuant to any wholesale water supply agreements and any other agreements, regardless of the source of funds of the other party or parties to meet the obligations under any such agreements;
- (2) all proceeds from the sale or other disposition of any property owned directly or beneficially by the Issuer in connection with the operation of the System;
- (3) all interest and other income received directly or indirectly by the Issuer from the investment of moneys or accounts relating to the System, except as may be specifically excluded from Gross Revenues by the terms of any Series Resolution; and
- (4) all other unencumbered or unrestricted money to which the Issuer in connection with the System, may become entitled from any source whatsoever.

“INSURER” with respect to any Series of Bonds, means an insurance company that has issued a municipal bond insurance policy to insure payment of such Series of Bonds.

“ISSUER” means the Anderson Regional Joint Water System, South Carolina, a public body and body corporate and politic of the State organized under the Enabling Act. References to actions required of or permitted by the Issuer shall mean actions taken by or under the Commission.

“JUNIOR LIEN BONDS” means any revenue bonds or other obligations issued by the Issuer which are secured by pledges of and liens on the revenues of the System which are junior and subordinate in all respects to the pledges and liens made to secure Bonds.

“NET EARNINGS” means, for the period in question, the increase (decrease) in net assets of the System, determined in accordance with then generally accepted accounting principles, but whether or not generally accepted accounting principles so require, it shall be adjusted as follows:

- (1) revenue derived from service fees (including connection and tap fees, availability fees, impact fees and meter purchases) shall be included in income;
- (2) investment income not restricted to a purpose inconsistent with the payment of operating expenses or debt service shall be included in income;
- (3) there shall be excluded from the calculation made to determine Net Earnings:

(i) gains on the sale or other disposition of investments or fixed or capital assets, which do not result from the ordinary course of the Issuer's business;

(ii) investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service including (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of any borrowing by the Issuer in connection with the System;

(iii) any amounts received by way of government grants or capital contributions in aid of construction;

(iv) revenues derived from the operation of Special Facilities; and

(v) unfunded pension or other post-employment benefit liabilities that do not result in any actual disposition of cash; and

(4) there shall be added back to such increase (decrease) in assets:

(i) losses on the sale or other disposition of investments or fixed or capital assets which do not result from the ordinary course of the Issuer's business;

(ii) depreciation and amortization allowances;

(iii) amounts paid as interest on Bonds;

(iv) the amortization of financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds; and

(v) expenses resulting directly from the operation of Special Facilities to the extent that the revenues derived therefrom have been pledged to secure, and used for, the payment of Special Facilities Bonds.

(5) For purposes of clarity, all revenues deposited into the Renewal and Replacement Fund pursuant to Section 8.05 of the Resolution and Section 4.02 of the Water Sales Agreement shall be treated as income. Thereafter, transfers from the Renewal and Replacement Fund shall be treated as follows: (i) moneys transferred from the Renewal and Replacement Fund to pay Purchasers pursuant to Section 4.03 of the Water Sales Agreement (also referred to as water credits) or to pay capital expenditures of the Issuer shall not be treated as either additional income or an expense of the Issuer for net earnings purposes, and (ii) moneys transferred from the Renewal and Replacement Fund to the Operation and Maintenance Fund to pay for improvements, betterments and extensions of the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order, or to defray the cost of unforeseen contingencies, that in each case are classified as Operation and Maintenance Expenses, shall be included as additional income. In addition, amounts equal to the earnings realized in the immediately preceding Fiscal Year on investments made in the Renewal and Replacement Fund, the Debt Service Reserve Fund or the Debt Service Fund, which earnings are credited against the Purchasers' obligations to pay capital charges under the Water Sales Agreement (as provided in Section 3.02 of the Water Sales Agreement) shall be treated as income, but shall not be treated as an expense of the Issuer for net earnings purposes.

“OPERATION AND MAINTENANCE EXPENSES” means all expenses incurred in connection with the administration and operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order, principal and interest payments with respect to lease financing agreements permitted under the Bond Resolution, the fees and charges of the Trustee and the custodian or trustee of any fund, the costs of audits required by the Bond Resolution, the costs of the computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds as may be required by the Bond Resolution.

“OPERATION AND MAINTENANCE FUND” means the fund or account designed to provide for the payment of Operation and Maintenance Expenses in accordance, as nearly as may be practicable, with the Annual Budget then in effect, as such Fund is established by the provisions of the Bond Resolution.

“OUTSTANDING”, when used with reference to any Bonds and subject to Section 17.01 of the Bond Resolution, and except as may be modified pursuant to the provisions of a Series Resolution, means, as of any date, all such Bonds theretofore or then being authenticated and delivered except:

- (1) Bonds cancelled at or prior to such date;
- (2) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered;
- (3) Bonds purchased by the Issuer pursuant to the Bond Resolution;
- (4) Bonds deemed to have been paid as provided in Article XVI of the Bond Resolution; and
- (5) for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds, Bonds held by, or for the account of the Issuer, or by any person controlling, controlled by, or under common control with the Issuer.

“PAYING AGENT” means the financial institution which is authorized by the Commission to pay the principal of or interest and redemption premium, if any, on any Bonds and having the duties, responsibilities and rights provided for in the Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Bond Resolution. Pursuant to the provisions of the Bond Resolution, the Trustee serves as the Paying Agent.

“PRINCIPAL INSTALLMENT” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due of, and application in accordance with, any mandatory sinking fund payment payable before such future date, plus (ii) any mandatory sinking fund payment due on such certain future date, together with the aggregate amount of the premiums, if any, applicable to such mandatory sinking fund payments, plus (iii) with respect to any Capital Appreciation Bonds required to be paid on such certain future date, the Accreted Value of such Capital Appreciation Bonds.

“PURCHASER” means a purchaser of water under the Water Sales Agreement.

“REGISTRAR” means the Trustee or any bank or trust company which is authorized by the Commission to maintain an accurate list of those who from time to time shall be the Holders of Bonds of a particular Series and to effect the transfer of such Bonds in accordance with the provisions of the Bond Resolution and having the duties, responsibilities, and rights provided for in the Bond Resolution and any

Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Bond Resolution.

“REIMBURSEMENT OBLIGATIONS” means reimbursement and payment obligations incurred by the Issuer to providers of Funding Substitutes or of credit enhancement, liquidity or similar support with respect to a Series of Bonds.

“RENEWAL AND REPLACEMENT FUND” means the fund designed to provide for contingencies, for the replacement of depreciated or obsolete parts of the System and for improvements, betterments and extensions of the System, as established by the provisions of Section 7.06 of the Bond Resolution.

“RESERVE REQUIREMENT” means, as of any date of calculation, the least of (a) the sum of the greatest remaining Annual Principal and Interest Requirement for the then-current and each future Fiscal Year with respect to all Series of Bonds Outstanding (except for any Series of Bonds secured by a Series Debt Service Reserve Fund or any Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund) or (b) the sum of 10% of the proceeds from the sale of each Series of Bonds (except for any Series of Bonds secured by a Series Debt Service Reserve Fund or any Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund) at the time of issuance of such Bonds or (c) the sum of one hundred twenty-five percent (125%) of the average Annual Principal and Interest Requirement for the then-current and each future Fiscal Year with respect to all Series of Bonds Outstanding (except for any Series of Bonds secured by a Series Debt Service Reserve Fund or any Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund).

“SERIAL BONDS” means the Bonds of any Series which are stated to mature in installments and for which there are no mandatory sinking fund provisions.

“SERIES” means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a single Series by the authorizing Series Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate or other provisions.

“SERIES DEBT SERVICE RESERVE FUND” means, with respect to any Series of Bonds and with respect to which the Issuer has elected to establish a separate debt service reserve fund, the fund or account, if any, so designated and established for such Series of Bonds by the authorizing Series Resolution, and designed to insure the timely payment of the principal of and interest on all Bonds Outstanding of that Series and to provide for the redemption of such Bonds prior to their stated maturity, as set forth more fully in the provisions of Section 7.05(A) of the Bond Resolution and the applicable Series Resolution.

“SERIES RESERVE REQUIREMENT” with respect to any Series of Bonds and with respect to which the Issuer has elected to establish a Series Debt Service Reserve Fund for such Series of Bonds, as of any date of calculation, the debt service reserve requirement, if any, established by a Series Resolution authorizing such Series of Bonds.

“SERIES RESOLUTION” means either a resolution of the Commission authorizing the issuance of a Series of Bonds pursuant to the Bond Resolution in accordance with the terms and provisions of the Bond Resolution, adopted by the Commission in accordance with the Bond Resolution or a resolution supplementing or amending the terms of a Series Resolution.

“SPECIAL FACILITIES” means those facilities financed with the proceeds of Special Facilities Bonds.

“SPECIAL FACILITIES BONDS” means obligations issued in accordance with the Bond Resolution, as described under the heading “Additional Obligations - Special Facilities Bonds” below.

“SOUTH CAROLINA CODE” means the Code of Laws of South Carolina, 1976, as from time to time amended.

“STATE” means the State of South Carolina.

“SYSTEM” means the waterworks system of the Issuer as the same is now, or in accordance with the provisions of the Bond Resolution, may be, constituted, all property real and personal, used and useful therefor, all apparatus and equipment used in connection therewith, and all acquisitions, replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto at any time hereafter; provided, that during such time as any Special Facilities Bonds issued to finance Special Facilities are outstanding, the term “System” shall not include such Special Facilities.

“TERM BONDS” means the Bonds of any Series which are stated to mature in a single year and which are subject to mandatory sinking fund redemption prior to the stated maturity date.

“TRUSTEE” means the financial institution serving as Trustee pursuant to the Bond Resolution and which shall have such other duties, privileges and functions as are set forth in the Bond Resolution. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Bond Resolution.

“VARIABLE RATE BONDS” means, for any period of time, any Bonds which during such period bear interest at a variable rate; provided that Bonds the interest rate on which has been fixed for the remainder of the term thereof shall no longer be Variable Rate Bonds.

“WATER SALES Agreement” means the Restated and Amended Water Sale and Purchase Agreement dated as of October 12, 2004, by and among the Anderson County Joint Municipal Water System, the municipalities of Anderson, Clemson, Pendleton and Williamston, and the special purpose districts of The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, the Hammond Water District, the Homeland Park Water District, the Powdersville Water District, the Sandy Springs Water District, the Starr-Iva Water and Sewer District, and the West Anderson Water District, as amended by the First Amendment to the Restated and Amended Water Sale and Purchase Agreement dated as of December 6, 2005, by and among the Anderson County Joint Municipal Water System, the municipalities of Anderson, Clemson, Pendleton and Williamston, and the special purpose districts of The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, the Hammond Water District, the Homeland Park Water District, the Powdersville Water District, the Sandy Springs Water District, the Starr-Iva Water and Sewer District, and the West Anderson Water District, and as supplemented by the First Supplement to the Restated and Amended Water Sale and Purchase Agreement dated as of December 6, 2005, by and among the Anderson County Joint Municipal Water System, the municipalities of Anderson, Clemson, Pendleton and Williamston, and the special purpose districts of The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, the Hammond Water District, the Powdersville Water District, the Sandy Springs Water District, and the West Anderson Water District, as the same may be further amended, modified or supplemented from time to time.

THE BOND RESOLUTION

Authorization of Bonds in a Series

Purposes of Bonds. The Bond Resolution authorizes the Issuer, subject to the terms, limitations and conditions set forth therein, to issue a Series of Bonds pursuant to the provisions of a Series Resolution. A Series of Bonds may be issued on a parity with the Outstanding Bonds from time to time for the purposes of:

- (1) Obtaining funds for the expansion, improvement and extension of the System;
- (2) Providing funds for the payment of any bond anticipation note or notes that may have been issued in anticipation of the issuance and sale of Bonds;
- (3) Refunding Bonds or other obligations issued pursuant to the Enabling Act or otherwise issued to provide land or facilities that are or are to become a part of the System, or that are or were payable in whole or in part from revenues of the System, to the extent permitted under the Enabling Act;
- (4) Providing funds for the payment of interest due on such Bonds, to the extent permitted under the Enabling Act;
- (5) Funding the Debt Service Reserve Fund or, if applicable, a Series Debt Service Reserve Fund or restoring the value of the cash and securities in the Debt Service Reserve Fund to the amount equal to the Reserve Requirement or, if applicable, restoring the value of the cash and securities in a Series Debt Service Reserve Fund to the amount equal to the applicable Series Reserve Requirement;
- (6) Paying the costs of issuance of Bonds, including any credit enhancement therefor;
- (7) To the extent permitted by law, obtaining funds to be loaned to members of the Issuer in order to improve, expand or extend the waterworks system of such members; and
- (8) Paying any other costs permitted to be financed with a Series of Bonds pursuant to the Enabling Act.

Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds, with or without mandatory sinking fund payments, or Capital Appreciation Bonds, or a combination of any of them, and may bear interest in whatever manner and payable at whatever frequency as prescribed by the applicable Series Resolution.

Conditions for the Issuance of Bonds. Bonds of a Series, other than Reimbursement Obligations, may be issued only if the following conditions are satisfied:

- (1) There must exist, on the occasion of the issuance of the Bonds, no default in the payment of the principal of or interest on the Bonds or any Junior Lien Bonds then Outstanding.
- (2) There must be on deposit in the Debt Service Reserve Fund the amount equal to the Reserve Requirement for all Bonds to be Outstanding following the proposed issuance of Bonds, unless:
 - (a) the Series Resolution and any previous Series Resolutions provide for successive monthly payments beginning in the first month following the date of the issuance of the Bonds of

any such Series in substantially equal monthly amounts (the “*Monthly Series Payments*”), so that by the end of a period not to exceed one (1) year, as determined by the Series Resolution, there will be in the Debt Service Reserve Fund an amount equal to the Reserve Requirement; and

(b) there are no unremedied defaults of any Monthly Series Payments required to have been made under any previous Series Resolutions.

However, if the Issuer has elected to establish a Series Debt Service Reserve Fund for the proposed Series of Bonds, the Issuer shall, in lieu of the foregoing provisions, deposit into the Series Debt Service Reserve Fund established with respect to such Series of Bonds such amount as may be necessary to make the value of the moneys and securities in such Series Debt Service Reserve Fund equal to the applicable Series Reserve Requirement.

(3) Except in the case that no Bonds are Outstanding or in the case of Bonds issued for the purpose of refunding any Bonds:

(a) Net Earnings during the most recent Fiscal Year for which audited financial statements of the Issuer are completed shall be certified by the Executive Director, by the Accountants or by the Feasibility Consultants on the basis of such audited financial statements to be not less than one hundred twenty percent (120%) of the maximum Annual Principal and Interest Requirements on all Bonds Outstanding and on such proposed Series of Bonds; provided that for purposes of this paragraph (a), such Net Earnings may be adjusted to reflect (1) any rate increases currently adopted and to be in effect prior to or coincident with the issuance of such proposed Series of Bonds and determined pro forma as though such rate increases had been in continuous effect during such recent Fiscal Year; (2) in the event proceeds of the proposed Series of Bonds will be used to acquire a utility, system or enterprise that is in existence and operating and whose current customers have become customers of the System prior to the issuance of the proposed Series of Bonds or will become customers of the System concurrently with the issuance of such proposed Series of Bonds, 100% of the Net Earnings that the Executive Director, the Accountants or the Feasibility Consultants estimate would have been received during such Fiscal Year if the utility, system or enterprise had been a part of the System throughout such recent Fiscal Year, taking into account, for the estimation of such Net Earnings in this paragraph only, the then-existing customer base and population of the acquired utility, system or enterprise; (3) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire a newly constructed utility, system, enterprise, or component of the System which will serve an existing customer base and currently-populated area, 100% of the Net Earnings, estimated by the Executive Director, the Accountants or by the Feasibility Consultants, to be received by the Issuer during the first Fiscal Year beginning after the earlier of (a) the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service and (b) the third anniversary of the date of delivery of the proposed Series of Bonds, from the newly-constructed or to-be-constructed utility, system, enterprise, or component of the System, taking into account for the estimation of such Net Earnings in this subparagraph (3) only the then-existing customer base and population; (4) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire an expansion to the System and to the extent not included by subparagraph (3) above, 100% of estimated Net Earnings to be received by the System in the first Fiscal Year following the completion of such project, certified by the Executive Director, the Accountants or the Feasibility Consultants, from customers under long-term contracts which extend for the life of such proposed Series of Bonds; (5) in the event proceeds of such proposed Series of Bonds will be used to pay interest on such proposed Series, 100% of the interest that will accrue on such Series of Bonds during the first twelve (12) full

months following the date of delivery of the proposed Series and that will be paid from such proceeds, provided however that any such interest accruing in such twelve month period that is to be paid on a date within the Fiscal Year of maximum Annual Principal and Interest Requirements shall not be so added into such Net Earnings; and (6) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire an expansion to the System and to the extent not included by sub-paragraph (3), 100% of estimated Net Earnings to be received by the Issuer in the first Fiscal Year following the completion of such project, certified by the Executive Director, the Accountants or by the Feasibility Consultants, from customers under long-term contracts which extend for the life of such proposed Series of Bonds; or

(b) (i) Net Earnings during the most recent Fiscal Year for which audited financial statements of the Issuer are completed shall be certified by the Executive Director, by the Accountants or by the Feasibility Consultants on the basis of such audited financial statements to be not less than one hundred twenty percent (120%) of the Annual Principal and Interest Requirements during such Fiscal Year on all Bonds Outstanding; provided that for purposes of this subparagraph (i), such Net Earnings may be adjusted to reflect (1) any rate increases currently adopted and to be in effect prior to or coincident with the issuance of such proposed Series of Bonds and determined pro forma as though such rate increases had been in continuous effect during such recent Fiscal Year; (2) in the event a utility, system or enterprise has been or is being acquired by the System other than from the proceeds of the proposed Series of Bonds and whose current customers have become customers of the System prior to the issuance of the proposed Series of Bonds or will become customers of the System concurrently with the issuance of such proposed Series of Bonds, 100% of the Net Earnings estimated by the Executive Director, the Accountants or by the Feasibility Consultants that would have been received by the Issuer during such Fiscal Year if the utility, system or enterprise had been a part of the System during such recent Fiscal Year, taking into account for the estimation of such Net Earnings in this subparagraph (2) only the then-existing customer base and population of the acquired utility, system or enterprise; and

(ii) For each of the five (5) Fiscal Years following the later of the date of the delivery of the Bonds of such proposed Series, or the period (if any) for which interest is funded from the proceeds of such Bonds, Net Earnings, as shall have been forecasted by the Accountants or by the Feasibility Consultants, will be not less than one hundred twenty percent (120%) of the Annual Principal and Interest Requirements on all Bonds then proposed to be Outstanding in each of such five (5) Fiscal Years; provided that in the instance of any Series of Bonds in the aggregate principal amount of \$2,500,000 or less, such calculations required by this subparagraph (ii) may, unless provided to the contrary in any Series Resolution, be made by the Executive Director.

(4) In the case of Bonds issued for the purpose of refunding any Bonds, Series of Bonds, or a portion of a Series of Bonds:

(a) the Annual Principal and Interest Requirement of the refunding Bonds shall not exceed 105% of the Annual Principal and Interest Requirement of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds issued prior to the issuance of such refunding Bonds which are not refunded and which remain Outstanding following the issuance of the refunding Bonds; or

(b) the Net Earnings test described in paragraphs (3)(a) and (b) above shall have been met.

Whenever paragraphs (3)(a) or (b) above require a certification for the most recent Fiscal Year for which audited financial statements are available, the Issuer may, in its discretion, provide for a special

audit and a certification based upon such special audit, in lieu of the audit for such Fiscal Year, provided such special audit covers twelve (12) consecutive calendar months of the eighteen (18) full consecutive calendar months preceding the date of issuance of the proposed Series of Bonds.

(5) If any Series of Bonds contains Variable Rate Bonds:

(a) The Series Resolution shall provide for and specify a maximum interest rate on (i) such Bonds and (ii) any Reimbursement Obligation with respect to such Bonds; and

(b) The credit enhancer and the liquidity provider, if any, for such Bonds shall be rated at the time of issuance of such Bonds in one of the two highest short term rating categories by any rating agencies then rating such credit enhancer or liquidity provider.

(6) All amounts owing under any Reimbursement Obligations must have been paid.

Notice of Redemption

The obligation of the Trustee to give the notice required by the Bond Resolution shall not be conditioned upon the prior payment to the Trustee or the Paying Agent of money or the delivery to the Trustee or Paying Agent of Authorized Investments or Government Obligations sufficient to pay the redemption price of the Bonds to which such notice relates or the interest thereon to the redemption date. If at the time of mailing of notice of redemption, there shall not have been deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Trustee or Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Rate Covenant

In the Bond Resolution, the Issuer covenants and agrees that it will maintain rates and charges for all services furnished by the System that are sufficient: (1) to provide for the payment of Operation and Maintenance Expenses; (2) to maintain the Debt Service Fund and thus provide for the punctual payment of the principal of and interest on the Bonds; (3) to maintain the Debt Service Reserve Fund, and, each Series Debt Service Reserve Fund, if any, in the manner prescribed in the Bond Resolution and any applicable Series Resolution; (4) to build and maintain the Renewal and Replacement Fund; (5) to pay all amounts owing under Reimbursement Obligations; (6) to discharge all obligations imposed by the Enabling Act and by the Bond Resolution; and (7) to provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time be Outstanding.

The Issuer further covenants and agrees in the Bond Resolution that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the Issuer that, together with other income, will yield annual Net Earnings in the current Fiscal Year equal to at least one hundred twenty percent (120%) of the Annual Principal and Interest Requirements in such Fiscal Year for all Bonds Outstanding; and, promptly upon any material change in the circumstances that were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, must review the rates and charges for its services and must promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the Commission will adopt an Annual Budget, including amended rate schedules, for such Fiscal Year that sets forth in reasonable detail the estimated revenues and operating expenses and other expenses of the System for such Fiscal Year and that includes the amount to be deposited during such

Fiscal Year in the Renewal and Replacement Fund. The Commission may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

Additional Obligations

Junior Lien Bonds. Notwithstanding that Bonds may be Outstanding, the Issuer may, at any time, and without limitation and free of all conditions issue Junior Lien Bonds, in such amount as it may from time to time determine, payable from the revenues of the System, provided that the pledge of revenues and any lien upon the revenues of the System granted for the protection of said Junior Lien Bonds, shall at all times be and remain subordinate and inferior in all respects to the pledges of revenues and liens upon such revenue made or authorized for the Bonds.

By proceedings authorizing the issuance of Junior Lien Bonds, the Issuer may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the following conditions are met:

(1) There shall exist on the date of accession (a) no default in the payment of the principal of or interest on any Bonds or any Junior Lien Bonds then Outstanding and (b) no default in the performance of any duties required under the provisions of the Bond Resolution and (c) no amount owed by the Issuer with respect to the full funding of the Debt Service Reserve Fund or a Series Debt Service Reserve Fund, as applicable, either by way of cash or reimbursement of any other funding mechanism, except in accordance with the provisions of the Bond Resolution.

(2) There shall be deposited in the Debt Service Fund the amount which would have been required under the provisions of the Bond Resolution to be accumulated therein on the date of accession if said Junior Lien Bonds had originally been issued as Bonds.

(3) On the date of accession, the Net Earnings tests described under paragraph (3) of “Authorization of Bonds in a Series—Conditions for the Issuance of Bonds” herein shall have been met.

(4) In the event such proceedings require the Reserve Requirement or a Series Reserve Requirement, as applicable, to be maintained for such Series of newly-acceded Bonds, then in such event, there shall be on deposit on the date of accession in the Debt Service Reserve Fund or a Series Debt Service Reserve Fund, as applicable, an amount equal to the Reserve Requirement or Series Reserve Requirement, as applicable, established for such Junior Lien Bonds which are being acceded to the status of Bonds.

(5) The Issuer shall obtain an opinion of Bond Counsel to the effect that (a) the Bond Resolution and the proceedings authorizing such Junior Lien Bonds have been duly adopted and are in full force and effect; (b) the Junior Lien Bonds have been duly and lawfully authorized and executed by the Issuer and are valid and binding upon, and enforceable against, the Issuer (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (c) the Bond Resolution creates the valid pledge which it purports to create of the revenues and of moneys and securities on deposit in any of the funds established hereunder subject to the application thereof to the purposes and on the conditions permitted by the Bond Resolution.

(6) In the event such Junior Lien Bonds were issued with variable rates, the requirements of the Bond Resolution concerning parity Variable Rate Bonds shall have been met.

Special Facilities Bonds. The Issuer has the right to enter into contracts, leases or other agreements to construct, operate, and pay the costs of Special Facilities to be financed by its issuance of Special Facilities Bonds, subject to the following conditions:

(1) It must be determined to the satisfaction of the Issuer that the rents, revenues, or receipts to be derived from the Special Facilities will be at least (a) equal to the principal, interest, and any reserve requirements contained in the Resolution authorizing such Special Facilities Bonds and (b) sufficient to pay all operation, maintenance, and other costs and expenses applicable to the Special Facilities; and

(2) The revenues derived from Special Facilities need not be deposited in the General Revenue Fund, and may be pledged to secure Special Facilities Bonds; but no debt service or other costs or expense related to any Special Facilities may be paid from System revenues deposited in the General Revenue Fund, except surplus moneys as described in the Bond Resolution.

The term “Special Facilities” includes all or a portion of utility facilities and rights to all or a portion of the use of, or the capacity available from, any such facilities, provided the acquisition of such facilities then be permitted or authorized by the provisions of the South Carolina Code.

Lease Financing Agreements. The Issuer has the right to enter into capital leases or other lease financing agreements which are not secured by any portion of the Gross Revenues but are secured by a lien on the equipment being purchased as a part of the System. The aggregate principal amount of such obligations outstanding at any time, however, may not exceed ten percent (10%) of the property, plant, and equipment of the System less accumulated depreciation, as shown on the audited balance sheet of the Issuer for the most recent Fiscal Year for which audited financial statements are available. Furthermore, the Executive Director must certify in writing that the loss of the property secured by the lien will not materially affect the ability of the Issuer to meet its financial obligations hereunder.

Establishment of Funds

For so long as any sum remains due and payable on the Bonds, the following funds or accounts must be established and maintained.

General Revenue Fund. The Bond Resolution requires the establishment and maintenance of the General Revenue Fund to accurately reflect the Gross Revenues of the System and Net Earnings. Except as permitted by the Bond Resolution, all Gross Revenues of the System must be deposited into the General Revenue Fund. Money in the General Revenue Fund may be withdrawn and made use of only in the manner and in the order of priority specified in the Bond Resolution and described below. If the Issuer maintains, from an accounting standpoint, proper records of receipts and disbursements for the General Revenue Fund, the General Revenue Fund may be used for the purposes of the Operation and Maintenance Fund, as described below.

Operation and Maintenance Fund. The Bond Resolution requires the establishment of an Operation and Maintenance Fund, which is intended to provide for the payment of Operation and Maintenance Expenses incurred in connection with the administration and operation of the System, including but not limited to any expenses reasonably necessary to keep the System in good repair and working order, the fees and charges of the Trustee and the custodian or trustee of any fund, the costs of audits required under the Bond Resolution, the costs of the computation and payment of any arbitrage rebate and the premiums for all insurance and fidelity bonds required by the Bond Resolution. Withdrawals from the Operation and Maintenance Fund are made by or on the order of the Issuer in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Debt Service Fund. The Bond Resolution requires the establishment of a Debt Service Fund for all Bonds Outstanding, except for Reimbursement Obligations. The Debt Service Fund is intended to provide for the payment of the principal of, redemption premium, if any, and interest on the Bonds as they fall due. Except as provided in the Bond Resolution, all money in the Debt Service Fund may be used solely to pay the principal of, redemption premium, if any, and interest on the Bonds, and for no other purpose. The Debt Service Fund is maintained in the custody and under the control of the Trustee, except that with respect to a Series of Bonds that is purchased by a single institution and thereafter held by a single Bondholder, and for which there is not established a Reserve Requirement, the Debt Service Fund established for such Series of Bonds may be held by the Holder of that Series of Bonds.

Money in the Debt Service Fund is invested by the Trustee at the direction of the Executive Director in Authorized Investments. Any earnings from investments are added to and become a part of the Debt Service Fund and are credited against payments that would otherwise be made to the Debt Service Fund.

Debt Service Reserve Fund. The Bond Resolution requires the establishment and maintenance of a Debt Service Reserve Fund at the Reserve Requirement so long as Bonds shall be Outstanding for the equal and ratable benefit of all Bonds, except for Reimbursement Obligations and any Bonds of a Series secured by a Series Debt Service Reserve Fund or not secured by the Debt Service Reserve Fund or a Series Debt Service Reserve Fund. The Debt Service Reserve Fund is intended to insure the timely payment of the principal of, and premium, if any, and interest on the Bonds (except for Reimbursement Obligations and any Bonds of a Series secured by a Series Debt Service Reserve Fund or not secured by the Debt Service Reserve Fund or a Series Debt Service Reserve Fund), and to provide for the redemption of such Bonds prior to their stated maturities. Money in the Debt Service Reserve Fund shall be used for the following purposes, and for no other:

- (1) To prevent a default in the payment of the principal of or interest on such Bonds secured by the Debt Service Reserve Fund by reason of the fact that money in the Debt Service Fund is insufficient for such purposes;
- (2) To pay the principal of, interest on, and redemption premium of such Bonds secured by the Debt Service Reserve Fund in the event that all such Outstanding Bonds be redeemed as a whole; or
- (3) To effect partial redemption of such Bonds secured by the Debt Service Reserve Fund; but subject to the restrictions of Section 4.15 of the Bond Resolution and provided that subsequent to said partial redemption, the market value of the cash and securities in the Debt Service Reserve Fund, plus the aggregate amount of any Funding Substitute credited thereto, shall be not less than the Reserve Requirement as calculated immediately following such redemption or defeasance.

The Debt Service Reserve Fund shall be kept in the custody and control of the Trustee.

Money in the Debt Service Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the Executive Director or his designee in Authorized Investments. The earnings from such investments shall be added to and become a part of the Debt Service Reserve Fund. If as of any date of calculation, the value of the securities and money in the Debt Service Reserve Fund shall exceed the Reserve Requirement, such excess shall either be used to effect a partial redemption of such Bonds secured by the Debt Service Reserve Fund or shall be removed from the Debt Service Reserve Fund and transferred into the Debt Service Fund.

The Issuer may satisfy all or a portion of the Reserve Requirement by causing to be credited thereto a surety bond, insurance policy or other funding instrument (any such surety bond, insurance policy or other funding instrument, a "Funding Substitute"), so long as such Funding Substitute, or the provider

thereof, shall have the same or better credit rating(s) as enjoyed by the Outstanding Bonds secured by the Debt Service Reserve Fund.

Series Debt Service Reserve Funds. Each Series Resolution may create a Series Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Series Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. Each such Series Debt Service Reserve Fund is intended to insure the timely payment of the principal of, and premium, if any, and interest on that Series of Bonds, and to provide for the redemption of such Bonds prior to their stated maturities. Any Series Debt Service Reserve Fund shall be maintained in an amount equal to the Series Reserve Requirement for such Series of Bonds. Money in a Series Debt Service Reserve Fund shall be used for the following purposes, and for no other:

(1) To prevent a default in the payment of the principal of or interest on that Series of Bonds, by reason of the fact that money in the Series Debt Service Fund is insufficient for such purposes;

(2) To pay the principal of, interest on, and redemption premium of the Bonds of the applicable Series in the event that all Outstanding Bonds of that Series be redeemed as a whole; or

(3) To effect partial redemption of the Bonds of the applicable Series; but subject to the restrictions of Section 4.15 of the Bond Resolution and provided that subsequent to said partial redemption, the market value of the cash and securities in the Series Debt Service Reserve Fund, plus the aggregate amount of any Funding Substitute credited thereto, shall be not less than the Series Reserve Requirement as calculated immediately following such redemption or defeasance.

Each Series Debt Service Reserve Fund shall be kept in the custody and control of the Trustee.

Money in a Series Debt Service Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the Executive Director or his designee in Authorized Investments. The earnings from such investments shall be added to and become a part of any such Series Debt Service Reserve Fund. If as of any date of calculation, the value of the securities and money in a Series Debt Service Reserve Fund shall exceed the applicable Series Reserve Requirement, such excess shall either be used to effect a partial redemption of Bonds of that Series, or shall be removed from such Series Debt Service Reserve Fund and transferred into the Debt Service Fund.

In the event a Series Debt Service Reserve Fund is created by the provisions of a Series Resolution, the Issuer may satisfy all or a portion of the applicable Series Reserve Requirement by (1) causing to be credited thereto a surety bond, insurance policy or other funding instrument (any such surety bond, insurance policy or other funding instrument, a "Funding Substitute"), or (2) providing for such other funding mechanism in the manner set forth in the Series Resolution, in either case, upon such conditions as set forth in the Series Resolution.

Renewal and Replacement Fund. The Bond Resolution requires the establishment of a Renewal and Replacement Fund, which constitutes both the "Depreciation Fund" and the "Contingent Fund" as referred to in Chapter 21 of Title 6 of the Enabling Act, to provide a reasonable reserve for depreciation of the System, for contingencies, and for improvements, betterments, and extensions of the System. Money in this fund may be used only: (1) for the purposes of restoring depreciated or obsolete items of the System; (2) for improvements, betterments, and extensions to the System, other than for those things reasonably necessary to maintain the System in good repair and working order; (3) to defray the cost of unforeseen contingencies; (4) to prevent defaults of Bonds and Junior Lien Bonds; and (5) for optional redemption of Bonds.

The Commission must determine the amount to be maintained in the Renewal and Replacement Fund not less frequently than annually. Withdrawals from this fund are made by or on order of the Issuer. All earnings from investment of amounts on deposit in this fund are added to and become a part of this fund, unless otherwise determined by the Commission pursuant to the Annual Budget.

The Capitalized Interest Account. The Issuer may establish a capitalized interest account to provide for the payment of interest on the Bonds of a particular Series. Any such account must be created by the Series Resolution relating to the issuance of the Bonds of such Series. The Series Resolution must provide for the disposition of any earnings from the investment of the funds in any such capitalized interest account.

Investment of Funds

Whenever, in the opinion of the Issuer, it becomes desirable to invest money in any of the funds described above (other than the Debt Service Reserve Fund or, if applicable, any Series Debt Service Reserve Fund, and the Debt Service Fund for which provisions are made above), the Issuer may make Authorized Investments. Earnings resulting from the investment of money in a particular fund shall be deposited into the General Revenue Fund, except as provided above for the Debt Service Fund, the Debt Service Reserve Fund, any Series Debt Service Reserve Fund and the Capitalized Interest Accounts

Disposition of Revenues

The Gross Revenues of the System (other than customers' deposits and that money the disposition of which is controlled by other provisions of the Bond Resolution) are declared by the Bond Resolution to be a part of, and from time to time are promptly deposited into, the General Revenue Fund. Dispositions from the General Revenue Fund are made on or before the fifth business day prior to the end of each month, in the following order of priority.

Deposits for Operation and Maintenance Fund. There is deposited in the Operation and Maintenance Fund the amount necessary for the ensuing month for the payment of all Operation and Maintenance Expenses expected to be incurred in connection with the administration and operation of the System, including but not limited to any expenses reasonably necessary to preserve the System in good repair and working order, the fees and charges of the Trustee and the Registrar or any Paying Agent, the costs of audits required under the Bond Resolution, the costs of the computation and payment of any arbitrage rebate and the premiums for all insurance and fidelity bonds required by the Bond Resolution.

Payments for Bonds. Provision is next made for the payment of principal of, premium, if any, and interest on the Bonds without priority of any Bonds over any other Bonds. To that end:

(1) Unless provided otherwise pursuant to a Series Resolution with respect to the issuance of a Series of Variable Rate Bonds, there is deposited into the Debt Service Fund the monthly fraction of the aggregate amount of interest to become due on the Outstanding Bonds on the next ensuing Bond Payment Date;

(2) There is deposited into the Debt Service Fund the monthly fraction of the Principal Installment of the Outstanding Bonds next becoming due and payable; and

(3) if, on the occasion when the deposits required by paragraphs (1) and (2) above are to be made, the sum total of the deposits required thereby plus previous monthly deposits and the remaining deposits to be made prior to the next succeeding Bond Payment Date, will be less than the sum required to effect the payment of the next succeeding installment of either principal or interest, or both, on the Outstanding Bonds, a sum equal to such deficiency must be added to the deposits.

Deposits for the Debt Service Reserve Fund and Series Debt Service Reserve Funds – Valuation. Deposits are next made, to the extent necessary, in the Debt Service Reserve Fund and/or respective Series Debt Service Reserve Funds. The market value of the cash and securities in the Debt Service Reserve Fund and/or each Series Debt Service Reserve Fund shall be calculated as of the last day of each Fiscal Year (such calculation to be made within forty-five (45) days after such date) in order to determine if the Debt Service Reserve Fund contains the Reserve Requirement or such Series Debt Service Reserve Fund contains the Series Reserve Requirement.

In the event the aggregate market value of the cash and securities, plus the aggregate amount of any Funding Instrument credited thereto, in the Debt Service Reserve Fund or a Series Debt Service Reserve Fund is determined not to equal the Reserve Requirement or Series Reserve Requirement, as applicable, due to the withdrawal of moneys therefrom in order to prevent a default in the payment of the principal of or interest on the applicable Bonds, then there shall be paid into the Debt Service Reserve Fund or Series Debt Service Reserve Fund, as applicable, on the last Business Day of each of the first four (4) months following the month of a determination of a deficiency in the Debt Service Reserve Fund or Series Debt Service Reserve Fund, as applicable, one-fourth (1/4) of the amount necessary to re-establish in the Debt Service Reserve Fund the applicable Reserve Requirement or in the Series Debt Service Reserve Fund the applicable Series Reserve Requirement; provided, however, that nothing herein shall preclude the Issuer from fully re-establishing such Reserve Requirement or Series Reserve Requirement in a more timely fashion than as so prescribed. Except as set forth in the Bond Resolution and unless the Debt Service Reserve Fund or Series Debt Service Reserve Fund, as applicable, then contains in cash and securities (including any Funding Substitute credited thereto) an amount not less than the applicable Reserve Requirement or applicable Series Reserve Requirement, then the deficiency shall be met through the payment of twelve (12) equal monthly payments equal to one-twelfth (1/12) of such deficiency beginning on the last business day of the month following such determination.

The value of any Authorized Investments in the Debt Service Reserve Fund or a Series Debt Service Reserve Fund with a maturity of five (5) years or more shall be calculated as set forth in the Bond Resolution.

Deposits for the Renewal and Replacement Fund. There is next deposited into the Renewal and Replacement Fund an amount that is one-twelfth (1/12) of the sum that has been currently determined by the Commission to be the estimated requirement therefor for the then current Fiscal Year; provided that in no event shall the sum be less than the amount provided for in Section 4.02 of the Water Sales Agreement.

Payments for Junior Lien Bonds. Provision is next made for the payment of any other indebtedness that is junior and subordinate to the Bonds, in the order of priority contemplated by the proceedings authorizing their issuance.

Use of Surplus Money. All money remaining after making the payments described above may be disposed of for any lawful purpose in such manner as the Commission from time to time determines.

Modification of Bond Resolution

Without Bondholder Approval. Provided that the security for the Bonds is not lessened or impaired, the Commission may at any time and without Bondholder approval adopt a resolution supplementing the Bond Resolution for anyone or more of the following purposes:

- (1) To provide for the issuance of a Series of Bonds in accordance with the Bond Resolution;
- (2) To add to the covenants and agreements of the Issuer in the Bond Resolution;

(3) To surrender any right, power, or privilege reserved to or conferred upon the Issuer by the Bond Resolution;

(4) To implement an addition to the System; and

(5) To cure, correct, and remove any ambiguity or inconsistent provisions contained in the Bond Resolution.

With Bondholder Approval. The rights and duties of the Issuer and the Bondholders and the terms and provisions of the Bond Resolution may be modified by a resolution adopted by the Commission with the consent of the Holders of a majority in principal amount of all Bonds of each Series which would be affected by such modification or alteration then Outstanding, such consent to be evidenced in such manner as may be acceptable to the Trustee, but no such modification or alteration shall without the consent of the Holders of all Bonds affected by such change or modification:

(1) Extend the maturity of any payment of principal or interest due upon any Bond;

(2) Effect a reduction in the amount which the Issuer is required to pay by way of principal, interest or redemption premium on any Bonds;

(3) Effect a change as to the type of currency in which the Issuer is obligated to effect payment of the principal, interest and redemption premium of any Bond;

(4) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds;

(5) Permit preference or priority of any Bonds to others; or

(6) Reduce the percentage required for the written consent to the modification or alteration of the provisions of the Bond Resolution.

Events of Default

Each of the following events is an “Event of Default” under the Bond Resolution:

(1) Failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity or by proceedings for redemption;

(2) Failure to pay any installment of interest on any of the Bonds when the same becomes due and payable;

(3) Failure to pay into the Debt Service Reserve Fund or any Series Debt Service Reserve Fund as required by the Bond Resolution;

(4) The Issuer is for any reason rendered incapable of fulfilling its obligations under the Bond Resolution;

(5) The occurrence of certain events of bankruptcy or insolvency;

(6) The Issuer defaults in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds or in the Bond Resolution, and the default continues for thirty days after a written notice of default has been given to the Issuer by any Bondholder. If, however, the default cannot be corrected within thirty days, the Issuer may avoid default by instituting corrective action within the thirty day period and diligently pursuing such action until the default is corrected;

(7) The Issuer defaults under any Reimbursement Obligation;

(8) The non-defaulting Purchasers in the aggregate fail to make payment under the Water Sales Agreement, within the period of time required thereunder, of all of the amounts payable by such non-defaulting Purchasers in the aggregate pursuant to the Water Sales Agreement as a result of any non-payment by an Aggregate 30% Purchaser(s) of the Capital Charge (as such term is defined in the Water Sales Agreement); and

(9) Any other Events of Default specified in a Series Resolution.

Paragraph (6) above is subject to the following limitation: If by reason of *force majeure* the Issuer is unable to carry out its agreements contained in the Bond Resolution (other than certain specified provisions of the Bond Resolution), the Issuer will not be deemed in default during such inability. The term "*force majeure*" is defined to mean, without limitation, acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, tunnels or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Issuer. The settlement of strikes, lockouts, and other industrial disturbances is entirely within the discretion of the Issuer, and the Issuer is not required to settle strikes, lockouts, and other industrial disturbances by acceding to the demands of the opposing party or parties when the Issuer believes settlement to be unfavorable.

Remedies

Acceleration; Annulment of Acceleration. Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding must, declare all Bonds Outstanding immediately due and payable. Any Series Resolution may, however, confer upon the Insurer, if any, of such Series of Bonds the right to prevent such acceleration with respect to such Series.

At any time after the principal of the Bonds has been so declared due and payable, and before the entry of final judgment in any action instituted on account of such default, or before the completion of the enforcement of any other remedy under the Bond Resolution, the Trustee may annul the declaration and its consequences for any Bonds not then due by their terms if:

(1) Moneys have been deposited in the Debt Service Fund sufficient to pay all matured installments of interest and principal (other than principal then due only because of such declaration) of all Outstanding Bonds;

(2) Moneys have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances, and liabilities of the Trustee;

(3) All other amounts then payable by the Issuer have been paid or a sum sufficient to pay the same has been deposited with the Trustee; and

(4) Every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) has been remedied to the satisfaction of the Trustee.

Additional Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds Outstanding must, proceed to protect and enforce its rights and the rights of the Bondholders under the Bond Resolution by any actions that the Trustee, being advised by counsel, deems expedient.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must institute any suits and proceedings as it may be advised by counsel to be necessary or expedient:

(1) To prevent any impairment of the security under the Bond Resolution by any acts that may be unlawful or in violation of the Bond Resolution; or

(2) To preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of the Bond Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

Application of Revenues and Other Moneys After Default. If an Event of Default occurs and is not remedied or waived, the Issuer, upon demand of the Trustee, must:

(1) Direct the Purchasers to make payment of all amounts due under the Water Sales Agreement directly to the Trustee;

(2) Pay or cause to be paid over to the Trustee, forthwith, all moneys and securities then held by the Issuer which is credited to any fund under the Bond Resolution; and

(3) Pay or cause to be paid over to the Trustee, as promptly as practicable after receipt thereof, all Gross Revenues.

Order of Payment. During the continuance of an Event of Default, the Trustee applies all moneys securities, Gross Revenues, payments, and receipts in its possession and the income therefrom as follows and in the following order:

(1) To the payment of the reasonable and proper charges of the Trustee;

(2) To the payment of the necessary costs of operating and maintaining the System;

(3) To the payment of interest, principal, and redemption premium, if any, then due on the Bonds, as follows:

(a) Unless the principal of all of the Bonds has become or has been declared due and payable,

(i) First: To the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is

not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination; and

(ii) Second: To the payment of the persons entitled thereto of the unpaid Principal Installments (and redemption premiums, if any) of any Bonds that have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available are not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal (plus redemption premium, if any) due on such date, to the persons entitled thereto, without any discrimination; and

(b) If the principal of all of the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without discrimination except as to any differences in the respective rates of interest specified in the Bonds;

(4) For the purposes and to the respective funds described under the heading “Disposition of Revenues” above.

Control of Proceedings. If an Event of Default has occurred and is continuing, the Holders of at least a majority in aggregate principal amount of Bonds then Outstanding have the right, at any time, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution or for the appointment of a receiver, provided that such direction is in accordance with law and the provisions of the Bond Resolution and, in the sale judgment of the Trustee, is not unduly prejudicial to the interests of the Bondholders not joining in such direction. Nothing contained in the Bond Resolution impairs the right of the Trustee in its discretion to take any other action under the Bond Resolution that it may deem proper and that is not inconsistent with such direction by Bondholders.

Individual Bondholder Action Restricted. No Holder of any Bond has: the right to institute any proceeding for the enforcement of the Bond Resolution or for any remedy unless (1) an Event of Default has occurred with respect to the payment of principal of or interest on the Bonds, or of which the Trustee has actual notice or has been notified in writing by the Issuer or by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, (2) the Holders of at least 25% in aggregate principal amount of Bonds Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Bond Resolution or to institute such proceeding in its own name, (3) such Bondholders have offered the Trustee reasonable indemnity, and (4) the Trustee fails or refuses to exercise its powers granted in the Bond Resolution or to institute such proceeding in its own name for a period of sixty days after receipt of the request and offer of indemnity.

No Bondholder has any right to disturb or prejudice the security of the Bond Resolution or to enforce any right thereunder except in the manner provided in the Bond Resolution and for the equal benefit of the Holders of all Bonds Outstanding. Nothing contained in the Bond Resolution impairs the right of any Bondholder to receive payments of the principal of or interest on such Bond on the due date thereof or to institute suit for the enforcement of any such payment on or after such due date.

Waiver of Event of Default. No delay or omission of the Trustee or of any Bondholder to exercise any right accruing upon an Event of Default impairs any such right or is construed to be a waiver of the Event of Default or an acquiescence therein. The Trustee may waive any Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any proceeding instituted by it under the provisions of the Bond Resolution, or before the completion of the enforcement of any other remedy under the Bond Resolution.

The Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one Series of Bonds is Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), must waive any Event of Default, except that a default in the payment of the principal of, premium, if any, or interest on, any Bond may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

Notice of Default. Within thirty days after receipt of the required notice of an Event of Default or the occurrence of an Event of Default relating to the payment of principal of or interest on any Bonds, the Trustee must, unless the Event of Default has been cured, give written notice of the Event of Default by first class mail to each Holder of Bonds then Outstanding. Unless the default relates to the payment of principal of, premium, if any, or interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

Trustee

Functions of the Trustee. The Trustee has the following functions:

- (1) To authenticate the Bonds of all Series that may be issued;
- (2) To act as custodian of the Debt Service Fund;
- (3) To act as custodian of the Debt Service Reserve Fund and any Series Debt Service Reserve Funds;
- (4) To act as Paying Agent for the Bonds;
- (5) Unless otherwise prescribed by any Series Resolution, to act as Registrar for the Bonds and to maintain registration books therefor, which must at all times accurately reflect the names and addresses all Bondholders; and
- (6) To make reports to the Issuer on a monthly or such other basis as may be requested by the Issuer, but not less often than semi-annually, that establish balances on hand, list investments made for any fund handled by the Trustee, establish the market value of the Debt Service Reserve Fund and each of the Series Debt Service Reserve Funds, if any, and list all securities, if any, pledged pursuant to the Bond Resolution.

Resignation and Removal of Trustee; Successor Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under the Bond Resolution by giving at least sixty days notice of the date when such resignation is intended to take effect. The resignation takes effect upon the date specified in the notice unless a successor is appointed before such date, in which case the resignation takes effect immediately upon, but not before, the appointment and qualification of the successor.

The Trustee may be removed at any time by the Holders of not less than fifty percent (50%) of the principal amount of Bonds at such time Outstanding. In addition, the Trustee may be removed at any time by the Issuer or, if a Series Resolution provides, upon the request of the Bond Insurer. Any removal of the Trustee takes effect immediately upon, but not before, the appointment and qualification of the successor.

If the Trustee resigns, is removed, becomes incapable of acting, is adjudged bankrupt or insolvent, or is placed in receivership or under the control of a public official, a successor must be promptly appointed by a resolution of the Issuer. The successor must be a bank or a trust company, duly chartered pursuant to the laws of the United States or of the State, and must have a combined capital and surplus of not less than \$100,000,000. Immediately after appointing a successor Trustee, the Issuer must give written notice of the appointment to the Bondholders.

If no appointment of a successor Trustee is promptly made, any Bondholder may apply to any court of competent jurisdiction for the appointment of a successor and the court may, after such notice, if any, as such court may prescribe, appoint a successor.

Trustee to Secure Funds and Securities Held in Trust. Unless secured as trust funds in the manner provided by the regulations of the Comptroller of the Currency, all funds in the custody of the Trustee in excess of the amount insured by the Federal Deposit Insurance Corporation must be invested in Authorized Investments.

Defeasance

Subject to the provisions of any Series Resolution, if all of the Bonds issued pursuant to the Bond Resolution have been paid and discharged, then the obligations of the Issuer under the Bond Resolution, the pledge of revenues made thereby, and all other rights granted thereby cease and terminate. Bonds are deemed to have been paid and discharged under each of the following circumstances:

(1) The Trustee holds, at the stated maturities of such Bonds, in trust and irrevocably appropriated thereto, sufficient money for the payment thereof;

(2) If default in the payment of the principal of such Bonds or the interest thereon has occurred and thereafter tender of such payment has been made, and the Trustee then holds in trust and irrevocably appropriated thereto, sufficient money for the payment thereof to the date of the tender of such payment; or

(3) If the Issuer deposits with the Trustee, or any other bank that would otherwise meet the applicable chartering, capital, and surplus requirements, in an irrevocable trust money or Defeasance Obligations. the principal of and interest on which when due (without reinvestment thereof) will provide money that, together with the money, if any, deposited at the same time, is sufficient to pay. when due, the principal, interest, and redemption premium, if any, due and to become due on and prior to the maturity, or, if the Commission has irrevocably elected to redeem Bonds, on and prior to the redemption date, of such Bonds.

Acquisition of Additional Utilities

The Bond Resolution specifies that none of its provisions will prevent the combining of the System with any other utility system or enterprise of whatever type, provided that the proposed combination is permitted under South Carolina law and that the requirements set forth below are met. No such combination, however, may impair the validity or priority of the pledge of revenues and the lien thereon created by the Bond Resolution, or enlarge the provisions of the Bond Resolution relating to the issuance and the securing of Bonds. In addition, the Issuer has the right from time to time to add other utilities,

enterprises, activities, and facilities (which, as of the date of adoption of the Bond Resolution, were not included in the definition of the “System”) to the definition of the “System” under the Bond Resolution, provided that:

- (1) The Commission first determine that such utilities, enterprises, activities, or facilities are of a similar public utility nature as were the utilities constituting the System;
- (2) The Commission adopt an appropriate amendatory resolution to the Bond Resolution;
- (3) The governing body of each member of the Issuer has approved such proposed addition to the System by resolution duly adopted;
- (4) The Issuer receives an opinion of Bond Counsel to the effect that the acquisition is authorized under the Bond Resolution and South Carolina law and will not adversely affect the excludability of interest on any Bonds which were intended upon their issuance to be exempt from federal income taxation; and
- (5) For each of the five Fiscal Years following the date of the additions to the System, Net Earnings, as forecasted by Feasibility Consultants with a reputation for expertise in the type of utility or enterprise being added to the System, will not be less than one hundred thirty percent (130%) of the Annual Principal and Interest Requirements on all Bonds then proposed to be Outstanding in each of such five Fiscal Years. If, however, Bonds are being issued to acquire or improve the acquired utility or enterprise, this Paragraph (5) does not apply, and the Issuer must instead meet the requirements of the Additional Bonds test described above before issuing such Bonds and acquiring such utility or enterprise.

Insurer Rights

The Bond Resolution provides that each Insurer, if any, is deemed to be the exclusive Holder of all Bonds insured by that Insurer, for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, but only during such times as such Insurer’s municipal bond insurance policy results in the applicable Series of Bonds being rated in the highest rating category of each rating agency then rating such Series of Bonds. In addition, any provision of the Bond Resolution that expressly recognizes or grants rights in or to an Insurer may not be amended in any manner that affects the rights of such Insurer thereunder without the prior written consent of each such Insurer.

The Bond Resolution further provides that, to the extent an Insurer makes payment of the principal of or interest on any Bonds, it becomes the owner and Holder of such Bonds, appurtenant coupons, or right to payment of such principal of or interest on such Bonds and is fully subrogated to all of the registered Holders’ rights thereunder, including the registered Holders’ rights to payment thereof. If the principal of and/or interest on any Bonds is paid by the Insurer pursuant to the terms of its municipal bond insurance policy, then (i) such Bonds are deemed to continue to be “Outstanding” under the Bond Resolution, and (ii) the assignment and pledge of the revenues and all covenants, agreements, and other obligations of the Issuer to the registered Holders will continue to exist, and the Insurer will be fully subrogated to all of the rights of such registered Holders. Any Insurer is deemed a third-party beneficiary of the Bond Resolution.

PROPOSED THIRD SUPPLEMENT TO THE BOND RESOLUTION

The Commission intends to consider a Third Supplement to the Bond Resolution (the “*Third Supplement*”) at its regular meeting scheduled for August 19, 2020. Under the Third Supplement, if duly adopted and filed (the date of such due adoption and filing, (the “*Effective Date*”), the definition of

“Reserve Requirement” in Section 2.02 of the Bond Resolution shall read as set forth below and shall be amended to include the following language (underlined):

“Reserve Requirement” shall mean as of any date of calculation, the greater of (1) the least of (a) the sum of the greatest remaining Annual Principal and Interest Requirement for the then-current and each future Fiscal Year with respect to all Series of Bonds Outstanding (except for any Series of Bonds secured by a Series Debt Service Reserve Fund or any Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund) or (b) the sum of 10% of the proceeds from the sale of each Series of Bonds (except for any Series of Bonds secured by a Series Debt Service Reserve Fund or any Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund) at the time of issuance of such Bonds or (c) the sum of one hundred twenty-five percent (125%) of the average Annual Principal and Interest Requirement for the then-current and each future Fiscal Year with respect to all Series of Bonds Outstanding (except for any Series of Bonds secured by a Series Debt Service Reserve Fund or any Series of Bonds not secured by either the Debt Service Reserve Fund or a Series Debt Service Reserve Fund); or (2) as of any date, or at such time or times as the Commission may determine, such amount or amounts as may be determined by the Commission (this (2), the “Alternative Maximum Reserve Requirement”).

Under the terms of the Third Supplement, effective June 29, 2021, until and including July 15, 2032, the Alternative Maximum Reserve Requirement with respect to the common Debt Service Reserve Fund shall be \$2,537,980.34.

Neither the Series 2020A Bonds nor the Series 2020B Bonds will be secured by either the common Debt Service Reserve Fund or by a Series Debt Service Reserve Fund.

THE 2020 SERIES RESOLUTION

As previously discussed above under the heading “Authorization of Bonds in a Series,” Bonds issued pursuant to the Bond Resolution are to be authorized by the adoption of a Series Resolution. Accordingly, the 2020 Series Resolution sets forth the purposes for which the Series 2020 Bonds are being issued and the disposition of the proceeds of the Series 2020 Bonds. In addition, the 2020 Series Resolution establishes the date of the issue, and the method for determining the interest rates, maturity schedule, principal and interest payment dates or maturity dates, and redemption provisions with respect to the Series 2020 Bonds. The 2020 Series Resolution also establishes the form of the Series 2020 Bonds, commits the Issuer to undertake certain continuing disclosures, and authorizes the execution and delivery by the Issuer of a purchase contract for the Series 2020 Bonds.

The Series Resolution authorizes the Executive Director to secure one or more Series of the Series 2020 Bonds with the common Debt Service Reserve Fund or to establish a Series Debt Service Reserve Fund to secure one or more Series of the Series 2020 Bonds. The Executive Director is additionally authorized to extend the security of the common Debt Service Reserve Fund to any Outstanding Series of Bonds of the Issuer.

It has been determined, however, that neither the Series 2020A Bonds nor the Series 2020B Bonds will be secured by either the common Debt Service Reserve Fund or by a Series Debt Service Reserve Fund.

APPENDIX F

**SUMMARY OF CERTAIN PROVISIONS OF
THE MUNICIPAL WATER SALES AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE MUNICIPAL WATER SALES AGREEMENT

The following is a summary of some of the terms of the Municipal Water Sales Agreement. This summary does not purport to be complete and reference is made to the entire text of the Municipal Water Sales Agreement, a copy of which is available during the initial offering of the Series 2020 Bonds from the Underwriter. Capitalized terms not otherwise defined herein have the meanings given to those terms in the Official Statement.

DEFINITIONS

“2020 SERIES RESOLUTION” means the resolution adopted by Seller on June 30, 2020, entitled “A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF NOT EXCEEDING \$38,000,000 ANDERSON REGIONAL JOINT WATER SYSTEM, SOUTH CAROLINA WATERWORKS SYSTEM REFUNDING REVENUE BONDS, SERIES 2020; AND OTHER MATTERS RELATING THERETO.”

“ADDITIONAL CAPITAL CHARGE” means (1) one-twelfth (1/12) (or, with respect to the first Bond Year of the Initial Bonds, such other appropriate monthly fraction, taking into account the respective due dates of the initial principal and interest payments) of one hundred thirty percent (130%) multiplied by six and eighty-seven hundredths percent (6.87%) of the Annual Principal and Interest Requirement on the Initial Bonds in each Bond Year multiplied by the ratio of treated water delivered to a Pumped Purchaser for the preceding Fiscal Year to all water delivered to all Pumped Purchasers for the preceding Fiscal Year; plus (2) one-twelfth (1/12) (or, with respect to the first Bond Year of any Improvement Bonds, such other appropriate monthly fraction, taking into account the respective due dates of the initial principal and interest payments) of one hundred thirty percent (130%) multiplied by the Annual Principal and Interest Requirement in each Bond Year applicable to the principal amount of such Improvement Bonds used to improve the Booster Pump Stations as provided in Section 3.09 of the Agreement multiplied by the ratio of treated water delivered to a Pumped Purchaser for the preceding Fiscal Year to all water delivered to all Pumped Purchasers for the preceding Fiscal Year.

“AGREEMENT” means the Water Sale and Purchase Agreement among Seller and the Purchasers, as the same may from time to time be supplemented, modified or amended.

“ALLOCATED CAPACITY” means that portion of the capacity of the System to be made available to each Purchaser or reserved to Seller. Allocated Capacity for each of Homeland Park Water District and for Starr-Iva Water and Sewer District means each one’s Initial Allocated Capacity. Allocated Capacity for each First Supplement Purchaser means each one’s Initial Allocated Capacity plus its First Additional Allocated Capacity. The Initial Allocated Capacity and the current Allocated Capacity of each Purchaser following the adoption of the First Supplement and other purchases and sales of capacity is set forth on Exhibit A to the 2020 Series Resolution. Allocated Capacity is expressed in million gallons per day (“MGD”) and is the maximum capacity a Purchaser is allowed to receive from the Seller in any twenty-four (24) hour period. In the event that Seller does not have the means available to measure flow of a Purchaser on a daily basis, a peaking factor based on available engineering data will be applied to average consumption over the billing cycle to determine the capacity used by the Purchaser on a daily basis. Any increase in the capacity of the System resulting other than from expansion of the System as contemplated by the Agreement shall be allocated to the parties thereto based on their Allocated Percentages.

“ALLOCATED PERCENTAGE” means, with respect to a Purchaser, the percentage derived by dividing a Purchaser’s Allocated Capacity by the total of all Allocated Capacities.

“ANNUAL PRINCIPAL AND INTEREST REQUIREMENT” means, with respect to an issue of Bonds, the total of the principal of (including any mandatory sinking fund payments) and interest on an issue of

Bonds coming due in any Bond Year, excluding interest to be paid from the proceeds of such issue of Bonds in such Bond Year, and the principal and interest to be paid in the final Bond Year to the extent the same are paid from moneys in the Debt Service Reserve Fund (as defined in the Bond Resolution) pursuant to Section 3.13 of the Agreement.

“ARBITRATION PANEL” means the panel of three (3) arbitrators appointed and selected pursuant to the Agreement.

“BOND RESOLUTION” means the resolution adopted by the Commission on May 18, 2011 entitled “A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATERWORKS SYSTEM REVENUE BONDS OF ANDERSON REGIONAL JOINT WATER SYSTEM, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,” as supplemented by resolutions adopted on January 18, 2012 and September 24, 2014, and as further supplemented or amended in accordance with its terms. See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—PROPOSED THIRD SUPPLEMENT TO THE BOND RESOLUTION.”

“BONDS” means the Initial Bonds and all Improvement Bonds.

“BOND YEAR” means, whether or not principal is actually paid during a Bond Year, the period of time beginning the day after the principal payment date in each year and ending the date of such principal payment date in the next succeeding year; provided, however, for the first Bond Year, such period of time begins on the date of the Bonds and ends on the day of the first principal payment date of the Bonds. If principal is paid more frequently than annually, such calculations are made based on the first principal payment date following the date of the Bonds.

“BOOSTER PUMP STATIONS” means all facilities owned by the System and directly related to pumping water to all Pumped Purchasers including pumps, motors, electrical equipment, buildings, land and storage facilities whose sole purpose is to support the pump station. It does not include transmission lines and offsite storage facilities.

“CAPITAL CHARGE” of a Purchaser means (1) one twelfth (1/12) (or, with respect to the first Bond Year of the Initial Bonds, such other appropriate monthly fraction, taking into account the respective due dates of the initial principal and interest payments) of one hundred thirty percent (130%) multiplied by ninety-three and thirteen hundredths percent (93.13%) of the Annual Principal and Interest Requirement on the Initial Bonds in each Bond Year multiplied by a Purchaser’s Initial Allocated Percentage; plus (2) one-twelfth (1/12) (or, with respect to the first Bond Year of any Improvement Bonds, such other appropriate monthly fraction, taking into account the respective due dates of the initial principal and interest payments) of one hundred thirty percent (130%) multiplied by the Annual Principal and Interest Requirement in each Bond Year applicable to the principal amount of such Improvement Bonds used to improve the Facilities as provided in Section 3.09 of the Agreement multiplied by a Purchaser’s then Allocated Percentage.

“CONSULTING ENGINEERS” means any independent firm of consulting engineers which has skill and experience in utility financing and rate design, and the design and operation of water treatment and transmission facilities.

“FACILITIES” means the assets purchased by the Seller from Duke Energy and which include the Plant, related transmission pipes and elevated tanks, machinery and equipment and any replacement or substitute facilities, as well as any improvements made to the Facilities from time to time and all additional related facilities used to produce or supply water for wholesale delivery; provided, however, such term shall not include the Booster Pump Stations or any facilities owned or operated by a Purchaser as a part of its distribution system.

“FACILITIES RENEWAL AND REPLACEMENT FUND” means the Facilities Renewal and Replacement Fund established by Seller pursuant to the Agreement.

“FIRST ADDITIONAL ALLOCATED CAPACITY” means the additional Allocated Capacity each First Supplement Purchaser receives under the terms of the First Supplement.

“FIRST AMENDMENT” means the first amendment to the Agreement (subsequent to its being restated and amended on October 12, 2004) entered into by all parties to the Agreement, dated as of December 6, 2005.

“FIRST SUPPLEMENT” means the first supplement to the Agreement (subsequent to its being restated and amended on October 12, 2004) entered into by the Seller and the First Supplement Purchasers, dated as of December 6, 2005.

“FIRST SUPPLEMENT CAPITAL CHARGE” of a First Supplement Purchaser means one-twelfth (1/12) (or such other appropriate percentage for a period less than a twelve month period) of one hundred thirty percent (130%) multiplied by the annual principal and interest requirement on the Series 2005 Bond multiplied by the percentage assigned to such First Supplement Purchaser in Section 3.02 of the First Supplement.

“FIRST SUPPLEMENT PURCHASERS” means the municipalities of Anderson, Clemson, Pendleton and Williamston and the special purpose districts of The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, Hammond Water District, Powdersville Water District, Sandy Springs Water District, and West Anderson Water District, and their successors and assigns.

“FISCAL YEAR” means July 1 through June 30 of the following year.

“FORCE MAJEURE” means acts of God or nature, strikes, lockouts or other industrial disturbances; acts of a public enemy, orders of any kind of the Government of the United States or the State of South Carolina or the courts thereof, or any civil or military authority; insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances and explosions; malfunctions of machinery and pipe lines; partial or entire failure of water supply, or inability of Seller to deliver water hereunder, or a Purchaser to receive water hereunder, on account of any other causes not reasonably within the control of the party claiming such inability.

“IMPROVEMENT BONDS” means all waterworks system revenue bonds of Seller issued to acquire, construct or equip improvements or expansions contemplated by Section 3.09 of the Agreement and any bonds issued to refund any Improvement Bonds.

“INITIAL ALLOCATED CAPACITY” means the initial portion of the capacity of the System made available to each Purchaser or reserved to Seller, all as set forth on Exhibit A to the 2020 Series Resolution.

“INITIAL ALLOCATED PERCENTAGE” means, with respect to a Purchaser, the percentage derived by dividing such Purchaser’s Initial Allocated Capacity by 32 MGD as set forth on Exhibit A to the 2020 Series Resolution.

“INITIAL BONDS” means the initially issued \$58,615,000 Waterworks System Revenue Bonds, Series 2002, by Seller to acquire the System and any bonds issued to refund the Initial Bonds.

“OPERATIONAL PUMPING CHARGE” means, for each month, one twelfth (1/12) of the average of the Pumping Operation and Maintenance Expenses as set forth in the audited financial statements of

Seller's System for the two previous Fiscal Years multiplied by the ratio of treated water delivered to a Pumped Purchaser for the preceding month to all water delivered to all Pumped Purchasers for the preceding month.

"OPERATION AND MAINTENANCE EXPENSES" means, for each Fiscal Year, all reasonable recurring direct expenses required to operate the Facilities and deliver Potable Water to the distribution systems of the Participants and to maintain the Facilities so that they will have a reasonable useful life. Operation and Maintenance Expenses include, but are not limited to, chemicals, energy, labor, repairs, supplies, pumps located at the Plant site required for transmission of water to the Participants and other direct expenses necessary for the wise and prudent functioning of the Facilities. Operation and Maintenance Expenses do not include expenses relating to the operation of the Booster Pump Stations.

"PARTICIPANTS" means the Purchasers and Clemson University. The term "Participant" includes Pumped Purchasers and those Purchasers who receive water from Seller's System without any requirement of pumping.

"PLANT" means Seller's existing 48 MGD water treatment plant and any other expansions, improvements or alterations to such plant.

"POTABLE WATER" means water which meets South Carolina Department of Health and Environmental Control drinking water standards.

"PUMPED PURCHASER" means a Participant designated as such on Exhibit A to the Agreement.

"PUMPING DEPRECIATION CHARGE" means, for any month, an amount equal to the Pumping Depreciation Rate times the amount of Potable Water, expressed in thousands of gallons, provided by Seller to a Pumped Purchaser during the previous month. Amounts collected as the Pumping Depreciation Charge shall be deposited into the Pumping Facilities Renewal and Replacement Fund.

"PUMPING DEPRECIATION RATE" means the per-thousand-gallon rate derived by dividing the monthly deposit determined pursuant to the provisions of the Agreement by one-twelfth (1/12) of Seller's annual budget projection of the volume, expressed in thousands of gallons, of all water to be sold from Seller's System to the Pumped Purchaser for that Fiscal Year.

"PUMPING FACILITIES RENEWAL AND REPLACEMENT FUND" means the Pumping Facilities Renewal and Replacement Fund established by Seller pursuant to the Agreement.

"PUMPING OPERATION AND MAINTENANCE EXPENSES" means, for each Fiscal Year, all reasonable recurring direct expenses required to operate the Booster Pump Stations and to maintain the Booster Pump Stations so that they will have a reasonable useful life. Operation and Maintenance Pumping Expenses include, but are not limited to, energy, labor, repairs and supplies, and other direct expenses necessary for the wise and prudent functioning of the Booster Pump Stations.

"PURCHASER" or "PURCHASERS" means the municipalities of Anderson, Clemson, Pendleton and Williamston and the special purpose districts of The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, Hammond Water District, Homeland Park Water District, Powdersville Water District, Sandy Springs Water District, Starr-Iva Water and Sewer District and West Anderson Water District, and their successors and assigns.

"PURCHASER'S SYSTEM" means the water distribution system of a Purchaser or in the instance of a Purchaser that owns a combined water and sewer system such definition means such combined water and sewer system.

“SELLER” means the Anderson Regional Joint Water System, South Carolina f/k/a Anderson County Joint Municipal Water System, South Carolina, and its successors and assigns.

“SELLER’S SYSTEM” or “SYSTEM” means the waterworks system of the Seller, including all of the Facilities and the Booster Pump Stations and any improvements or expansions which may be made to the Facilities and the Booster Pump Stations from time to time.

“SYSTEM DEPRECIATION CHARGE” means, for any month, an amount equal to the System Depreciation Rate times the amount of Potable Water, expressed in thousands of gallons, provided by Seller to a Purchaser during the previous month. Amounts collected as the System Depreciation Charge shall be deposited into the Facilities Renewal and Replacement Fund.

“SYSTEM DEPRECIATION RATE” means the per-thousand gallon rate derived by dividing the monthly deposit determined pursuant to the provisions of the Agreement by one-twelfth (1/12) of Seller’s annual budget projection of the volume, expressed in thousands of gallons, of all water to be sold from the Seller’s System for that Fiscal Year.

“TRANS-LINE” means a line or a part of the capacity of a shared line that transverses the territory of another to deliver or distribute a water supply beyond that territory.

SALE AND PURCHASE OF WATER

Seller agrees to make available to each Purchaser an amount of Potable Water equal to such Purchaser’s Allocated Capacity for the duration of the Agreement. Such Potable Water will be delivered to each Purchaser at a mutually agreed upon metering site provided by Seller. Seller may suspend the furnishing of water during any System wide emergency, but Seller warrants to use all reasonable means available to insure the uninterrupted supply of water to each Purchaser. In the event the Seller determines that a Purchaser is using water in excess of its Allocated Capacity, then such Purchaser will be notified that it must acquire additional Allocated Capacity. The Purchaser shall agree to acquire such additional Allocated Capacity.

PAYMENT FOR WATER

Beginning in May 2002, and in each succeeding month during the term of the Agreement, each Purchaser agrees to pay to Seller within fifteen (15) days after receipt of a statement a monthly amount equal to:

- (1) the Capital Charge of such Purchaser, plus
- (2) one-twelfth (1/12) of the annual budget of Operation and Maintenance Expenses for the Facilities, multiplied by the ratio of treated water delivered to Purchaser for the preceding month to all water delivered to all Participants from Seller’s System for the preceding month, i.e.,

$$\text{Monthly O\&M Payment} = \frac{1}{12} \frac{\text{O\&M Budget}}{\text{Budget}} \times \frac{\text{Purchasers' Metered Flow Last Month}}{\text{Total Treated Flow Last Month}} ; \text{ plus}$$

- (3) the System Depreciation Charge, if any.

Beginning in May 2002, and in each succeeding month during the term of the Agreement, each Pumped Purchaser agrees to pay to Seller within fifteen (15) days after receipt of a statement a monthly amount equal to:

- (1) the Additional Capital Charge, plus
- (2) the Operational Pumping Charge, plus

(3) the Pumping Depreciation Charge, if any.

Beginning on December 6, 2005, each First Supplement Purchaser agrees to pay to Seller within fifteen (15) days after receipt of a statement therefor a monthly amount equal to its First Supplement Capital Charge.

Monthly payments made by Purchaser during a Fiscal Year and due after Seller's receipt of its audited financial statements for the prior Fiscal Year will be adjusted accordingly.

The obligation of each Purchaser to make the payments of the Capital Charge, the obligation of each Pumped Purchaser to pay also the Additional Capital Charge and the obligation of each First Supplement Purchaser to pay the First Supplement Capital Charge are absolute and unconditional. They will not be suspended or discontinued for any cause whatsoever. Each Purchaser agrees to timely make the payments of the Capital Charge, each Pumped Purchaser agrees to timely make the payments of the Additional Capital Charge, and each First Supplement Purchaser agrees to timely make the payments of the First Supplement Capital Charge free of any deduction and without abatement, diminution or set-off of any sort. All obligations imposed by the Agreement upon each Purchaser and all obligations imposed by the First Supplement upon each First Supplement Purchaser for such payments are limited to the revenues derived by each Purchaser from the operation of such Purchaser's System. Each Purchaser and First Supplement Purchaser agrees that it will not grant any pledge of or interest in the revenues of such Purchaser's System prior or superior to the pledge and lien given to secure the obligations set forth in the Agreement or in the First Supplement.

DEFAULT OF PAYMENT; REMEDY

In the event any Purchaser fails to make a required payment following the ten (10) day notice described in the second paragraph under the heading "EVENTS OF DEFAULT" below (which notice may be given only after the expiration of the sixty (60) day initial notice period), Seller shall provide notice thereof to all non-defaulting Purchasers by the fifth (5th) day following such 10-day period. In such event, each Purchaser agrees to pay all amounts then due from the defaulting Purchaser, multiplied by the quotient obtained by dividing such Purchaser's Allocated Percentage by the Allocated Percentages of all non-defaulting Purchasers. Seller will then transfer to all non-defaulting Purchasers their pro-rata portions of the defaulting Purchaser's Allocated Capacity. Any such portion will become a part of and be added to the Allocated Capacities of the transferee Purchasers, and the transferee Purchasers will thereafter be obligated to make all payments under the Agreement in accordance with the amended Allocated Capacities and correspondingly amended Allocated Percentages. A defaulting Purchaser may acquire its Allocated Capacity by paying to the non-defaulting Purchasers all amounts paid by the latter with respect to the defaulting Purchaser's obligations, plus interest at the judgment rate then in force under the laws of the State of South Carolina from the dates such amounts were paid by the non-defaulting Purchasers to the date of repayment by the defaulting Purchaser. Similar provisions are contained in the First Supplement to insure that all obligations of Seller with respect to the Series 2005 Bond will be paid.

OPERATION AND MAINTENANCE OF FACILITIES

Seller agrees to operate and maintain the System in a good and proper manner in accordance with all requirements of state and federal regulatory agencies and consistent with generally recognized good practice using industry standards.

ESTABLISHMENT OF BUDGETS

Prior to the commencement of each Fiscal Year, Seller agrees to establish (1) an annual budget for such Fiscal Year for Operation and Maintenance Expenses and for Pumping Operation and Maintenance Expenses, and (2) annual budgets for such Fiscal Year for expenditures to be made from the Facilities Renewal and Replacement Fund and from the Pumping Facilities Renewal and Replacement

Fund, copies of which budgets Seller will provide to each Participant upon their completion. Seller may revise any such budgets upon mid-year review but must deliver any revised budget immediately to each Participant. Seller agrees to provide quarterly financial statements to all Participants comparing year-to-date expenditures to budgeted amounts. In addition, Seller agrees to conduct and furnish a certified annual audit for each Fiscal Year of Operation and Maintenance Expenses, of Pumping Operation and Maintenance Expenses and of all expenditures made from the Facilities Renewal and Replacement Fund and from the Pumping Facilities Renewal and Replacement Fund.

IMPROVEMENTS TO AND EXPANSION OF FACILITIES

The costs of future capital improvements for the purpose of satisfying regulatory agency requirements without increasing the actual capacity of the System will be shared by the Seller and the Purchasers as follows: (1) if the improvements are to the Facilities, the cost will be shared on the basis of Allocated Percentages; and (2) if the improvements are to the Booster Pump Stations, the cost will be shared by the Pumped Purchasers on the basis of the ratio of treated water delivered to such Pumped Purchaser for the preceding Fiscal Year to all water delivered to all Pumped Purchasers for the preceding Fiscal Year.

The costs of future capital improvements to extend the useful life of the System, to maintain all Purchasers' Allocated Capacities or to make improvements Seller determines are necessary to the proper functioning of the System shall be shared as follows: (1) if the improvements are to the Facilities, the cost will be shared on the basis of Allocated Percentages; and (2) if the improvements are to the Booster Pump Stations, the cost will be shared by the Pumped Purchasers on the basis of the ratio of treated water delivered to such Pumped Purchaser for the preceding Fiscal Year to all water delivered to all Pumped Purchasers for the preceding Fiscal Year.

It is the mutual intention of the parties that any additional capacity needed by the Seller or a Purchaser will be made available from time to time, with the costs therefor being assumed on a pro-rata basis by those to whom such capacity is allocated. In the event any party determines that it requires additional capacity, it must notify all Participants in writing. Seller agrees to undertake the design and construction of the improvements to the System necessary to provide the requested additional capacity in a timely manner such that the additional capacity will be available on or before the date set forth in the notice, provided that:

(1) the requested availability date is not less than thirty (30) months following the date of the notice;

(2) Seller will not be required to add capacity to the System in increments of less than two million (2,000,000) gallons; provided, however, nothing in the foregoing prohibits the Seller and any Participant from agreeing to any particular increment of additional-capacity to be so constructed;

(3) provision satisfactory to Seller has been made for the payment of the costs of such expansion (including design, engineering and financing costs) through capital contributions by the party or parties to receive the additional capacity or through a subsequent agreement between the Seller and Purchaser providing for the Seller to issue obligations, the debt service on which will be paid by the appropriate Purchaser along with all other costs incurred in connection with the issuance of the obligations, including the funding of any required debt service reserve fund; and

(4) a supply of water is available and necessary permits can be obtained.

RIGHT TO SELL OR DISPOSE OF WATER AND ALLOCATED CAPACITY

The Agreement does not limit or prohibit, in any way, the sale by any party to the Agreement of any water it receives from the System. Such party selling the water delivered to it is entitled to the proceeds of the sale. Any party may sell or lease all or any portion of its Allocated Capacity (A) to any other party on mutually agreed upon terms and conditions or (B) to a non-party, but only upon the following conditions:

(1) the Allocated Capacity is first offered to any other party to the Agreement on the same terms, for a period of ninety (90) days unless extended by the party selling such Allocated Capacity;

(2) if any of the parties elects not to purchase any portion, then that portion may then be offered to a new purchaser who is not a party to the Agreement;

(3) as a condition to such sale or lease, such new purchaser will become a Purchaser under the Agreement with respect to the Allocated Capacity purchased;

(4) no such sale, lease or other disposition of Allocated Capacity will relieve any party of primary responsibility for the performance of its obligations under the Agreement; and

(5) no such sale, lease or other disposition of Allocated Capacity will be made to, or for the benefit of, a nongovernmental entity unless the party disposing of such Allocated Capacity will have provided to Seller an opinion of counsel experienced in matters of tax-exempt municipal bonds to the effect that such disposition will not adversely affect the exemption from federal income taxation of interest on any Bonds or other obligations issued in connection with the financing of any portion of Seller's System.

RATE COVENANT

Each Purchaser covenants that, at all times during the term of the Agreement, it will impose rates and charges for services provided by such Purchaser's System sufficient at all times to enable such Purchaser to meet its obligations under the Agreement.

DEBT SERVICE RESERVE FUND PAYMENTS

In the event that any payment is required into a "Debt Service Reserve Fund" (as defined in the Bond Resolution) as a result of an investment loss therein or as a result of replacing a surety bond, letter of credit or similar instrument therein with cash or another such instrument, each Purchaser covenants and agrees that it will pay, over the period of time permitted by the Bond Resolution, an amount equal to such Purchaser's Allocated Percentage multiplied by the total amount required to be paid into a Debt Service Reserve Fund. In the event that a Purchaser is delinquent in the payment of its Capital Charge or Additional Capital Charge under the Agreement or First Supplement Capital Charge under the First Supplement at the time payment is due on any Bonds, Seller may cause the trustee for the Bonds to withdraw the amount of the arrearage from such Purchaser's Allocated Percentage of the associated Debt Service Reserve Fund. Upon payment of the arrearage by such Purchaser, such payment (less interest) will be deposited into the associated Debt Service Reserve Fund, to the credit of such Purchaser's Allocated Percentage thereof. Each Purchaser's Allocated Percentages of a Debt Service Reserve Fund, if any, will be used to make the final payments of each Purchaser's Capital Charge, Additional Capital Charge, if any, and First Supplement Capital Charge, if any, with respect to the associated issue of Bonds.

RENEWAL AND REPLACEMENT FUNDS

Facilities Renewal and Replacement Fund

Seller agrees to establish as part of Seller's System a Facilities Renewal and Replacement Fund for the System, which is intended to build up and maintain a reasonable reserve for depreciation for the System, and for contingencies, improvements, betterments and extension of the System. Money in the Facilities Renewal and Replacement Fund will be used solely for the following reasons:

- (1) for the purpose of restoring depreciated or obsolete items of the Facilities,
- (2) for improvements, betterments and extensions to the Facilities other than for those things which are reasonably necessary to maintain the Facilities in good repair and working order,
- (3) to defray the cost of unforeseen contingencies,
- (4) to prevent defaults of Bonds, and
- (5) for optional redemption of Bonds.

All amounts paid by the Purchasers for their respective Capital Charge and all payments paid by the First Supplement Purchasers for their respective First Supplement Capital Charge and not used to fund the debt service fund or the debt service reserve fund established under the Bond Resolution or not otherwise used to pay the principal and interest on Bonds will be deposited into the Facilities Renewal and Replacement Fund.

Seller agrees to establish, prior to the commencement of each Fiscal Year, a balance which will be retained in the Facilities Renewal and Replacement Fund during the Fiscal Year. That amount will be determined after receiving advice from the Consulting Engineers and will, in any event, be a sum not less than the budgeted amount established for the Facilities Renewal and Replacement Fund pursuant to the provisions of the Agreement.

At the close of each Fiscal Year, Seller will determine whether and to what extent a surplus or a deficit exists in the Facilities Renewal and Replacement Fund, based upon certified financial statements provided to the Seller. If a surplus exists, such sum will be paid or credited to each Purchaser based on its Allocated Percentage. If a deficit exists, Seller will determine a monthly deposit to be made to the Facilities Renewal and Replacement Fund and notify each Purchaser that a monthly System Depreciation Charge will be due for a certain period not less than nine months.

Pumping Facilities Renewal and Replacement Fund

Seller agrees to establish as part of Seller's System a Pumping Facilities Renewal and Replacement Fund for the Booster Pump Stations, which is intended to build up and maintain a reasonable reserve for depreciation for the Booster Pump Stations, and for contingencies, improvements, betterments and extension of the Booster Pump Stations. Money in the Pumping Facilities Renewal and Replacement Fund will be used solely for the following reasons:

- (1) for the purpose of restoring depreciated or obsolete items of the Booster Pump Stations,
- (2) for improvements, betterments and extensions to the Booster Pump Stations other than for those things which are reasonably necessary to maintain the Booster Pump Stations in good repair and working order,

- (3) to defray the cost of unforeseen contingencies,
- (4) to prevent defaults of Bonds, and
- (5) for optional redemption of Bonds.

All amounts paid by the Pumped Purchasers for their respective Additional Capital Charge and not used to fund a debt service fund established for an issue of Bonds, a debt service reserve fund established for an issue of Bonds, or not otherwise used to pay the principal and interest on Bonds, will be deposited into the Pumping Facilities Renewal and Replacement Fund.

Seller agrees to establish, prior to the commencement of each Fiscal Year, a balance which will be retained in the Pumping Facilities Renewal and Replacement Fund during the Fiscal Year. That amount will be determined after receiving advice from the Consulting Engineers and will, in any event, be a sum not less than the budgeted amount established for the Pumping Facilities Renewal and Replacement Fund pursuant to the provisions of the Agreement.

At the close of each Fiscal Year, Seller will determine whether and to what extent a surplus or a deficit exists in the Pumping Facilities Renewal and Replacement Fund, based upon certified financial statements provided to the Seller. If a surplus exists, such sum will be paid to each Pumped Purchaser based on its Allocated Percentage. If a deficit exists, Seller will determine a monthly deposit to be made to the Pumping Facilities Renewal and Replacement Fund and notify each Pumped Purchaser that a Pumping Depreciation Charge will be due for a certain period not less than nine months.

EVENTS OF DEFAULT

In the event that a Purchaser fails to make any required payment, after ten (10) days written notice to such Purchaser of such failure, Seller may institute such action as may be necessary to enforce payment of such amounts (including interest on past due amounts). If a Purchaser fails to perform any other covenant or agreement pursuant to the Agreement, after ten (10) days written notice to such Purchaser of such failure, Seller may bring action against such Purchaser for specific performance. If the failure by a Purchaser to perform any covenant or agreement is the proximate cause of any physical damage to the System, such Purchaser will be responsible for the cost of repairing such damages, and Seller may bring an action therefor.

In the event a Purchaser has not paid to Seller all amounts required under the Agreement by the sixtieth (60th) day following the written notice by Seller, Seller may at any time thereafter, upon ten (10) days notice to such Purchaser proceed as discussed under the heading "DEFAULT OF PAYMENT; REMEDY" above. Each Purchaser, in such event, appoints Seller as its agent for the purpose of allocating such Purchaser's Allocated Capacity among the non-defaulting Purchasers. No Purchaser will be liable in any event for punitive, economic or third-party damages.

In the event that Seller fails to perform any covenant or agreement pursuant to the Agreement, after ten (10) days written notice to Seller of such failure, each Purchaser may bring action against Seller for specific performance. Even if Seller becomes indebted to a Purchaser, however, such Purchaser will have no right to offset its obligations to make payments under the Agreement. Seller will not be liable in any event for punitive, economic or third-party damages.

COMPLIANCE WITH INTERNAL REVENUE CODE

Each Purchaser agrees to comply with the requirements of the Internal Revenue Code. Each Purchaser further agrees that it will not sell, lease or otherwise dispose of any property financed with the

proceeds of any Bonds to any person unless it obtains the opinion of nationally recognized bond counsel stating that such action will not adversely affect the tax exemption on any of the Bonds.

MEDIATION AND ARBITRATION

Any controversy or claim arising out of or relating to the Agreement may be submitted to arbitration as agreed upon by the parties as the preferred means of settling disputes. As a prerequisite to arbitration, however, any dispute must first be submitted to mediation before an experienced mediator selected by the parties. Mediation or arbitration should proceed under the American Arbitration Association (“AAA”) commercial mediation rules or the AAA commercial arbitration rules, respectively, and take place in Anderson, South Carolina, unless the parties agree otherwise. Any judgment upon the award may be entered in any court having jurisdiction. To the extent the parties agree, the decision of the arbitrator will be final and binding upon the parties.

Arbitration does not bar, nor is it a condition precedent to, any action in a court of law or equity or proceedings before any governmental agency or regulatory body having jurisdiction thereof.

BENEFICIARIES; ASSIGNMENT

All covenants and agreements contained in the Agreement shall inure to the benefit of Seller and each Purchaser and their respective successors and assigns. Specifically, Seller’s rights to receive all payments under the Agreement and the payments required by the Agreement are pledged to the payment of all Bonds issued by Seller; in connection with the issuance of such Bonds, Seller may assign the foregoing rights and payments to a trustee, who may cause a receiver to be appointed and otherwise succeed to all interests and rights of Seller.

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APPENDIX G

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

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FORM OF CONTINUING DISCLOSURE UNDERTAKING

SERIES 2020A BONDS

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Disclosure Undertaking*”) is executed and delivered this 3rd day of September 2020, by Anderson Regional Joint Water System, South Carolina (the “*Issuer*”), in connection with the issuance of the Issuer’s \$9,270,000 Waterworks System Refunding Revenue Bonds, Series 2020A (the “*Series 2020A Bonds*”).

The Series 2020A Bonds are being issued pursuant to a bond resolution providing general authority for the Issuer to issue bonds, adopted April 9, 2002, as amended and restated on May 18, 2011, and as supplemented by resolutions adopted on January 18, 2012, [and] September 24, 2014, [and August 19, 2020] (as amended and supplemented, the “*Bond Resolution*”), and a series resolution, adopted June 30, 2020, providing specific authorization for the issuance of the Series 2020A Bonds (the “*2020 Series Resolution*”); each resolution of and by the Anderson Regional Joint Water System Commission, the governing body of the Issuer. The Issuer covenants and agrees as follows:

Section 1 Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (hereinafter defined) of the Series 2020A Bonds and in order to assist the Participating Underwriter (hereinafter defined) in complying with the Rule (hereinafter defined).

Section 2 Definitions. In addition to the definitions set forth in the Bond Resolution and the 2020 Series Resolution, which apply to any capitalized terms used in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means the annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020 Bonds (including persons holding Series 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020 Bonds for federal income tax purposes.

“*Dissemination Agent*” means any person designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*EMMA*” means the Electronic Municipal Market Access system described in SEC Release No. 34-59062 (or any successor electronic information system) and maintained by MSRB as the sole repository for the central filing of electronic disclosure pursuant to the Rule.

“*Financial Obligation*” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means, with respect to the Issuer, the City of Anderson, South Carolina, the City of Clemson, South Carolina, and the Hammond Water District, the fiscal year ending as of June 30 of each year, and with respect to Sandy Springs Water District, the fiscal year ending as of December 31 of each year.

“Issuer” means the Anderson Regional Joint Water System, South Carolina.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Unless otherwise designated by MSRB or the SEC, filings with the MSRB are to be made through EMMA.

“Obligated Persons” means the City of Anderson, South Carolina, the City of Clemson, South Carolina, the Hammond Water District and the Sandy Springs Water District.

“Official Statement” means the Official Statement dated August 6, 2020, prepared in connection with the Series 2020A Bonds.

“Participating Underwriter” means the original underwriter of the Series 2020A Bonds required to comply with the Rule in connection with the offering of the Series 2020A Bonds.

“Rule” means 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.

Section 3 Provision of Annual Reports.

(a) The Issuer shall, not later than seven (7) months from the end of each of the respective Fiscal Years of the Issuer and each of the Obligated Persons, commencing with the report for the Fiscal Year ended June 30, 2020, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. 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 Undertaking; provided, however, that the audited financial statements may be submitted separately from the remainder of the Annual Report, and later than the date required for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a) hereof.

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

(c) In the event that there is a Dissemination Agent, then not later than fifteen (15) business days prior to each due date, commencing January 31, 2021, the Issuer shall provide the Annual Report to the Dissemination Agent for distribution to the MSRB. In the event there is a Dissemination Agent, the Dissemination Agent shall file a report with the Issuer certifying that the

Annual Report has been provided pursuant to this Disclosure Undertaking and stating the date it was provided.

Section 4 Contents of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Issuer and each of the Obligated Persons for each entity's most recently completed Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States of America applicable to government entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall include unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements referred to in subsection (a) above, the financial and operating data and figures as of a date not earlier than each Obligated Person's most recently completed Fiscal Year of the general type included in the tables set forth under the following headings in the Official Statement in such format as the Issuer deems appropriate:

- (i) THE ISSUER—Historical Debt Service Coverage (table showing calculation of rate covenant compliance);
- (ii) THE SYSTEM—Water Purchaser Volume (table showing total water sales (in gallons) to each Water Purchaser);
- (iii) THE WATER PURCHASERS—Allocated Capacity (table showing allocated capacity in MGD and percentage of total capacity);
- (iv) THE WATER PURCHASERS—Allocated Percentages (table showing allocated percentages);
- (v) APPENDIX C—CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—CITY OF ANDERSON, SOUTH CAROLINA
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users, and
 - (D) Historical Operating Statistics and Results.
- (vi) APPENDIX C—CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—CITY OF CLEMSON, SOUTH CAROLINA
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users, and

- (D) Historical Operating Statistics and Results.
- (vii) APPENDIX C—CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—HAMMOND WATER
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users,
 - (D) Revenues and Customers by Category, and
 - (E) Historical Operating Statistics and Results.
- (viii) APPENDIX C— CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—SANDY SPRINGS WATER DISTRICT
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users,
 - (D) Revenues and Customers by Category, and
 - (E) Historical Operating Statistics and Results.

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer, which have been made available to the public on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5 Reporting of Listed Events.

- (a) The Issuer shall give or cause to be given notice of the occurrence of any of the following events with respect to the Series 2020A Bonds in a timely manner not later than ten business days after the occurrence of the event:
 - (i) principal and interest payment delinquencies;
 - (ii) non-payment related defaults, if material;
 - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (v) substitution of credit or liquidity providers, or their failure to perform;
 - (vi) 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 Series 2020A Bonds or other material events affecting the tax status of the Series 2020A Bonds;

- (vii) modification to the rights of the beneficial owners of the Series 2020A Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of any property securing repayment of the Series 2020A Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer or any of the Obligated Persons;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or any of the Obligated Persons or the sale of all or substantially all of the assets of the Issuer or any of the Obligated Persons, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

Section 6 Filing Format. All documents provided to the MSRB pursuant to this Disclosure Undertaking shall be submitted in electronic format and shall identify the Series 2020A Bonds by name and CUSIP number or shall be accompanied by such identifying information as described from time to time by the MSRB.

Section 7 Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance or payment in full of all of the Series 2020A Bonds, provided, however, that if the Rule (or any successor provision) shall be amended, modified, or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further that if and to the extent the Rule (or any successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Series 2020A Bonds, then the information required to be provided

hereunder, insofar as it was required to be provided by a provision of the Rule so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the Issuer shall electronically file notice of such defeasance with the MSRB, and such notice shall state whether the Series 2020A Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 8 Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist in its carrying out its obligations under this Disclosure Undertaking and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Undertaking.

Section 9 Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) This Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2020A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Series 2020A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given by filing with the MSRB and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10 Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking 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 Undertaking. If the Issuer 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 Undertaking, the Issuer shall have no obligation

under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11 Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Undertaking, any holder or Beneficial Owner of the Series 2020A Bonds may take such actions as may be necessary and appropriate, including seeking *mandamus* or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the 2020 Series Resolution and shall not result in the acceleration of the Series 2020A Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 12 Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and in any separate written agreement between the Issuer and the Dissemination Agent.

Section 13 Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Series 2020A Bonds, and shall create no rights in any other person or entity. This Disclosure Undertaking is not intended to create any monetary rights on behalf of any person.

**ANDERSON REGIONAL JOINT WATER
SYSTEM, SOUTH CAROLINA**

By: _____
Executive Director

Date: September 3, 2020

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Issuer: Anderson Regional Joint Water System, South Carolina

Bonds: \$9,270,000 Waterworks System Refunding Revenue Bonds, Series 2020A

Date of
Issuance: September 3, 2020

CUSIP Nos.: 034073 _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named bonds (the "***Series 2020A Bonds***") on or before the date required by the Continuing Disclosure Undertaking executed by the Issuer with respect to the Series 2020A Bonds. The Issuer anticipates that the Annual Report will be filed by _____.

**ANDERSON REGIONAL JOINT
WATER SYSTEM, SOUTH CAROLINA**

Date: _____

FORM OF CONTINUING DISCLOSURE UNDERTAKING

SERIES 2020B BONDS

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Disclosure Undertaking*”) is executed and delivered this 3rd day of September 2020, by Anderson Regional Joint Water System, South Carolina (the “*Issuer*”), in connection with the issuance of the Issuer’s \$12,515,000 Waterworks System Advance Refunding Revenue Bonds, Taxable Series 2020B (the “*Series 2020B Bonds*”).

The Series 2020B Bonds are being issued pursuant to a bond resolution providing general authority for the Issuer to issue bonds, adopted April 9, 2002, as amended and restated on May 18, 2011, and as supplemented by resolutions adopted on January 18, 2012, [and] September 24, 2014, [and August 19, 2020] (as amended and supplemented, the “*Bond Resolution*”), and a series resolution, adopted June 30, 2020, providing specific authorization for the issuance of the Series 2020B Bonds (the “*2020 Series Resolution*”); each resolution of and by the Anderson Regional Joint Water System Commission, the governing body of the Issuer. The Issuer covenants and agrees as follows:

Section 1 Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (hereinafter defined) of the Series 2020B Bonds and in order to assist the Participating Underwriter (hereinafter defined) in complying with the Rule (hereinafter defined).

Section 2 Definitions. In addition to the definitions set forth in the Bond Resolution and the 2020 Series Resolution, which apply to any capitalized terms used in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means the annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020 Bonds (including persons holding Series 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020 Bonds for federal income tax purposes.

“*Dissemination Agent*” means any person designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*EMMA*” means the Electronic Municipal Market Access system described in SEC Release No. 34-59062 (or any successor electronic information system) and maintained by MSRB as the sole repository for the central filing of electronic disclosure pursuant to the Rule.

“*Financial Obligation*” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“**Fiscal Year**” means, with respect to the Issuer, the City of Anderson, South Carolina, the City of Clemson, South Carolina, and the Hammond Water District, the fiscal year ending as of June 30 of each year, and with respect to Sandy Springs Water District, the fiscal year ending as of December 31 of each year.

“**Issuer**” means the Anderson Regional Joint Water System, South Carolina.

“**Listed Events**” means any of the events listed in Section 5(a) of this Disclosure Undertaking.

“**MSRB**” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Unless otherwise designated by MSRB or the SEC, filings with the MSRB are to be made through EMMA.

“**Obligated Persons**” means the City of Anderson, South Carolina, the City of Clemson, South Carolina, the Hammond Water District and the Sandy Springs Water District.

“**Official Statement**” means the Official Statement dated August 6, 2020, prepared in connection with the Series 2020B Bonds.

“**Participating Underwriter**” means the original underwriter of the Series 2020B Bonds required to comply with the Rule in connection with the offering of the Series 2020B Bonds.

“**Rule**” means 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.

Section 3 Provision of Annual Reports.

(a) The Issuer shall, not later than seven (7) months from the end of each of the respective Fiscal Years of the Issuer and each of the Obligated Persons, commencing with the report for the Fiscal Year ended June 30, 2020, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. 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 Undertaking; provided, however, that the audited financial statements may be submitted separately from the remainder of the Annual Report, and later than the date required for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a) hereof.

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

(c) In the event that there is a Dissemination Agent, then not later than fifteen (15) business days prior to each due date, commencing January 31, 2021, the Issuer shall provide the Annual Report to the Dissemination Agent for distribution to the MSRB. In the event there is a Dissemination Agent, the Dissemination Agent shall file a report with the Issuer certifying that the

Annual Report has been provided pursuant to this Disclosure Undertaking and stating the date it was provided.

Section 4 Contents of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Issuer and each of the Obligated Persons for each entity's most recently completed Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States of America applicable to government entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall include unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements referred to in subsection (a) above, the financial and operating data and figures as of a date not earlier than each Obligated Person's most recently completed Fiscal Year of the general type included in the tables set forth under the following headings in the Official Statement in such format as the Issuer deems appropriate:

- (i) THE ISSUER—Historical Debt Service Coverage (table showing calculation of rate covenant compliance);
- (ii) THE SYSTEM—Water Purchaser Volume (table showing total water sales (in gallons) to each Water Purchaser);
- (iii) THE WATER PURCHASERS—Allocated Capacity (table showing allocated capacity in MGD and percentage of total capacity);
- (iv) THE WATER PURCHASERS—Allocated Percentages (table showing allocated percentages);
- (v) APPENDIX C—CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—CITY OF ANDERSON, SOUTH CAROLINA
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users, and
 - (D) Historical Operating Statistics and Results.
- (vi) APPENDIX C—CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—CITY OF CLEMSON, SOUTH CAROLINA
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users, and

- (D) Historical Operating Statistics and Results.
- (vii) APPENDIX C—CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—HAMMOND WATER
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users,
 - (D) Revenues and Customers by Category, and
 - (E) Historical Operating Statistics and Results.
- (viii) APPENDIX C— CERTAIN INFORMATION CONCERNING MAJOR WATER PURCHASERS—SANDY SPRINGS WATER DISTRICT
 - (A) Historical Water Demand,
 - (B) Water Service Charges and Billing,
 - (C) Largest Water System Users,
 - (D) Revenues and Customers by Category, and
 - (E) Historical Operating Statistics and Results.

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer, which have been made available to the public on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5 Reporting of Listed Events.

- (a) The Issuer shall give or cause to be given notice of the occurrence of any of the following events with respect to the Series 2020B Bonds in a timely manner not later than ten business days after the occurrence of the event:
 - (i) principal and interest payment delinquencies;
 - (ii) non-payment related defaults, if material;
 - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (v) substitution of credit or liquidity providers, or their failure to perform;
 - (vi) 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 Series 2020B Bonds or other material events affecting the tax status of the Series 2020B Bonds;

- (vii) modification to the rights of the beneficial owners of the Series 2020B Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of any property securing repayment of the Series 2020B Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer or any of the Obligated Persons;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or any of the Obligated Persons or the sale of all or substantially all of the assets of the Issuer or any of the Obligated Persons, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

Section 6 Filing Format. All documents provided to the MSRB pursuant to this Disclosure Undertaking shall be submitted in electronic format and shall identify the Series 2020B Bonds by name and CUSIP number or shall be accompanied by such identifying information as described from time to time by the MSRB.

Section 7 Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance or payment in full of all of the Series 2020B Bonds, provided, however, that if the Rule (or any successor provision) shall be amended, modified, or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further that if and to the extent the Rule (or any successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Series 2020B Bonds, then the information required to be provided

hereunder, insofar as it was required to be provided by a provision of the Rule so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the Issuer shall electronically file notice of such defeasance with the MSRB, and such notice shall state whether the Series 2020B Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 8 Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist in its carrying out its obligations under this Disclosure Undertaking and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Undertaking.

Section 9 Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) This Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2020B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Series 2020B Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given by filing with the MSRB and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10 Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking 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 Undertaking. If the Issuer 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 Undertaking, the Issuer shall have no obligation

under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11 Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Undertaking, any holder or Beneficial Owner of the Series 2020B Bonds may take such actions as may be necessary and appropriate, including seeking *mandamus* or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the 2020 Series Resolution and shall not result in the acceleration of the Series 2020B Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 12 Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and in any separate written agreement between the Issuer and the Dissemination Agent.

Section 13 Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Series 2020B Bonds, and shall create no rights in any other person or entity. This Disclosure Undertaking is not intended to create any monetary rights on behalf of any person.

**ANDERSON REGIONAL JOINT WATER
SYSTEM, SOUTH CAROLINA**

By: _____
Executive Director

Date: September 3, 2020

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Issuer: Anderson Regional Joint Water System, South Carolina

Bonds: \$12,515,000 Waterworks System Advance Refunding Revenue Bonds,
Series 2020B

Date of
Issuance: September 3, 2020

CUSIP Nos.: 034073 _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named bonds (the “*Series 2020B Bonds*”) on or before the date required by the Continuing Disclosure Undertaking executed by the Issuer with respect to the Series 2020B Bonds. The Issuer anticipates that the Annual Report will be filed by _____.

**ANDERSON REGIONAL JOINT
WATER SYSTEM, SOUTH CAROLINA**

Date: _____

APPENDIX H
FORMS OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL
SERIES 2020A BONDS

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Pope Flynn, LLC
1411 Gervais St., Suite 300
Post Office Box 11509(29211)
Columbia, SC 29201

MAIN 803 354.4900
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www.popeflynn.com

September 3, 2020

Anderson Regional Joint Water System
Anderson, South Carolina

Stephens Inc.
Atlanta, Georgia

U.S. Bank National Association
Columbia, South Carolina

Re: \$9,270,000 Waterworks System Refunding Revenue Bonds, Series 2020A of the Anderson Regional Joint Water System, South Carolina (the “**Series 2020A Bonds**”)

Ladies and Gentlemen:

As bond counsel to the Anderson Regional Joint Water System, South Carolina (the “**Issuer**”), we have examined a certified copy of the Record of Proceedings and other proofs submitted to us, including the Constitution and statutes of the State of South Carolina (the “**State**”), in relation to the issuance by the Issuer of the above-captioned Series 2020A Bonds. In addition to the Series 2020A Bonds, the Issuer is issuing its \$12,515,000 Waterworks System Advance Refunding Revenue Bonds, Taxable Series 2020B on the date hereof. Among other things, we have reviewed (a) an amended and restated bond resolution adopted by the Anderson Regional Joint Water System Commission (the “**Commission**”), the governing body of the Issuer, on May 18, 2011, and as supplemented by resolutions adopted on January 18, 2012, [and] September 24, 2014 [and August 19, 2020] (as supplemented and amended, the “**Bond Resolution**”), and (b) a series resolution adopted by the Commission on June 30, 2020 (the “**Series Resolution**,” and together with the Bond Resolution, the “**Resolutions**”). Capitalized terms used and not otherwise defined herein have the meanings given to such terms in the Resolutions.

The Series 2020A Bonds are being issued by the Issuer pursuant to the Resolutions, and under and in full compliance with the Constitution and statutes of the State, including particularly Chapters 21 and 25, Title 6, of the Code of Laws of South Carolina 1976, as amended, in order to obtain funds to be used (1) to provide for a refunding of all or a portion of the Current Refunded Bonds, and (2) to pay the costs of issuance of the Series 2020A Bonds.

Previously, the Issuer executed and delivered a Water Sales and Purchase Agreement dated as of March 21, 2002, as amended and restated on October 12, 2004, with the City of Anderson, the City of Clemson, the Town of Pendleton, the Town of Williamston, The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, Hammond Water District, Homeland Park Water District, Powdersville Water District, Sandy Springs Water District, Starr-Iva Water and Sewer District, and West Anderson Water District (collectively, the “**Purchasers**”), as amended by a First Amendment to the Restated and Amended Water Sales and Purchase Agreement dated as of December 6, 2005, and as supplemented by a First Supplement to the Restated and Amended Water Sales and Purchase Agreement dated as of December 6, 2005 (the “**First Supplement**”) (as amended and supplemented, the “**Water Sales and Purchase Agreement**”).

The Series 2020A Bonds are issued in fully registered form and are numbered R-1 and upward.

Further, Bonds on a parity with the Series 2020A Bonds have been previously issued under the Bond Resolution, and additional Bonds may be issued under the conditions prescribed in the Bond Resolution, both on a parity with the Series 2020A Bonds.

In connection with the amendment and restatement of the Water Sales and Purchase Agreement in 2004, the Issuer received opinions from legal counsel to the respective Purchasers relating to, among other things, (a) the due authorization, execution, and delivery of the Water Sales and Purchase Agreement by the Purchasers, (b) the legal existence or formation of the Purchasers and the incumbency of officials or officers thereof, (c) the absence of any conflict between the provisions of the Water Sales and Purchase Agreement and any bond resolution or ordinance, indenture, contract, debt instrument, agreement, or other instrument of the Purchasers or any governmental order, regulation or rule, or any judicial order, judgment, or decree, (d) the obtaining of any approvals, consents, filings, or authorization by or with any regulatory authority or other governmental or public agency, authority, or person which may be or has been required for the authorization, execution, delivery, or performance by any Purchaser of the Water Sales and Purchase Agreement. In rendering the opinions set forth in paragraph 8 below, we have assumed the due authorization, execution, and delivery referred to in (a) above, the legal existence or formation and incumbency referred to in (b) above, the absence of any conflict referred to in (c) above, and the obtaining of all approvals, consents, filings, or authorizations referred to in (d) above, and have made no investigation of and do not express any opinion with respect to any such matters.

Based on the foregoing, and subject to the assumptions and qualifications set forth elsewhere in this letter, we are of the following opinions:

1. The Issuer is a duly created and validly existing public body and body corporate and politic under the provisions of the Constitution and statutes of the State, with full power and authority to operate the System and adopt the Resolutions.

2. The Series 2020A Bonds have been duly authorized, executed, and delivered and are enforceable in accordance with their terms and the terms of the Resolutions, and constitute valid and binding special obligations of the Issuer. The Series 2020A Bonds are secured in the manner and to the extent prescribed by the Resolutions and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements set forth therein.

3. The Resolutions are in full force and effect and are valid, binding, and enforceable in accordance with their terms.

4. Both the principal of and interest on the Series 2020A Bonds are payable solely from the Gross Revenues of the System which remain after paying the cost of the operation and maintenance of the System, and are secured by a pledge of and lien upon such portion of the Gross Revenues of the System. In addition, a statutory lien upon the System has been granted as additional security therefor (the “*Statutory Lien*”).

5. The pledge of and lien upon such portion of the Gross Revenues and the Statutory Lien made to secure the Series 2020A Bonds have priority over all pledges and liens heretofore or hereafter made, except pledges and liens (on a parity with the pledge and lien securing the Series 2020A Bonds) given to secure Bonds heretofore or hereafter issued under the Bond Resolution. Neither the principal of nor interest on the Series 2020A Bonds constitutes an indebtedness of the Issuer within the meaning of any provision, limitation, or restriction of the Constitution or laws of the State, nor a charge, lien, or encumbrance, legal or equitable, upon any property of the Issuer or upon any income, receipts, or revenues of the Issuer save and except the portion of the Gross Revenues of the System pledged to the payment of the principal of and interest on the Series 2020A Bonds and the Statutory Lien, and neither the credit nor any taxing power of the Issuer is pledged therefor.

6. Interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2020A Bonds in order that the

interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Series 2020A Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2020A Bonds.

7. Under existing laws of the State, the Series 2020A Bonds and the interest thereon are exempt from all income taxation in said State, except estate, transfer and certain franchise 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 Series 2020A Bonds.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2020A Bonds except as stated above.

8. The Issuer had the right and power to enter into the Water Sales and Purchase Agreement and did duly authorize, execute, and deliver the same. The Issuer has the right and power to carry out its obligations under the Water Sales and Purchase Agreement, and the Water Sales and Purchase Agreement constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms.

9. The Water Sales and Purchase Agreement constitutes the valid and binding agreement of each of the Purchasers enforceable in accordance with its terms; provided, however, that no opinion is expressed herein as to the validity or enforceability of the Purchasers' obligations under Section 3.04 of the Water Sales and Purchase Agreement or Section 3.06 of the First Supplement.

Your attention is brought to the fact that enforceability of the Resolutions, the Series 2020A Bonds, and the Water Sales and Purchase Agreement may be limited by (a) applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights, (b) general principles of equity which may permit the exercise of judicial discretion, or (c) the exercise of the sovereign police powers of the State and the constitutional powers of the United States of America.

We have been advised on this date that there is no litigation threatened or pending which, in any manner, affects the validity of the Series 2020A Bonds. We express no opinion herein relating to the accuracy, completeness, or sufficiency of any information provided to the purchaser of the Series 2020A Bonds relating to the Series 2020A Bonds, the Issuer, the System, or any wholesale water purchasers from the Issuer.

We have examined the executed Series 2020A Bonds and, in our opinion, their form and execution are in due form of law. This opinion is delivered only to the addressees above and no other party is entitled to rely hereon.

The opinions rendered herein are solely for the benefit of you and your successors and assigns in connection with the transactions contemplated by the Resolutions and may not be used or relied upon by any other person, other than by your actual and potential successors and permitted participants and assigns.

Very truly yours,

Pope Flynn, LLC

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FORM OF OPINION OF BOND COUNSEL
SERIES 2020B BONDS

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September 3, 2020

Anderson Regional Joint Water System
Anderson, South Carolina

Stephens Inc.
Atlanta, Georgia

U.S. Bank National Association
Columbia, South Carolina

Re: \$12,515,000 Waterworks System Advance Refunding Revenue Bonds, Taxable Series 2020B of the Anderson Regional Joint Water System, South Carolina (the "**Series 2020B Bonds**")

Ladies and Gentlemen:

As bond counsel to the Anderson Regional Joint Water System, South Carolina (the "**Issuer**"), we have examined a certified copy of the Record of Proceedings and other proofs submitted to us, including the Constitution and statutes of the State of South Carolina (the "**State**"), in relation to the issuance by the Issuer of the above-captioned Series 2020B Bonds. In addition to the Series 2020B Bonds, the Issuer is issuing its \$9,270,000 Waterworks System Refunding Revenue Bonds, Series 2020A on the date hereof. Among other things, we have reviewed (a) an amended and restated bond resolution adopted by the Anderson Regional Joint Water System Commission (the "**Commission**"), the governing body of the Issuer, on May 18, 2011, and as supplemented by resolutions adopted on January 18, 2012, [and] September 24, 2014 [and August 19, 2020] (as supplemented and amended, the "**Bond Resolution**"), and (b) a series resolution adopted by the Commission on June 30, 2020 (the "**Series Resolution**," and together with the Bond Resolution, the "**Resolutions**"). Capitalized terms used and not otherwise defined herein have the meanings given to such terms in the Resolutions.

The Series 2020B Bonds are being issued by the Issuer pursuant to the Resolutions, and under and in full compliance with the Constitution and statutes of the State, including particularly Chapters 21 and 25, Title 6, of the Code of Laws of South Carolina 1976, as amended, and Chapter 21, Title 11, of the Code of Laws of South Carolina 1976, as amended, in order to obtain funds to be used (1) to provide for a refunding of all or a portion of the Advance Refunded Bonds, and (2) to pay the costs of issuance of the Series 2020B Bonds.

Previously, the Issuer executed and delivered a Water Sales and Purchase Agreement dated as of March 21, 2002, as amended and restated on October 12, 2004, with the City of

Anderson, the City of Clemson, the Town of Pendleton, the Town of Williamston, The Big Creek Water and Sewerage District of Anderson County, The Broadway Water and Sewerage District of Anderson County, Hammond Water District, Homeland Park Water District, Powdersville Water District, Sandy Springs Water District, Starr-Iva Water and Sewer District, and West Anderson Water District (collectively, the “**Purchasers**”), as amended by a First Amendment to the Restated and Amended Water Sales and Purchase Agreement dated as of December 6, 2005, and as supplemented by a First Supplement to the Restated and Amended Water Sales and Purchase Agreement dated as of December 6, 2005 (the “**First Supplement**”) (as amended and supplemented, the “**Water Sales and Purchase Agreement**”).

The Series 2020B Bonds are issued in fully registered form and are numbered R-1 and upward.

Further, Bonds on a parity with the Series 2020B Bonds have been previously issued under the Bond Resolution, and additional Bonds may be issued under the conditions prescribed in the Bond Resolution, both on a parity with the Series 2020B Bonds.

In connection with the amendment and restatement of the Water Sales and Purchase Agreement in 2004, the Issuer received opinions from legal counsel to the respective Purchasers relating to, among other things, (a) the due authorization, execution, and delivery of the Water Sales and Purchase Agreement by the Purchasers, (b) the legal existence or formation of the Purchasers and the incumbency of officials or officers thereof, (c) the absence of any conflict between the provisions of the Water Sales and Purchase Agreement and any bond resolution or ordinance, indenture, contract, debt instrument, agreement, or other instrument of the Purchasers or any governmental order, regulation or rule, or any judicial order, judgment, or decree, (d) the obtaining of any approvals, consents, filings, or authorization by or with any regulatory authority or other governmental or public agency, authority, or person which may be or has been required for the authorization, execution, delivery, or performance by any Purchaser of the Water Sales and Purchase Agreement. In rendering the opinions set forth in paragraph 8 below, we have assumed the due authorization, execution, and delivery referred to in (a) above, the legal existence or formation and incumbency referred to in (b) above, the absence of any conflict referred to in (c) above, and the obtaining of all approvals, consents, filings, or authorizations referred to in (d) above, and have made no investigation of and do not express any opinion with respect to any such matters.

Based on the foregoing, and subject to the assumptions and qualifications set forth elsewhere in this letter, we are of the following opinions:

1. The Issuer is a duly created and validly existing public body and body corporate and politic under the provisions of the Constitution and statutes of the State, with full power and authority to operate the System and adopt the Resolutions.

2. The Series 2020B Bonds have been duly authorized, executed, and delivered and are enforceable in accordance with their terms and the terms of the Resolutions, and constitute valid and binding special obligations of the Issuer. The Series 2020B Bonds are secured in the manner and to the extent prescribed by the Resolutions and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements set forth therein.

3. The Resolutions are in full force and effect and are valid, binding, and enforceable in accordance with their terms.

4. Both the principal of and interest on the Series 2020B Bonds are payable solely from the Gross Revenues of the System which remain after paying the cost of the operation and maintenance of the System, and are secured by a pledge of and lien upon such portion of the Gross Revenues of the System. In addition, a statutory lien upon the System has been granted as additional security therefor (the “*Statutory Lien*”).

5. The pledge of and lien upon such portion of the Gross Revenues and the Statutory Lien made to secure the Series 2020B Bonds have priority over all pledges and liens heretofore or hereafter made, except pledges and liens (on a parity with the pledge and lien securing the Series 2020B Bonds) given to secure Bonds heretofore or hereafter issued under the Bond Resolution. Neither the principal of nor interest on the Series 2020B Bonds constitutes an indebtedness of the Issuer within the meaning of any provision, limitation, or restriction of the Constitution or laws of the State, nor a charge, lien, or encumbrance, legal or equitable, upon any property of the Issuer or upon any income, receipts, or revenues of the Issuer save and except the portion of the Gross Revenues of the System pledged to the payment of the principal of and interest on the Series 2020B Bonds and the Statutory Lien, and neither the credit nor any taxing power of the Issuer is pledged therefor.

6. Interest on the Series 2020B Bonds is not excluded from gross income for federal income tax purposes.

7. Under existing laws of the State, the Series 2020B Bonds and the interest thereon are exempt from all income taxation in said State, except estate, transfer and certain

franchise 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 Series 2020B Bonds.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2020B Bonds except as stated above.

8. The Issuer had the right and power to enter into the Water Sales and Purchase Agreement and did duly authorize, execute, and deliver the same. The Issuer has the right and power to carry out its obligations under the Water Sales and Purchase Agreement, and the Water Sales and Purchase Agreement constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms.

9. The Water Sales and Purchase Agreement constitutes the valid and binding agreement of each of the Purchasers enforceable in accordance with its terms; provided, however, that no opinion is expressed herein as to the validity or enforceability of the Purchasers' obligations under Section 3.04 of the Water Sales and Purchase Agreement or Section 3.06 of the First Supplement.

Your attention is brought to the fact that enforceability of the Resolutions, the Series 2020B Bonds, and the Water Sales and Purchase Agreement may be limited by (a) applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights, (b) general principles of equity which may permit the exercise of judicial discretion, or (c) the exercise of the sovereign police powers of the State and the constitutional powers of the United States of America.

We have been advised on this date that there is no litigation threatened or pending which, in any manner, affects the validity of the Series 2020B Bonds. We express no opinion herein relating to the accuracy, completeness, or sufficiency of any information provided to the purchaser of the Series 2020B Bonds relating to the Series 2020B Bonds, the Issuer, the System, or any wholesale water purchasers from the Issuer.

We have examined the executed Series 2020B Bonds and, in our opinion, their form and execution are in due form of law. This opinion is delivered only to the addressees above and no other party is entitled to rely hereon.

The opinions rendered herein are solely for the benefit of you and your successors and assigns in connection with the transactions contemplated by the Resolutions and may not be used or relied upon by any other person, other than by your actual and potential successors and permitted participants and assigns.

Very truly yours,

Pope Flynn, LLC

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APPENDIX I

DTC BOOK-ENTRY ONLY SYSTEM

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DTC BOOK-ENTRY-ONLY SYSTEM

The information contained in this Appendix I has been extracted from a schedule prepared by DTC entitled “SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.” The Issuer makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully registered securities in the names of Cede & Co. (DTC’s partnership nominee). One fully registered Bond certificate will be issued for each maturity of the Series 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization within the meaning of the New York Banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code, and a “clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“*Participants*”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic DTC statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in Series 2020 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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.

6. Redemption notices shall be sent to Cede & Co. If less than all of the Series 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2020 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal of and interest on the Series 2020 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and custom my practices, as in 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 Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds will be printed and delivered.

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

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

NEITHER THE ISSUER NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC. ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR INTEREST ON THE BOND; (C) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS; (D) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDOWNERS; OR (E) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020 BONDS.

Principal or redemption price of, and interest on, the Series 2020 Bonds will be paid to DTC. DTC's practice is to credit such Direct Participants' accounts on a payable date in accordance with their

respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payable date. Payments by Participants to Beneficial Owners of the Series 2020 Bonds 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 Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Disbursement of such payments to the Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the Series 2020 Bonds shall be the responsibility of the Direct and Indirect Participants.

Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2020 Bonds called for redemption, or of any other action premised on such notice. 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 may desire to make arrangements with a Direct Participant or Indirect Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners will be forwarded in writing by such Direct Participant or Indirect Participant.

Except as described below, neither DTC nor Cede & Co. will take any action to enforce covenants with respect to any security registered in the name of Cede & Co. Under its current procedures, on the written instructions of a Direct Participant, DTC will cause Cede & Co. to sign a demand to exercise bondholder rights as record holder of the quantity of securities specified in the Direct Participant's instructions and not as record holder of all the securities of that issue registered in the name of Cede & Co. Also, in accordance with DTC's current procedures, all factual representations to be made by Cede & Co. to the Issuer, the Trustee or any other party must be made to DTC and Cede & Co. by the Direct Participant in its instructions to DTC.

For so long as the Series 2020 Bonds are issued in book-entry form through the facilities of DTC, any Beneficial Owner desiring to cause the Issuer or the Trustee to comply with any of its obligations with respect to the Series 2020 Bonds must make arrangements with the Participant through which such Beneficial Owner's ownership interest in the Series 2020 Bonds is recorded in order for the Direct Participant in whose DTC account such ownership interest is recorded to make the instructions to DTC described above.

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