



*In the opinion of Pope Flynn, LLC, Bond Counsel to the City, under existing law, assuming continuing compliance by the City with certain covenants and the accuracy of certain representations, interest on the Series 2020 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. 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 or 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.*

**\$52,015,000**



**CITY OF CAMDEN, SOUTH CAROLINA  
COMBINED PUBLIC UTILITY SYSTEM REFUNDING AND  
IMPROVEMENT REVENUE BONDS  
SERIES 2020**

**Dated: Date of Delivery**

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

The \$52,015,000 Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2020 (the "Series 2020 Bonds") of the City of Camden, South Carolina (the "City"), are being issued under the authority of the Constitution and laws of the State of South Carolina (the "State"), including Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the "Act"), and pursuant to the provisions of a bond ordinance enacted by the City Council of the City (the "City Council"), the governing body thereof, on February 11, 2014 (effective March 1, 2015) (the "Bond Ordinance") and a series ordinance enacted by the City Council on July 28, 2020 (the "Series Ordinance"), to (i) provide for the refunding of all or a portion of the Refunded Bonds (as defined herein); (ii) provide funds to defray the costs of the Improvements (as defined herein); (iii) fund the 2020 Debt Service Reserve Fund (as defined in the Series Ordinance) with cash, or pay the premium associated with the issuance of a credit instrument for the 2020 Debt Service Reserve Fund; and (iv) pay the costs of issuance of the Series 2020 Bonds, including the payment of any premium due on any municipal bond insurance policy. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

Pursuant to the provisions of the Act, the Bond Ordinance, and the Series Ordinance, the Series 2020 Bonds are secured by and payable solely from a pledge of and lien upon the Gross Revenues (as defined herein) on a parity with the pledge thereof securing the payment of the Outstanding Bonds and any other Additional Bonds (as such terms are defined herein) hereafter issued.

The Series 2020 Bonds will be issued initially as registered bonds in denominations of \$5,000 and integral multiples thereof in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2020 Bonds under a book-entry-only system, as described herein. So long as the Series 2020 Bonds are held in book-entry-only form, beneficial owners of Series 2020 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2020 Bonds is payable at the rates set forth on the inside cover hereof initially on March 1, 2021, and semiannually thereafter on each September 1 and March 1 until maturity. See "THE SERIES 2020 BONDS" herein.

The Series 2020 Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity.

The scheduled payment of principal of and interest on the Series 2020 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2020 Bonds by Assured Guaranty Municipal Corp.



THE SERIES 2020 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE OF SOUTH CAROLINA CONSTITUTIONAL PROVISION, OTHER THAN THOSE PROVISIONS OF THE CONSTITUTION OF THE STATE AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM A REVENUE PRODUCING PROJECT OR FROM A SPECIAL SOURCE NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. THE SERIES 2020 BONDS DO NOT CONSTITUTE OR GIVE RISE TO A CHARGE AGAINST THE CITY'S GENERAL CREDIT OR TAXING POWER. THE CITY IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2020 BONDS OR THE INTEREST THEREON EXCEPT FROM GROSS REVENUES OF THE SYSTEM. NO RECOURSE MAY BE HAD FOR THE PAYMENT OF THE SERIES 2020 BONDS AGAINST THE GENERAL FUND OF THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE PLEDGED TO THE PAYMENT OF THE SERIES 2020 BONDS.

This cover page contains certain information for quick reference only. It is not a summary of this 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 City and accepted by Robert W. Baird & Co. Incorporated (the "Underwriter"), subject to the delivery of an approving opinion of Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel to the City. Pope Flynn, LLC is also acting as Disclosure Counsel to the City in connection with the offer and sale of the Series 2020 Bonds. Certain legal matters will be passed upon for the City by its counsel, Pope Flynn, LLC, Columbia, South Carolina. Stephens Inc., Atlanta, Georgia, serves as municipal advisor to the City. Burr & Forman LLP, Greenville, South Carolina, is counsel to the Underwriter. It is expected that the Series 2020 Bonds will be available in definitive form for delivery through the facilities of DTC on or about September 16, 2020 against payment therefor.

**BAIRD**

## MATURITY SCHEDULE

### SERIES 2020 BONDS

#### MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, AND CUSIPS<sup>†</sup>

Due March 1	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup>
2021	\$ 3,470,000	2.000%	0.270%	100.791%	133159GD9
2022	2,770,000	2.000	0.340	102.412	133159GE7
2023	2,815,000	2.000	0.370	103.985	133159GF4
2024	2,880,000	5.000	0.470	115.521	133159GG2
2025	4,945,000	5.000	0.510	119.766	133159GH0
2026	5,185,000	5.000	0.640	123.350	133159GJ6
2027	5,455,000	5.000	0.800	126.384	133159GK3
2028	5,735,000	5.000	0.960	129.010	133159GL1
2029	6,010,000	4.000	1.070	123.633	133159GM9
2030	6,255,000	4.000	1.160	125.370	133159GN7
2031	6,495,000	4.000	1.280	126.545	133159GP2

<sup>†</sup> 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 City 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.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2020 Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2020 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. Information in this Official Statement has been obtained by the City from sources believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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, and no indenture will be qualified with respect to the Series 2020 Bonds under the Trust Indenture Act of 1939, as amended. Neither the U.S. 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. Any representation to the contrary is a criminal offense.

Robert W. Baird & Co. Incorporated (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 to investors 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.

Stephens Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Assured Guaranty Municipal Corp. (“*AGM*”) makes no representation regarding the Series 2020 Bonds or the advisability of investing in the Series 2020 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the caption “BOND INSURANCE” herein and “APPENDIX F—Form of Specimen Municipal Bond Insurance Policy” attached hereto.

U.S. Bank National Association, as Trustee, Registrar and Paying Agent (as such terms are defined herein), 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 (i) the accuracy or completeness of such information, (ii) the validity of the Series 2020 Bonds, or (iii) the tax-exempt status of the interest on the Series 2020 Bonds.

No quotations or summaries or explanation of provisions of law and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of the Series 2020 Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof and the appendices attached hereto are part of this Official Statement.

The information in “APPENDIX H—Description of Book-Entry-Only System” hereto has been obtained from The Depository Trust Company, and no representation is made by the City as to the completeness or accuracy of such information.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof.

### **Cautionary Statement Regarding Forward-Looking Information**

This Official Statement contains forecasts, projections and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "budgets" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

**CITY OF CAMDEN, SOUTH CAROLINA**

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Burr & Forman LLP  
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**OFFICIAL STATEMENT**

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**\$52,015,000**  
**CITY OF CAMDEN, SOUTH CAROLINA**  
**COMBINED PUBLIC UTILITY SYSTEM REFUNDING AND**  
**IMPROVEMENT REVENUE BONDS**  
**SERIES 2020**

**INTRODUCTION**

**General**

This Official Statement of the City of Camden, South Carolina (the “City”), which includes the cover pages hereof, the Table of Contents, and the Appendices hereto, is provided to furnish certain information in connection with the offer of the City’s Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2020 (the “Series 2020 Bonds”) of the City of Camden, South Carolina. The Series 2020 Bonds, the Outstanding Bonds, and any Additional Bonds (as such terms are defined herein) are referred to herein, collectively as the “Bonds.” Each term with initial capitals not otherwise defined in this Official Statement shall have the meaning given such term in the Ordinance (as defined herein).

All information included herein has been provided by the City except where attributed to other sources. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument.

**Authorization**

The Series 2020 Bonds are authorized and issued pursuant to (i) Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the “Act”); (ii) a bond ordinance enacted by the City Council of the City (the “City Council”) on February 11, 2014 (effective March 1, 2015) (the “Bond Ordinance”); and (iii) a series ordinance enacted by the City Council on July 28, 2020 (the “Series Ordinance” and, together with the Bond Ordinance, the “Ordinance”).

The Series 2020 Bonds are issued under the Ordinance and accordingly are secured by and payable from a pledge of and lien upon the Gross Revenues (as defined herein) derived from the operation of the combined public utility system of the City (the “System”) and are issued on a parity with the pledge securing the Outstanding Bonds which will remain Outstanding after the issuance of the Series 2020 Bonds, and any Additional Bonds hereafter issued pursuant to the Bond Ordinance.

**Purpose**

The Series 2020 Bonds are being issued to (i) provide for the refunding of all or a portion of the Refunded Bonds (as defined herein), (ii) provide funds to defray the costs of the Improvements (as defined herein)); (iii) fund the 2020 Debt Service Reserve Fund (as defined in the Series Ordinance) with cash, or pay the premium associated with the issuance of a credit instrument (the “Funding Substitute”) for the 2020 Debt Service Reserve Fund in an amount equal to the 2020 Reserve Requirement (as defined in the Series Ordinance); and (iv) pay the costs of issuance of the Series 2020 Bonds, including the payment of any premium due on any municipal bond insurance policy. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

## PLAN OF FINANCE

As shown in the “SOURCES AND USES OF FUNDS” set forth hereinbelow, the proceeds of the Series 2020 Bonds, together with other funds of the City, and net of the costs of issuance thereof, will be applied to refund the Refunded Bonds and defray the costs of the Improvements, as more particularly described below.

### Refunding

Proceeds of the Series 2020 Bonds in the amount of \$58,210,910.57 will be deposited with U.S. Bank National Association as Trustee for the Refunded Bonds and applied to effect the redemption of the following Bonds of the City:

- (1) \$1,781,331 principal amount of the \$3,000,000 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2010 dated February 3, 2010, as subsequently reissued by the \$2,619,700 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2010 dated December 1, 2014, with a final maturity of February 1, 2030 (the “*Series 2010 Bond*”);
- (2) \$25,563,914.58 principal amount of the \$34,288,643 Combined Public Utility System Revenue Bond, Series 2012B dated March 20, 2012, with a final maturity of June 1, 2034 (the “*Series 2012B Bond*”);
- (3) \$4,195,000 principal amount of the \$6,000,000 original principal amount Combined Public Utility System Revenue Bond, Series 2015 dated July 29, 2015, with a final maturity of March 1, 2030 (the “*Series 2015 Bond*”);
- (4) \$5,445,000 principal amount of the \$7,080,000 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2016A dated January 15, 2016, with a final maturity of March 1, 2031 (the “*Series 2016A Bond*”);
- (5) \$6,555,561 principal amount of the \$7,089,206 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2016B dated November 23, 2016, with a final maturity of August 1, 2047 (the “*Series 2016B Bond*”);
- (6) \$4,623,292.01 principal amount of the \$5,236,780 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2016C dated November 23, 2016 with a final maturity of May 1, 2037 (the “*Series 2016C Bond*”);
- (7) \$6,410,000 principal amount of the \$6,758,000 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2018 dated November 15, 2018, with a final maturity of November 1, 2033 (the “*Series 2018 Bond*”);
- (8) \$1,934,848.02 principal amount of the \$1,995,195 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2019A dated September 12, 2019, with a final maturity of October 1, 2033 (the “*Series 2019A Bond*”); and
- (9) \$2,012,136.72 principal amount of the \$2,051,531 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2019B dated September 12, 2019, with a final maturity of October 1, 2039 (the “*Series 2019B Bond*” and together with the Series 2010 Bond, the Series 2012B Bond, the Series 2015 Bond, the Series 2016A Bond, the Series 2016B Bond, the Series 2016C Bond, the Series 2018 Bond, and the Series 2019A Bond, collectively, the “*Refunded Bonds*”).

In order to effect the refunding of the Series 2010 Bond, Series 2012B Bond, Series 2015 Bond, Series 2016A Bond, and Series 2018 Bond, a portion of the proceeds of the Series 2020 Bonds, together with other moneys of the City, will be deposited with U.S. Bank National Association, as Trustee, and applied on the date of delivery of the Series 2020 Bonds to effect the full payment and satisfaction thereof.

The projects funded by the Series 2016B Bond, Series 2016C Bond, Series 2019A Bond, and the Series 2019B Bond (collectively, the “*2016 & 2019 SRF Bonds*”) have been completed and final funding requisitions are being completed by the South Carolina Water Quality Revolving Fund Authority, as the holder of the 2016 & 2019 SRF Bonds. In order to allow time for an orderly processing of certain final funding requisitions, redemption of the 2016 & 2019 SRF Bonds will occur 60 days after closing of the Series 2020 Bonds. In order to accomplish the refunding of the 2016 & 2019 SRF Bonds, a portion of the proceeds from the sale of Series 2020 Bonds, together with other moneys of the City, will be deposited into one or more escrow funds (the “*Escrow Fund*”) held by U.S. Bank National Association, as escrow agent (the “*Escrow Agent*”), pursuant to an Escrow Deposit Agreement between the City and the Escrow Agent (the “*Escrow Deposit Agreement*”). The amounts so deposited will be invested in United States Treasury securities (the “*Defeasance Obligations*”), the maturing principal of and interest on which will provide funds sufficient to pay, when and as due, the principal of and interest on the 2016 & 2019 SRF Bonds to their respective redemption dates. See “*VERIFICATION OF ARITHMETIC AND MATHEMATICAL ACCURACY OF ESCROW*” herein for information regarding verification of the accuracy and sufficiency of the amounts deposited into the Escrow Fund.

The Defeasance Obligations will be irrevocably pledged under the Escrow Deposit Agreement to the payment when and as due of the principal of and interest on the 2016 & 2019 SRF Bonds and will not be available to pay principal of and interest on Series 2020 Bonds. To the extent the proceeds of any Defeasance Obligations exceed the amount necessary to fully redeem the 2016 & 2019 SRF Bonds, such amount will be transferred to the 2020 Improvement Fund (as defined in the Series Ordinance).

The 2016 & 2019 SRF Bonds will be legally defeased upon the issuance of the Series 2020 Bonds and the deposit of a portion of the proceeds thereof, together with other moneys of the City, in the Escrow Fund as set forth above.

## **Improvements**

Proceeds of the Series 2020 Bonds in the amount of \$5,000,000.00 will be deposited in the 2020 Improvement Fund to provide funds to defray the costs of certain improvements to the System, including (i) converting overhead electric lines to underground, (ii) replacing water lines, (iii) upgrading sewer lines and a sewer pump station, and (iv) related infrastructure (collectively, the “*Improvements*”). The power line undergrounding will assist in the prevention of outages and improve the reliability of service during weather events. Electrical improvements also include certain improvements to improve aesthetic lighting. Water and sewer line improvements will address the replacement of older water and sewer lines that currently require significant resources to maintain and such improvements will increase System efficiency and improve water quality.

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## SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the funds to be derived from the sale of the Series 2020 Bonds and the estimated uses of such funds:

Sources of Funds:

Principal Amount of Series 2020 Bonds	\$ 52,015,000.00
Original Issue Premium	10,675,874.10
Transfers from Debt Service Funds for Refunded Bonds	<u>1,323,272.31</u>
 Total Sources	 <u>\$ 64,014,146.41</u>

Uses of Funds:

Redemption of Refunded Bonds	\$ 58,210,910.57
Deposit to 2020 Improvement Fund	5,000,000.00
Costs of Issuance <sup>1</sup>	<u>803,235.84</u>
 Total Uses	 <u>\$ 64,014,146.41</u>

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<sup>1</sup> Includes various professional fees, the premium for the Policy (as defined herein), the premium for the Funding Substitute, underwriter's discount, and miscellaneous costs.

*[Remainder of Page Intentionally Left Blank]*

## THE SERIES 2020 BONDS

### General

The Series 2020 Bonds will be Combined Public Utility System Revenue Bonds of the City, will be dated their date of delivery, will bear interest from their date to their respective maturities at the rates, and will mature on the dates and in the amounts, all as set forth on the inside cover page of this Official Statement. Interest on the Series 2020 Bonds will be payable on March 1 and September 1 of each year (each, a “*Bond Payment Date*”) until maturity thereof, beginning March 1, 2021, to the person in whose name each Series 2020 Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such Bond Payment 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 City kept by U.S. Bank National Association, as Trustee, Registrar and Paying Agent under the Ordinance, 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 Ordinances. See “APPENDIX H—Description of Book-Entry-Only System” hereto and “—Discontinuance of Book-Entry-Only System” below.

### Redemption

The Series 2020 Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity.

### Book-Entry-Only System

The Series 2020 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC, which will initially act as securities depository for the Series 2020 Bonds. One fully registered Series 2020 Bond certificate for each maturity of Series 2020 Bonds will be issued and deposited with DTC. Purchases of beneficial interests in such Series 2020 Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Series 2020 Bonds purchased by them. See “APPENDIX H—Description of Book-Entry-Only System” hereto.

### Discontinuance of Book-Entry Only System

In the event that the City determines that it is in the best interest of the City not to continue the book-entry system of transfer or that the interest of the Beneficial Owners of the Series 2020 Bonds may be adversely affected if the book-entry system of transfers is continued, then the City will notify the Securities Depository and the Trustee of such determination and the Securities Depository will immediately notify the Participants of the availability, through the Securities Depository, of physical Series 2020 Bonds. In such event, the City will execute and the Trustee will authenticate, register and deliver physical Series 2020 Bonds as requested by the Securities Depository or any Participant or Beneficial Owner of Series 2020 Bonds in appropriate authorized denominations in exchange for the Series 2020 Bonds registered in the name of Securities Depository Nominee. The Securities Depository may determine to discontinue providing its services as such with respect to the Series 2020 Bonds at any time by giving notice to the City and the Trustee and discharging its responsibilities with respect thereto under applicable laws or the City may determine that the Securities Depository is incapable of discharging its duties as such and may so notify the Securities Depository. In either such event, the City will either (i) engage the services of another Securities Depository or (ii) deliver physical Series 2020 Bonds in the manner described above.

### Registration and Transfer

Upon the discontinuance of the book-entry only system, Series 2020 Bonds shall be evidenced by bond certificates issued in the name of the registered owners thereof as set forth on the registration books, and Series 2020 Bonds shall be transferable only upon the registration books by the Holder thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder or his duly authorized attorney with such signature guaranteed. Upon the

transfer of any Series 2020 Bond, the City shall execute and thereupon the Registrar shall authenticate and deliver to the transferee a new fully registered Series 2020 Bond or Series 2020 Bonds, registered in the name of the transferee of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2020 Bond.

## SECURITY FOR THE SERIES 2020 BONDS

### Pledge of Gross Revenues

The Series 2020 Bonds shall be payable solely from and shall be secured by a pledge of and lien upon the Gross Revenues of the System (hereinafter defined). Such pledge and lien securing the Series 2020 Bonds shall at all times and in all respects be and remain superior to pledges and liens made and given to secure any other bonds or other obligations payable from the revenues of the System, except for Bonds issued in accordance with the provisions of the Bond Ordinance (see “—Additional Bonds” below).

As defined in the Bond Ordinance, “*Gross Revenues*” means:

(a) all receipts and revenues derived from the operation of the System, except for those allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds, including all service fees (including connection, tap and impact fees, availability fees, and meter purchases); (b) all proceeds from the sale or other disposition of any property owned directly or beneficially by the City in connection with the operation of the System; (c) all interest and other income received directly or indirectly by the City from the investment of any moneys or accounts relating to the System; excluding, however, interest income restricted to a purpose inconsistent with the payment of operating expenses or debt service, and specifically excluding (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the City; (d) all other unencumbered money to which the City may become entitled from any source whatsoever, but specifically excluding any amounts received by way of government grants and aids-to-construction; and (e) all Interest Payment Subsidies to the extent such moneys are not otherwise used to pay debt service on a Series of Bonds. Any Interest Payment Subsidies payable to the Trustee and used to pay debt service on a Series of Bonds do not constitute Gross Revenues. All amounts received by the City from *ad valorem* property taxes do not constitute Gross Revenues.

### Limited Obligations

THE SERIES 2020 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE OF SOUTH CAROLINA (THE “*STATE*”) CONSTITUTIONAL PROVISION, OTHER THAN THOSE PROVISIONS OF THE CONSTITUTION OF THE STATE AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM A REVENUE PRODUCING PROJECT OR FROM A SPECIAL SOURCE NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. THE SERIES 2020 BONDS DO NOT CONSTITUTE OR GIVE RISE TO A CHARGE AGAINST THE CITY’S GENERAL CREDIT OR TAXING POWER. THE CITY IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2020 BONDS OR THE INTEREST THEREON EXCEPT FROM GROSS REVENUES OF THE SYSTEM. NO RECOURSE MAY BE HAD FOR THE PAYMENT OF THE SERIES 2020 BONDS AGAINST THE GENERAL FUND OF THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE PLEDGED TO THE PAYMENT OF THE SERIES 2020 BONDS.

### Rate Covenant

#### *General Covenants*

Pursuant to the Bond Ordinance, rates for services and facilities furnished by the System shall, until otherwise revised, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of the Bond Ordinance but they shall be revised by the City Council whenever necessary in order that they shall at all times be maintained on a basis sufficient to meet the requirements of the Bond Ordinance. The City covenants in the Bond Ordinance to maintain rates and charges for all services furnished by the System which are at all times sufficient:

(a) to maintain the Debt Service Funds (as defined below) and thus provide for the punctual payment of the principal of and interest on the Bonds;

(b) to maintain the Debt Service Reserve Funds (as defined below) in the manner prescribed in the Bond Ordinance and any applicable Series Ordinance;

(c) to provide for the payment of the Operation and Maintenance Expenses (as defined below) as may be necessary to preserve the System in good repair and working order;

(d) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order;

(e) to pay all amounts owing under a reimbursement agreement with any provider of a Funding Substitute;

(f) 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; and

(g) to discharge all obligations imposed by the Act, by the Bond Ordinance, and any applicable Series Ordinance.

#### *Rate Covenant*

The City has further covenanted and agreed that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual Net Earnings (as defined below) in the current Fiscal Year (as defined in the Bond Ordinance and as further defined and described in “FINANCIAL FACTORS—Summary of Revenues and Expenses” herein) equal to at least the sum of 120% of the Annual Principal and Interest Requirement for all Bonds Outstanding. For purposes of the rate covenant and the additional bonds test (as described in “—Additional Bonds” below), the term “*Net Earnings*” is generally defined as the Gross Revenues of the System, less Operation and Maintenance Expenses. Additionally, there shall be excluded from Net Earnings any gains in the sale or disposition of investments or fixed or capital assets, not resulting from the ordinary course of the City’s business.

Under the Bond Ordinance, “*Operation and Maintenance Expenses*” means:

All expenses incurred in connection with the administration and the 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 arrangements under Section 6.03 of the Bond Ordinance, the fees and charges of the Trustee and the custodian or trustee of any fund, the costs of audits required under the Bond Ordinance, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds required by the Bond Ordinance. Operation and Maintenance Expenses shall not include: (a) depreciation allowances; (b) amounts paid as interest on bonds; (c) amounts expended for extraordinary repairs to the System; (d) amounts paid from government grants or aids-to-construction; (e) unfunded pension or other post-employment benefit liabilities that do not result in any actual disposition of cash; (f) 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 (g) amounts paid as capital costs pursuant to the provisions of long-term contracts which the City has entered into in order to provide services to areas included within its service area, such obligations being specifically included within the definition of Bonds or Junior Lien Bonds depending upon the pledge given to secure the same.

### *Review of Rates*

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, the City shall review the rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the City shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and which shall include the amount of the estimated operating expenses and the amount to be deposited during such Fiscal Year in the Depreciation and Contingent Fund. The City may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

If the City, in adopting its Annual Budget, determines that Gross Revenues may not be sufficient to meet the rate covenant described above or if the audited financial statements of the City indicate that the City did not satisfy the rate covenant for the prior year, the City shall, within forty-five (45) days, engage a Consulting Engineer to prepare a report recommending such actions which will provide sufficient Gross Revenues in the following Fiscal Year to permit the City to meet the rate covenant. Copies of such report shall be made available to the City and the Trustee no later than sixty (60) days after the engagement of the Consulting Engineer.

The City agrees that it shall use its best efforts to effect such changes recommended by the Consulting Engineer in its report. So long as the City uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under the Bond Ordinance; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

### **Funds and Accounts Established Under Bond Ordinance**

#### *Generally*

The Bond Ordinance provides for the creation of a general revenue fund (the “*General Revenue Fund*”), a debt service fund with respect to each Series of Bonds (each a “*Debt Service Fund*”), a debt service reserve fund, if any, with respect to any Series of Bonds (each a “*Debt Service Reserve Fund*”), an operation and maintenance fund (the “*Operation and Maintenance Fund*”) and a depreciation and contingent fund (the “*Depreciation and Contingent Fund*”). So long as the City establishes, 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 and the Depreciation and Contingent Fund, subject to the prior application of the amounts in the General Revenue Fund for the purposes of any Debt Service Fund or Debt Service Reserve Fund.

#### *General Revenue Fund*

The General Revenue Fund shall be so maintained as to accurately reflect the Gross Revenues of the System and Net Earnings. Except as otherwise specifically directed or permitted in the Bond Ordinance, all Gross Revenues of the System will be deposited in accordance with and in the manner prescribed by the Bond Ordinance into the General Revenue Fund. Money in the General Revenue Fund shall be withdrawn and made use of only in the manner and in the order of priority specified in the Bond Ordinance. See “—Flow of Funds” herein. So long as the City establishes, 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, and the Depreciation and Contingent Fund, subject to the prior application of the required amounts to the Debt Service Funds and Debt Service Reserve Funds, if any, as required by the Bond Ordinance.

#### *Debt Service Funds*

The Bond Ordinance requires the creation and maintenance of a Debt Service Fund for each Series of Bonds Outstanding to be held by the Trustee. Each Debt Service Fund is intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on the respective Series of Bonds as the same respectively fall due. Payments into a Debt Service Fund shall be made in the manner prescribed by the Bond Ordinance, and, except as otherwise provided in the Bond Ordinance, all money in the respective Debt Service Fund shall be used solely to pay the principal of, redemption premium, if any, and interest on the respective Series of



Bonds, and for no other purpose. Each Debt Service Fund shall bear a number Series designation as may be necessary to distinguish each such fund.

See “APPENDIX D—Bond Ordinance and Series Ordinance” hereto regarding the maintenance of the Debt Service Fund, investments of amounts on deposit from time to time in the Debt Service Fund, the deposit of Interest Payment Subsidies into the Debt Service Fund, and the operation of the Debt Service Funds.

Pursuant to the terms of the Series Ordinance, the Trustee shall establish the 2020 Debt Service Fund with respect to the Series 2020 Bonds.

#### *Debt Service Reserve Funds*

Each Series Ordinance may create a Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. Each such 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 Debt Service Reserve Fund shall be maintained in an amount equal to the Reserve Requirement for such Series of Bonds. Unless otherwise provided in a Series Ordinance, money in a 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 its respective Debt Service Fund is insufficient for such purposes;
- (2) To pay the principal of, interest on, and redemption premium, if any, of the Bonds of that Series in the event that all Bonds of that Series then Outstanding be redeemed as a whole; or
- (3) To effect partial redemption of the Series 2020 Bonds of that Series; but subject to the restrictions of the Ordinance and provided that subsequent to said partial redemption, the market value of the cash and securities in the Debt Service Reserve Fund shall be not less than the Reserve Requirement therefor.

Unless otherwise required by the applicable Series Ordinance, the City, in lieu of the deposit of moneys into a Debt Service Reserve Fund, may alternatively satisfy the Reserve Requirement by causing to be so credited a Funding Substitute equal to the Reserve Requirement therefor.

See APPENDIX D regarding investments of amounts on deposit from time to time in the Debt Service Reserve Funds and the obligation of the City to replenish amounts on deposit therein in the event the balance in a Debt Service Reserve Fund is less than the applicable Reserve Requirement.

The 2020 Debt Service Reserve Fund will be funded with a Funding Substitute issued by AGM (as defined herein) equal to the 2020 Reserve Requirement.

#### *Operation and Maintenance Fund*

The Operation and Maintenance Fund is intended to provide for the payment of the Operation and Maintenance Expenses. Withdrawals from the Operation and Maintenance Fund will be made by or on the order of the City in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

#### *Depreciation and Contingent Fund*

The Bond Ordinance provides for the establishment and maintenance of a depreciation and contingent fund held and administered by the City. This fund shall be maintained in an amount to be established not less frequently than annually by the City Council in order to provide a reasonable reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions of the System. Money in the Depreciation and Contingent Fund shall be used solely: (a) for the purpose of restoring depreciated or obsolete items of the System; (b) 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; (c) to defray the cost of unforeseen

contingencies and extraordinary repairs to the System; (d) to prevent defaults of Bonds and Junior Lien Bonds (as such term is defined in the Bond Ordinance); and (e) for optional redemption of Bonds or Junior Lien Bonds. Withdrawals from the Depreciation and Contingent Fund shall be made by or on order of the City.

### **Disposition of Revenues**

The Gross Revenues of the System, except customers' deposits and that money the disposition of which is controlled by other provisions of the Bond Ordinance, are declared under the Bond Ordinance to be a part of the General Revenue Fund and are required to be promptly deposited in a bank or depository in an account which will reflect the fact that they are a part of the General Revenue Fund. The dispositions from the General Revenue Fund described below shall be made on or before the Business Day which is five Business Days prior to the end of each month. Payments from the General Revenue Fund shall be made in the order of priority shown by the following sequence:

(a) First, provision shall be made for the payment of principal of, premium, if any, and interest on all Bonds then Outstanding without priority of any other Bonds but ratably as to each Series of Bonds, through:

(i) the deposit to the Debt Service Fund the monthly fraction of the aggregate amount of interest to become due on the Bonds on the next ensuing Bond Payment Date, subject to reduction to the extent any Interest Payment Subsidies are on deposit in such fund for such purpose; and

(ii) the deposit into each respective Debt Service Fund the monthly fraction of the Principal Installment of the respective Series of Bonds next coming due and payable, so that on each principal maturity date, the amount of principal to be paid shall have been accumulated and on hand, subject to reduction to the extent moneys are on deposit in such fund for such purpose;

(b) Second, a deposit, if necessary, to any Debt Service Reserve Fund established by any Series Ordinance of such amount as shall be required by the provisions of the Bond Ordinance or such Series Ordinance;

(c) Third, the deposit to the Operations and Maintenance Fund an amount required for Operations and Maintenance Expenses of the System for the ensuing month and any amounts required for an operational reserve;

(d) Fourth, the deposit to the Depreciation and Contingent Fund that sum which is 1/12th of the sum determined by the City Council to be the budgeted requirement therefor for the then current Fiscal Year;

(e) Fifth, reimbursement or payment of interest and any fees or penalties on amounts advanced by the provider of a Funding Substitute as required in the Bond Ordinance;

(f) Sixth, provision shall be made for the payment of any other indebtedness which is junior and subordinate to the Bonds in in the order of priority contemplated by the proceedings authorizing the issuance of the same; and

(g) Seventh, all money remaining after the payments required above shall be disposed of for any lawful purpose in such manner as the City Council shall from time to time determine.

### **Additional Bonds**

The Bond Ordinance makes provision for the issuance from time to time of bonds on a parity as to the pledge and lien securing the Series 2020 Bonds and the Outstanding Bonds ("*Additional Bonds*") for the purposes of (a) obtaining funds for the expansions, additions, and improvements of the System, including the recoupment of funds already so expended; (b) providing funds for the payment of any bond anticipation note or notes issued in order to defray the costs of expansions, additions, and improvements to the System and that were issued in anticipation of the issuance and sale of Bonds; (c) refunding Bonds or other obligations issued to provide land or facilities or equipment which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System; (d) providing funds for the payment of interest due on any Bonds; (e) funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund

to the amount equal to its Reserve Requirement, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to the Bond Ordinance; and (f) paying the costs of issuance of Bonds, including any credit enhancement therefor.

Issuance of Additional Bonds must be in compliance with the provisions of the Bond Ordinance, including, among others:

(a) There shall exist, on the occasion of the issuance of such Series of Bonds, no default in the payment of the principal of or interest on any Bonds or Junior Lien Bonds then outstanding.

(b) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund the amount equal to the applicable Reserve Requirement, there shall be deposited in such Debt Service Reserve Funds such amounts as may be necessary to make the value of the moneys and securities in each Debt Service Reserve Fund equal to the applicable Reserve Requirement, unless the City shall be funding such reserve requirement periodically as permitted under the Bond Ordinance and there shall be no unremedied defaults of any Monthly Series Payments required to have been made.

(c) Except in the case of Bonds issued for the purpose of refunding any Bonds and which meet the test described in subparagraph (d) below:

(i) Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall be certified by the Accountants or by the Consulting Engineers 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 the test described in this paragraph, 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 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 Accountants or Consulting Engineers 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 subparagraph (2) 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 Consulting Engineers, to be received by the System during the first Fiscal Year beginning after the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service, 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 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 (5) 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 System in the first Fiscal Year following the completion of such project, certified by the Consulting Engineers, from customers under long-term contracts which extend for the life of such proposed Series of Bonds.

In the event a Series of Bonds is to be issued in the aggregate principal amount of \$5,000,000 or less, the calculation described above need not be made by the Accountants or Consulting Engineer, but may be made by the City's Chief Financial Officer.

(d) In the case of Bonds issued for the purpose of refunding any Bonds (and in lieu of compliance with the additional bonds test described in subparagraph (c) above, the Annual Principal and Interest Requirements of the refunding Bonds shall not exceed 105% of the Annual Principal and Interest Requirements of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds.

(e) If any Series of Bonds shall contain Variable Rate Bonds:

(i) The Series Ordinance shall provide for and specify a maximum interest rate on (A) such Additional Bonds and (B) any reimbursement obligation to a liquidity provider for such Additional Bonds;

(ii) The liquidity provider for such Bonds shall be rated in the highest two short-term rating category by any rating agency then rating any Series of Bonds; and

(iii) Any accelerated principal payments of any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if the tests described in subparagraphs (c) and (d) above are calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

(f) All amounts then due under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit credited to a Debt Service Reserve Fund shall have been paid.

### **Junior Lien Bonds**

Notwithstanding that Bonds may be Outstanding, the City 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 and lien against 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 and liens made or authorized for the Bonds. Provided, further, that the maturity of Junior Lien Bonds may not be accelerated and paid in full unless all of the Series 2020 Bonds shall have been paid or provision therefor has been made pursuant to the Bond Ordinance.

By proceedings authorizing the issuance of Junior Lien Bonds, the City may provide for the accession of such Junior Lien Bonds to the status of Bonds as provided in the Bond Ordinance. See "APPENDIX D—Bond Ordinance and Series Ordinance" hereto.

### **Special Facilities Bonds**

The City shall have at all times the right 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 bonds ("*Special Facilities Bonds*") subject to the following conditions:

(a) it shall have been determined to the satisfaction of the City that the rents, revenues or receipts to be derived from the Special Facilities shall be at least equal to the principal, interest and any reserve requirements contained in the Ordinance authorizing such Special Facilities Bonds and to pay all operation, maintenance and other costs and expenses applicable to such Special Facilities; and

(b) 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 cost or expense related to any Special Facilities may be paid from System revenues deposited in the General Revenue Fund except from surplus moneys.

The term “*Special Facilities*” shall include all or a portion of water, sewer or electric facilities (or those enterprises, if any referred to in the Bond Ordinance) and rights to all or a portion of the use of, or the capacity available from, any such facilities.

### **Lease Financing Agreements**

The City shall have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System; provided, however, that: (1) the aggregate principal amount of such obligations outstanding at any time shall not exceed 10% of the value of the property, plant and equipment of the System, less accumulated depreciation, as shown on the audited balance sheet of the City for the most recent Fiscal Year for which audited financial statements are available; and (2) the loss of the property secured by the lien will not materially adversely affect the ability of the City to meet its financial obligations under the Bond Ordinance.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2020 Bonds, Assured Guaranty Municipal Corp. (“*AGM*”) will issue its Municipal Bond Insurance Policy for the Series 2020 Bonds (the “*Policy*”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2020 Bonds when due as set forth in the form of the Policy included as “APPENDIX F-Form of Municipal Bond Insurance Policy” attached to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“*AGL*”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “*AGO*”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “*AA*” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“*S&P*”), “*AA+*” (stable outlook) by Kroll Bond Rating Agency, Inc. (“*KBRA*”) and “*A2*” (stable outlook) by Moody’s Investors Service, Inc. (“*Moody’s*”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On July 16, 2020, S&P announced it had affirmed AGM’s financial strength rating of “*AA*” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

#### *Capitalization of AGM*

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2020 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE–Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “*AGM Information*”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters*

AGM makes no representation regarding the Series 2020 Bonds or the advisability of investing in the Series 2020 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE.”

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## FINANCIAL FACTORS

### Summary of Revenues and Expenses

The table below provides a summary of historical revenues and expenses of operations of the System for the fiscal years ended June 30 of each of 2015 through 2020 (each a “Fiscal Year”; references to a Fiscal Year herein being reference to the 12-month period ending on June 30 of the year indicated). This summary has been prepared from the audited financial statements of the City for the applicable Fiscal Years, excepting the summary for Fiscal Year 2020. The information provided for Fiscal Year 2020 is unaudited. A copy of the audited financial statements for Fiscal Year 2019 is included as Appendix A to this Official Statement.

	Fiscal Year					
	2015	2016	2017	2018	2019	2020 <sup>1</sup>
<b>Operating Revenues</b>						
Electric Revenue	\$ 22,493,739	\$ 22,249,603	\$ 21,780,563	\$ 22,530,465	\$ 22,719,428	\$ 22,616,410
Water Revenue	4,197,814	4,218,322	4,133,055	4,241,090	4,184,518	4,265,973
Sewer Revenue	2,533,741	2,483,053	2,623,363	2,530,349	2,535,426	2,545,059
Total Operating Revenues	<u>\$ 29,225,294</u>	<u>\$ 28,950,978</u>	<u>\$ 28,536,981</u>	<u>\$ 29,301,904</u>	<u>\$ 29,439,372</u>	<u>\$ 29,427,442</u>
<b>Operating Expenses</b>						
Electric Direct Cost	16,560,977	14,721,506	15,869,387	17,840,769	18,181,335	16,814,893
Electric Depreciation	1,142,746	1,226,840	1,279,113	1,432,586	1,562,270	1,570,000
Water Direct Cost	1,884,435	1,917,335	1,980,524	2,336,174	2,701,688	1,814,880
Water Depreciation	824,674	825,864	821,721	848,569	1,135,692	1,140,000
Sewer Direct Cost	1,283,919	1,444,092	1,455,979	1,647,425	1,529,714	1,450,710
Sewer Depreciation	1,837,670	1,824,651	1,837,742	1,914,767	2,096,984	2,100,000
Total Operating Expenses	<u>\$ 23,534,421</u>	<u>\$ 21,960,288</u>	<u>\$ 23,244,466</u>	<u>\$ 26,020,290</u>	<u>\$ 27,207,683</u>	<u>\$ 24,890,483</u>
Operating Income	<u>\$ 5,690,873</u>	<u>\$ 6,990,690</u>	<u>\$ 5,292,515</u>	<u>\$ 3,281,614</u>	<u>\$ 2,231,689</u>	<u>\$ 4,536,959</u>
<b>Non-Operating Revenue (Expenses)</b>						
Interest Income	8,581	20,083	44,456	131,026	218,527	89,014
Interest Expense	(1,288,227)	(1,319,587)	(1,449,290)	(1,424,745)	(1,557,260)	(1,472,455)
Loss on Disposal of Assets	(985,139)	(10,957)	-	-	-	-
Other Revenue (Expense)	598,611	767,736	1,397,309	1,409,002	1,223,673	770,024
Total Non-Operating Revenue (Expenses)	<u>(1,666,174)</u>	<u>(542,725)</u>	<u>(7,525)</u>	<u>115,283</u>	<u>(115,060)</u>	<u>(613,417)</u>
Income (loss) before Contributions and Transfers	4,024,699	6,447,965	5,284,990	3,396,897	2,116,629	3,923,542
<b>Operating Transfer and Contributions</b>						
Transfers to Other Funds <sup>2</sup>	(2,066,000)	(2,066,000)	(2,066,000)	(2,066,000)	(2,066,000)	(2,066,000)
Change in Net Position	1,958,699	4,381,965	3,218,990	1,330,897	50,629	1,857,542
<b>Net Position, Beginning of Fiscal; Year</b>	<u>\$ 50,072,705</u>	<u>\$ 48,075,435</u>	<u>\$ 52,457,400</u>	<u>\$ 52,990,409</u>	<u>\$ 54,321,306</u>	<u>\$ 54,371,935</u>
Prior Period Adjustment	(3,955,969) <sup>3</sup>		(2,685,981) <sup>4</sup>			
<b>Net Position, End of Fiscal Year</b>	<u>\$ 48,075,435</u>	<u>\$ 52,457,400</u>	<u>\$ 52,990,409</u>	<u>\$ 54,321,306</u>	<u>\$ 54,371,935</u>	<u>\$ 56,229,477</u>

<sup>1</sup> Unaudited.

<sup>2</sup> See “—Financial Policies” herein.

<sup>3</sup> The City implemented GASB Statement No. 68 for Fiscal Year 2015. The City adjusted its beginning Net Position for net pension liability amounts.

<sup>4</sup> The City implemented GASB Statement No. 75 for Fiscal Year 2017. The City restated beginning Net Position for total OPEB liability amounts.



## Management’s Discussion and Analysis

### *Generally*

For the period from Fiscal Years 2015 through 2019 (audited), Operating Revenues of the System have been relatively stable—increasing by less than 1%—while Operating Expenses, including depreciation, for the same period have increased by approximately 15.6%. Operating Revenues for the System dropped by 1.8% from Fiscal Year 2019 to Fiscal Year 2020 (unaudited), while Operating Expenses dropped by nearly 4.1% over this same time period.

### *Revenues*

Electric Revenues. Electric revenues are the largest component of System revenues, accounting for approximately 77% of operating revenues for the System over the last six Fiscal Years (including Fiscal Year 2020 (unaudited)). Electric revenues have not materially changed during the past five years (2015–2019), increasing by less than 1% during this time. Electric revenues dropped slightly (2.81%) in Fiscal Year 2020 (unaudited), which is attributable to COVID-19 (see “—*Recent Developments – COVID-19*” below and seasonal weather conditions. The City has not implemented any rate increases, other than certain miscellaneous fees and operating costs, during the last six Fiscal Years, but anticipates rates to remain steady once it begins acquiring power from CPP under the CPP Agreement (as such terms are defined and described in “THE SYSTEM–Electric Unit—*Electric Agreements—CPP Agreement*” herein).

Water Revenues. Water revenues are the next largest component of operating revenues, accounting for approximately 14% of operating revenues over the last six Fiscal Years (including Fiscal Year 2020 (unaudited)). Water revenues have not materially changed during the past five Fiscal Years (2015–2019), decreasing by less than 0.3% during this time. Water revenues increased slightly (1.94%) in Fiscal Year 2020 (unaudited). Any year over year revenue fluctuations are primarily due to weather conditions.

Sewer Revenues. Sewer revenues accounted for approximately 8% of operating revenues over the last six Fiscal Years (including Fiscal Year 2020 (unaudited)). Sewer revenues have not materially changed during the past five Fiscal Years (2015–2019), increasing by less than 0.01% during this time. Sewer revenues increased by 0.03% in Fiscal Year 2020 (unaudited). Any year-over-year revenue fluctuations are primarily due to weather conditions.

Other Operating Revenues. Other operating revenues accounted for approximately 1% of operating revenues over the last six Fiscal Years (including Fiscal Year 2020 (unaudited)). Interest income, sale of old equipment, bad debt collections and grants funds are the major components of other operating revenues. These revenues fluctuate depending on current return on investment rates, which equipment the City sells, and grants received.

### *Operating Expenses*

Electric Unit. Electric direct cost increased by an average of approximately 9.8% from Fiscal Years 2015 to 2019. Electric direct costs did not materially change in Fiscal Year 2020 (unaudited), decreasing by 0.8%. The historic increase in expenses from Fiscal Years 2015 to 2019 is primarily due to rate increase mandated by Duke as the City’s wholesale electric provider. See “THE SYSTEM–Electric Unit—*Electric Agreements—Duke Agreement*” herein.

Water Unit. Water direct cost increased by an average of approximately 43.3% from Fiscal Years 2015 to 2019. This increase is primarily due to costs inflation and non-capitalized improvements to the water plant. Water direct costs substantially dropped in Fiscal Year 2020 (unaudited), decreasing by 32.8%. Unlike prior years, the City implemented minimal non-capitalized improvements to the water plant in Fiscal Year 2020.

Sewer Unit. Sewer direct cost increased by an average of approximately 19.1% from Fiscal Years 2015 to 2019. This increase is primarily due to cost inflation and higher operating costs for the new wastewater treatment facility. Sewer direct costs dropped in Fiscal Year 2020 (unaudited), decreasing by 5.2%.

### *Recent Developments – COVID-19*

On March 14, 2020, Governor Henry McMaster requested that all utilities in South Carolina not suspend or disconnect any essential services for nonpayment for the duration of the current state of emergency declared by his office due to COVID-19.

Approximately two months later, on May 13, 2020, Governor McMaster sent a letter to the Office of Regulatory Staff requesting that providers of utility services proceed with developing and implementing plans for phasing in normal business operations, while working with customers who need assistance to refer them to local organizations or arrange payment plans that will avoid or minimize penalties and service interruptions.

The City issued a notice to customers with past-due balances on May 21, 2020, stating that, as of June 1, 2020, a 5% penalty would be charged for all past due balances as of that date. The notice also stated that service “cut-offs” would begin June 15, 2020, with a reinstatement charge of \$40.00 for customers. Customer service is working with customers in a reasonable manner to arrange payment plans and to minimize penalties and service interruptions. During the forbearance period, penalties (equaling approximately \$52,000) were not enforced and subsequently waived for 4 billing cycles and cutoff fees (equaling approximately \$40,000) were not enforced and subsequently waived for 3 billing cycles.

### *Recent Developments – New Wholesale Electric Power Agreements*

The City recently undertook a process to obtain electrical power from a different provider and entered into a new long-term electric contract. See “THE SYSTEM—Electric Unit—*Electric Agreements*” for a discussion of the new contract and the considerations attendant to such contract.

## **Financial Policies**

### *Generally*

The City adopted a set of finance policies in 2016 (the “*Finance Policies*”) which dictate the establishment and maintenance of internal control on the following matters: (1) revenue management; (2) budget adoption; (3) debt administration (including tax and disclosure compliance); (4) capital improvement planning; (5) cash and investment management; (6) transfers; and (7) record keeping. The Finance Policies are an integral part of the City’s capital planning, budgeting, debt management and tax/disclosure compliance practices. All of the Financial Policies are subject to adjustment and modification in the discretion of the City.

### *Transfers*

Under the section of the Financial Policies governing transfers (the “*Transfer Policy*”),<sup>1</sup> an amount not to exceed 20% of the unreserved fund equity of the System (amount invested in capital assets, net of debt service) may be budgeted as payment to the General Fund as full compensation for indirect and overhead-related costs associated with various governmental departments incurring costs and expenses on behalf of the System’s operations as well as lost taxes and franchise fees associated with the System. The Transfer Policy further provides for annual rate reviews by the City and for periodic cost of services studies to ensure adequate revenues to fund operating expenditures and meet legal requirements of bond covenants.

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<sup>1</sup> Conforming to the City’s original transfer policy adopted by resolution on April 25, 1995.

The following table shows transfers made pursuant to the Transfer Policy for Fiscal Years 2016 through 2020.

<u>Fiscal Year</u>	<u>Transfer Amount</u>	<u>Unreserved Fund Equity Amount*</u>	<u>Percentage</u>
2016	\$ 2,066,000	\$ 40,439,952	5.11%
2017	2,066,000	30,899,930	6.69
2018	2,066,000	36,276,875	5.70
2019	2,066,000	49,035,055	4.20
2020 <sup>1</sup>	2,066,000	48,696,887	4.25

\* Because the budget for each Fiscal Year is adopted prior to the start of that Fiscal Year, the City uses the unreserved fund equity figure from the audited financial statement from the year next immediately preceding the year in which the following year's budget is adopted to compute the Transfer Amount.

<sup>1</sup> Unaudited.

### Budgets for Fiscal Years 2020 and 2021

The following table sets forth the final, revised budgeted revenues and expenses of the System for Fiscal Year 2020, the actual results for such Fiscal Year and the variance therefrom, and the currently budgeted revenues and expenses for Fiscal Year 2021.

	<u>Fiscal Year 2020</u>			<u>Fiscal Year 2021 Budget</u>
	<u>Budget</u>	<u>Actual<sup>1</sup></u>	<u>Variance</u>	
<b>Operating Revenues</b>				
Electric Revenue	\$ 27,021,241	\$ 22,719,428	\$ (4,301,813)	\$ 25,056,613
Water Revenue	4,655,000	4,265,973	(389,027)	4,690,000
Sewer Revenue	2,946,500	2,545,059	(401,441)	2,996,500
Total Operating Revenues	\$ 34,622,741	\$ 29,427,442	\$ (5,195,299)	\$ 32,743,113
<b>Operating Expenses</b>				
Electric Direct Cost	\$ 18,964,990	\$ 16,814,893	\$ 2,150,097	\$ 15,797,568
Electric Depreciation <sup>2</sup>	-	1,570,000	(1,570,000)	
Water Direct Cost	1,865,407	1,814,880	50,527	1,899,033
Water Depreciation <sup>2</sup>	-	1,140,000	(1,140,000)	
Sewer Direct Cost	1,446,724	1,450,710	(3,986)	1,497,104
Sewer Depreciation <sup>2</sup>	-	2,100,000	(2,100,000)	
Total Operating Expenses	\$ 22,277,121	\$ 24,890,483	\$ (2,613,362)	\$ 19,193,705
Operating Income	\$ 12,345,620	\$ 4,536,959	\$ (7,808,661)	\$ 13,549,408
<b>Non-Operating Revenue (Expenses)</b>				
Interest Income	40,000	89,014	49,014	50,000
Interest Expense	(1,472,455)	(1,472,455)	0	(1,341,075)
Other Revenue (Expense)	132,000	770,024	638,024	132,000
Total Non-Operating Revenue (Expenses)	(1,300,455)	(613,417)	(785,417)	(1,159,075)
Income (loss) before Contributions and Transfers	-	3,923,542	-	12,390,333
<b>Operating Transfer and Contributions</b>				
Transfers to Other Funds	2,066,000	2,066,000	-	2,066,000
Change in Net Position	\$ -	\$ 1,857,542	\$ -	\$ -

<sup>1</sup> Unaudited.

<sup>2</sup> Depreciation is not budgeted, it is accounted for in the financial statements for the applicable Fiscal Year.

## Outstanding Bonds and Other Obligations of the System

*Parity Bonds.* The following obligations of the City are secured by and payable from the Gross Revenues of the System. The pledge of and lien upon the Gross Revenues securing the Series 2020 Bonds shall be on a parity with the pledges of the Gross Revenues securing all Series of Bonds now Outstanding (the “*Outstanding Bonds*”).

Series	Dated Date	Final Principal Amount	Outstanding Principal Amount
2010 <sup>1,2</sup>	February 3, 2010	\$ 3,000,000	\$ 1,781,331
2012A	February 29, 2012	2,653,350	575,827
2012B <sup>2</sup>	March 20, 2012	34,288,643	25,563,914
2013A	March 27, 2013	3,910,000	1,630,000
2014A	March 3, 2014	9,650,000	4,475,000
2015 <sup>2</sup>	July 29, 2015	6,000,000	4,195,000
2016A <sup>2</sup>	January 15, 2016	7,080,000	5,445,000
2016B <sup>3</sup>	November 23, 2016	7,089,206	6,555,561
2016C <sup>3</sup>	November 23, 2016	5,236,780	4,623,292
2018 <sup>2</sup>	November 15, 2018	6,758,000	6,410,000
2019A <sup>3</sup>	September 12, 2019	1,995,195	1,934,848
2019B <sup>3</sup>	September 12, 2019	2,051,531	2,012,137
		\$ 89,712,705	\$ 65,201,915

<sup>1</sup> Reissued by the \$2,619,700 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2010 dated December 1, 2014.

<sup>2</sup> To be redeemed in total with a portion of the proceeds of the Series 2020 Bonds. See “PLAN OF FINANCE-Refunding” herein.

<sup>3</sup> To be defeased in total with a portion of the proceeds of the Series 2020 Bonds. See “PLAN OF FINANCE-Refunding” herein.

Note: Totals may not foot due to rounding

*Junior Lien Bonds.* No Junior Lien Bonds are currently outstanding.

*Lease Purchase Transactions.* As stated in Note 5 to the 2019 Audited Financial Statements of the City included in Appendix A, the City has entered into certain lease purchase obligations which it pays from annually appropriated revenues of the System. The total outstanding principal amount of the System’s lease purchase obligation as of June 30, 2020 was \$0.

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## Debt Service Requirements

Debt service on the Outstanding Bonds and the Series 2020 Bonds for the Fiscal Years indicated is shown in the table below.

Fiscal Year	Outstanding Bonds <sup>1</sup>	Less Refunded Bonds	Series 2020 Bonds		Annual Principal and Interest Requirement
			Principal	Interest	
2021	\$ 4,578,137.01	\$ (2,667,609.14)	\$ 3,470,000.00	\$ 981,520.83	\$ 6,362,048.70
2022	6,808,778.32	(4,899,491.95)	2,770,000.00	2,072,100.00	6,751,386.37
2023	6,505,434.38	(4,900,074.88)	2,815,000.00	2,016,700.00	6,437,059.50
2024	6,497,631.96	(4,899,686.46)	2,880,000.00	1,960,400.00	6,438,345.50
2025	4,898,324.18	(4,898,324.18)	4,945,000.00	1,816,400.00	6,761,400.00
2026	4,896,973.68	(4,896,973.68)	5,185,000.00	1,569,150.00	6,754,150.00
2027	4,899,613.23	(4,899,613.23)	5,455,000.00	1,309,900.00	6,764,900.00
2028	4,897,107.18	(4,897,107.18)	5,735,000.00	1,037,150.00	6,772,150.00
2029	4,899,540.98	(4,899,540.98)	6,010,000.00	750,400.00	6,760,400.00
2030	4,900,776.56	(4,900,776.56)	6,255,000.00	510,000.00	6,765,000.00
2031	4,212,008.64	(4,212,008.64)	6,495,000.00	259,800.00	6,754,800.00
2032	3,643,314.24	(3,643,314.24)	-	-	-
2033	3,624,261.34	(3,624,261.34)	-	-	-
2034	3,534,098.29	(3,534,098.29)	-	-	-
2035	736,206.92	(736,206.92)	-	-	-
2036	736,206.92	(736,206.92)	-	-	-
2037	736,206.92	(736,206.92)	-	-	-
2038	501,926.01	(501,926.01)	-	-	-
2039	423,832.72	(423,832.72)	-	-	-
2040	357,896.33	(357,896.33)	-	-	-
2041	291,959.60	(291,959.60)	-	-	-
2042	291,959.60	(291,959.60)	-	-	-
2043	291,959.60	(291,959.60)	-	-	-
2044	291,959.59	(291,959.59)	-	-	-
2045	291,959.60	(291,959.60)	-	-	-
2046	291,959.60	(291,959.60)	-	-	-
2047	291,959.60	(291,959.60)	-	-	-
2048	72,989.68	(72,989.68)	-	-	-
<b>Total</b>	<b>\$74,404,982.68</b>	<b>\$(67,381,863.44)</b>	<b>\$52,015,000.00</b>	<b>\$14,283,520.83</b>	<b>\$73,321,640.07</b>

Note: Totals may not foot due to rounding.

<sup>1</sup> In the Preliminary Official Statement, the total amount of Outstanding Bonds was \$72,668,953. This amount has been adjusted to reflect the final amortization schedules associated with the 2016 & 2019 SRF Bonds, which were subject to change based upon a determination of the final requisition amounts for each of the 2016 & 2019 SRF Bonds.

## Historical Coverage

The following table sets forth summaries of Gross Revenues, Operation and Maintenance Expenses, Net Earnings (including capacity fees and other charges) and the Annual Principal and Interest Requirements, all as defined in the Bond Ordinance, for each of the Fiscal Years 2015 through 2020. The summary information for Fiscal Years 2015-2019 has been compiled by the City from the City's audited results of operations for the applicable periods. Fiscal Year 2020 information is unaudited.

	<u>Fiscal Year</u>					
	2015	2016	2017	2018	2019	2020
<u>Gross Revenues</u>						
Operating Revenues	\$ 29,225,294	\$ 28,950,978	\$ 28,536,981	\$ 29,301,904	\$ 29,439,372	\$ 29,427,442
Interest Income	8,581	20,083	44,456	131,026	218,527	89,014
Other Revenue	598,611	767,736	1,397,309	1,409,002	1,223,673	770,024
Total	<u>\$ 29,832,486</u>	<u>\$ 29,738,797</u>	<u>\$ 29,978,746</u>	<u>\$ 30,841,932</u>	<u>\$ 30,881,572</u>	<u>\$ 30,286,480</u>
<u>Operation and Maintenance Expenses</u>						
Operating Expenses	\$ 23,534,421	\$ 21,960,288	\$ 23,244,466	\$ 26,020,290	\$ 27,207,683	\$ 24,890,483
Other Expense	-	-	-	-	-	-
Depreciation and Amortization	(3,805,090)	(3,877,355)	(3,938,576)	(4,195,922)	(4,794,946)	(4,810,000)
Total	<u>\$ 19,729,331</u>	<u>\$ 18,082,993</u>	<u>\$ 19,305,890</u>	<u>\$ 21,824,368</u>	<u>\$ 22,412,737</u>	<u>\$ 20,080,483</u>
Net Earnings	\$ 10,103,155	\$ 11,655,864	\$ 10,672,856	\$ 9,017,564	\$ 8,468,835	\$ 10,205,997
Transfers	2,066,000	2,066,000	2,066,000	2,066,000	2,066,000	2,066,000
Net Earnings After Transfer	<u>\$ 8,037,155</u>	<u>\$ 9,589,864</u>	<u>\$ 8,606,856</u>	<u>\$ 6,951,564</u>	<u>\$ 6,402,835</u>	<u>\$ 8,139,997</u>
Annual Principal and Interest Requirement	<u>\$ 4,298,234</u>	<u>\$ 5,439,475</u>	<u>\$ 5,918,345</u>	<u>\$ 5,921,320</u>	<u>\$ 6,509,582</u>	<u>\$ 6,659,626</u>
Coverage Pursuant to Ordinance	235%	214%	180%	152%	130%	153%
Coverage After Transfer	187%	176%	145%	117%	98%	122%

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## Forecasted Net Earnings and Debt Service Coverage

The following table shows the forecasted Gross Revenues, Operation and Maintenance Expenses, Net Earnings and debt service coverage of the System for each of the Fiscal Years 2021 through 2025. The Fiscal Year 2021 projections conforms to Fiscal Year 2021 Budget as shown in “—Budgets for Fiscal Years 2020 and 2021” above. For purposes of this forecast, Gross Revenues, Operation and Maintenance Expenses, Net Earnings and Annual Principal and Interest Requirements have been determined according to the provisions of the Bond Ordinance. Factors relevant to the forecast are described in the footnotes accompanying the table; such factors represent the City’s best estimates and adjustments during the projection period and such estimates and adjustments are subject to a variety of risk and uncertainties. There can be no assurance that the forecasts or the factors relevant to the forecast will be realized or that actual results will not differ materially from those forecasted.

	<u>Fiscal Year</u>				
	2021	2022	2023	2024	2025
Gross Revenues*	\$ 32,925,113	\$ 33,031,252	\$ 33,321,927	\$ 33,615,160	\$ 33,910,974
Operation and Maintenance Expenses**	19,193,705	18,030,153	18,581,050	19,148,780	19,733,856
Net Earnings	\$ 13,731,408	\$ 15,001,099	\$ 14,740,877	\$ 14,446,381	\$ 14,177,118
Annual Principal and Interest Requirement***	\$ 6,521,111	\$ 6,456,686	\$ 6,456,510	\$ 6,456,846	\$ 6,459,400
Coverage Pursuant to Ordinance	211%	232%	228%	224%	219%
Coverage After Transfer****	176%	200%	196%	192%	187%

\* Assumes 0.88% annual revenue growth based on similar growth from Fiscal Years 2015 to 2019. Assumes no rate increases during the projection period.

\*\* Assumes 3.06% annual expense growth based on similar growth from Fiscal Years 2015 to 2019. Fiscal Year 2021 expenses are based upon the 2021 budget and includes six months of new purchased power under the CPP Agreement as described in “THE SYSTEM—Electric Unit—*Electric Agreements—CPP Agreement*” below. Further, for Fiscal Years 2022 and beyond, there is anticipated a \$3.5mm reduction in costs associated with electric demand.

\*\*\* Estimated.

\*\*\*\* Assumes continued transfer of \$2,066,000. See “—Financial Policies—*Transfers*” above.

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## THE SYSTEM

### Management of the System

The City Council, by Ordinance enacted on February 28, 1947, combined the existing Waterworks System, the existing Sewer System, and the existing Electric Light System into a single system designated as the Combined Public Utility System (previously defined as the System). The System is under the control and management of the City Manager, who, in turn, is responsible to the Mayor and the City Council. The day-to-day operations of the System are managed by a Director of Public Works, who reports directly to the City Manager.

### General Discussion of the Service Area; Other Area Providers

The City has the exclusive right to provide electrical, water, and sewer services inside its corporate limits. Under South Carolina law, the City may provide utility services outside of its corporate limits except within a designated service area for such services of another municipality or political subdivision including special purpose districts. “Designated service area” is defined as an area in which the particular service is being provided or is budgeted or funds have been applied for as certified by applicable county council.<sup>2</sup> Further, respecting electric service, designated service area includes territory outside the municipal boundaries where service area is assigned by the South Carolina Public Service Commission (“PSC”).

The existing electric, waterworks, and sewer service areas of the System are not coextensive. The service area for the waterworks and sewer services is limited to the City and areas of Kershaw County, South Carolina (the “County”) contiguous to the City, whereas the electric service area extends beyond the City and the County to several areas in Lee and Sumter Counties. See “APPENDIX G—Maps of Service Areas” hereto for maps of the respective service areas for each component of the System.

The other providers of electric service in the County are Duke Energy Progress (“Duke”), Lynches River Electric Cooperative (“Lynches River Cooperative”), Black River Electric Cooperative (“Black River Cooperative”) and Fairfield Electric Cooperative, Inc. (the “Fairfield Cooperative”). The PSC has designated and assigned service areas for the City, Duke, Lynches River Cooperative, Black River Cooperative, and Fairfield Cooperative in the unincorporated areas of the County, Lee County, and Sumter County, and left certain areas in those counties unassigned. The City, Duke, Lynches River Cooperative, Black River Cooperative and Fairfield Cooperative compete for new service opportunities in the unassigned areas. In an unassigned territory, a customer may choose which utility will provide to it service. If the City expands its corporate limits through annexation into an assigned territory which is not otherwise being provided with active electric service by another provider, the City has the right to serve all new customers and the other utilities serving the assigned territory may retain any existing customers.<sup>3</sup>

The other providers of water service in the County are Kershaw County and Lee County Regional Water Authority (d/b/a Cassatt Water Company) (“Cassatt”), a special purpose district, Lugoff Water District of Kershaw County (d/b/a Lugoff-Elgin Water Authority) (“Lugoff-Elgin”), a special purpose district, and Bethune Rural Water Company (“Bethune”), a non-profit rural water company. Cassatt provides water service to the northern portion of the County (areas east of the Wateree River and west of the Little Lynches River). Lugoff-Elgin provides service to

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<sup>2</sup> The South Carolina Supreme Court, by its decision in *Commissioners of Public Works of the City of Laurens v. City of Fountain Inn*, held in 2019 that the “governing body” for purposes of this provision is the applicable county council.

<sup>3</sup> The Electric Cooperative Act of 2004 (the “Cooperative Act”) redefined the authority of a municipal electric providers to serve customers in newly annexed and incorporated areas. The Cooperative Act allowed electric cooperatives serving a location in a newly annexed or incorporated area to continue serving the area. The Cooperative Act prevented the cooperative from extending services to a location unless the location was within the municipal limits on the effective date of the Cooperative Act and the cooperative was the principle supplier of electricity to the municipality or the cooperative had the legal right to serve the premise. The cooperative is empowered to serve if the premise is located within the annexed or incorporated area after the effective date of the Cooperative Act and is within an area assigned by the PSC in Act No. 432 of 1969 or the area is unassigned by the PSC and the annexation or incorporation constitutes granting consent by the municipality. The cooperative is not authorized to provide service to any location first requiring service in the area unless the municipality grants consent by ordinance. The cooperative cannot provide service to any location or corridor in the area assigned by the commission to an electric provider other than a cooperative after the effective date of the Cooperative Act.



certain areas in the western portion of the County (west of the Wateree River). Bethune provides water service to small area in the northeastern portion of the County, including the Town of Bethune. In addition, the voters in the County have approved by referendum the creation and operation by the County of a water utility, although the County has not commenced water utility operations.

The only other provider of centralized wastewater service in the County is the County, which operates a system serving certain portions of the County west of the Wateree River. At present, however, the County only provides sewer service to several industrial customers and to no residential customers. The County also operates a system east of the Camden City limits along Hwy 1. The County collects this sewer and pumps it to the City. The City has agreed to treat up to 50,000 GPD of County sewer.

## **Electric Unit**

### *Description*

As of December 31, 2019, the electrical system serves 10,980 accounts, of which 9,578 are residential, 1,346 are commercial, and 56 are City facilities. The City's electrical service area includes all areas within the corporate limits and several adjacent and unincorporated areas in the County, Lee County, and Sumter County. See "APPENDIX G—Maps of Service Areas." The City currently purchases electrical power from Duke for resale to its customers. See "*—Electric Agreements*" below. Electrical power is received by the City at three delivery points: the DeKalb Street substation, the Dusty Bend substation, and the South Camden substation.

Included within the DeKalb Street substation are a high voltage structure, two circuit switchers, two step-down transformers with load voltage regulators, and a steel switching structure with space for ten outgoing circuits. Eight distribution circuits presently originate at the DeKalb Street substation. Each circuit is equipped with automatic protection and control equipment. The Dusty Bend substation consists of a high voltage structure, circuit switcher, step-down transformers with load voltage regulator, low voltage structure with provisions for six outgoing circuits, and circuit breakers to control and protect the outgoing circuits. Six distribution circuits presently originate at the Dusty Bend substation. The South Camden substation consists of a high voltage structure, circuit switcher, step-down transformer with load voltage regulator, low voltage structure with provisions for four outgoing circuits, and circuit breakers to control and protect the outgoing circuits. Four distribution circuits presently originate at the South Camden substation. The City owns all three of these electrical substations. Operation of all three substations can be monitored and controlled over City-owned fiber optic network through a supervisory control and data acquisition ("*SCADA*") computer system at the Public Works office.

Electricity is distributed by the City to its retail customers through distribution lines which are operated at approximately 12,470 volts. City crews maintain approximately 340 miles of aerial and underground distribution lines. The SCADA system has the capability to automatically monitor and control the electrical system and perform load management functions to reduce system demand at peak times. The City provided its customers with approximately 188.3 million kilowatt hours ("*kWh*") of electricity and had a peak demand of approximately 46,663 kilowatts ("*kW*") during Fiscal Year 2020. All City residential and commercial electric meters are equipped with automatic meter reading technology.

The City also has 1,905 kW of distributed capacity internal combustion generation installed at various facilities, which can be dispatched during emergencies.

### *Electric Agreements*

#### Duke Agreement

The City currently purchases full requirements electric energy and power from Duke under the terms of an agreement entitled "Full Requirements Power Purchase Agreement Between Duke Energy Progress, LLC and the City of Camden, South Carolina" effective January 1, 2014, and expiring on December 31, 2020 (the "*Duke Agreement*").

The Duke Agreement calls for Duke to provide the City's full requirement of wholesale electric service for the term thereof. The agreement provides that Duke will be the City's sole power supplier, and the City will neither purchase power from any other supplier nor operate any self-generation in parallel with Duke's system. There is no maximum limit on the capacity that the City may demand and use, subject to Duke's physical ability to fulfill this no-limit obligation. The City is required to regularly estimate its power needs and report them to Duke for planning purposes. On mutual agreement between the City and Duke, new points of delivery may be established. Duke has the responsibility of furnishing, maintaining, and operating all lines and equipment located on its side of the points of delivery. The City is responsible for metering equipment but pays Duke to read and maintain meters. The City is the owner and has exclusive control of all electricity after it passes the points of delivery. The City has the responsibility of furnishing, maintaining, and operating all lines and equipment located on its side of the points of delivery. The amount the City pays monthly is determined by a formula rate that Duke updates each year. The annual formula process sets the demand charge that is applied to the City's kW demand at the time of Duke's system peak. The annual formula process also sets the energy charge applied to the City's energy usage on a kWh basis. At the end of each year, Duke performs a true-up process to determine how much revenue was collected over or under the actual expenses for that year. This true-up amount is then passed on to the City.

Under the Duke Agreement, the initial term thereof shall automatically renew and extend for a five-year term, unless either the City or Duke (in the sole discretion of either party) provide written notice of their intention to terminate the Duke Agreement by no later than two years prior to the end of the then current term (as noted above, December 31, 2020). Acting under this termination provision and pursuant to an ordinance of City Council dated September 25, 2018, the City submitted a letter dated October 30, 2018, to tender notice of its intention not to renew. Based upon such notification, the Duke Agreement shall not be renewed and shall terminate by its terms on December 31, 2020.

Prior to the City's decision to terminate the Duke Agreement, it performed a detailed review of all potential wholesale power supply options. In September 2017, eight different power suppliers, including Duke, received a request for proposal to provide full requirement power supply to the City. Four proposals were received and three were short listed for further evaluation: Duke, Southern Company and NTE Carolinas, LLC ("*NTE*"). After extensive review of each proposal and meetings with all three power suppliers, the City determined that NTE had the best all-around ability to provide the City a competitive and reliable power supply for the foreseeable future.

#### CPP Agreement

Based on the power supply evaluation and selection of NTE, the City recently entered into an all-requirements wholesale electric power sales agreement with NTE dated September 26, 2018, as amended and restated on November 14, 2019 (the "*CPP Agreement*"). NTE recently filed an amendment to its charter with the Secretary of the State of Delaware dated April 6, 2020 wherein its name was changed from NTE Carolinas, LLC to Carolina Power Partners, LLC ("*CPP*"). Regarding CPP's capitalization and liquidity, it is supported by institutional investors through the underlying ownership of two entities: (1) CEI Kings Mountain Investor, L.P., which includes Axiom US Clean Energy Holdings, LLC, Capital Dynamics, and John Hancock Life Insurance Company; and (2) Wattage Finance – NC, LLC, a company owned by a group of private investors and managed by an affiliate of Guggenheim Partners, LLC.

The CPP Agreement has a 20-year term, beginning January 1, 2021, and terminating December 31, 2040. Under the CPP Agreement, CPP will supply power to the City from its Kings Mountain Energy Center ("*KMEC*") facility, a newly constructed combined-cycle natural gas-fired generating facility. The CPP Agreement is a full requirement contract whereby, CPP agrees to sell, and the City agrees to purchase, electric generating capacity equal to the City's electricity requirements exclusively from CPP during the operating term of the CPP Agreement. The CPP Agreement does provide the City flexibility in adding renewable generation which could include energy delivered to the City from the Southeastern Power Administration ("*SEPA*")<sup>4</sup> or any City-initiated renewable

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<sup>4</sup> SEPA was established in 1950 by the Secretary of the Interior and is responsible for marketing electric power and energy generated at reservoirs operated by the United States Army Corps of Engineers at the lowest possible cost to public bodies and cooperatives in the Southeastern United States. The City does not currently have a contractual allowance from SEPA. Any such allowance the City may obtain would be a reduction of power supply needs from CPP as stipulated the terms of the CPP Agreement.

generation. The City's monthly payment to CPP is comprised of two elements: (i) the monthly capacity payment and (ii) the monthly energy payment. The monthly capacity payment is a contractually set charge per kW applied to the City's actual kW demand at the time of the KMEC's peak demand. The monthly energy payment corresponds with the kWh of electricity dispatched by CPP to the City. The monthly energy payment is a contractually set amount for variable operation and maintenance plus an amount to recover the cost of natural gas delivered to KMEC as set by an agreed upon price index. The CPP Agreement also allows the City further flexibility in hedging this cost of natural gas at the City's discretion. See "*—Proposed Gas Supply Contract*" hereinbelow. The City's payment obligation to CPP under the CPP Agreement shall be treated as an Operation and Maintenance Expense and shall be paid out of the Gross Revenues of the System. Upon dispatch by CPP, the City is responsible for all transmission and related services to deliver the electricity to the City's substations, as it was under the Duke Agreement.

While the City has not yet begun receiving power from CPP, it anticipates the following new benefits from CPP as its new power supplier:

- Reduced Capacity Costs: Under the current Duke formula rate, the City is paying \$18.65 per kW demand each month. The CPP contracted charge for 2021 is \$11.66 per kW demand each month, which is a 37% reduction in monthly capacity charges. The City anticipates a \$3.5 million reduction in the City's capacity payments in 2021.
- Natural Gas Price Hedging: The CPP Agreement allows the City to hedge the future cost of natural gas delivered to the KMEC on behalf of the City's energy requirements. An example of this benefit is the proposed gas supply contract with Tennergy (as defined and described below in "*—Proposed Gas Supply Contract*"). If initiated, the hedge arrange could produce projected annual savings of nearly \$300,000 in fuel related energy costs.
- Wholesale Market Pricing: As part of the CPP Agreement, the cost of energy generated is compared to the cost of wholesale power prices. If the market prices will be lower than the cost of energy produced by the KMEC, CPP work toward purchasing enough capacity to not run KMEC and pass these savings on to the City.

#### *Proposed Gas Supply Contract*

The City is negotiating a Gas Supply Contract with Tennergy Corporation (the "*Gas Agreement*"), an energy acquisition corporation organized and existing under the Energy Acquisition Corporations Act of the State of Tennessee ("*Tennergy*") in connection with the issuance by Tennergy of Commodity Supply Revenue Bonds (the "*Tennergy Bonds*"). If the Tennergy Bonds are issued, the proceeds shall be used to finance a prepayment for an approximately 30-year supply to be delivered to Tennergy by a natural gas supplier. Tennergy will resell this gas supply to the City, other municipal utilities and a joint action agency. If the Gas Agreement is executed and the Tennergy Bonds are issued, the City will use all of the natural gas supply purchased under the Gas Agreement to generate electricity at the KMEC (as defined above) which shall be purchased by the City under the provisions of the CPP Agreement (as described above in "*—CPP Agreement*"). When and if the Tennergy Bonds are issued, the City's payment obligations under the Gas Agreement will constitute Operation and Maintenance Expenses under the Bond Ordinance. Under the Gas Agreement, the City (a) agrees to purchase specified daily quantities of gas, (b) is obligated to pay only for gas that is delivered by Tennergy, and (c) agrees to use the electricity generated with the gas to serve retail customers located in the service area of the System.

While the Gas Agreement is in substantially final, negotiated form, execution of the Gas Agreement and the issuance of the Tennergy Bonds is contingent on favorable market conditions. It is unknown at this time when market conditions will be sufficiently favorable to proceed with the issuance of the Tennergy Bonds.

*Average Consumption and Peak Demand.* The following table shows the average consumption and the peak demand of the electric unit for the Fiscal Years 2016 through 2020.

<u>Fiscal Year</u>	<u>Average Consumption (kWh/month)</u>	<u>Peak Demand (kW)</u>
2016	15,890,257	45,942
2017	16,295,204	46,701
2018	16,008,556	49,456
2019	16,463,411	44,684
2020	15,694,659	46,663

*Kilowatt Hour Sales.* The table below sets forth the kilowatt hour sales (in 1,000 kWh) for the last five Fiscal Years for both commercial and residential customers.

<u>Fiscal Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
2016	71,753,796	104,423,821	176,177,617
2017	68,720,789	104,108,377	172,829,166
2018	68,001,745	108,217,894	176,219,639
2019	67,758,752	110,892,807	178,651,559
2020	69,336,747	108,587,699	177,924,446

*Number of Customers.* The below table sets forth the commercial and residential customers for the last five Fiscal Years:

<u>Fiscal Year</u>	<u>Commercial Customers</u>	<u>Residential Customers</u>	<u>Total Customers</u>
2016	1,285	8,048	9,333
2017	1,305	8,103	9,408
2018	1,332	8,145	9,477
2019	1,359	8,295	9,654
2020	1,360	8,342	9,702

*Ten Largest Electricity Users.* The ten largest users of the City's electric service for Fiscal Year 2019 are listed below:

<u>Customer Name</u>	<u>Services Provided or Type of Business</u>	<u>Annual kWh</u>	<u>Annual Revenue</u>	<u>Percentage of Total System Revenue</u>
Kershaw Hospital	Hospital	7,287,774	\$ 732,380	2.49%
Kershaw Schools	School District	5,079,173	775,792	2.64
Kershaw County	Government	4,105,174	508,528	1.73
Lowe's	Home Improvement	2,214,160	280,111	0.95
Piggly Wiggly	Grocery Store	1,878,960	176,131	0.60
McDonald's	Restaurant	1,464,240	155,689	0.53
Food Lion	Grocery Store	1,605,715	155,128	0.53
Camden Military	School	1,143,181	144,275	0.49
Springdale	Assisted Living	1,341,791	143,020	0.49
Belk	Retail Store	<u>589,920</u>	<u>79,752</u>	<u>0.27</u>
Totals		26,710,088	\$ 3,150,806	10.72%

*Electric Service Rates.* The electric component of the System provides a variety electrical service rate options based on usage. These are presently designed as residential, small commercial, and large commercial. The rates set forth below, except where noted, are currently in effect.

Residential Service Monthly Rates

Customer Charge	
Single Phase Service	\$ 9.61
Three Phase Service	19.07
Energy Charge (per kWh)	
First 750 kWh	0.1183
Next 250 kWh	0.1143
Next 500 kWh	0.1136
All above 1,500 kWh	0.1078

Small Commercial Service Monthly Rates

Customer Charge	
Single Phase Service	\$ 15.52
Three Phase Service	19.07
Energy Charge (per kWh)	
First 500 kWh	0.1218
Next 4,500 kWh	0.1159
Next 5,000 kWh	0.1125
Next 20,000 kWh	0.1044
All above 30,000 kWh	0.0985
Demand Charge (per kW)	
First 40 kW	0.00
All above 40 kW	13.85

Note: The minimum monthly charge for small commercial service consists of the "Customer Charge," the "Demand Charge" and applicable rate adjustments.

Large Commercial Economic Development Services Monthly Rates

Customer Charge	\$ 119.77
Energy Charge (per kWh)	
First 5,000 kWh	0.1137
Next 5,000 kWh	0.1044
Next 20,000 kWh	0.0870
All above 30,000 kWh	0.0603
Demand Charge (per kW)	
First 40 kW	0.00
All above 40 kW	13.52

Note: This rate schedule is applicable to all service required for power and any other purposes, other than residential service, where the customer's average load factor is greater than 50%.

Large Commercial Service Monthly Rates

Customer Charge	
Single Phase Service	\$ 112.28
Three Phase Service	19.77
Energy Charge (per kWh)	
First 30,000 kWh	0.1090
All above 30,000 kWh	0.0603
Demand Charge (per kW)	
First 40 kW	0.00
All above 40 kW	13.85

Note: This rate schedule is applicable to all services required for lighting, power, and other purposes, other than residential service, where the maximum demand is greater than 40 kWh. The monthly minimum charge for Large Commercial Service is the sum of the “Customer Charge,” the “Demand Charge” and applicable rate adjustments.

Miscellaneous Service Charges

Service Charges	
New Account	\$ 30.00
Non-Pay Reconnect	40.00
Theft of Service	195.00
Returned Check or Draft	30.00
Requested Meter Test	
Residential	25.00
Commercial	60.00

*Customer-Provided Generation*

In 2016, the City Council incorporated a policy and rate rider to their electric service rates that allows customers to interconnect photovoltaic, wind-powered, micro-hydro, biomass-fueled, or other proven environmentally conscious electric generation sources to the customer side of the meter. The policy governs safe interconnect and allows customer to also receive a billing credit for any excess generation they place back on the City’s distribution system. As of June 30, 2020, 30 customers have installed photovoltaic cells interconnected to the electric system.

**Water Unit**

*Description*

The City obtains all of its water supply from Lake Wateree. The City is a member of the Catawba-Wateree Water Management Group which oversees the management of the watershed’s water supply. The existing water treatment plant, raw water supply system, and finished water transmission main were constructed in 1998 and 1999 (the “*Water Treatment Plant*”). Raw water is pumped to the water treatment plant from dual intakes located in Lake Wateree. The Raw Water Station is located on Lake Wateree on Atoka Trail. The water treatment plant is located about a mile away on Flint Hill Road. The finished water transmission main, with a length of approximately 8.5 miles, connects with the City’s water distribution system. Water service is provided as of June 30, 2020, to 6,890 customer accounts, including 4,201 “in-City” and 2,689 “out-of-City” connections. See “APPENDIX G—Maps of Service Areas” hereto. As indicated by these customer numbers, the City’s water service area is significantly larger than its corporate limits. Principal water system components include: the raw water supply system, the 6.0 million gallons per day (“*MGD*”) Water Treatment Plant, the transmission main, clearwell, four elevated storage tanks of approximately 1,150,000 gallons total capacity, two booster stations, approximately 163.5 miles of distribution lines, approximately 700 fire hydrants, and service connection piping and a water meter for each customer. In February of

2018 the City completed a \$2.0 million upgrade to its carbon system for taste and odor control, and converted from gaseous chlorine to sodium hypochlorite for disinfection.

*Surface Water Withdrawal*

Pursuant to Act 247 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2010, known as the South Carolina Surface Water Withdrawal, Permitting, Use and Reporting Act (the “*Surface Water Act*”), the State now requires anyone withdrawing more than three million gallons or more in any one month from surface waters of the State to obtain a withdrawal permit from the South Carolina Department of Health and Environmental Control (“*DHEC*”). On April 16, 2013, DHEC issued an Initial Surface Water Withdrawal Permit to the City under the Surface Water Act, authorizing the City to withdrawal surface water from Lake Wateree. The permit is scheduled for expiration on April 15, 2043.

*Wholesale Water Contract*

Cassatt Agreement

On February 27, 2001, as amended on May 14, 2002, the City and Cassatt entered into an agreement for the purchase of treated water at wholesale rates (the “*Cassatt Agreement*”). Per the contract, the Cassatt agreed to purchase a minimum of 200,000 gallons of water per day from the City. Further, the maximum amount of water that the City is obligated to provide to the Cassatt is 9.7% of the total annual output capacity of the Wateree Treatment Plant, which equates to 212,430,000 gallons annually. The initial rate under the Cassatt Agreement was \$1.488 for each one thousand gallons of water and the rates per 1,000 gallons of water (after January 31, 2004) are adjusted at the same time and in the same proportion as the City makes rate adjustments to its retail customers. On the basis of such adjustments, Cassatt now pays the City \$1.98 per 1,000 gallons of water. The Cassatt Agreement had a term of December 31, 2010, but renewed until December 31, 2020 as neither party provided notice to terminate the Cassatt Agreement in accordance with its terms (24-months in advance of the end of the term). On December 21, 2018, Cassatt tendered its notice of termination under the Cassatt Agreement such that the Cassatt Agreement will terminate on December 31, 2020. There are no current plans for a new agreement between the parties. During Fiscal Year 2020, Cassatt purchased \$144,556 of water from the City under the terms of the Cassatt Agreement.

*Average and Peak Flows.* The following table shows the annual water production, average daily flow and the peak daily flows of the water unit for the Fiscal Years 2016 through 2020.

<u>Fiscal Year</u>	<u>Annual Water Production<sup>1</sup></u>	<u>Average Daily Flow (MGD)</u>	<u>Peak Daily Flow (MGD)</u>
2016	639.23	1.75	3.41
2017	747.71	2.05	3.93
2018	740.35	2.03	3.98
2019	740.94	2.03	3.86
2020	734.46	2.01	3.84

<sup>1</sup> Expressed in millions of gallons.

*Number of Customers.* The table below shows the number of customers of the water system in each of the last five Fiscal Years.

<u>Fiscal Year</u>	<u>Inside City</u>	<u>Outside City</u>	<u>Total</u>
2016	4,030	2,648	6,678
2017	4,069	2,648	6,717
2018	4,120	2,679	6,799
2019	4,126	2,670	6,796
2020	4,201	2,689	6,890

*Ten Largest Water Users.* The ten largest users of the City’s water system for Fiscal Year 2019 are shown below:

<u>Customer Name</u>	<u>Services Provided or Type of Business</u>	<u>Annual Water Consumption Gallons</u>	<u>Annual Revenue</u>	<u>Revenues (% of total System)</u>
Cassatt Water <sup>1</sup>	Water Provider	69,294,705	\$ 156,310	0.53%
Kendall Company	Medical	33,056,925	150,496	0.51
Oak Mitsui	Manufacturing	10,789,055	59,921	0.20
Kershaw County Schools	School District	7,263,087	59,494	0.20
Kershaw County	Government	14,182,537	57,645	0.20
Springdale	Assisted Living	4,688,097	39,721	0.13
Kershaw Hospital	Hospital	1,166,776	36,628	0.12
Camden Military	School	1,409,980	30,905	0.10
Wateree Villas	Apartments	2,220,341	19,394	0.07
DeRoyal	Textiles	<u>1,409,980</u>	<u>17,150</u>	<u>0.06</u>
Totals		145,481,483	\$ 627,664	2.12%

<sup>1</sup>The term of the wholesale water contract with Cassatt expires December 31, 2020. See “—Wholesale Water Contract—*Cassatt Agreement*” herein.

*Water Service Rates and Fees*

Water Service Rates.

Water service charges were last increased effective May 26, 2015. The customer charges are the minimum charges each month, no allowance for usage is included in the customer charges.

In-City Rates. In-City rates apply to all water service located within the City limits of the City.

<u>Meter Size</u>	<u>Customer Charge</u>	<u>Usage Charge (Per Thousand Gallons)</u>
5/8”	\$ 17.95	\$ 2.50
1”	51.23	2.50
1” irrigation	15.19	2.50
1½ ”	84.50	2.50
2”	134.35	2.50
3”	174.97	2.50
4”	290.19	2.50
6”	578.95	2.50

Out-of-City Rates. Out-of-City rates apply to all water service located outside the City limits of the City.

<u>Meter Size</u>	<u>Customer Charge</u>	<u>Usage Charge (Per Thousand Gallons)</u>
5/8”	\$ 34.67	\$ 4.98
1”	101.07	4.98
1” irrigation	29.18	4.98
1½ ”	167.47	4.98
2”	266.94	4.98
3”	347.98	4.98
4”	577.88	4.98
6”	1,154.04	4.98



Water Service Tap Fees. Water service tap fees effective July 1, 2012 are set forth below.

<u>Meter Size</u>	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 1,200	\$ 1,500
1"	1,450	1,800
1" irrigation	300	300
1½ "	1,800	2,300
2" Disc	2,700	3,300
2" Compound	2,700	3,300
2" Turbine	2,700	3,300
3" Turbine	4,200	4,800
3" Compound	4,200	4,800
4" Turbine	5,700	6,800
4" Compound	5,700	6,800

Fire Protection Fee. Within the corporate limits of the City there is no charge for fire protection. Outside the corporate limits of the City, fire protection charges are \$9.80 for the first \$20,000 of appraised value of residential homes with an additional \$1.50 for each \$20,000 thereafter. Commercial fire protection is \$27.36 for the first \$50,000 appraised value with an additional \$3.76 for each \$50,000 increment. In each case with incremental increases based upon appraised property values. The charge for connections to the City’s water system exclusively for fire protection through private fire hydrants or sprinkler systems is the actual cost of materials and connection of such taps.

**Sewer Unit**

*Description*

The City’s wastewater system consists of a network of gravity collector and interceptor pipelines with a total length in excess of 97 miles, thirteen major wastewater pumping stations and force mains, and the wastewater treatment facility. The wastewater service area includes all areas within the corporate limits of the City and certain adjacent and unincorporated areas within the County. See “APPENDIX G – Maps of Service Areas”. As of June 30, 2020, the City provides wastewater service to 4,209 customer accounts, including 3,551 “in-town” and 658 “out of town” connections.

The wastewater treatment facility is located in the southwest portion of the City and has a permitted capacity of 4.0 MGD average daily flow, with a current peak pumping capacity of 15 MGD; and is capable of being expanded to 8.0 MGD. This facility was substantially upgraded and expanded from its previous capacity of 3.0 MGD in Fiscal Year 2013 utilizing the proceeds of the Series 2012B Bond. The upgrades included new headworks and influent pump station, new scum pump station, new UV disinfection, new effluent flow meters, new post aeration, new effluent diffuser, new plant water pump station, new aeration basins, new secondary clarifiers, new sludge processing and blower building, new aerobic sludge digesters and holding tanks, new sludge transfer pump station, new septage receiving station, new operations and laboratory building, new maintenance and storage areas, and, new electrical and SCADA equipment.

The upgraded facility utilizes a 3-stage, aerated Biological Nutrient Removal treatment technology to produce effluent consistent with “secondary” standards. Treated effluent, following ultraviolet disinfection, is discharged to the Wateree River at a location immediately adjacent to the treatment facility. The City’s old lagoon has been converted into a constructed wetlands area environmental park. Average flows for Fiscal Year 18-19 were reported at approximately 1.706 MGD, and average flows for Fiscal Year 2020 were reported at approximately 1.715 MGD.

*Regionalization*

The Santee-Lynches Council of Governments (“COG”) is the designated water quality planning agency for the four-county region comprising Kershaw, Lee, Sumter and Clarendon Counties, South Carolina. As the designated planning agency, the COG develops and revises from time to time the 208 Water Quality Management

Plan (the “208 Plan”) for the region. The COG also reviews, by agreement with the DHEC, all wastewater-related construction projects in the region. As a management agency under the federal Clean Water Act, the City bears some responsibility for implementing certain portions of the 208 Plan. The 208 Plan, which was last updated in 2016, acknowledges that the City is a regional provider of wastewater treatment services within the County.

*Wastewater Treatment Contract*

On April 16, 2001, the City and the County entered into a sewer agreement whereby the City agreed to treat wastewater from certain unincorporated areas of the County the County intended to serve with a to-be-constructed sewer system. The terms of the contract provide for the City to charge the County a rate not exceeding the inside City retail sewer charge. The term of the agreement is 20 years with automatic renewal for successive 5-year terms unless notice is provided 3 years prior to the termination date. If the City elects to terminate the contract, it must purchase the County’s sewer assets pursuant to which the County’s service is provided under the agreement. Neither party has provided notice of a future termination.

*Sales and Usage.* The following table shows the annual sewer production, average daily flow and the peak daily flows of the sewer unit for the Fiscal Years 2016 through 2020.

<u>Year</u>	<u>Annual Sewer Production<sup>1</sup></u>	<u>Average Daily Flow (MGD)</u>	<u>Peak Daily Flow (MGD)</u>
2016	644.8	1.762	9.631
2017	496.9	1.361	5.422
2018	412.2	1.129	2.992
2019	622.7	1.706	5.480
2020	627.8	1.715	7.024

<sup>1</sup> Expressed in millions of gallons.

*Number of Customers.* The table below shows the number of wastewater system customers in each of the last five Fiscal Years.

<u>Fiscal Year</u>	<u>Inside City</u>	<u>Outside City</u>	<u>Total</u>
2016	3,427	667	4,094
2017	3,432	665	4,097
2018	3,434	659	4,093
2019	3,550	655	4,205
2020	3,551	658	4,209

*Ten Largest Wastewater Users.* The ten largest users of the City’s wastewater system for the Fiscal Year 2019 are shown below:

<u>Customer Name</u>	<u>Services Provided or Type of Business</u>	<u>Annual Revenue</u>	<u>Revenues (% of total System)</u>
Oak Mitsui	Manufacturing	\$ 114,665	0.39%
Kendall Company	Medical	60,386	0.21
Springdale	Assisted Living	46,374	0.16
Kershaw Hospital	Hospital	43,003	0.15
Kershaw County	Government	39,515	0.13
Lafayette Square	Apartments	28,264	0.10
Kershaw Schools	School District	24,694	0.08
Steeplechase	Apartments	24,239	0.08
Fox Run	Apartments	22,817	0.08
Wateree Villas	Apartments	<u>18,887</u>	<u>0.06</u>
Totals		\$ 422,844	1.44%

*Wastewater Service Rates and Fees.*

In-City Rates.

In-City rates apply to all wastewater service located within the City limits of the City.

<u>Customer Charge</u>	<u>Usage Charge (Per Thousand Gallons)</u>
\$ 8.97	\$ 4.85

Out-of-City Rates.

Out-of-City rates apply to all wastewater service located outside the City limits of the City.

<u>Customer Charge</u>	<u>Usage Charge (Per Thousand Gallons)</u>
\$ 17.26	\$ 9.76

Wastewater Service Tap Fees.

The current schedule for sewer system tap fees, which was last revised on July 1, 2012, is set forth in the table below:

<u>Meter Size</u>	<u>Inside City</u>	<u>Outside City</u>
4" Connection	\$ 1,800	\$ 2,400
6" Connection	2,600	3,600
8" Connection	4,600	6,600

**Summary of Recent Rate History**

Fiscal Year	Water		Sewer		Electric		
	<u>Effective</u>	<u>Charge*</u>	<u>% Increase</u>	<u>Charge</u>	<u>% Increase</u>	<u>Charge**</u>	<u>% Increase</u>
2015		\$ 32.95	-	\$ 38.07	-	\$ 127.03	-
2016		32.95	-	38.07	-	127.03	-
2017		32.95	-	38.07	-	127.03	-
2018		32.95	-	38.07	-	127.03	-
2019		32.95	-	38.07	-	127.03	-
2020		32.95	-	38.07	-	127.03	-

\* Based on 6,000 gallons/month by residential customers within the City limits.

\*\* Base on 1,000 kWh/month.

**Comparative Rates**

*Comparative Electric Rates.* The following table compares City’s monthly rates for electricity charged to residential customers against other providers:

<u>Utility</u>	<u>500 kWh</u>	<u>1000 kWh</u>	<u>3000 kWh</u>
City	\$68.76	\$ 127.04	\$ 237.74
Fairfield Cooperative	74.08	133.15	245.30
Black River Cooperative	67.50	120.00	225.00
Lynches River Cooperative	86.45	147.90	270.80
City of Union	76.00	152.00	456.00
City of Clinton	89.00	178.00	534.00
City of Newberry	80.00	160.00	480.00

*Comparative Water Rates.* The following table compares City’s monthly “in-City” rates for residential potable water service, assuming usage of 6,000 gallons per month, against the other listed purveyors:

<u>Utility</u>	<u>Indicative Charge</u>
City	\$32.95
Cassatt	\$30.87
Alligator Water & Sewer	\$71.00
City of Hartsville	\$33.82
Lugoff-Elgin	\$45.90
City of Darlington	\$33.48
City of Columbia	\$34.82
City of Florence	\$41.16

*Comparative Sewer Rates.* The following table compares the City’s monthly “in-City” rates for residential wastewater service, assuming usage of 6,000 per month, against the other listed purveyors:

<u>Utility</u>	<u>Indicative Charge</u>
City	\$38.07
County	\$40.00
City of Hartsville	\$40.99
City of Columbia	\$41.97
City of Darlington	\$50.72
City of Florence	\$46.18

**Rate Design**

The City has developed a rate structure which allows for the allocation of costs to the various utility units and the allocation of utility unit expenses to the separate rate classes within each utility unit. The City has used these rate structures and the rates charged by the providers to the City to maintain stable and adequate operating margins. The City reviews rates of surrounding utilities on a quarterly basis to monitor and compare its rates to their existing rates.

**Billing and Collection Procedures with Respect to the System**

Before establishing service, all utility customers must sign a service agreement with the City. A \$25 fee is charged for initial set up of the account, however, an additional deposit of \$300 is required for all rental or leased property.

Utility customers are billed on a monthly basis on the fourth and eighteenth of each month. The due dates for utility bills are 15 days after issuance. If payment is not received by the due date, a 5% penalty is added. A cut-off notice is mailed and in the event the bill is not paid within 7-10 days, the account is scheduled for cut off. In

addition to paying the delinquent amount, accounts that are cut off for non-payment are charged a \$20 cut-on fee to restore services for reconnections during working hours and \$40 for reconnections during non-working hours. See “FINANCIAL FACTORS—Management’s Discussion and Analysis—Recent Developments – COVID-19” above for a discussion of the impact of billing and collection from COVID-19.

Utility bill payments are accepted daily either by mail or at the City Hall office, and may also be paid on the City’s website. Payments are processed daily and posted against each customer’s account as well as credited against the general revenue fund for System.

### **Accounting and Budgeting**

The City maintains an enterprise fund used to account for the operations of the System. Staff includes billing personnel who collect readings via hand-held computers and process those readings through the City’s computer system, generating billings on a bi-monthly basis. The City’s Finance Director supervises the billing and collection process on the System. The City’s Finance and Administrative Departments provide support services for monthly financial accounting, payroll and accounts payable services.

The budget process for the System begins in January of each year. The department heads of the City prepare goals and objectives that are reviewed by the City Manager and City Council. Revenue projections for the System are prepared along with projected expenses and capital requirements. During the months of January through March, various meetings take place with interaction between the City Manager, department heads and the City Council. The budget is continually refined and much attention is focused on the requirements of the transfer to the General Fund. Normally, second reading of the budget takes place the second Tuesday of May. The budget as adopted is circulated shortly thereafter.

The City maintains a conservative approach to budgeting. In general, revenues have historically been estimated to include a provision for contingency, and expenses have been budgeted to allow for capital projects, some of which ultimately were deferred to future periods. Personnel costs have been budgeted based on “full staffing,” but in most circumstances allowed for a transition period prior to filling positions. Actual System revenues have exceeded budgeted revenues, and operating expenses have been less than budgeted expenses, in four of the last five years.

### **Capital Planning**

The City includes in each Annual Budget for the System certain amounts for planned routine capital expenditures. The City also includes certain amounts for unanticipated capital replacement and significant “emergency” repairs to the System that are not anticipated in the normal operating budget. The determination to undertake material capital improvements are made by City Council on an asset by asset basis, based upon the need for the particular asset and the availability of funds from borrowing or internally-generated operations.

Capital expenditures for the Fiscal Year ending June 30, 2020 included approximately \$5,000,000 in electric upgrades to include the new South Carolina Department of Transportation Truck ByPass and various underground projects. Water capital expenditures were approximately \$1,000,000 for system rehab and replacement. Sewer improvements in the amount of approximately \$2,000,000 were completed for system rehab and replacement. Approximately \$700,000 was allocated to rehab the old wastewater lagoon. For the Fiscal Year ending June 30, 2021, the budget amount for the System for planned capital equipment and projects is \$3,269,468, which includes \$650,000 for unanticipated capital replacement and any significant “emergency” repairs to the System. The City also plans to undertake capital improvements to the electrical unit at a total estimated cost of \$5,000,000 from the proceeds of the Series 2020 Bonds.

**Capital Improvements**

The following table represents a tabulation of the amount of capital improvements made to the System (by funding source) in the last five Fiscal Years.

<u>System Earnings</u>	<u>Bond Issue</u>	<u>Grant Funds</u>	<u>Totals</u>
\$ 8,534,689	\$ 36,210,712	\$ 3,066,617	\$ 47,812,018

**Environmental Matters**

The City is subject to regulation as to solid waste, water and air quality by the Environmental Protection Agency (“EPA”) and DHEC under Federal and State laws and regulations. The System currently is in compliance with all regulatory requirements of EPA and DHEC and all permits required to operate the System are in order for all parts of the System.

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## 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.*

### General

The Series 2020 Bonds are payable from and secured by a pledged of the Gross Revenues of the System. Future revenues and expenses of the System are subject to conditions which may change in the future to an extent that cannot be predicted or determined at this time. No representation can be made, or assurance given, that the System will realize revenues in amounts sufficient to generate Gross Revenues sufficient to allow the City to make payments of principal, interest and premium, if any, on the Series 2020 Bonds. Future revenues and expenses of the System are subject to a variety of economic and other factors and conditions, including without limitation (a) the inability of the City's facilities to meet electric, water, or sewer demands on the System, (b) unforeseen decreases in demand due to the loss of a major customer, or downturns in local, regional, national and international economies or decreases in economic development at the local or state level, (c) unanticipated increases in operating or administrative expenses, (d) potential closure, or restrictions on the use, of the City's facilities due to unforeseen events or occurrences, acts of war, terrorism, epidemic, or disease in foreign countries or in domestic locations, (e) potential work stoppages due to labor disputes or other causes, (f) the effects of global economic cycles, and (g) other possible general, national, or local political or economic conditions, including inflation, deflation, general cost increases, international trade embargoes, international trade deficits or imbalances, deterioration of international trade relations, calls for a global reserve currency as an alternative to the United States dollar, among other factors. The occurrence of any one or more of the foregoing adverse events, and the other events described below, including events not enumerated in other sections of this Official Statement, may materially adversely affect the System's results of operations, cash flow and financial condition.

### Regulations

The electric utility industry in the United States is subject to extensive economic and environmental regulation, any of which could impact the System. Regulatory requirements are frequently changed. The City cannot predict what effects planned changes in regulation might have on its business operations and overall financial conditions.

*State Law.* Changes to State law could substantially impact the City's ability to provide utility services, especially electric service. See discussion of the Cooperative Act in footnote 2 under "THE SYSTEM—General Discussion of Service Area; Other Area Providers" herein.

#### *Economic Regulation*

Economic regulation refers to governmental oversight of utilities' rates, terms and conditions of service, and corporate affairs. Economic regulation is accomplished through a complex combination of federal and state oversight. Wholesale sales and transmission services are generally overseen at the federal level. Retail sales are generally overseen at the state level. The City, as a public entity, is exempt from most federal and state economic regulation. Nevertheless, the City is substantially affected by changes in operation of those markets.

Over the last 30 years, the focus of federal economic regulation has been to increase competition in wholesale electricity markets. In addition, many states have sought to introduce competition in retail electricity markets. The associated changes in law include: requirements that transmission companies provide "open access" transmission services; the development of centrally-organized, wholesale electricity markets; requirements to increase use of alternative and renewable energy resources; and (in some areas) elimination of exclusive rights to serve retail customers. The increase in competition is manifested in a number of ways, including competition among

generators based on the type of fuel that the generator uses; municipal and industrial self-generation; the emergence of independent power producers and other nontraditional suppliers; and greater reliance on demand response.

Increased competition has adversely affected many traditional utilities. In some cases, traditional utilities have needed to reduce rates to larger commercial or industrial customers while increasing rates to residential and other customers. Traditional utilities that have comparatively high-cost power supply resources often find it difficult to retain customers and to recover, through rates, the full cost of those resources. At the same time, traditional utilities' overall costs have increased due to new and more stringent requirements that govern matters such as the siting and construction of new generation and transmission facilities; the reliable operation of electrical facilities; homeland security (including protection of critical infrastructure facilities from damage or attack); employee safety; use of renewable resources; and air quality, water quality, land use and other environmental matters.

*Environmental Regulation.* The City is subject to laws, regulations, permits and other legal limitations intended to protect the environment and control various types of emissions and discharges. Permits may be required for emission to air, discharges to water and management of solid wastes. Liability may be imposed with respect to releases of hazardous substances, historically and currently, as well as on-site or off-site. These environmental requirements are subject to frequent and regular changes.

*SEPA.* The City does not have a SEPA allowance. See “THE SYSTEM—Electric Unit—*Electric Agreements—CPP Agreement*” above.

### **Wholesale Power Provider**

As noted in the “THE SYSTEM—Electric Unit—*Electric Agreements—CPP Agreement*” above, the City is transitioning from Duke, a diversified power supplier, to CPP effective January 1, 2021. CPP, as a relatively new power provider with a single-generation asset in its Kings Mountain Energy Center, has a limited record of building, operating, and maintaining power plants and managing energy contracts with entities like the City. In the event of any outage or operating issues with the Kings Mountain Energy Center, and assuming other generation assets are not acquired or constructed by CPP, power would be sourced in the open market under the terms of the CPP Agreement. It is unknown whether the Kings Mountain Energy Facility is reliably operational or whether market power can be reliably procured in the event of any outage, maintenance or service. In the event of reliability issues at the CPP facilities or the inability of CPP to procure market power, operations of the City's electric unit could be affected and such effect could affect the financial operations of the System in a material manner.

### **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 electric power, water and sewer services. The financial impact of the climate change is not yet known and therefore its future impact on Gross Revenues cannot be quantified reliably at this time.

### **Pension**

As described in the notes to the audited financial statements of the City included as Appendix A hereto, eligible employees of the City participate in the SCRS and PORS. As a result of the enactment of Act No. 13, the City's required contribution rate will materially increase with the statutory mandated employer contribution rate increases. Also, the amount of the City's allocation of the SCRS and PORS liability, portions of which is allocable to System operations, may increase in amounts that may or may not be material, depending on a variety of actuarial factors, and which the City cannot predict with any certainty.



## **Risk of Loss, Damage or Destruction**

The City has covenanted in the Ordinance that it will cause the System to be continuously insured against physical loss or damage. The City 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 City 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 City, 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 City utilizes specialized third parties to maintain the servers and software of the City and to maintain the control systems for the System. The City maintains an insurance policy for loss stemming from cyber security related claims. The City experienced a Cyber breach in 2019, however no customer accounts were impacted. Impacts to the City consisted of ransomware on select computers. The computers were wiped and reissued. Based on the evidence collected and reviewed by a third party specializing in cyberattacks, no information was comprised.

## **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 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 to declare a State of Emergency” in the State, as extended by Executive Order Nos. 2020-15, 2020-23, 2020-29, 2020-35, 2020-40, 2020-42, 2020-44, 2020-48, 2020-50, 2020-53 and most recently by Executive Order 2020-56 dated August 25, 2020.

The City 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 City’s operational and financial performance, and on Gross Revenues, 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. While the total direct impact on the City is currently unknown, the City 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 City’s control may further affect the System and affect the Gross Revenues of the System.

## **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 City. 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;
- Effects of changes in the economy, population and demand of customers for services delivered by the System; and
- Regulatory or legal changes affecting the City’s service area, wholesale power arrangements or customer base and demand (i.e. residential or commercial solar operations).

## TAX MATTERS

### *Federal Income Tax Generally*

On the date of issuance of the Series 2020 Bonds, Bond Counsel will render an opinion that, under existing law, assuming continuing compliance with certain covenants made by the City 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 2020 Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the alternative minimum tax. See “APPENDIX C—Form 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 2020 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 City 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 2020 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 2020 Bonds in order for interest thereon to be, or to continue to be, excluded from gross income for federal income tax purposes. The City 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 2020 Bonds in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2020 Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Series 2020 Bonds is conditioned on continuing compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2020 Bonds.

### *Certain Collateral Federal Tax Considerations*

Prospective purchasers of the Series 2020 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 Bonds should consult their own tax advisors as to the applicability thereof.

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 2020 Bonds. Bond Counsel's engagement with respect to the Series 2020 Bonds ends with the issuance of the Series 2020 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the holders of the Series 2020 Bonds regarding the tax-exempt status of the Series 2020 Bonds in the event of an audit examination by the IRS.

Under current procedures, parties other than the City and their appointed counsel, including the holders of the Series 2020 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 City legitimately disagrees, may not be practicable.

Any action of the IRS, including but not limited to selection of the Series 2020 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 2020 Bonds, and may cause the City or the holders of the Series 2020 Bonds to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the City may be obligated to disclose the commencement of an audit under the Disclosure Agreement (as defined in "CONTINUING DISCLOSURE" herein).

#### *Future Changes in Law*

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 2020 Bonds from gross income for federal income tax purposes or which might otherwise adversely affect the benefit or marketability of the Series 2020 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 2020 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 2020 Bonds, as well as the benefit or marketability of the Series 2020 Bonds. Prospective purchasers of the Series 2020 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.

#### *Original Issue Premium*

As shown on the inside front cover page of this Official Statement, the Series 2020 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. 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 on tax-exempt bonds, including the Series 2020 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 2020 Bonds from gross income for federal income tax purposes.

#### *State Tax Exemption*

Bond Counsel is of the opinion that, under existing law, the Series 2020 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.

## **LEGAL MATTERS**

### **Approval of Certain Proceedings**

The Series 2020 Bonds are offered when, as and if issued by the City, and accepted by the Underwriter subject to the delivery of an approving opinion by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto. Pope Flynn, LLC is also acting as Disclosure Counsel to the City in connection with the issuance and sale of the Series 2020 Bonds. Certain legal matters will be passed on for the City by its counsel, Pope Flynn, LLC, Columbia, South Carolina, and for the Underwriter by its counsel, Burr & Forman LLP, Greenville, South Carolina. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Litigation**

The City experiences routine litigation and claims incidental to the conduct of its affairs. As of the date of issuance and delivery of the Series 2020 Bonds, counsel to the City will deliver an opinion to the effect that there is no litigation pending or threatened contesting the creation, organization, or existence of the City, the City or the System or that seeks to restrain or enjoin the issuance or delivery of the Series 2020 Bonds or the proceedings or authority under which they are to be issued or delivered or which in any manner questions the authority of the City to pledge Gross Revenues to the payment of the Series 2020 Bonds and the interest thereon. The opinion of counsel

to the City will also state in substance that, except as described herein, there is no litigation pending or threatened, to their knowledge, that would, if determined adversely to the City, have a material impact on the City, its finances, or the City's ability to pay debt service on the Series 2020 Bonds as the same becomes due.

### **UNITED STATES BANKRUPTCY CODE**

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

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Series 2020 Bonds upon an event of default under the Bond Ordinance and the Series Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Bond Ordinance and the Series 2020 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits enacted before or after such delivery.

### **CONTINUING DISCLOSURE**

The City 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 System.

Pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "*Rule 15c2-12*"), the City will undertake simultaneously with the issuance of the Series 2020 Bonds, pursuant to a Disclosure Dissemination Agent Agreement (the "*Disclosure Agreement*"), for the benefit of holders of the Series 2020 Bonds, to provide certain financial information and operating data relating to the City by not later than seven months after the end of each Fiscal Year commencing with the Fiscal Year 2020 (the "*Annual Information*"), and to provide notices of the occurrence of certain enumerated events. The Annual Information will be filed by or on behalf of the City with the MSRB – Electronic Municipal Market Access (EMMA) system ("*EMMA*") as described in the form of Disclosure Agreement attached hereto as APPENDIX E. Notice of certain significant events will be filed by or on behalf of the City with EMMA. The nature of the information to be provided in the Annual Information and the notices of certain significant events is set forth in "APPENDIX E—Form of Disclosure Dissemination Agent Agreement" attached hereto.

The City has not been subject to any continuing disclosure undertaking under Rule 15c2-12 in the past five years.

## MUNICIPAL ADVISOR

Stephens Inc. serves as a municipal advisor (the “*Municipal Advisor*”) to the City. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal 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. Stephens Inc., in its capacity as Municipal 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.

## RATINGS

S&P has assigned a rating of “AA” and Moody’s has assigned a rating of “A1” (based upon the highest of AGM’s financial strength rating (A2) and the unenhanced/underlying rating of the City (A1)) to the Series 2020 Bonds based upon the understanding that, upon the issuance of the Series 2020 Bonds, the Policy will be issued by AGM. Any such downward change in or withdrawal of such ratings or either of them may have an adverse effect on the market price of the Series 2020 Bonds. See “BOND INSURANCE” above.

Moody’s has assigned an underlying rating of “A1” to the Series 2020 Bonds. Such rating reflects only the view of Moody’s. Any explanation of the significance of the ratings may only be obtained from Moody’s. The City furnished to Moody’s certain information and materials, some of which may not have been included herein, relating to the Series 2020 Bonds, the System, and the City. 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 rating will continue for any period of time or that it will not be revised or withdrawn entirely by Moody’s, 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.

S&P maintains an issuer credit rating on the System (the “*ICR*”). On February 19, 2019, S&P lowered the ICR from “A” to “A-.” On July 14, 2020, S&P further revised the ICR to assign a negative outlook. No rating was requested by the City from S&P with respect to the Series 2020 Bonds. The ICR reflects only the view of S&P. Any explanation of the significance of the ICR may only be obtained from S&P. There can be no assurance that the ICR will continue for any period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment circumstances so warrant.

## UNDERWRITING

The Underwriter, Robert W. Baird & Co. Incorporated, has agreed, subject to certain conditions, to purchase all, but not less than all, of the Series 2020 Bonds from the City at a purchase price of \$62,511,581.69, which is equal to the par amount of the Series 2020 Bonds plus original issue premium of \$10,675,874.10 and less an underwriter’s discount of \$179,292.41. The public offering prices may be changed, from time to time, by the Underwriter. 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.

## FINANCIAL STATEMENTS

The financial statements as of and for the Fiscal Years ended June 30, 2019, included as Appendix A hereto relating to the System, have been audited by Cantey, Tiller, Pierce & Green, LLP, Camden, South Carolina, Certified Public Accountants, as set forth in their report dated December 10, 2019, and are included herein in reliance upon such reports.

**VERIFICATION OF ARITHMETIC AND MATHEMATICAL ACCURACY OF ESCROW**

Bingham Arbitrage Rebate Services, Inc., a firm of independent accountants, will verify the accuracy of (i) the mathematical computations concerning the adequacy of the maturing principal amount of and interest earned on the government obligations, together with other escrowed moneys, to be placed in the Escrow Fund to pay when due and upon redemption, principal of and interest on the 2016 & 2019 SRF Bonds, and (ii) the mathematical computations of the yield on the Series 2020 Bonds and the yield on the Defeasance Obligations purchased with a portion of the proceeds of the sale of the Series 2020 Bonds and used in part by Bond Counsel in concluding that interest on the Series 2020 Bonds is excluded from gross income for federal income tax purposes under presently existing law, including the “arbitrage” regulations promulgated and proposed under Section 148 of the Code and certain rulings and official interpretation of law by the Internal Revenue Service. Such verifications shall be based upon information supplied by the Municipal Advisor.

**CONCLUDING STATEMENT**

The execution and delivery of this Official Statement have been duly authorized by the City. Concurrently with the delivery of the Series 2020 Bonds, the undersigned will furnish her certificate to the effect that, to the best of her knowledge, this Official Statement did not as of its date, and does not as of the date of delivery of the Series 2020 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which this Official Statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

All the summaries of the provisions of the Act, the Series 2020 Bonds, the Ordinance and all summaries and references to other documents, instruments and materials not purported to be quoted in full are only brief outlines of certain provisions thereof and are not intended to be and do not constitute complete statements of the Act or such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. The attached Appendices A through H are integral parts of this Official Statement and should be read in their entirety together with all foregoing statements.

Certain of the information set forth in the Official Statement and in the appendices hereto has been obtained from sources other than the City that are believed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriter or the City. The information relating to the Policy has been furnished by AGM for use in this Official Statement.

The agreement between the City and holders of the Series 2020 Bonds is fully set forth in the Ordinance and neither any advertisement for the Series 2020 Bonds nor this Official Statement is to be construed as constituting an agreement with the holders of the Series 2020 Bonds.

**CITY OF CAMDEN, SOUTH CAROLINA**

By:           /s/ Alfred Mae Drakeford            
Mayor

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF CAMDEN FOR  
FISCAL YEAR ENDED JUNE 30, 2019**

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# CANTEY, TILLER, PIERCE & GREEN, LLP

*Certified Public Accountants*

1204 BROAD STREET • POST OFFICE BOX 862  
CAMDEN, SOUTH CAROLINA 29021

PIERCE W. CANTEY, JR., CPA, (1963-2018)  
RICHARD C. TILLER, CPA, PFS  
JANET M. PIERCE, CPA  
HENRY D. GREEN, III, CPA

MEMBER OF AMERICAN INSTITUTE  
AND SOUTH CAROLINA ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS  
PH (803) 432-1436/ FX (803) 432-5055

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Camden  
Camden, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Camden, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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 opinions 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Camden, South Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and other required information noted in the table of contents on pages 3 – 9 and 42 – 48 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the City of Camden, South Carolina'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 City of Camden, South Carolina's internal control over financial reporting and compliance.

*Cantey, Tiller, Pierce & Green, LLP*

Cantey, Tiller, Pierce & Green, LLP  
Camden, South Carolina

December 10, 2019

**CITY OF CAMDEN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Camden's financial performance and statistics summarizes the City's annual report for the fiscal year ended June 30, 2019. **Please read this document in conjunction with the City's basic audited financial statements. References to relevant pages are included in the following narrative.**

**City Highlights**

The City of Camden is the county seat of Kershaw County, South Carolina. The current population, as stated in the 2010 census, is approximately 6,830. City population growth since the 2010 census is estimated to have increased by two (2) percent. The City is located approximately 30 miles east of Columbia, SC.

Business activity in 2019 steadily increased with the City seeing the opening of several new retail outlets and restaurants in 2019. Including the development and opening of numerous businesses at the shopping complex known as "River Oaks". The retail sales portion of this increase in private sector business has strengthened the effect of the local option sales tax. In 1997, the City adopted an ordinance establishing a 1% local sales tax. The ordinance requires all revenue generated from this local option sales tax be used as a credit to property tax. In the tax year 2019, the local option sales tax credit reduced the primary residential property tax by approximately 69%. In 2018, the City completed the construction of a tournament quality tennis complex. The hiring of a Tennis Pro Instructor and the scheduling of tournaments in 2019 has resulted in the utilization of this facility to its full potential. The City of Camden was approved during Fiscal Year 2017 as a member of MASC's Main Street Program along with the hiring of a Main Street Coordinator. This program continues to concentrate on the improvement and growth of our downtown area in 2019 and is in its third year of a three-year program.

In 2009, the City enacted a hospitality tax in order to enhance tourism, recreational and cultural activities. The tax is applied to the sale of prepared food and beverage. Collections began on December 1, 2009 and planned projects to promote tourism related activity are paid for and funded primarily by the hospitality tax. The City, partnering with Kershaw County, hired a new tourism development director at the end of the 2014 fiscal year. This position aligns with the goals from Council's 2014/15 Strategic Plan to increase visitors to Camden as well as the recommendations from the Arnett Muldrow's Tourism, Marketing and Branding Plan finalized in January 2014. Along with Council's desire to focus on tourism, the tourism development director puts Camden in a positive light as a destination for the wide variety of resources the City and County have to offer.

During the 2019 fiscal year successful emphasis was placed not only on increased visitation and events but also on the Economic Development of The City of Camden.

The five-year property re-appraisal will occur during the 2021 year and will affect the taxes collected for the fiscal year ending in June of 2021. The estimated appraisal values have changed over the past five years as follows:

2015	\$651,358,000
2016	\$697,903,998
2017	\$728,134,693
2018	\$739,631,073
2019	\$751,728,490

The proprietary fund comprises the electric system, water system and sewer system. The customer base has been very stable over the past few years. The number of customers for water (6000) and sewer (4000) are at levels similar to the 2018 numbers. The electric system has approximately 9300 customers.

On January 1, 2014, a new formula-based rate wholesale purchased power contract went into effect through the year 2020 with Duke Energy Progress. Although the contract is a formula-based rate contract, Duke Energy Progress agreed to provide the City of Camden with fixed capacity rates for the first three years of the contract term allowing Camden to have a limited time to adjust to the increased costs. The cost of purchased power for resale to the utility customers has increased by 45%. The retail rate charged to City customers since 2009 has increased by 28%. Electric projects during 2019 included the completion of the underground electric utilities to Chesnut St., Campbell St., and Springdale Overhead Electric line upgrades. Work continues to the Kirkwood service area and will be completed in the 2019/2020 fiscal year. These projects were funded in part by the issue of one (1) Combined Public Utility Bonds, Series 2018 in the amount of \$6,758,000 along with budgeted funds. Bond Series are for a 15-year term at 3.52%. The debt service for the 2018 Series will begin November 2019. Purchases of equipment included service vehicles to replace old and worn existing vehicles.

During 2019, the City completed several water line and sewer line rehabilitation projects. This includes the upgrade of the lift stations Erhenclou, Ancrum Road and Exxon. Work was completed on the paving of Lyttleton Street, and renovation in 2019 was started on the area known as the Kirkwood Community and surrounding areas. Re-paving of this area was expected to be completed during the 2020 fiscal year. The SCDOT bypass project in progress during 2019 is expected to continue into the 2019/2020 fiscal year.

A new permit for wastewater discharge was issued from the South Carolina Department of Health and Environmental Control to the City in 2010. The discharge permit required the construction of a new wastewater treatment plant. During 2010, a \$3,000,000 bond for engineering, infrastructure, site work and planning expense related to the wastewater system was issued. The construction portion of the wastewater treatment plant is completed and became operational in March 2014. The lagoon closure portion of the site work was completed in June 2015. The total estimated project cost for the construction and lagoon closure was \$36,500,000 with the final project cost coming in at \$1,700,000 below budget. Funds for the new plant were committed to the City of Camden from the South Carolina Revolving Fund. The South Carolina State Budget and Control Board manage the Clean Water funds. The loan is for a 20-year term at 2.25% interest. The debt service for this loan began September 2014. During 2017 the City of Camden addressed re-claiming the lagoon portion of the site and developing it into an environmental educational center and canoe launch. Fiscal year 2018 saw the beginning of the engineering for this project with actual construction beginning fiscal year 2019. Construction is expected to be completed during the 2019/2020 fiscal year. Continued funding to include budgeted funds and grant funding for this project is underway.

In January 2013, City Council appointed Mr. Mel Pearson as City Manager for the City of Camden. Mr. Pearson held the position of Assistant City Manager/Finance Director prior to accepting the City Manager position.

### **Using This Annual Report**

This annual report comprises a series of financial statements pertaining to both the City as a whole (government-wide) and the major individual funds. Information concerning the City as a whole is found in the Statement of Net Position and the Statement of Activities on pages 10 and 11 of the audited financial statements. The major individual funds are the governmental fund and the proprietary fund.

The financial statements for governmental activities are pages 12 through 15 of the audited financial statements. These statements tell how services were financed in the short term as well as what is reserved for future spending.

The proprietary fund statements are pages 16 through 18 of the audited financial statements. The proprietary fund statements report the business-like operations in more detail than the government-wide statements. A detailed cash flow statement is provided about the City's proprietary fund, the most financially significant fund, on page 18.

### **Government-Wide Financial Statements**

The analysis of the City as a whole begins on this page of the report. The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns and are added for a total Primary Government. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the following question. Is the City better off or worse off as a result of the current year's activities? The statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accruals of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Over time, increases or decreases in the City's net position indicate whether its financial health is improving or deteriorating. We must also consider other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

### **Fund Financial Statements**

**Governmental funds:** Most of the City's basic services are reported in the governmental fund statements, which focus on how money flows in and out of the governmental fund. The financial plan or budget is typically developed on the basis of sources and uses of liquid resources. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. The supplemental governmental fund financial statements on pages 49, 50 and 51 allow a detailed review of budgetary compliance associated with current year sources and uses.

**Proprietary funds:** When the City charges customers for the services it provides, whether to outside customers or to customers within the City, these services are reported in a proprietary fund. Proprietary funds are consolidated in the City-wide Statement of Net Position and the Statement of Activities. In addition, the City's proprietary fund (business type fund) is reported in more detail with a cash flow statement on page 18 and a supplemental statement of revenues and expenses on page 59 of the audited financial statements. Page 60 presents a budget versus actual comparison for this fund.

### **Net Position of the City as a Whole**

The following information is a condensed Statement of Net Position with discussion about the current year changes from last year's total net position.

The City's combined net position changed from a year ago, increasing from \$49,054,885 at the end of fiscal year 2018 to \$50,117,813 at year-end 2019. This \$1,062,928 or 2.2% increase in net position is a result of current year activities. This City-wide improvement has enhanced the unrestricted fund allocation, cash position and the capital assets for both major individual funds.

**NET POSITION as of 6/30/19**

	Governmental Activities		Proprietary Fund Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 9,290,107	\$ 7,897,193	\$ 6,006,279	\$ 4,952,864	\$ 15,296,386	\$ 12,850,057
Receivables	1,019,106	750,570	3,228,098	3,038,302	4,247,204	3,788,872
Non-Current assets	1,057,904	851,611	8,337,781	8,903,281	9,395,685	9,754,892
Other assets	81,652	70,167	1,132,400	1,048,117	1,214,052	1,118,284
Capital assets	17,059,839	15,952,032	111,665,119	106,480,721	128,724,958	122,432,753
<b>Assets</b>	<b>28,508,608</b>	<b>25,521,573</b>	<b>130,369,677</b>	<b>124,423,285</b>	<b>158,878,285</b>	<b>149,944,858</b>
Deferred Outflow	2,420,084	2,543,741	1,609,641	1,732,735	4,029,725	4,276,476
<b>Total assets/outflow</b>	<b>\$ 30,928,692</b>	<b>\$28,065,314</b>	<b>\$131,979,318</b>	<b>\$126,156,020</b>	<b>\$ 162,908,010</b>	<b>\$154,221,334</b>
Current liabilities	\$ 1,533,986	\$ 1,390,881	\$ 8,841,812	\$ 8,158,926	\$ 10,375,798	\$ 9,549,807
Long term liabilities	29,012,181	29,541,321	67,336,485	62,440,490	96,348,666	91,981,811
<b>Liabilities</b>	<b>30,546,167</b>	<b>30,932,202</b>	<b>76,178,297</b>	<b>70,599,416</b>	<b>106,724,464</b>	<b>101,531,618</b>
Deferred Inflow	4,636,647	2,399,533	1,429,086	1,235,298	6,065,733	3,634,831
<b>Total liabilities/inflow</b>	<b>\$ 35,182,814</b>	<b>\$33,331,735</b>	<b>\$ 77,607,383</b>	<b>\$ 71,834,714</b>	<b>\$ 112,790,197</b>	<b>\$105,166,449</b>
Net position:						
Investment in capital assets	\$ 11,901,627	\$10,147,818	\$ 48,696,887	\$ 49,035,055	\$ 60,598,514	\$ 59,182,873
Restricted for debt service	324,057	323,101	7,680,166	8,247,391	8,004,223	8,570,492
Restricted for special purposes	128,692	119,749	-	-	128,692	119,749
Unrestricted	(16,608,498)	(15,857,089)	(2,005,118)	(2,961,140)	(18,613,616)	(18,818,229)
<b>Total net position</b>	<b>\$ (4,254,122)</b>	<b>\$ (5,266,421)</b>	<b>\$ 54,371,935</b>	<b>\$ 54,321,306</b>	<b>\$ 50,117,813</b>	<b>\$ 49,054,885</b>

**Governmental Fund Budgetary Highlights**

The General Fund budget for the fiscal year 2019 was \$10,373,871. This was an increase of \$330,830 from the previous year. During the year, certain variances developed as follows: Property tax collections were \$163,490 less than budgeted. Business licenses fees were \$165,277 more than budgeted. Grants in the amount of \$465,964 were received from Federal, State and local agencies. The total expenditures, including all account variances, were \$191,624 more than the cash-operating budget which includes the purchase of four Police Units, a Sanitation Unit and other improvements including a pocket park on Market Street and the development of a parking lot on Market Street. The expense overage was offset by a total revenue gain of \$247,642. Revenue gains include grant money to cover expenditures, insurance reimbursements and other small variances from budget.

**Discussion of Changes in Governmental Fund Net Position**

The net position of the City governmental fund had increased by \$1,012,299 to a balance of \$(4,254,122) in 2019 from \$(5,266,421) in 2018.

The deficit fund balance is a net result of the reporting requirements of GASB entries. The GASB 45, 68, 34 and 75 requirements can be analyzed in greater detail upon review of the Note 7 beginning on page 34 and the Statements of Revenues, Expenditures and Changes in Fund Balance on pages 14 and 15, and the required supplementary information at pages 46, 47 and 48 of the audited financial statements.

The City's capital outlay in 2019 was \$1,854,350 and recorded \$746,543 as depreciation expense. The difference is an increase to net position in the amount of \$1,107,807. The primary additions to capital assets were three police vehicles and one fire vehicle purchases in the amount of \$150,054, the purchase of a Knuckle Loader in the amount of \$180,170, the in-kind purchase of the Robert Mills Courthouse in the amount of \$650,000, purchase of lot and construction of a pocket park on Market Street for \$322,482, construction in progress of the Visitor's Center for \$375,627 and other improvements related to Scott Park, Market Street and other amounting to \$176,017.

There was no increase in debt as a result of these purchases and repayments of debt in the amount of \$646,002 increasing net position.

The net amount in compensated absences, decreased by \$12,832 from \$180,606 in 2018 to \$167,774 in 2019. This change increased net position. Also, the decrease in OPEB liability increased the net position in the amount of \$55,395 and the current year increase of GASB 68 of \$718,840 decreased the net position.

**Summary:**

	<b>Contribution to Net Position</b>	
	2019	2018
Fund Balance Improvement (Decline)	\$ (90,897)	\$ (1,971,154)
Net Capital Asset Investment	1,107,807	1,771,086
Net (Increase) Decrease in Debt	646,002	483,734
OPEB Obligations (GASB 45)	55,395	55,393
GASB 68 Implementation	(718,840)	(267,898)
(Increase) Decrease in Compensated Absences	12,832	(3,004)
Net Change	<u>\$ 1,012,299</u>	<u>\$ 68,157</u>

**Discussion of Changes in Proprietary Fund Net Position**

The net position of the City proprietary fund had increased by \$50,629 or .09%, from \$54,321,306 in 2018 to \$54,371,935 in 2019. This can be analyzed in greater detail on the Statements of Revenues, Expenses and Changes in Net Position on page 17 of the audited financial statements.

A \$2,975,823 contribution to operating income was recorded by the electric division. This gain was \$3,192,663 less than the business plan had anticipated. Electric revenues were less than budget by \$2,630,035. Operating costs of the electric division were \$562,628 more than budgeted. The budgeted capital expenditures in the amount of \$1,829,000 and depreciation in the amount of \$1,562,270 resulted in a net asset gain of \$266,730. Purchased power was \$1,003,839 more than budget and other operating and maintenance costs were \$421,211 less than the budgeted amount.

A \$347,138 contribution to operating income was recorded by the water division. This was \$1,621,543 less than budgeted. The water division revenues were less than budget by \$320,482. Budgeted capital expenditures in the amount of \$476,283 and depreciation in the amount of \$1,135,692 resulted in a net decrease of direct cost in the amount of \$659,409.

A (\$1,091,272) contribution to operating income was recorded by the sewer division. This was \$814,421 less than budgeted. Sewer division revenue was less than budget by \$141,074. Budgeted capital expenditures in the amount of \$1,427,500 and depreciation in the amount of \$2,096,984 resulted in a net increase of direct cost in the amount of \$669,484.

Other operating income totaled \$1,223,673. This was \$590,673 greater than the budgeted plan. The primary reason for higher other operating income was due to grant income of \$500,000.

The combined non-operating revenue and expense effect was a net \$115,060 decrease to income. The largest impact on non-operating expense was the \$1,557,260 interest expense from debt service. The interest expense was reduced by the combined effect of \$218,527 interest income earned on investments and \$1,223,673 in other revenue.

The City policy to transfer funds annually to the governmental fund reduced the proprietary fund retained earnings by \$2,066,000.

**Summary:**

<b>Division</b>	<b>Contribution to Net Position</b>	
	2019	2018
Electric Department	\$ 2,975,823	\$ 3,257,110
Water Department	347,138	1,056,347
Sewer Department	(1,091,272)	(1,031,843)
Other Operating Income	1,442,200	1,540,028
Non-operating Rev. (Exp.)	(1,557,260)	(1,424,745)
Transfers Out	(2,066,000)	(2,066,000)
Net Change	<u>\$ 50,629</u>	<u>\$ 1,330,897</u>

**City-wide Summary:**

	<b>Change in Net Position \$</b>	
	2019	2018
Governmental Fund	\$ 1,012,298	\$ 68,156
Proprietary Fund	\$ 50,629	\$ 1,330,897
Total City of Camden	\$ 1,062,927	\$ 1,399,053



**Summary of Revenues and Expenses  
Changes in Net Position as of 06/30/19**

	Governmental Activity		Proprietary Activity		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Taxes	\$ 5,237,363	\$ 4,843,852	\$ -	\$ -	\$ 5,237,363	\$ 4,843,852
Licenses and Permits	2,337,428	2,201,275	-	-	2,337,428	2,201,275
Intergovernmental	1,078,777	854,162	-	-	1,078,777	854,162
Charge for Services	1,819,347	1,769,908	-	-	1,819,347	1,769,908
Fines	120,266	180,204	-	-	120,266	180,204
Miscellaneous	1,134,109	358,566	-	-	1,134,109	358,566
Electric Revenue	-	-	22,719,428	22,530,465	22,719,428	22,530,465
Water Revenue	-	-	4,184,518	4,241,090	4,184,518	4,241,090
Sewer Revenue	-	-	2,535,426	2,530,349	2,535,426	2,530,349
Other Operating	-	-	1,223,673	1,409,002	1,223,673	1,409,002
Interest Income	-	-	218,527	131,026	218,527	131,026
<b>Total Revenue</b>	<b>11,727,290</b>	<b>10,207,967</b>	<b>30,881,572</b>	<b>30,841,932</b>	<b>42,608,862</b>	<b>41,049,899</b>
<b>Expenses:</b>						
General Government	2,526,450	2,425,924	-	-	2,526,450	2,425,924
Public Safety	4,959,771	4,930,200	-	-	4,959,771	4,930,200
Highways and Streets	1,315,240	1,418,016	-	-	1,315,240	1,418,016
Sanitation	1,227,445	1,298,430	-	-	1,227,445	1,298,430
Culture and Recreation	2,582,859	3,220,244	-	-	2,582,859	3,220,244
Non-Departmental	1,272,422	1,228,307	-	-	1,272,422	1,228,307
Electric Cost	-	-	19,743,605	19,273,355	19,743,605	19,273,355
Water Cost	-	-	3,837,380	3,184,743	3,837,380	3,184,743
Sewer Cost	-	-	3,626,698	3,562,192	3,626,698	3,562,192
Loss on Disposal of Assets	-	-	-	-	-	-
Interest Expense	-	-	1,557,260	1,424,745	1,557,260	1,424,745
<b>Total Expense</b>	<b>13,884,187</b>	<b>14,521,121</b>	<b>28,764,943</b>	<b>27,445,035</b>	<b>42,649,130</b>	<b>41,966,156</b>
Income before Transfers	(2,156,897)	(4,313,154)	2,116,629	3,396,897	(40,268)	(916,257)
Transfers In/ (Out)	2,066,000	2,066,000	(2,066,000)	(2,066,000)	-	-
Fund Bal Changes pg 16	1,103,195	2,039,310	-	-	1,103,195	2,039,310
Capital Financing	-	276,000	-	-	-	276,000
Change in Net Position	1,012,298	68,156	50,629	1,330,897	1,062,927	1,399,053
Beginning Net Position	(5,266,421)	(5,334,577)	54,321,306	52,990,409	49,054,885	47,655,832
Ending Net Position	<u>\$ (4,254,123)</u>	<u>\$ (5,266,421)</u>	<u>\$54,371,935</u>	<u>\$54,321,306</u>	<u>\$50,117,812</u>	<u>\$49,054,885</u>

**Restricted Assets and Other Reserves**

As a result of providing utility service to approximately 10,000 customers, the City maintains a reserve to cover un-collectable debt. The reserve fund for bad debts was \$364,968 as of June 30, 2019. Additionally, the utility fund customer deposits are maintained as a restricted reserve. This amount was \$705,563 as of June 30, 2019. The City Council passed an ordinance for a tax millage increase beginning in 2002. A portion of the tax increase is specifically restricted for road paving. As of June 30, 2019, the road paving reserve balance was \$647,940. City Council also restricted funds for capital projects. The capital projects fund balance was \$170,298 as of June 30, 2019. The City sold a watershed property during the year 2001. The principal balance amount of the sale, \$925,500, could not be spent without an authorizing resolution. In March 2011, City Council approved the reduction of the watershed account by the amount of \$375,000 to be used for the purchase of property from the Kershaw County School District. In May 2011, City Council approved the sale of a portion of the property purchased in the amount of \$113,631 and resolved that the sale proceeds be placed into the watershed restricted account. This purchase and sale of property resulted in a net balance of \$664,131 in the restricted watershed property account. In March 2011, City Council approved the reduction of the watershed account amount by \$363,967 to be used for the purchase of property on Campbell Street. In June of 2014, City Council approved the reduction of the watershed account amount by \$212,000 to be used to purchase property located at the corner of Broad St. and Rutledge (Maxway Property). In September 2015 the property known as Pine Tree Hill School was sold to Kershaw Health \$266,720. This was placed back into the restricted account and resulted in a balance of \$270,281 in the restricted watershed property account at June 2019.

A local hospitality tax in the amount of 2% went into effect December 2009. City Council resolved to restrict the hospitality tax to tourism related expenditures. The balance in the hospitality tax fund was \$543,225 as of June 30, 2019. This balance is a result of the H-Tax bond issue in the amount of \$1,845,000 with the balance of this bond amount being \$1,635,000 at June 30, 2019.

Local option sales tax (1.0%) must be used to offset property taxes levied on the citizens of the City. Each year the balance of local option tax receipts less tax credits given to the taxpayers is reserved for the next year tax credits. The reserve was \$733,847 as of June 30, 2019.

**Capital Assets**  
**Summary of Capital Assets**  
As of 06/30/19  
(Net of Depreciation)

	Governmental Activity		Proprietary Activity		Total	
	2019	2018	2019	2018	2019	2018
Land and Improvements	\$ 2,796,846	\$ 2,257,628	\$ 501,916	\$ 501,916	\$ 3,298,762	\$ 2,759,544
Buildings and Improvements	8,853,769	8,357,929	116,980	97,965	8,970,749	8,455,894
Equipment	13,035	19,321	-	-	13,035	19,321
Streets, Sidewalks, Etc.	1,175,355	4,204,356	-	-	1,175,355	4,204,356
Automotive Equipment	4,220,834	1,112,798	1,075,854	748,762	5,296,688	1,861,560
Electric System	-	-	31,812,113	28,563,494	31,812,113	28,563,494
Water System	-	-	20,962,207	22,071,468	20,962,207	22,071,468
Sewer System	-	-	16,964,255	17,499,716	16,964,255	17,499,716
Electric Instruments	-	-	253,934	272,726	253,934	272,726
Water Instruments	-	-	146,100	72,504	146,100	72,504
Sewer Instruments	-	-	449,752	387,026	449,752	387,026
Office Machines	-	-	3,995	7,193	3,995	7,193
Wastewater Treatment Plant	-	-	32,347,531	33,649,351	32,347,531	33,649,351
Total	17,059,839	15,952,032	104,634,637	103,872,121	121,694,476	119,824,153
Construction in Progress	-	-	7,030,482	2,608,600	7,030,482	2,608,600
Total	\$ 17,059,839	\$ 15,952,032	\$ 111,665,119	\$ 106,480,721	\$ 128,724,958	\$ 122,432,753

Please refer to Note 3 of the following audited financial statements for a review of capital asset transactions.

**Operating Cash**

The City maintains one consolidated checking account for the combined governmental fund and proprietary fund. The City's general ledger accounting system separates all transactions and applies cash transactions to the appropriate individual fund. The general fund cash balance is \$4,270,363 as of June 30, 2019. Other general fund liquid investments totaled \$6,077,648 at year-end. As of June 30, 2019, the general fund unrestricted operating cash is \$3,708,219. The excess unrestricted cash excludes the deferred revenue already received for the upcoming fiscal year. Based on cash needs for the fiscal year 2019/2020 this balance will support the City for 128 days. The proprietary fund operating cash and investment balance of \$14,344,060 allows 148 days of excess working cash.

**City-wide Debt**

The City has an excellent payment record. The City has never defaulted on the payment of debt principal or interest. Although we show small increases in City wide net assets for the current year activities, we continue to reflect a strong financial position net of debt for future capital expenditures and street paving. Restricted funds totaling \$7,680,166 are funds reserved in lieu of debt in order to provide services. City staff and Council face the needs of a community with very old infrastructure and very high service expectations.

**Governmental Fund Debt**

The total debt of the City is relatively low in proportion to the taxable property in relation to other South Carolina municipalities. The governmental fund has \$4,532,000 outstanding in revenue bond debt. The amount of principal paid on the bonds was \$408,000 for fiscal year 2019. At June 30, 2019, the governmental fund had an \$626,212 balance of capital lease/bond debt. The annual amount of principal paid for all general fund debt was \$238,002 for fiscal year 2019.

**Proprietary Fund Long Term Debt**

The proprietary fund currently has a balance, as of June 30, 2019, of \$63,601,409 committed to long term debt. This debt is comprised of 10 issues of combined public utility revenue bonds. The largest bond issue during 1997 was used to build a 6.0 MGD state of the art water treatment plant near Lake Wateree. The 1997 bond was refunded with a 2004 issue. A series 2002 revenue bond was issued for major repairs to the electric system, water lines and sewer system in the amount of \$4,200,000. A bond issue for \$6,000,000 was issued during fiscal year 2004. In November 2007, a revenue bond for continued infrastructure repairs was issued in the amount of \$1,273,000. A revenue bond 2011A, in the amount of \$475,000 was issued to refund a portion of the 1997 Bond during the 2011 fiscal year. A portion of the Series 2004 Bond was advance refunded through the issuance of the Series 2014A Bond. The advance refunding extinguished \$3,695,000 of the 2004 Bond. Series 2015 and 2016 was issued for major electric underground projects and repairs in the total amount of \$13,080,000. SRF Funding in the amount of \$12,325,986 for water and sewer renovations to include the area of Kendall Mill Village and the SCDOT Bypass.

The debt balance for the construction of a new wastewater treatment plant was \$27,100,802 at June 30, 2019. A revenue bond was issued during fiscal year 2010 in the amount of \$3,000,000 for engineering, planning, design and infrastructure related to the new wastewater treatment plant. The debt will be serviced as needed by rate increases for combined utility services with the payments that began September 2016. The debt amount for the upgrades and rehabilitation of several electric projects in beginning in 2015/2016 was \$13,080,000 with an interest rate of 2.4% with a 15-year term.

The amount needed to service the combined utility system debt annually for the next five years is approximately \$6,387,097. While the debt coverage ratio for the proprietary fund has been steady for the past four years (see the following chart) this did decrease as expected with the addition of new debt issues.

	2016	2017	2018	2019
Net Income	\$ 6,447,965	\$ 5,284,990	\$ 3,396,897	\$ 2,116,629
Depreciation	3,877,356	3,938,576	4,195,922	4,794,946
Loss on Disposal of Capital Assets	10,957	-	-	-
Interest Expense on Bonds	1,319,587	1,449,290	1,424,745	1,557,260
Net Available for Debt From Operations	<u>\$ 11,655,865</u>	<u>\$ 10,672,856</u>	<u>\$ 9,017,564</u>	<u>\$ 8,468,835</u>
Total Debt Service Requirement	<u>\$ 5,439,475</u>	<u>\$ 5,918,345</u>	<u>\$ 5,921,320</u>	<u>\$ 6,509,582</u>
Coverage Ratio	2.14	1.80	1.52	1.30

	<b>Summary of Outstanding Debt</b>					
	Governmental Activity		Proprietary Activity		Total City	
	2019	2018	2019	2018	2019	2018
Bond Obligations	\$ 4,532,000	\$ 4,940,000	\$ 63,601,409	\$ 58,256,079	\$ 68,133,409	\$ 63,196,079
Short Term Obligations	626,212	864,214	-	-	626,212	864,214
Total	<u>\$ 5,158,212</u>	<u>\$ 5,804,214</u>	<u>\$ 63,601,409</u>	<u>\$ 58,256,079</u>	<u>\$ 68,759,621</u>	<u>\$ 64,060,293</u>

Please refer to pages 29 through 32 (Note # 4 and # 5) of the audited financial statements for a detailed presentation of the City-wide debt.

\*Calculation of debt service was determined using financial information prior to transfers. Prior years' coverage has been restated to reflect debt service calculation prior to transfers.

**Financial Contact**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you need additional financial information, contact the Director of Finance, City of Camden, 1000 Lyttleton Street, P.O. Box 7002, Camden, South Carolina 29021.

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of NET POSITION  
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,270,363	\$ 2,486,390	\$ 6,756,753
Certificates of Deposit	1,363,203	647,577	2,010,780
Investments	3,656,541	2,872,312	6,528,853
Receivable:			
Accounts Receivable, Net	-	3,172,671	3,172,671
Taxes, Net	593,726	-	593,726
Miscellaneous	425,380	55,427	480,807
Inventory	81,652	1,132,400	1,214,052
Restricted Assets:			
Cash	733,847	-	733,847
Certificates of Deposit	-	657,615	657,615
Investments	324,057	7,680,166	8,004,223
Capital Assets:			
Land, Historical Collections and Construction in Progress	2,796,846	7,532,399	10,329,245
Other Capital Assets, Net of Accumulated Depreciation	14,262,993	104,132,720	118,395,713
Total Capital Assets, Net of Depreciation	<u>17,059,839</u>	<u>111,665,119</u>	<u>128,724,958</u>
Total Assets	<u>28,508,608</u>	<u>130,369,677</u>	<u>158,878,285</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pension Liability	2,420,084	976,464	3,396,548
Deferred Charges-Bonds	-	633,177	633,177
Total Deferred Outflow of Resources	<u>2,420,084</u>	<u>1,609,641</u>	<u>4,029,725</u>
<b>LIABILITIES</b>			
Accounts Payable	793,683	2,884,982	3,678,665
Accrued Liabilities	126,249	45,734	171,983
Notes and Lease Obligations Payable, Current	197,054	-	197,054
Bonds Payable, Current	417,000	5,037,127	5,454,127
Liabilities Payable from Restricted Assets			
Customer Deposits	-	705,563	705,563
Accrued Interest Payable	-	168,406	168,406
Compensated Absences, Non-Current	167,774	93,070	260,844
OPEB Obligation	13,639,165	3,203,930	16,843,095
Net Pension Liability	10,661,084	5,475,203	16,136,287
Notes and Lease Obligations Payable, Non-Current	429,158	-	429,158
Bonds Payable, Non-Current	4,115,000	58,564,282	62,679,282
Total Liabilities	<u>30,546,167</u>	<u>76,178,297</u>	<u>106,724,464</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenue	4,170,221	1,058,526	5,228,747
Deferred Inflows Related to Pension Liability	466,426	219,257	685,683
Deferred Gain on Bond Refunding	-	151,303	151,303
Total Deferred Inflow of Resources	<u>4,636,647</u>	<u>1,429,086</u>	<u>6,065,733</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,901,627	48,696,887	60,598,514
Restricted for:			
Law Enforcement	47,193	-	47,193
Special Purposes	81,499	-	81,499
Debt Service	324,057	7,680,166	8,004,223
Unrestricted	(16,608,498)	(2,005,118)	(18,613,616)
Total Net Position	<u>\$ (4,254,122)</u>	<u>\$ 54,371,935</u>	<u>\$ 50,117,813</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of ACTIVITIES  
For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
General Government	\$ 3,952,490	\$ 2,003,647	\$ -	\$ -	\$ (1,948,843)	\$ -	\$ (1,948,843)
Public Safety							
Police	3,209,478	261,503	223,461	-	(2,724,514)	-	(2,724,514)
Fire	1,961,224	631,920	251,243	-	(1,078,061)	-	(1,078,061)
Highways and Streets	1,036,042	-	186,074	-	(849,968)	-	(849,968)
Sanitation	1,320,541	1,187,427	43,013	-	(90,101)	-	(90,101)
Culture and Recreation	1,301,216	3,302	-	-	(1,297,914)	-	(1,297,914)
Total Governmental Activities	<u>12,780,991</u>	<u>4,087,799</u>	<u>703,791</u>	<u>-</u>	<u>(7,989,401)</u>	<u>-</u>	<u>(7,989,401)</u>
Business-Type Activities:							
Electric Charges	19,743,605	22,719,428	-	-	-	2,975,823	2,975,823
Water Charges	3,837,380	4,184,518	-	-	-	347,138	347,138
Sewer Charges	3,626,698	2,535,426	-	-	-	(1,091,272)	(1,091,272)
Total Business-Type Activities	<u>27,207,683</u>	<u>29,439,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,231,689</u>	<u>2,231,689</u>
Total Primary Government	<u>\$ 39,988,674</u>	<u>\$ 33,527,171</u>	<u>\$ 703,791</u>	<u>\$ -</u>	<u>(7,989,401)</u>	<u>2,231,689</u>	<u>(5,757,712)</u>
					<u>Primary Government</u>		
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					3,790,810	-	3,790,810
Franchise Taxes					333,781	-	333,781
Public Service Taxes					1,680,302	-	1,680,302
Unrestricted Investment Earnings					93,277	218,527	311,804
Transfers - Internal Activities					2,066,000	(2,066,000)	-
Miscellaneous					1,037,530	(333,587)	703,943
Total General Revenues, Special Items and Transfers					<u>9,001,700</u>	<u>(2,181,060)</u>	<u>6,820,640</u>
Change in Net Position					<u>1,012,299</u>	<u>50,629</u>	<u>1,062,928</u>
Net Position, Beginning of Year					<u>(5,266,421)</u>	<u>54,321,306</u>	<u>49,054,885</u>
Net Position, End of Year					<u>\$ (4,254,122)</u>	<u>\$ 54,371,935</u>	<u>\$ 50,117,813</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2019

	General	Special Revenue	Capital Project Funds	Total Governmental Funds
<b>ASSETS</b>				
Assets				
Cash	\$ 1,894,686	\$ 1,399,832	\$ 975,845	\$ 4,270,363
Restricted Cash	733,847	-	-	733,847
Certificates of Deposit	1,363,203	-	-	1,363,203
Investments	3,656,541	-	-	3,656,541
Restricted Investments	-	324,057	-	324,057
Receivables (Net)				
Taxes	390,568	203,158	-	593,726
Miscellaneous	425,380	-	-	425,380
Inventory	81,652	-	-	81,652
Total Assets	<u>\$ 8,545,877</u>	<u>\$ 1,927,047</u>	<u>\$ 975,845</u>	<u>\$ 11,448,769</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES and FUND BALANCE</b>				
Liabilities				
Accounts Payable	\$ 477,901	\$ 172,241	\$ 143,541	\$ 793,683
Accrued Liabilities	124,872	1,377	-	126,249
Total Liabilities	<u>602,773</u>	<u>173,618</u>	<u>143,541</u>	<u>919,932</u>
Deferred Inflows of Resources				
Unearned Revenue	3,081,339	1,074,816	14,066	4,170,221
Total Deferred Inflows of Resources	<u>3,081,339</u>	<u>1,074,816</u>	<u>14,066</u>	<u>4,170,221</u>
<b>FUND BALANCE</b>				
Fund Balance				
Nonspendable	81,652	-	-	81,652
Restricted	-	671,917	-	671,917
Committed	270,281	-	818,238	1,088,519
Assigned	-	6,696	-	6,696
Unassigned	4,509,832	-	-	4,509,832
Total Fund Balance	<u>4,861,765</u>	<u>678,613</u>	<u>818,238</u>	<u>6,358,616</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 8,545,877</u>	<u>\$ 1,927,047</u>	<u>\$ 975,845</u>	<u>\$ 11,448,769</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
to the STATEMENT of NET POSITION  
June 30, 2019

Total Fund Balance for Governmental Funds		\$ 6,358,616
Total Net Position reported for governmental activities in the statement of net position is different because:		
Capital assets of \$33,358,268 net of accumulated depreciation of \$16,298,429 are not financial resources and, therefore, are not reported in the funds. (See Note 3 for additional detail).		17,059,839
OPEB Obligation (See Note 6 for additional detail).		(13,639,165)
Deferred outflows and inflows related to the pension liability are applicable to future periods and therefore are not reported in the governmental funds:		
Deferred outflows-pension		2,420,084
Deferred inflows-pension		(466,426)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated Absences	\$ (167,774)	
Net Pension Liability	(10,661,084)	
Governmental Leases and Bonds Payable	<u>(5,158,212)</u>	<u>(15,987,070)</u>
Total Net Position of Governmental Activities		<u>\$ (4,254,122)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2019

	General	Special Revenue	Capital Project Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,856,010	\$ 1,523,953	\$ 857,400	\$ 5,237,363
Licenses and Permits	2,337,428	-	-	2,337,428
Intergovernmental Revenues	1,035,764	43,013	-	1,078,777
Charges for Services	1,819,347	-	-	1,819,347
Fines and Forfeits	111,526	8,740	-	120,266
Miscellaneous Revenues	395,438	738,671	-	1,134,109
Total Revenues	<u>8,555,513</u>	<u>2,314,377</u>	<u>857,400</u>	<u>11,727,290</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,526,450	-	-	2,526,450
Public Safety	4,950,531	9,240	-	4,959,771
Highways and Streets	969,332	-	345,908	1,315,240
Sanitation	1,227,445	-	-	1,227,445
Culture and Recreation	381,057	2,201,802	-	2,582,859
Non-Departmental	510,680	74,051	687,691	1,272,422
Total Expenditures	<u>10,565,495</u>	<u>2,285,093</u>	<u>1,033,599</u>	<u>13,884,187</u>
<b>EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,009,982)</u>	<u>29,284</u>	<u>(176,199)</u>	<u>(2,156,897)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	2,066,000	-	-	2,066,000
Total Other Financing Sources (Uses)	<u>2,066,000</u>	<u>-</u>	<u>-</u>	<u>2,066,000</u>
<b>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</b>	56,018	29,284	(176,199)	(90,897)
<b>FUND BALANCE, Beginning of Year</b>	<u>4,805,747</u>	<u>649,329</u>	<u>994,437</u>	<u>6,449,513</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 4,861,765</u>	<u>\$ 678,613</u>	<u>\$ 818,238</u>	<u>\$ 6,358,616</u>

The Accompanying Notes are an Integral Part of These Financial Statements



CITY of CAMDEN, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES,  
EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES  
For the Year Ended June 30, 2019

Net Changes in Fund Balances - Total Governmental Funds	\$ (90,897)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$1,854,350 exceeded depreciation of \$746,543 in the current period.	1,107,807
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. There were no financing proceeds and repayments of \$646,002. Also see Note 5 for additional detail.	646,002
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include:	
Net decrease in compensated absences.	12,832
Net increase in net pension liability expenses.	(718,840)
Net decrease in OPEB Obligation.	<u>55,395</u>
Changes in Net Position of Governmental Activities	<u>\$ 1,012,299</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of NET POSITION - PROPRIETARY FUND  
June 30, 2019

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 2,486,390
Certificates of Deposit	647,577
Investments	2,872,312
Water and Lights Accounts Receivable, Net	3,172,671
Miscellaneous Receivables	55,427
Inventories	1,132,400
Total Current Assets	<u>10,366,777</u>
<b>NON-CURRENT ASSETS</b>	
<b>RESTRICTED ASSETS</b>	
Certificates of Deposit - Customer Deposits	657,615
Investments - Reserve Bond Investment	7,680,166
Total Restricted Assets	<u>8,337,781</u>
<b>CAPITAL ASSETS</b>	
Construction in Process	7,030,483
Buildings and Land	879,406
Furniture, Fixtures and Equipment	3,448,841
Electric System	54,215,744
Water System	36,933,041
Sewer and Wastewater System	65,528,862
Sub-Total	<u>168,036,377</u>
Less Accumulated Depreciation	<u>(56,371,258)</u>
Total Capital Assets	<u>111,665,119</u>
Total Non-Current Assets	<u>120,002,900</u>
Total Assets	<u>130,369,677</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pension Liability	976,464
Deferred Charges-Bonds	633,177
Total Deferred Outflows of Resources	<u>1,609,641</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	2,884,982
Other Current Liabilities	45,734
Bonds Payable, Current	5,037,127
Total Current Liabilities	<u>7,967,843</u>
<b>NON-CURRENT LIABILITIES</b>	
Accrued Vacation Pay	93,070
OPEB Obligation	3,203,930
Net Pension Liability	5,475,203
Payable from Restricted Assets	
Customer Deposits	705,563
Accrued Interest Payable	168,406
Bonds Payable, Non-Current	58,564,282
Total Non-Current Liabilities	<u>68,210,454</u>
Total Liabilities	<u>76,178,297</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Revenue	1,058,526
Deferred Inflows Related to Pension Liability	219,257
Deferred Gain on Bond Refunding	151,303
Total Deferred Inflows of Resources	<u>1,429,086</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	48,696,887
Restricted for Debt Service	7,680,166
Unrestricted	(2,005,118)
Total Net Position	<u>\$ 54,371,935</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION -  
 PROPRIETARY FUND

For the Year Ended June 30, 2019

OPERATING REVENUES

Charges for Services:

Electric Charges	\$ 22,719,428
Water Charges	4,184,518
Sewer Charges	2,535,426
Total Operating Revenues	<u>29,439,372</u>

OPERATING EXPENSES

Personnel Services	3,563,554
Maintenance, Operations, and Contractual Services	18,246,077
Materials and Supplies	603,106
Depreciation & Amortization	4,794,946
Total Operating Expenses	<u>27,207,683</u>
Operating Income	<u>2,231,689</u>

NON-OPERATING REVENUE (EXPENSE)

Interest Income	218,527
Interest Expense	(1,557,260)
Other Revenue (Expense)	1,223,673
Total Non-Operating Revenue (Expense)	<u>(115,060)</u>

Income (Loss) before Contributions and Transfers	2,116,629
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OPERATING TRANSFERS and CONTRIBUTIONS

Transfers to Other Funds	<u>(2,066,000)</u>
Change in Net Position	50,629

NET POSITION, Beginning of Year	<u>54,321,306</u>
NET POSITION, End of Year	<u>\$ 54,371,935</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUND  
For the Year Ended June 30, 2019

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 29,165,758
Cash Payments to Suppliers for Goods and Services	(18,244,471)
Cash Payments to Employees for Services	(3,618,298)
Net Cash Provided by Operating Activities	<u>7,302,989</u>
CASH FLOWS from NON-CAPITAL FINANCING ACTIVITIES:	
Other Non-Operating Revenue	1,223,673
Reclassification of Restricted Cash	495,636
Operating Transfers Out	(2,066,000)
Net Cash Used in Non-Capital Financing Activities	<u>(346,691)</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Purchase of Assets	(9,979,344)
Principal Paid on Revenue Bond Maturities	(4,532,836)
Interest Paid on Debt Service	(1,557,260)
Net Cash Used in Capital and Related Financing Activities	<u>(6,191,274)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest and Dividends on Investments	<u>218,527</u>
Net Cash Provided by Investing Activities	<u>218,527</u>
Net Increase in Cash and Cash Equivalents	983,551
Cash and Cash Equivalents at Beginning of Year	1,502,838
Cash and Cash Equivalents at End of Year	<u>\$ 2,486,389</u>
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Income	\$ 2,231,689
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	85,215
Depreciation	4,709,731
Bad Debt Expense	93,013
Changes in Assets and Liabilities:	
Accounts Receivable	(280,656)
Miscellaneous Accounts Receivable	(2,153)
Inventory	(84,283)
Deferred Pension Outflow	(231,757)
Deferred Charges	354,851
Accounts Payable	296,288
Interest Payable	(20,097)
Other Liabilities	(51,835)
Customer Deposits	9,195
Deferred Gain	(26,312)
Deferred Inflows	220,100
Net Cash Provided by Operating Activities	<u>\$ 7,302,989</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

NOTES to FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The City of Camden, South Carolina (the "City") operates under the council-city manager form of government and provides the following services: public safety (police, fire and code enforcement), utilities (water, sewer and electric), sanitation, maintenance, culture-recreation, public improvements and general administrative services.

The City's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Principles Determining Scope of Reporting Entity

The financial statements of the City consist only of the funds of the City. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, sanitation, maintenance, culture-recreation, public improvements and general administrative services are classified as governmental activities. The City's utility services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—net investments in capital assets, restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.
- c. Capital project funds are used to account for the construction, rehabilitation, and acquisition of capital assets, such as buildings, equipment, and roads.

2. Proprietary Funds

The focus of the proprietary funds' measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

D. Basis of Accounting

The government-wide statement reports using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

## NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

### D. Basis of Accounting (Continued)

Major revenue sources susceptible to accrual include sales and use taxes, motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

### E. Budgets and Budgetary Accounting

The annual budget for the General Fund, Local Tax Fund and Capital Project Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Proprietary Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and certain nonoperating expense items are not considered.

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. The City Manager submits a proposed operating budget for the fiscal year to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts within and between departments as necessary to achieve the goals of the budget. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Budgeted amounts reflected in the accompanying financial statements are as amended by Council.

### E.(i) Budget - Special Revenue

The City has not presented budget information for all of the special funds, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the City's fiscal year, a comparison of budgetary information for the total special revenue fund would not be meaningful and has not been presented in the accompanying financial statements.

### F. Deposits and Investments

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Investments are recorded at fair value, except for investments with maturity or one year or less from date of purchase, which are stated at amortized cost. Fair value is based on quoted market prices.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitation of state law. The State of South Carolina General Statute permits the City to invest in the following types of instruments:

1. Obligations of the United States, and its agencies, the principal and interest of which is fully guaranteed by the United States.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

2. 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 the refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (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.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate 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.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) 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.

G. Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as expenditure, at the time individual inventory items are used. Proprietary fund inventories are recorded at cost on a first-in, first-out basis.

Prepaid record payments to vendors benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaid are similarly reported in government-wide and fund financial statements.

H. Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable in the proprietary fund at June 30, 2019 is \$364,968.



NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets, Depreciation, and Amortization

Capital assets purchased or acquired with an original cost of \$5,000 or more are stated at historical cost or estimated historical cost. Donated capital assets are stated at their fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Grounds	5 - 40
Improvements	2 - 40
Mobile Equipment	3 - 20
Furniture, Fixtures and Equipment	3 - 20

J. Long-Term Debt, Deferred Debt Expense and Bond Discount/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond insurance costs and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Issuance costs are reported as expenditures.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Amortization for the year ended June 30, 2019 was \$85,215 in the proprietary fund.

K. Fund Equity

The following classification describes the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepaid) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation;
- Committed fund balance - amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

Committed Fund Balance

City Council increased its tax millage specifically for road paving. The balance unspent at June 30, 2019 was \$647,940. City Council increased its tax millage specifically for capital. The balance unspent at June 30, 2019 was \$170,298. These previous two amounts are shown as committed in the Capital Projects Fund. City Council passed a 2% hospitality tax effective December 1, 2009 that is accounted for in the Special Revenue account as the Local Tax Fund. The fund balance at June 30, 2019 was \$543,225. City Council passed an ordinance committing \$270,281 of proceeds from the sale of its Watershed property. This money cannot be spent without an ordinance authorizing it by City Council and is recorded in the General Fund.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Proprietary Fund

City Council has passed an ordinance restricting the amount that can be transferred to other funds to twenty percent (20%) of capital assets, net of related debt.

	Revenue Bond Sinking and Revenue Fund	Customer Deposits	Total
Cash and Certificates of Deposits	\$ -	\$ 657,615	\$ 657,615
U.S. Government Securities	7,680,166	-	7,680,166
Total	<u>\$ 7,680,166</u>	<u>\$ 657,615</u>	<u>\$ 8,337,781</u>

L. Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 15 of the following year. All unpaid taxes become delinquent January 15 of the following year. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

Penalty Dates and Amounts

January 15 - 15%

March 15 - 5% execution cost of all unpaid taxes and Penalties.

September 1- 5% additional costs to amount of delinquent taxes, penalties and costs then due.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

M. Compensated Absences

All full-time, permanent employees of the City shall be entitled to two (2) weeks annual leave per year. All employees who have been in the employment of the City for ten (10) years or more shall be entitled to three (3) weeks annual leave per year. Two (2) weeks leave is considered twice the number of hours and three (3) weeks leave thrice the number of hours an employee is normally required to work per week. The maximum amount that may be accrued is 360 hours for regular employees, 396 hours for police officers and 477 hours for firemen hired before May 12, 1993. The maximum for employees hired after May 12, 1993 is 120 hours, 132 hours and 159 hours. Each employee earns 80, 88 and 106 hours, respectively, of sick leave per year. The maximum amount of sick leave an employee may accumulate is 720 hours, 792 hours and 954 hours respectively for 40 hours 44 hours and 53 hours per week employees hired after May 12, 1993, and for those employees who have waived the right to payment of one-half of their sick leave balances at retirement or upon death. Employees are not paid for the accumulated sick leave upon retirement or other termination. The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation related to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

As of June 30, 2019, the liability for accrued vacation is \$260,844. The amount applicable to the Proprietary Fund is \$93,070 and the amount applicable to the General Fund is \$167,774. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report out only matured compensated absences payable to currently terminating employees and are included in the wages and benefits payable.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Statement of Cash Flows

For the purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

O. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the City's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 2 DEPOSITS and INVESTMENTS

Deposits are shown at carrying value at June 30, 2019 as follows:

	Category			Bank Balance	Total Carrying Amount
	1	2	3		
Checking Accounts	\$ 3,060,664	\$ 4,806,415	\$ -	\$ 7,867,079	\$ 7,448,655
Savings Accounts	40,515	-	-	40,515	40,495
Certificates of Deposit	402,571	2,265,486	-	2,668,057	2,668,395
	<u>\$ 3,503,750</u>	<u>\$ 7,071,901</u>	<u>\$ -</u>	<u>\$ 10,575,651</u>	<u>\$ 10,157,545</u>

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash, cash equivalents and investments, had a bank balance of \$10,575,651 at June 30, 2019, that was fully insured by depository insurance or secured with collateral held by the City's agent in its name.

The City's deposits are categorized to indicate the level of risk assumed by the City at year end. Category 1 includes deposits that are insured or collateralized with securities held by the government or its agent in the government's name. Category 2 includes deposits that are collateralized with securities held by pledging financial institution's trust department or agent in the government's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

Investments are carried at fair value at June 30, 2019 as follows:

	Category			Fair Value
	1	2	3	
U.S. Government Securities	\$ -	\$ 8,004,223	\$ -	\$ 8,004,223
	<u>\$ -</u>	<u>\$ 8,004,223</u>	<u>\$ -</u>	

S.C. Local Government Investment Pool

(Fair value substantially equivalent to the value of the pool shares) \$ 6,528,853

Total \$ 14,533,076

The City's investments are categorized to indicate the level of risk assumed by the City at June 30, 2019. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City's name. The South Carolina Local Government Investment Pool is run by the State Treasurer's Office and can invest only in the same type of instruments allowed by the City.

The City entered into an agreement with a third party financial institution (third party) whereby the City's trustee for its utility revenue bonds (bonds) is required to transfer the City's monthly debt service payments on the bonds to the third party for investment and the third party for its own benefit. Simultaneous to the transfer of the debt service payments, and as security for bondholders, the third party is required to deposit with the trustee an equivalent amount of direct, full faith and credit non-callable obligations of the United States of America or other securities which the trustee is permitted to invest in by the relevant bond ordinances.

NOTE 2 DEPOSITS and INVESTMENTS (Continued)

A reconciliation of cash, cash equivalents and investments as shown in the combined statement of net position for the primary government as of June 30, 2019 is as follows:

Petty Cash and Other	\$ 1,450
Carrying Amount of Deposits	10,157,545
Carrying Amount of Investments	14,533,076
Total	<u>\$ 24,692,071</u>
Cash and Cash Equivalents	\$ 6,756,753
Certificates of Deposit	2,010,780
Cash and Cash Equivalents - Local Option Sales Tax	733,847
Certificates of Deposit - Restricted for Customer Deposits	657,615
Investments	6,528,853
Investments - Restricted for Debt Service	8,004,223
Total	<u>\$ 24,692,071</u>

NOTE 3 CAPITAL ASSETS

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

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Tranfers	
GOVERNMENTAL ACTIVITIES:					
Capital Assets not Being Depreciated:					
Land	\$1,557,628	\$ 152,591	\$ -	\$ -	\$ 1,710,219
Historical Collections	700,000	-	-	-	700,000
Construction in Progress	-	386,627	-	-	386,627
Total Capital Assets not Being Depreciated	<u>2,257,628</u>	<u>539,218</u>	<u>-</u>	<u>-</u>	<u>2,796,846</u>
Other Capital Assets:					
Building and Improvements	16,082,847	861,147	-	-	16,943,994
Equipment	1,502,798	-	(109,800)	-	1,392,998
Automotive Equipment	5,418,702	330,224	(63,773)	-	5,685,153
Streets, Sidewalks, Etc.	6,415,516	123,761	-	-	6,539,277
Total Other Capital Assets at Historical Cost	<u>29,419,863</u>	<u>1,315,132</u>	<u>(173,573)</u>	<u>-</u>	<u>30,561,422</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(7,724,918)	(365,307)	-	-	(8,090,225)
Equipment	(1,483,477)	(6,286)	109,800	-	(1,379,963)
Automotive Equipment	(4,305,904)	(267,666)	63,773	-	(4,509,797)
Streets, Sidewalks, Etc.	(2,211,160)	(107,284)	-	-	(2,318,444)
Total Accumulated Depreciation	<u>(15,725,459)</u>	<u>(746,543)</u>	<u>173,573</u>	<u>-</u>	<u>(16,298,429)</u>
Other Capital Assets, Net	<u>13,694,404</u>	<u>568,589</u>	<u>-</u>	<u>-</u>	<u>14,262,993</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,952,032</u>	<u>\$ 1,107,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,059,839</u>

NOTE 3 CAPITAL ASSETS (Continued)

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Tranfers	
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital Assts not Being Depreciated:					
Land and Improvements	\$ 501,916	\$ -	\$ -	\$ -	\$ 501,916
Construction in Progress	2,608,601	4,421,882	-	-	7,030,483
Total Capital Assets not Being Depreciated	3,110,517	4,421,882	-	-	7,532,399
<b>Other Capital Assets:</b>					
Electric System	48,714,211	4,730,760	-	-	53,444,971
Water System	36,365,166	-	-	-	36,365,166
Sewer System	25,644,247	24,609	-	-	25,668,856
Electric Instruments	770,773	-	-	-	770,773
Water Instruments	467,850	100,025	-	-	567,875
Sewer Instruments	694,674	133,000	-	-	827,674
Automotive Equipment	2,787,022	540,526	-	-	3,327,548
Office Machines	121,293	-	-	-	121,293
Buildings	348,948	28,542	-	-	377,490
Wastewater Treatment Plant	39,032,332	-	-	-	39,032,332
Total Other Capital Assets at Historical Cost	154,946,516	5,557,462	-	-	160,503,978
Less Accumulated Depreciation	(51,576,312)	(4,794,946)	-	-	(56,371,258)
Other Capital Assets, Net	103,370,204	762,516	-	-	104,132,720
Business-Type Activities Capital Assets, Net	<u>\$106,480,721</u>	<u>\$ 5,184,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,665,119</u>

Depreciation expense was charged to functions as follows:

<b>GOVERNMENT ACTIVITIES:</b>	
General Government	\$ 220,157
Public Safety	173,340
Highways and Streets	107,966
Sanitation	93,096
Culture and Recreation	151,984
Total Governmental Activities Depreciation Expense	<u>\$ 746,543</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>	
Electric Department	\$ 1,562,270
Water Department	1,135,692
Sewer Department	2,096,984
Total Business-Type Activities Depreciation Expense	<u>\$ 4,794,946</u>

NOTE 4 CHANGES in LONG-TERM DEBT-PROPRIETARY FUND

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balance 6/30/2018	Issued	Retired	Balance 6/30/2019	Due Within One Year
Combined Public Utility System Refunding Revenue Bond, Series 2013A	\$2,400,000	\$ -	\$ 380,000	\$2,020,000	\$ 390,000
Combined Public Utility System Improvement Revenue Bond Series 2010,	2,077,043	-	145,606	1,931,437	150,106
Combined Public Utility System Refunding Revenue Bond, Series 2012A	1,128,134	-	273,275	\$ 854,859	279,032
Combined Public Utility System Refunding Revenue Bond, Series 2014A	6,575,000	-	1,035,000	5,540,000	1,065,000
State Revolving Fund Loan, Series 2012B	28,603,592	-	1,502,790	27,100,802	1,536,889
State Revolving Fund Loan, Sewer Rehab	3,146,101	2,107,599	193,598	5,060,102	228,759
State Revolving Fund Loan, Water Rehab	3,111,209	1,012,567	222,567	3,901,209	244,341
Combined Public Utility System Refunding Revenue Bond, Series 2015 Issue	4,920,000	-	360,000	4,560,000	365,000
Combined Public Utility System Refunding Revenue Bond, Series 2016 Issue	6,295,000	-	420,000	5,875,000	430,000
Combined Public Utility System Refunding Revenue Bond, Series 2018 Issue	-	6,758,000		6,758,000	348,000
Total Revenue and Lease Obligations Payable	<u>\$58,256,079</u>	<u>9,878,166</u>	<u>4,532,836</u>	<u>63,601,409</u>	<u>5,037,127</u>

Long-Term Debt at June 30, 2019 consisted of the following:

Refunding Revenue Bond, Series 2013A dated March 27, 2013, payable \$60,000 to \$415,000 each March 1, 2014 through 2024. Interest at 1.87%, payable each March 1 and September 1.	\$ 2,020,000
Revenue Bond, Series 2012A dated February 29, 2012, payable \$297,044 each March 1, 2013 through 2022. Interest at 2.107% payable March 1.	854,859
Improvement Revenue Bonds, Series 2010 dated February 3, 2010, reissued December 1, 2014 payable in annual installments of \$209,787 through 2030 Interest at 3.C	1,931,437
State Revolving Fund Loan, Series 2012B payable \$560,220 quarterly beginning September 2014 through June 2034 at 2.25% interest.	27,100,802
State Revolving Fund Loan, Sewer Rehab payable \$79,332 quarterly beginning November 2017 through August 2047 at 1.80% interest.	5,060,102
State Revolving Fund Loan, Water Rehab payable \$78,094 quarterly beginning November 2017 through May 2037 at 1.80% interest.	3,901,209
Refunding Revenue Bond, Series 2014A dated March 3, 2014, payable \$95,000 to \$1,150,000 each March 1, 2015 through 2024. Interest at 2.19%, payable each March 1 and September 1.	5,540,000
Refunding Revenue Bond, Series 2015 dated July 29, 2015, payable \$390,000 to \$465,000 each March 1, 2016 through 2030. Interest at 2.40%, payable each March 1.	4,560,000
Refunding Revenue Bond, Series 2016 dated January 15, 2016, payable \$375,000 to \$555,000 each March 1, 2017 through 2031. Interest at 2.40%, payable each March 1.	5,875,000
Refunding Revenue Bond, Series 2018 dated November 15, 2018, payable \$348,000 to \$570,000 each November 1, 2019 through 2033. Interest at 3.52%, payable each March 1.	6,758,000
Total	<u>\$63,601,409</u>

NOTE 4 CHANGES in LONG-TERM DEBT-PROPRIETARY FUND (Continued)

The annual requirements to amortize all bonds outstanding as of June 30, 2019 follow:

COMBINED PUBLIC UTILITY SYSTEM IMPROVEMENT REVENUE BONDS

Year Ending	Series 2012B		Series 2013A		Series 2012A	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,536,889	\$ 596,861	\$ 390,000	\$ 37,774	\$ 279,032	\$ 18,012
2021	1,571,762	561,988	400,000	15,240	284,912	12,133
2022	1,607,426	526,324	405,000	26,740	290,915	6,130
2023	1,643,900	489,851	410,000	15,426	-	-
2024	1,681,201	452,550	415,000	23,190	-	-
2025-2029	7,156,759	1,672,929	-	-	-	-
2030-2034	11,902,865	604,949	-	-	-	-
2035	-	-	-	-	-	-
Totals	\$ 27,100,802	\$ 4,905,452	\$ 2,020,000	\$ 118,370	\$ 854,859	\$ 36,275

Year Ending	Series 2010		Series 2014A		Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 150,106	\$ 59,681	\$ 1,065,000	\$ 121,326	\$ 365,000	\$ 109,440
2021	154,743	55,043	1,085,000	98,002	375,000	100,680
2022	159,525	50,261	1,110,000	74,240	385,000	91,680
2023	164,454	45,332	1,130,000	49,932	395,000	82,440
2024	169,536	40,251	1,150,000	25,186	405,000	72,960
2025-2029	929,574	125,275	-	-	2,170,000	214,560
2030-2034	203,499	18,676	-	-	465,000	11,160
Totals	\$ 1,931,437	\$ 394,519	\$ 5,540,000	\$ 368,686	\$ 4,560,000	\$ 682,920

Year Ending	Series 2016A		Series 2016B		Series 2016C	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 430,000	\$ 141,000	\$ 228,759	\$ 88,571	\$ 244,341	\$ 68,033
2021	440,000	130,680	232,904	84,425	248,769	63,606
2022	450,000	120,120	237,125	80,205	253,277	59,097
2023	460,000	109,320	241,422	75,907	257,867	54,508
2024	470,000	98,280	245,797	71,532	262,540	49,834
2025-2029	2,525,000	316,680	1,297,435	289,211	1,385,811	176,059
2030-2034	1,100,000	39,720	1,374,333	167,916	1,248,604	47,672
2035	-	-	1,202,327	45,272	-	-
Totals	\$ 5,875,000	\$ 955,800	\$ 5,060,102	\$ 903,039	\$ 3,901,209	\$ 518,809

Year Ending	Series 2018		Total	
	Principal	Interest	Principal	Interest
2020	\$ 348,000	\$ 231,757	\$ 5,037,127	\$ 1,472,455
2021	361,000	219,278	5,154,090	1,341,075
2022	373,000	206,360	5,271,268	1,241,157
2023	387,000	192,984	5,089,643	1,115,700
2024	401,000	179,115	5,200,074	1,012,898
2025-2029	2,229,000	669,662	17,693,579	3,464,376
2030-2034	2,659,000	240,574	18,953,301	1,130,667
2035	-	-	1,202,327	45,272
Totals	\$ 6,758,000	\$ 1,939,730	\$ 63,601,409	\$ 10,823,600



NOTE 4 CHANGES in LONG-TERM DEBT-PROPRIETARY FUND (Continued)

The City has complied with all significant bond covenants. A portion of the Series 1997 Bond was advance refunded through the issuance of the Series 2004 Bond. The advance refunding extinguished \$15,100,000 of the 1997 Bond. Because of this advance refunding, the City incurred a loss on retirement of debt of \$1,916,000. The City is amortizing this loss over twenty years. A portion of the Series 2004 Bond was advance refunded through the issuance of the Series 2013A Bond. The advance refunding extinguished \$3,695,000 of the 2004 Bond. Because of this advance refunding, the City incurred a loss on retirement of debt of \$157,251. The City is amortizing this loss over ten years. The remaining portion of the Series 2004 Bond was refunded through the issuance of the Series 2014 A Bond. Because of this refunding, the City incurred a gain on retirement of debt of \$309,179. The City is amortizing this gain over ten years.

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT

A summary of the Governmental Fund Debt at June 30, 2019 is as follows:

Lease Obligation Payable, May 12, Annually at 2.25% Interest	\$ 104,969
Lease Obligation Payable, July 1, Annually at 1.62% Interest	53,518
Lease Obligation Payable, July 1, Annually at 2.15% Interest	338,279
Lease Obligation Payable, May 25, Annually at 2.92% Interest	129,446
Bond Obligation Payable Quarterly at 0.00% Interest	200,000
Bond Obligation Payable, Semiannually at 3.18% Interest	2,697,000
Bond Obligation Payable, Semiannually at 2.49% Interest	<u>1,635,000</u>
Total Lease and Bond Obligations	5,158,212
Liability for Compensated Absences	<u>167,774</u>
Total Long-Term Debt	<u><u>\$ 5,325,986</u></u>

The following is a summary of the changes at June 30, 2019 in General Fund Debt:

	Payable			Balance	Due Within
	6/30/2018	Additions	Reductions	6/30/2019	One Year
Bond Obligations	\$ 4,940,000	\$ -	\$408,000	\$ 4,532,000	\$ 417,000
Capital Leases	864,214	-	238,002	626,212	197,054
Total Bond & Lease Obligations	<u>5,804,214</u>	<u>-</u>	<u>646,002</u>	<u>5,158,212</u>	<u>614,054</u>
Compensated Absences	180,606	(12,832)	-	167,774	-
Total Governmental Activities Long-Term Debt	<u>\$ 5,984,820</u>	<u>\$ (12,832)</u>	<u>\$ 646,002</u>	<u>\$ 5,325,986</u>	<u>\$ 614,054</u>

The annual Debt Service Retirements to maturity, including principal and interest are:

Year Ended June 30,	Principal	Interest
2020	\$ 614,054	\$ 140,756
2021	580,394	126,706
2022	411,252	113,660
2023	393,267	101,929
2024	404,305	9,079
2025-2029	2,044,940	277,025
2030-2034	710,000	30,402
Totals	<u>\$ 5,158,212</u>	<u>\$ 799,557</u>

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT (Continued)

The City entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The following schedule presents future minimum lease payments as of June 30, 2019.

<u>Year Ended June 30,</u>	<u>Total</u>
2020	\$ 211,334
2021	163,883
2022	81,372
2023	52,554
2024	52,554
2025-2027	<u>105,235</u>
	<u>666,932</u>
Less: Interest	<u>(40,720)</u>
Present Value of Minimum Lease Payments	<u>\$ 626,212</u>

The value of leased equipment less accumulated depreciation under capital leases at June 30, 2019 totals \$781,756. Amortization of leased equipment under capital leases is included with depreciation expense.

NOTE 6 POST-EMPLOYMENT BENEFITS

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard has substantially revised the accounting requirements previously mandated under GASB Statement 45. The most notable change is that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer’s financial statement rather than a footnote entry.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net (or Total) OPEB Liability will be immediately recognized as OPEB expense on the income statement or reported as deferred inflows or outflows of resources, depending on the nature of the change.

*Plan Description:* In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the City has autonomy in establishing retiree and post-employment benefits. The City provides certain health insurance benefits to certain active and retired City employees and certain surviving dependents or retirees. The City provides post-retirement healthcare insurance to all employees who retire from the City with fifteen or more years of service regardless of age and who were employed as of May 1992. The City pays 100% for medical and hospitalization insurance for pre-Medicare retirees and their dependents. As of July 1, 2016, the valuation date, one hundred seven (107) retirees and one hundred eleven (111) active members met the eligibility requirement for the plan.

*Funding Policy:* Employer and employee contribution rates are established by the State of South Carolina Employee Insurance Plan. The City currently funds the plan on a pay-as-you go basis. As of July 1, 2016, the valuation date, the City pays 100% of the premium cost.

NOTE 6 POST-EMPLOYMENT BENEFITS (Continued)

**Total OPEB Liability**

<b>Total OPEB Liability</b>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability	\$ 16,906,279	\$ 16,843,095
Covered Payroll		\$ 4,573,013
Total OPEB Liability as a % of Covered Payroll		368.32%

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 75.

<b>Discount Rate</b>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Discount Rate:	3.50%	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.50%	3.50%

The discount rate was based on the Bond Buyer 20-Year Bond GO Index as of June 30, 2019.

**Other Key Actuarial Assumptions**

The demographic assumptions used are predominantly consistent with those used in the July 1, 2016 actuarial valuations of the South Carolina Retirement System.

**Other Key Actuarial Assumptions**

Valuation Date	July 1, 2016	July 1, 2016
Measurement Date	June 30, 2017	June 30, 2018
Inflation	2.30%	2.30%
Salary Increases, Including Inflation	3.95%-6.20%	3.95%-6.20%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

The June 30, 2019 information was rolled forward using the June 30, 2018 measurement date.

**Changes in Total OPEB Liability**

<b>Changes in Total OPEB Liability</b>	<u>Increase or (Decrease)</u>
Balance as of June 30, 2018	\$ 16,906,279
Changes during Year:	
Service Cost	54,538
Interest on Total OPEB Liability	585,844
Implicit Rate Subsidy Fulfillment	<u>(703,566)</u>
Balance as of June 30, 2019	<u>\$ 16,843,095</u>

NOTE 6 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

**Sensitivity Analysis**

The following presents the City's Total OPEB Liability calculated using the discount rate of 3.50%. It also presents what the City's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.50%) and one percentage point higher (4.50%) than the current rate.

	<b>1% Decrease 2.50%</b>	<b>Discount Rate 3.50%</b>	<b>1% Increase 4.50%</b>
Total OPEB Liability	\$19,698,380	\$ 16,843,095	\$ 14,799,516

The following presents the City's Total OPEB Liability calculated using the current healthcare trend rates. It also presents what the City's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	<b>1% Decrease in Trend Rate</b>	<b>Current Trend Rate</b>	<b>1% Increase in Trend Rate</b>
Total OPEB Liability	\$14,702,627	\$ 16,843,095	\$ 19,785,248

NOTE 7 RETIREMENT PLAN

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled *Accounting and Financial Reporting for Pension Plans* in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System or Police Officer Retirement System are prescribed in paragraphs 48 through 82 of GASB 68. The following information is provided in order to meet the current disclosure requirements.

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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 Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and fireman of the state and its political subdivisions.

## NOTE 7 RETIREMENT PLAN (Continued)

### Membership

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals 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.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. 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.

### 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. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirements 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.

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

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

NOTE 7 RETIREMENT PLAN (Continued)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

The following provides a summary of the City of Camden, South Carolina's retirement plan contributions at June 30, 2019: (includes group life insurance)

Retirement System	Covered Salaries	Employee Contributions	Employer Contributions	Total Contributions
SCRS	\$ 5,136,110	\$ 462,529	\$ 747,818	\$ 1,210,347
PORS	\$ 2,912,782	\$ 283,408	\$ 502,167	\$ 785,575
		<u>Contribution Rates</u>		
		Employee	Employer	Total
SCRS		9.00%	14.56%	23.56%
PORS		9.75%	17.24%	26.99%

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

At June 30, 2019, the City reported a liability of \$16,136,286 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportion was .047% for the SCRS and .20% for the PORS.

For the year ended June 30, 2019, the City recognized pension expense of \$1,906,724. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 685,683
Liability Experience	2,146,564	-
City Contributions Subsequent to the Measurement Date	1,249,984	-
Total	\$ 3,396,548	\$ 685,683

NOTE 7 RETIREMENT PLAN (Continued)

The \$1,249,984 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 882,017
2021	629,694
2022	(39,988)
2023	(10,842)

Actuarial Assumptions and Methods

Actuarial valuations 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 during the valuation process 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 as of July 1, 2015.

The June 30, 2018, total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2017, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2019, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2018, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. 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.

Assumptions used in the July 1, 2018, valuations for SCRS and PORS are as follows.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Males multiplied by 92%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Males multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Males multiplied by 111%

NOTE 7 RETIREMENT PLAN (Continued)

Long-Term Expected Rate of Return

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

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

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real</b>	<b>Long Term Expected Portfolio Real Rate of</b>
<b>Global Equity</b>	<b>47.00%</b>		
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%
<b>Real Assets</b>	<b>10.0%</b>		
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%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAARisk 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%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%



NOTE 7 RETIREMENT PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State 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 total pension liability.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

	Discount Rate	City's Proportionate Share of Net Pension Liability (in Millions)
1% Decrease	6.25%	\$ 21,018
Current Discount Rate	7.25%	\$ 16,136
1% Increase	8.25%	\$ 12,441

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

NOTE 8 COMPONENTS of RESTRICTED ASSETS

General Fund

Restricted Assets at June 30, 2019 were as follows:

	Local Option Sales Tax
Cash	<u>\$ 733,847</u>

Special Revenue Fund-Local Tax

	Revenue Bond Sinking and Revenue Fund
U.S. Government Securities	<u>\$ 324,057</u>

NOTE 8 COMPONENTS of RESTRICTED ASSETS (Continued)

Proprietary Fund

Restricted Assets at June 30, 2019 were as follows:

	Revenue Bond Sinking and Revenue Fund	Customer Deposits	Total
Cash and Certificates of Deposits	\$ -	\$ 657,615	\$ 657,615
U.S. Government Securities	7,680,166	-	7,680,166
Total	<u>\$ 7,680,166</u>	<u>\$ 657,615</u>	<u>\$ 8,337,781</u>

The ordinance authorizing the Electric, Water and Sewer System revenue bonds requires that the City establish a sinking fund (Revenue Bond Sinking Fund) in an amount not less than the maximum annual requirement for the payment of principal and interest on all the revenue bonds except for the SRF loan. At June 30, 2019, the sinking fund balance is being funded to satisfy such bond ordinance requirements

NOTE 9 INTERFUND TRANSACTION

Operating Transfers

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type fund financial statements generally reflect such transactions as transfers. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual fund operating transfers for fiscal year 2019 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 2,066,000	\$ -
Utility Fund	-	2,066,000
Totals	<u>\$ 2,066,000</u>	<u>\$ 2,066,000</u>

NOTE 10 CAPITALIZED INTEREST

The City capitalizes net interest costs as part of the cost of constructing various water and sewer projects when material. Interests earned on proceeds of the revenue bonds used for construction are offset against interest costs in determining the amount to be capitalized. Interest costs expensed in the proprietary fund for the year ended June 30, 2019 were \$1,557,261 and none was capitalized.

#### NOTE 11 COMMITMENTS and CONTINGENCIES

The City is a defendant in various lawsuits and asserted claims. Although the outcome of these lawsuits and asserted claims is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City receives state and federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the state and federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant.

#### NOTE 12 RISK MANAGEMENT

The City 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. Because of the high cost of worker's compensation insurance purchased from commercial insurers, the City has chosen to participate with other municipalities in the state in the South Carolina Municipal Insurance Trust Fund, a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the reserve for its worker's compensation insurance coverage based upon the total payroll of the City for each plan year. The Agreement for Formation of the Reserve Fund provides that it will be self-sustaining through member premiums and any deficiencies can be charged back to the members in the event that a fund deficit arises.

The City continues to participate in the South Carolina Municipal Insurance Trust Fund for all other risks of loss.

#### NOTE 13 EXCESS of EXPENDITURES over APPROPRIATIONS

The expenditures for the general fund of \$10,565,495 exceeded appropriations of \$10,373,871 by \$191,624 for the year ended June 30, 2019. This is due to expenditures for capital outlay and grants, which are typically not included in the budget.

#### NOTE 14 SUBSEQUENT EVENTS

The City evaluated all events or transactions that occurred after June 30, 2019, through the date the City issued these financial statements on December 10, 2019. During this period, the City did not have any material subsequent events that required recognition in the City's disclosures to the June 30, 2019, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY of CAMDEN, SOUTH CAROLINA  
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in  
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL – GENERAL FUND  
For the Year Ended June 30, 2019

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 3,019,500	\$ 3,019,500	\$ 2,856,010	\$ (163,490)
Licenses and Permits	2,172,151	2,172,151	2,337,428	165,277
Intergovernmental Revenues	832,920	832,920	1,035,764	202,844
Charge for Services	1,827,000	1,827,000	1,819,347	(7,653)
Fines and Forfeits	220,000	220,000	111,526	(108,474)
Miscellaneous	236,300	236,300	395,438	159,138
Total Revenues	8,307,871	8,307,871	8,555,513	247,642
<b>EXPENDITURES</b>				
General Government	2,479,322	2,479,322	2,526,450	(47,128)
Public Safety	4,877,691	4,877,691	4,950,531	(72,840)
Highways and Streets	929,286	929,286	969,332	(40,046)
Sanitation	1,142,166	1,142,166	1,227,445	(85,279)
Culture and Recreation	374,486	374,486	381,057	(6,571)
Non-Departmental	570,920	570,920	510,680	60,240
Total Expenditures	10,373,871	10,373,871	10,565,495	(191,624)
<b>EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES</b>	<b>(2,066,000)</b>	<b>(2,066,000)</b>	<b>(2,009,982)</b>	<b>56,018</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Financing	-	-	-	-
Transfer In	2,066,000	2,066,000	2,066,000	-
Total Other Financing Sources (Uses)	2,066,000	2,066,000	2,066,000	-
<b>EXCESS (DEFICIENCY) of REVENUES and OTHER SOURCES OVER EXPENDITURES and OTHER USES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>56,018</b>	<b>\$ 56,018</b>
<b>FUND BALANCE, Beginning of Year</b>			<b>4,805,747</b>	
<b>FUND BALANCE, End of Year</b>			<b>\$ 4,861,765</b>	

CITY of CAMDEN, SOUTH CAROLINA  
LOCAL TAX FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in  
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL – LOCAL TAX FUND  
For the Year Ended June 30, 2019

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 943,500	\$ 943,500	\$1,002,767	\$ 59,267
Licenses and Permits	9,000	9,000	6,050	(2,950)
Intergovernmental Revenues	30,000	30,000	88,874	58,874
In-kind Contributions	-	-	650,000	650,000
Miscellaneous	45,200	45,200	469,275	424,075
Total Revenues	<u>1,027,700</u>	<u>1,027,700</u>	<u>2,216,966</u>	<u>1,189,266</u>
<b>EXPENDITURES</b>				
Culture and Recreation	<u>1,027,700</u>	<u>1,027,700</u>	<u>2,201,802</u>	<u>(1,174,102)</u>
Total Expenditures	<u>1,027,700</u>	<u>1,027,700</u>	<u>2,201,802</u>	<u>(1,174,102)</u>
<b>EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	15,164	<u>\$ 15,164</u>
<b>FUND BALANCE, Beginning of Year</b>			<u>528,061</u>	
<b>FUND BALANCE, End of Year</b>			<u>\$ 543,225</u>	

CITY of CAMDEN, SOUTH CAROLINA  
Camden, South Carolina

SCHEDULE of CHANGES in TOTAL OPEB LIABILITY AND RELATED RATIOS  
Years Ended June 30,

Total OPEB Liability	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service Cost	\$ 54,538	\$ 54,538	\$ 54,538
Interest on Total OPEB Liability	585,844	585,844	585,844
Implicit Rate Subsidy Fulfillment	<u>(703,566)</u>	<u>(703,566)</u>	<u>(703,566)</u>
Net Change in Total OPEB Liability	(63,184)	(63,184)	(63,184)
Total OPEB Liability, Beginning of Year	<u>16,906,279</u>	<u>16,969,463</u>	<u>17,032,647</u>
Total OPEB Liability, End of Year	<u>\$ 16,843,095</u>	<u>\$ 16,906,279</u>	<u>\$16,969,463</u>
Covered Payroll	\$ 4,687,338	\$ 4,687,338	\$ 4,573,013
Total OPEB Liability as a % of Covered Payroll	359.33%	360.68%	371.08%

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY of CAMDEN, SOUTH CAROLINA  
Camden, South Carolina

NOTES to REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
Year Ended June 30, 2019

NOTE 1 CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the year ended June 30, 2018 (the measurement date).

NOTE 2 CHANGES IN ASSUMPTIONS

No changes were made to the actuarial assumptions utilized during the fiscal year ended June 30, 2018 (the measurement year).

NOTE 3 PLAN ASSETS

There are no plan assets accumulated in a trust to fund the OPEB liability.



CITY of CAMDEN, SOUTH CAROLINA  
Camden, South Carolina

SCHEDULE of the CITY'S CONTRIBUTIONS  
South Carolina Retirement System  
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 1,249,984	\$ 1,106,062	\$ 913,556	\$ 775,534	\$ 716,089
Contributions in Relation to Statutorily Required Contributions	<u>1,249,984</u>	<u>1,106,062</u>	<u>913,556</u>	<u>775,534</u>	<u>716,089</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's Covered-Employee Payroll	<u>\$ 8,048,892</u>	<u>\$ 7,610,034</u>	<u>\$ 7,423,787</u>	<u>\$ 6,808,187</u>	<u>\$ 6,615,666</u>
Contributions as a Percentage of Covered Employee Payroll	15.5%	14.5%	12.3%	11.4%	10.8%

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY of CAMDEN, SOUTH CAROLINA  
Camden, South Carolina

SCHEDULE of the CITY'S PROPORTIONATE  
SHARE of the NET PENSION LIABILITY  
South Carolina Retirement System  
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting Unit's Proportion of SCRS Net Pension Liability (%)	0.0467%	0.0469%	0.0453%	0.0454%	0.0448%
Reporting Unit's Proportion of PORS Net Pension Liability (%)	0.1999%	0.2000%	0.1903%	0.1903%	0.1873%
Reporting Unit's Proportionate Share of Net Pension Liability	<u>\$ 16,136,286</u>	<u>\$ 16,033,664</u>	<u>\$ 14,496,705</u>	<u>\$ 12,764,031</u>	<u>\$ 11,302,929</u>
Reporting Unit's Covered Employee Payroll	<u>\$ 8,048,892</u>	<u>\$ 7,610,034</u>	<u>\$ 7,423,787</u>	<u>\$ 6,808,187</u>	<u>\$ 6,615,666</u>
Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll (%)	200.5%	210.7%	195.3%	187.5%	170.9%

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY of CAMDEN, SOUTH CAROLINA  
Camden, South Carolina

NOTES to REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2019

**Note 1 Valuation Date** – Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

**Note 2 Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	25 Years, Open
Asset Valuation Method	5-Year Smoothing Market
Inflation	2.25%
Salary Increases	3.0% - 12.5% (SCRS), 3.5%-9.5% (PORS)
Investment Return	7.25%
Mortality	2016 PRSC, Projected at Scale AA from Year 2016

**Note 3 Changes in Benefits** – No changes were made to the benefit terms during the fiscal year ended June 30, 2018 (the measurement year).

**Note 4 Changes in Assumptions** – No changes were made to the actual assumptions utilized during the fiscal year ended June 30, 2018 (the measurement year).

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## INDEPENDENT AUDITOR'S 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*

To the City Council  
City of Camden  
Camden, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Camden, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Camden, South Carolina's basic financial statements, and have issued our report thereon dated December 10, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Camden, South Carolina'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Camden, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Camden, South Carolina'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 a 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 material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Camden, South Carolina'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*.

**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.

*Cantey, Tiller, Pierce & Green, LLP*

Cantey, Tiller, Pierce and Green, LLP  
Camden, South Carolina

December 10, 2019

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**APPENDIX B**  
**INFORMATION RELATING TO**  
**THE CITY OF CAMDEN AND THE SURROUNDING AREA**

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## THE CITY

### General Description

The City, incorporated in 1791, is the county seat of Kershaw County, South Carolina (the “County”), and is the oldest inland municipality in the State. The City is located 32 miles east of the State capital of Columbia, and 76 miles south of Charlotte. The City has a total area of 11.4 square miles and a 2019 estimated population of 7,220.

### Form of Government

The Mayor is elected at-large for a term of four years. The four council members are elected at-large and serve staggered four-year terms. The present Mayor and members of City Council, their principal occupations, and years of consecutive service on Council, are as follows:

Name	Occupation	Number of Years on Council
Alfred Mae Drakeford, Mayor	Retired, Manager of Quality and Training	16
Jeffrey R. Graham	Business Owner – Real Estate	6
Deborah Hudson Davis	Manager, Habitat Restore	6
Joanna B. Craig	Retired, Publishing and Editor	4
Stephen R. Smoak	Attorney	4

*Mayor.* Alfred Mae Drakeford was elected Mayor of the City in 2016. Mayor Drakeford holds a Bachelor of Science degree in Business Management from the University of South Carolina, and has completed 30+ additional hours in Business Management from the University of South Carolina. She retired as manager of quality and training from E. I. duPont de Nemours & Company, Inc. in Lugoff, South Carolina.

*City Manager.* Mel Pearson has served as the City Manager since February 5, 2013. Before becoming City Manager, he served 14 years as the Finance Director of the City. Mr. Pearson holds a Bachelor of Arts degree in Business Administration (accounting) from the University of Georgia.

*Director of Public Works.* Tom Couch has served as a Director of Public Works for the City since July 6, 2004. In this capacity, he supervises all water, wastewater and electrical system operations, along with road and drainage system maintenance, solid waste collection and disposal and all other conventional public works functions. Prior to joining the City staff, he served 20 years in the United States Air Force as a pilot. Mr. Couch has a Bachelor of Science degree in Civil Engineering from the United States Air Force Academy and a Master of Science degree in Civil Engineering from Auburn University.

*Finance Director.* Debra Courtney was appointed Finance Director for the City in February 2013. Ms. Courtney holds an Associate’s degree in Business Administration from Macomb College.

### Services

The City provides various local services which are funded from the receipts of the City’s *ad valorem* tax levy, business licensing taxes and State funding as well as certain fees and user charges. The City provides the following services: general government, public safety, highways and streets, sanitation and culture and recreation. Additionally, the City provides certain business-related functions with respect to water, wastewater, and electric utility services, the combination of which comprises the System. The services provided through the System, are discussed at “THE SYSTEM” herein.

In order to provide these services, the City authorized in its budget for the Fiscal Year 2021, 177 full-time equivalent positions consisting of the following:

<u>Services</u>	<u>Full Time Equivalent</u>
General Government	18
Public Safety	72
Highways and Streets	6
Sanitation	18
Culture and Recreation	15
System	<u>48</u>
Total:	177

A brief description of each of the City’s services is provided below, excepting those related to the System, which are discussed in detail at “THE SYSTEM” herein.

*General Government.* General government services encompass administration, court, finance, building, zoning, planning and grants functions.

*Public Safety.* Public safety activities include police, fire, and emergency services.

*Highway and Streets.* Highway and street services comprise street maintenance and signage.

*Sanitation.* Sanitation services include residential and commercial trash service as well as yard debris removal.

*Culture and Recreation.* The City’s culture and recreation services are provided through the City’s tennis center, parks, trails, event venues, museums, and River Front Environmental Park and recreation access. This function also supports the City’s tourism support services.

**Employee Benefits, Post-Employment Benefits**

*City Fringe Benefits, Retirement and Health Insurance*

City employees participate in either the South Carolina Governmental Employees’ Retirement System (“SCRS”) or the South Carolina Police Officer Retirement System (“PORS”), depending on their particular job duties. Both plans are a cost-sharing, multiple employer public employee retirement program administered by the South Carolina Public Employee Benefit Authority (“PEBA”). Actuarial determinations are made by the administrator for each plan, and State statutes determine the benefits and the level of contributions required by both employees and employers.

Act No. 13 of the 2017 Acts and Joint Resolutions of the South Carolina General Assembly (“Act No. 13”) addresses funding of the SCRS and PORS. This law provides for annual increases in the employer contribution rate for SCRS and PORS beginning July 1, 2017. For SCRS, employer rates will increase annually by 1% through July 1, 2022, resulting in the employer rate totaling 18.56% for Fiscal Year 2023 and thereafter. For PORS, employer rates will continue to increase annually by 1% through July 1, 2022, resulting in the employer rate totaling 21.24% for Fiscal Year 2023 and thereafter. The legislation increases and caps the employee contribution rate for SCRS and PORS to 9% and 9.75%, respectively. The bill also reduces the unfunded amortization schedule from 30 years to 20 years and reduces the projected annual rate of return on investments from 7.5% to 7.25%. A new projected annual rate of return must be set in 2021 and every four years thereafter. For the Fiscal Year ended June 30, 2019, the SCRS and PORS members are required to contribute at the capped levels of 9.00% and 9.75% of their annual covered salaries, respectively (which includes 0.15% and 0.20%, respectively), for accidental death and group life insurance. The City is required to contribute 14.56% and 17.24% of the employee’s annual covered salaries, respectively. During the Fiscal Year ended June 30, 2019, the City made 100% of its required SCRS and PORS contributions, which totaled \$747,818 and \$502,167, respectively.

*GASB Statement No. 68*

Pursuant to GASB 68, the City was required to report at June 30, 2019 a net pension liability for its participation in the SCRS and PORS. The net pension liabilities were measured by PEBA based on an actuarial valuation as of June 30, 2018. The City's proportionate share of the net pension liabilities were based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The next scheduled actuarial valuation will be conducted by PEBA for the reporting period ending June 30, 2020.

For the reporting period ending June 30, 2018, PEBA reported the City's proportionate share of the collective net pension liability to be 0.047% for SCRS and 0.20% for PORS. This resulted in the City, as a whole, reporting a total net pension liability of \$16,136,286 for the measurement period June 30, 2018. The System's proportionate share of the net pension liability was \$5,475,203.

*Other Post-Employment Benefits*

The City provides certain other post-employment benefits ("OPEB") as part of the total compensation offered to qualified employees. The City currently allows those employees hired prior to May 1992 who had retired with more than 15 years of service, as well as qualifying dependent units, to continue to participate in the City's health, dental, life and disability programs. The City pays the entire required premium for eligible retirees, but none of the additional premium for dependent units of eligible retirees. As of July 1, 2016, the valuation date, 107 retirees and 111 active employees met the eligibility requirements for the plan.

The program covers the retired employee until the earlier of (1) the retired employee reaches age 65, or (2) the retired employee qualifies for health insurance under another plan. The City (through the Mayor and Council) currently administers the program and maintains the authority for establishing benefits and funding policy.

The City's contributions are financed on a pay-as-you-go basis and therefore, no trust fund has been established which would maintain plan assets.

At June 30, 2019, the City's total OPEB liability equaled \$16,843,095, of which \$3,203,930 was attributed to the System. This amount was based on an actuarial valuation as of June 30, 2018, using data as of July 1, 2017, resulting in a net change of \$63,184. The City's total OPEB liability for the Fiscal Year ended June 30, 2018 totaled \$16,906,279. The System's share was \$5,525,645 for Fiscal Year 2018.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the OPEB and the annual required contributions ("ARC") of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

Projections of benefits are based on the substantive program (the program as understood by the City and participants) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the participants to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued OPEB liabilities and the actuarial value of OPEB assets, if any.

See also "INVESTMENT CONSIDERATIONS—Pension" and Notes 6 and 7 in the 2019 Audited Financial Statements of the City included in APPENDIX A for more information with respect to employee benefit and retirement matters.

## **Certain Risks and Insurance**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of its assets; errors and omissions; and natural disasters. The Constitution and statutes of the State, as interpreted by the General Assembly in promulgating the South Carolina Tort Claims Act, Title 15, Chapter 78 of the South Carolina Code (the “*Tort Claims Act*”), provide, generally, that it is the public policy of the State that, while historically governmental entities have been exempt from tort liability, total immunity is not in the public interest, nor is unlimited liability. The Tort Claims Act waives sovereign immunity of governmental bodies for tort liability while also providing specific, enumerated exceptions in certain circumstances; generally, a claim of immunity from liability for damages for negligent or intentional tortious actions must be raised by affirmative defense. The Tort Claims Act also imposes limits on the amount of damages which may be received from a governmental entity by one person, or for one accident (\$300,000 per incident/person and \$600,000 per occurrence/aggregate), and provides that no punitive damages may be recovered. Immunity is provided for a number of discretionary governmental acts, and is not waived for certain other actions.<sup>5</sup> In addition, the City may not be able to rely upon the defense of sovereign immunity and may be subject to liability in the event of suits alleging causes of action founded upon various federal laws, such as suits filed pursuant to 42 U.S.C. § 1983, alleging deprivation of federal constitutional or statutory rights of an individual and suits alleging anti-competitive practices and violations of federal antitrust laws by the City in the exercise of its delegated powers. Moreover, the City may be subject to certain state claims under the South Carolina Whistleblower Act, S.C. Code Ann. §§ 8-27-10–50, and under any other acts in which an express waiver of sovereign immunity is granted.

The City participates in the South Carolina Municipal Insurance Trust Fund, a public entity risk pool sponsored by the Municipal Association of South Carolina, through which insurance is provided for risks of loss and liability. There has been no reduction in the City’s insurance coverage in the past five years and there were no settlements exceeding insurance coverage during the same period. The City is periodically the subject of litigation by a variety of plaintiffs. The City’s management believes that such amounts claimed by these plaintiffs, net of applicable insurance coverage, are immaterial.

## **Accounting Policies**

The City’s staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City and the System are protected from loss or unauthorized use and to ensure that adequate accounting data are compiled to allow for preparation of financial statements of the City in conformity with accounting principles generally accepted in the United States of America.

The Finance Director of the City prepares monthly financial statements, and they are submitted to City Department Heads. These monthly reports are then compiled by the public accountants at the end of each Fiscal Year and are audited in conformity with accounting principles generally accepted in the United States of America as required by Section 5-7-240 of the South Carolina Code. The financial statements of the System for Fiscal Year 2019 were audited by Cantey, Tiller, Pierce & Green, LLP, Camden, South Carolina as further described in “FINANCIAL STATEMENTS” herein and APPENDIX A hereto.

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<sup>5</sup> S.C. Code Ann. § 15-78-40. Tort liability of State, agency, political subdivision, or governmental entity, generally. The State, an agency, a political subdivision, and a governmental entity are liable for their torts in the same manner and to the same extent as a private individual under like circumstances, subject to the limitations upon liability and damages, and exemptions from liability and damages, contained herein.

**ECONOMIC AND DEMOGRAPHIC INFORMATION**

**Commerce and Industry**

The City is the State’s oldest inland town and was established by a decree from King George II. During the 18th and 19th centuries the City was the economic and cultural center of inland South and North Carolina. The City was used as the principal supply post for all British operations in the South during the Revolutionary War. Washington Monument architect Robert Mills designed two buildings in the City: The Mills Courthouse (1826) and Bethesda Presbyterian Church (1822). In total the City has over 60 buildings listed on its National Historic District. To preserve these buildings and encourage tourism, a comprehensive revitalization approach promoting the historic and economic redevelopment of the downtown area has recently been undertaken. In 2017, the City received a comprehensive report from the Municipal Association of South Carolina presenting recommendations for the revitalization of the historic downtown area. The City is working to implement these recommendations which covered a variety of aspects including staffing, marketing, and economic development. Additionally, the City is a Main Street America Affiliate community, a national organization which seeks to empower municipalities to preserve heritage while inviting economic development.

In addition to its historic architecture, the City is also well-known as a training center for racehorses from the Eastern U.S. and throughout the world. Numerous thoroughbred trainers reside in the community and champion horses including Lonesome Glory have spent time training in and around the City. Since March 1930, the Carolina Cup steeplechase has taken place at the Springdale Race Course in the City. This event is one of the country’s best attended races routinely attracting over 40,000 people and holding the National Steeplechase Association attendance record of 71,000 people.

The County<sup>6</sup> is home to several international companies such as New South Lumber Company and Mancor Carolina, Inc. of Canada; Haier America of China, Kawashima Textiles USA and Oak Mitsui of Japan; Ahlstrom Nonwovens of Finland; and Hengst of Germany. The County is also home to several automotive related manufacturers which all serve the U.S. automotive market: South Carolina Yutaka Technologies which manufactures catalytic converters; Dana Corporation which manufactures trailer modules; SPX Ftltran, manufacturer of filters; Kawashima Textiles USA, manufacturer of car seat fabric; Forgitron Technologies, LLC which makes aluminum wheels; and Hengst of North America which makes filter elements.

**Population**

The population of the City at the beginning of each of the preceding three decades and the most recent year available is set forth in the following table:

<u>Year</u>	<u>Population</u>	<u>Percent Increase from Prior Census</u>
2019*	7,220	5.6%
2010	6,838	2.3
2000	6,682	(11.0)
1990	7,500	--

\* Estimated.  
Source: U.S. Census Bureau; U.S. Bureau of Economic Analysis.

<sup>6</sup> The City is located entirely within the County. Certain of the information provided in this Appendix B is not maintained on a municipality-level basis and County information is therefore provided in lieu of City information.

## Per Capita Income

Per capita personal income for each of the City, County, State, and the United States for each of the last five years for which information is available is shown below:

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2018	\$ 27,986	\$ 41,227	\$ 43,702	\$ 54,446
2017	26,645	40,130	42,081	51,885
2016	25,521	38,575	40,404	49,870
2015	24,604	38,052	39,496	48,978
2014	24,222	35,877	37,622	47,058

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

## Labor Force Estimates

The size of the civilian labor force in the County, the number of those employed and unemployed, and corresponding percentage of those unemployed, is shown below for the most recent five years for which information is available:

	<u>Annual Average</u>				
	2015	2016	2017	2018	2019
Civilian Labor Force	28,991	29,296	29,275	28,990	29,291
Employed	27,254	27,761	27,958	27,950	28,425
Unemployed	1,737	1,535	1,317	1,040	866
Unemployment rate	6.0%	5.2%	4.5%	3.6%	3.0%

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

## Unemployment Rates

*Yearly Comparative Unemployment.* The following table shows annual unemployment rates for the City, the County, the State, and the United States for the five most recent years for which such information is available:

<u>Year</u>	<u>City</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2019	N/A	3.0%	2.8%	3.7%
2018	5.2%	3.6	3.5	3.9
2017	5.5	4.5	4.3	4.4
2016	6.9	5.2	5.0	4.9
2015	9.4	6.0	6.0	5.3

Note: Rates shown are not seasonally adjusted.

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

Source for City data: U.S. Census Bureau, American Community Survey.

*Monthly Unemployment.* The unemployment rate in the County on a monthly basis for the latest 12 months available:

<u>Month</u>	<u>Rate</u>
July 2019	3.2%
August 2019	3.1
September 2019	2.2
October 2019	2.5
November 2019	2.4
December 2019	2.5
January 2020	3.2
February 2020	3.4
March 2020	3.3
April 2020	9.2
May 2020	9.6
June 2020	7.5 <sup>P</sup>

<sup>P</sup> Preliminary.

Note: Rates shown are not seasonally adjusted.

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

### Principal Employers

The major industrial employers located in the County as well as their products/services are shown below:

<u>Employer</u>	<u>Product/Service</u>
INVISTA	Textiles, nylons and polymers
Target Corp.	Distribution center
Hengst	Automotive air filters
Cardinal Health (formerly Medtronic)	Surgical gauze
Mancor Carolina	Production machine shop
Canfor Southern Pine	Treated lumber
Weylchem US Inc.	Organic chemicals
TB Kawashima	Automotive textiles
Prestage Farms	Turkey feed mill
Suominen	Non-wovens; wipes

Source: Kershaw County Economic Development.

### Retail Sales

The State imposes a 6% sales tax on all retail sales. The following table shows the level of gross retail sales over the last five calendar years for which information is available for businesses located in the City and the County:

<u>Year</u>	<u>City Retail Sales</u>	<u>Increase/(Decrease) Over Previous Year</u>	<u>County Retail Sales</u>	<u>Increase/(Decrease) Over Previous Year</u>
2019	\$ 508,553,452	0.30	\$ 1,380,543,137	(9.60)
2018	506,794,410	1.80	1,527,870,341	6.60
2017	497,718,535	3.30	1,433,284,143	0.05
2016	481,617,195	23.50	1,432,488,390	10.70
2015	389,914,154	--	1,293,626,239	--

Source: South Carolina Department of Revenue.

## Capital Investment

The following table sets forth the total capital investment for new and expanded industry in City as well as in the County over the past five calendar years.

<u>Year</u>	<u>City Announced Jobs</u>	<u>City Announced Investment</u>	<u>County Announced Jobs</u>	<u>County Announced Investment</u>
2019	231	\$ 61,700,000	70	\$ 61,700,000
2018	-	-	-	40,000,000
2017	-	-	-	-
2016	-	-	-	-
2015	-	-	45	80,000,000

Source: South Carolina Department of Commerce.

## Construction

The following table shows the number of residential and non-residential building permits issued by the County and their corresponding values for the calendar years shown.

<u>Calendar Year</u>	<u>Residential</u>		<u>Non-Residential*</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2019	277	\$ 40,053,591	11	\$ 25,627,314
2018	263	39,212,422	11	3,722,018
2017	223	33,170,581	3	2,893,326
2016	261	37,472,362	4	505,226
2015	240	34,004,569	6	745,470

\*Excluding permits for additions, repairs and demolitions.

Source: County Building Department.

## Facilities Serving the Area

*Transportation.* Interstate 20 serves the County with four interchanges. Within a short distance, I-20 connects with Interstate 95 at Florence and Interstates 77 and 26 in Columbia. In addition, there are three U.S. Highways and nine South Carolina Highways. The County is served by the Seaboard System Railroad, which also provides access to Amtrak. The County has 39 freight carriers and two trucking terminal facilities.

Private aircraft utilize the Kershaw County Airport at Woodward Field, which has a maximum runway length of 5,000 feet. Charter services, hangar storage, flight schooling, Jet A and 100LL aircraft fuel, and aircraft repairs are among the service offered. The Columbia Metropolitan Airport, located 45 miles west, offers regularly scheduled commercial airline service on Delta, U.S. Airways, United, and American Eagle Airlines. In addition, Charlotte International Airport is conveniently located 72 miles north of the County, with service from all major airlines.

*Financial Institutions.* According to the Federal Deposit Insurance Corporation, as of June 30, 2019, the County had 14 branches of major and local commercial banks, with total deposits in all financial institutions in the County of \$777,475,000. The continuing reorganization of the banking system in the United States, with its attendant mergers and consolidations, is likely to affect the total number of branch offices in the County.

*Public Schools.* There are 18 fully-accredited schools operated by the Kershaw County School District (the "School District") that serve the County, including 11 elementary, 4 middle, and 3 high schools. The School District currently serves approximately 10,855 pupils. All public schools are fully accredited by the South Carolina Department of Education and Southern Association of Colleges and Schools.



*Higher Education.* Central Carolina Technical College (“CCTC”), is a two-year, public institution of higher education, with a campus located in the City of Camden, confers associate degrees, diplomas, and certificates in various programs, including: business, health sciences, public service, industrial and engineering technology, legal services, and the arts and sciences. The Fall 2019 enrollment for CCTC, at all campuses, was 3,361.

*Medical Facilities.* The Columbia MSA is a regional health center with five primary acute care hospitals: Lexington Medical Center, a major medical facility located in the County, as well as Prisma Health Richland, Prisma Health Baptist, and Prisma Health Baptist Parkridge (“*Parkridge*”), Providence Hospital and Providence Hospital North East located in Columbia. Prisma Health Baptist, Prisma Health Richland and Parkridge, comprise a portion of the newly created Prisma Health system, which was formed by an affiliation between the Greenville Health System and Palmetto Health (“*Prisma Health*”). Prisma Health offers a broad range of medical services at both Columbia campuses, such as Behavioral Health Services, The Birthplace, Chest Pain ER, Children’s Hospital, Emergency and Trauma Center, Geriatric Medicine, Prisma Health Breast Center, Prisma Health Heart Hospital, Prisma Health Cancer Center, South Carolina Comprehensive Breast Center and Stork’s Landing. Prisma Health offers a total of 12 medical residency programs at its two teaching hospitals, Prisma Health Richland and Prisma Health Baptist with more than 230 residents on staff. Lexington Medical Center is a 414-bed modern medical complex that anchors a comprehensive, county-wide health care network. That network includes six community medical centers in strategic locations throughout the County, the largest nursing home in the state, two occupational health centers and affiliated physician practices. With its recent expansion, Lexington Medical Center offers 29 state-of-the-art, fully-equipped operating rooms. Lexington Medical Center is also a leader in health education by sponsoring community health screenings, health fairs, on-site health programs for companies, and trade shows.

KershawHealth (formerly Kershaw County Medical Center), located in the City of Camden, encompasses a 121-bed acute care facility and a 96-bed long-term care/rehab facility. KershawHealth offers a broad range of services, including, but not limited to, cardiovascular, diabetes management, gastroenterology, oncology, hospice, pulmonology, sleep diagnostics, and urology. The main office of KershawHealth completed a \$14.5 million, 71,000 square foot expansion in 2008. The expansion allowed KershawHealth to increase its intensive care unit, surgical services, health information management, cardiovascular diagnostics, and cardiac rehabilitation, and to offer 24 new private rooms for patients. the expansion also resulted in 40 new jobs. KershawHealth also has primary healthcare offices in the Town of Elgin and the unincorporated area of Lugoff.

On March 5, 2020, it was announced that Prisma Health would acquire KershawHealth from the Capella-MUSC Health Network. Prisma Health is a not-for-profit health company and the State’s largest private employer. Prisma Health serves more than 1.2 million patients across the Midlands and the Upstate each year. The acquisition has been approved by the South Carolina Department of Health and Environmental Control, and completion of the acquisition is pending the fulfillment of customary legal and regulatory requirements.

*Recreation.* N.R. Goodale State Park is a 763-acre park is located in the County, near the City of Camden. Goodale offers shoreline fishing and paddling on a Civil War-era mill pond that is a 149-acre lake. Picnic shelters, canoe rentals, a three-mile cypress canoe trail, picnicking, and hiking are also available. The County’s Parks & Recreation Department offers various programs through the Aquatic Center, including swimming lessons, water aerobics, and lifeguard training classes; youth and adult sports, including baseball, football, soccer, and others throughout the County’s municipal parks and facilities, as well as line dance, senior fitness, tai-chi, and more.

*Equine Activities.* South Carolina Equine Park (“*Equine Park*”), a 40-acre center specifically designed for a full range of equine activities, breeds and users such as hunter/jumpers, quarter horses, paint horses, dressage, ranch horse shows, breed shows and youth events is located in the County. The Equine Park includes two fenced show rings with new, state- of-the-art footing, covered ring with all-purpose footing, cattle areas, warm-up areas, 290 refurbished stalls, a vendor area, restaurant/courtyard and RV site. The County purchased the Equine Park through grants and was leased for operation to the South Carolina Equine Promotion Foundation (“*SCEPF*”). The County-based SCEPF was formed in late 2007 to promote equine-related sports and education, and will continue its fundraising efforts for major upgrades. As funding permits, SCEPF plans to expand this first phase of the Equine Park by acquiring additional land, expanding the stabling, and building an enclosed, all-weather show pavilion. The pavilion could host world-class equine events as well as a variety of non-equine events.

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**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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September 16, 2020

City of Camden  
Camden, South Carolina

Robert W. Baird & Co. Incorporated  
Winston-Salem, North Carolina

Re: \$52,015,000 City of Camden, South Carolina Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2020

Ladies and Gentlemen:

We have acted as bond counsel to the City of Camden, South Carolina (the “*City*”), in connection with the issuance of its \$52,015,000 Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2020 (the “*Series 2020 Bonds*”). In such capacity, we have examined such law and certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2020 Bonds are issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the “*State*”), including particularly (i) Article X, Section 14(10) of the South Carolina Constitution; (ii) Title 6, Chapter 17, Code of Laws of South Carolina 1976, as amended (the “*Act*”); (iii) an Amended and Restated Bond Ordinance enacted by the City Council of the City of Camden (the “*City Council*”) on February 11, 2014 (effective March 1, 2015) (the “*Bond Ordinance*”); and (iv) a Series Ordinance enacted by the City Council on July 28, 2020 (the “*Series Ordinance*” and together with the Bond Ordinance, the “*Ordinances*”). Under the Bond Ordinance, the City has pledged certain revenues (the “*Gross Revenues*,” as such term is more particularly defined in the Bond Ordinance) for the payment of principal of and interest on the Series 2020 Bonds when due. Capitalized terms used and not otherwise defined herein have the meanings given to such terms in the Ordinances.

Regarding questions of fact material to our opinion, we have relied upon representations of the City contained in the Ordinances and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The City is validly existing as a political subdivision of the State with power to enact the Ordinances, perform the agreements on its part contained therein, and issue the Series 2020 Bonds.
2. The Ordinances have been duly enacted by the City Council and constitute valid and binding obligations of the City enforceable against the City in accordance with their terms.
3. The Ordinances create a valid pledge of and lien upon the Gross Revenues for the payment of the Series 2020 Bonds, which pledge and lien is on a parity with Bonds (as such term is defined in the Bond Ordinance) issued heretofore or hereafter, in accordance with the terms of the Bond Ordinance.
4. The Series 2020 Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City enforceable against the City in accordance with their terms.
5. Interest on the Series 2020 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 City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2020 Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may

cause interest on the Series 2020 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2020 Bonds.

6. Under the laws of the State, the Series 2020 Bonds and the interest thereon are presently exempt from all income taxation in said State, except estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Series 2020 Bonds.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2020 Bonds except as stated above.

The rights of the owners of the Series 2020 Bonds and the enforceability of the Series 2020 Bonds and the Ordinances are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In our capacity as bond counsel, we express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated August 27, 2020, relating to the Series 2020 Bonds.

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

Sincerely,

Pope Flynn, LLC

**APPENDIX D**

**BOND ORDINANCE AND SERIES ORDINANCE**

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(This Table of Contents is not a part of this Bond Ordinance  
and is for convenience of reference only.)

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**AN ORDINANCE**  
**AMENDING AND RESTATING AN ORDINANCE ENTITLED, "AN**  
**ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF**  
**COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE**  
**CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS**  
**RELATING THERETO," ENACTED JANUARY 30, 1997; AND**  
**OTHER MATTERS RELATING THERETO.**

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**AMENDED AND RESTATED BOND ORDINANCE**

**DATED: FEBRUARY 11, 2014**

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<u>EXHIBIT B</u>	CONSENT OF TD BANK, N.A.
<u>EXHIBIT C</u>	CONSENT OF SOUTH CAROLINA WATER QUALITY REVIVING FUND AUTHORITY

AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, "AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO," ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO.

BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF CAMDEN, SOUTH CAROLINA, IN COUNCIL ASSEMBLED, AS FOLLOWS:

#### ARTICLE I - FINDINGS AND DETERMINATIONS

##### Section 1.01. Findings and Determinations.

As an incident to the enactment of this amended and restated bond ordinance (this "Bond Ordinance"), the City Council of the City of Camden (the "City Council"), the governing body of the City of Camden, South Carolina (the "City"), finds that the facts set forth in this Article exist, and the statements herein are in all respects true and correct:

1. The City is an incorporated municipality of the State of South Carolina (the "State"), located in Kershaw County, and as such possesses all general powers granted by the Constitution and laws of the State to municipal corporations, including the power to operate utility systems and to furnish water, sewer collection, and electric service for domestic and industrial use both within and without the corporate limits of the City.

2. In pursuance of the powers thus granted, the City previously established a municipal waterworks system (the "Waterworks System"), a municipal sewer system (the "Sewer System") and a municipal electric light system (the "Electric Light System"). By the terms of an ordinance duly enacted by the City Council on February 28, 1947, the Waterworks System, the Sewer System and the Electric Light System were combined into a single system therein designated as the Combined Public Utility System (hereinafter referred to as the "System") and have, since their respective establishments, been continuously maintained and operated by the City.

3. The City Council has made general provision for the issuance of combined public utility system revenue bonds of the City, through the means of an ordinance originally enacted on January 30, 1997, entitled "AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO" (the "Original Bond Ordinance").

4. Under the terms of the Original Bond Ordinance, the City has Outstanding the following Series of Bonds, each of which were issued on parity *inter sese* and secured by the revenues of the System:

(A) the now outstanding \$11,490,000 of the originally issued \$22,300,000 Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2004 dated December 8, 2004 (the "Series 2004 Bonds");

(B) the now outstanding \$566,122.16 of the originally issued \$1,273,000 Combined Public Utility System Improvement Revenue Bond, Series 2007 dated November 30, 2007 (the "Series 2007 Bond");

(C) the now outstanding \$2,607,200 of the originally issued \$3,000,000 Combined Public Utility System Refunding Revenue Bond, Series 2010 dated February 3, 2010 (the "Series 2010 Bond");

(D) the now outstanding \$2,412,212 of the originally issued \$2,653,350 Combined Public Utility System Refunding Revenue Bond, Series 2012A dated February 29, 2012 (the "Series 2012A Bond");

(E) the now outstanding \$35,218,517 of the originally issued \$35,218,517 Combined Public Utility System Refunding Revenue Bond, Series 2012B dated March 20, 2012 (the "Series 2012B Bond"); and

(F) the now outstanding \$3,910,000 of the originally issued \$3,910,000 Combined Public Utility System Refunding Revenue Bond, Series 2013A dated March 27, 2013 (the "Series 2013A Bond," and collectively with the Series 2004 Bonds, the Series 2007 Bond, the Series 2010 Bond, the Series 2012A Bond, and the Series 2012B Bond, the "Outstanding Bonds").

5. Pursuant to Section 12.02 of the Original Bond Ordinance, the Original Bond Ordinance may be modified or altered in any respect by an ordinance of the City Council, subject to the consent of the Holders (as defined in the Original Bond Ordinance) of sixty-six and two-thirds percent (66 2/3%) in principal amount of all Bonds (as defined in the Original Bond Ordinance) of each Series (as defined in the Original Bond Ordinance) which would be affected by such modification or alteration. However, the consent of the Holders of all Bonds is required when a modification or change is made that will: "(A) Extend the maturity of any payment of principal or interest due upon any Bond; (B) Effect a reduction in the amount which the City is required to pay by way of principal, interest or redemption premium on any Bonds; (C) Effect a change as to the type of currency with which the City is obligated to effect payment of the principal, interest and redemption premiums of any Bond; (D) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds; (E) Permit preference or priority of any Bonds to others; (F) Alter or modify the provisions of Section 4.02 or of Articles V, VII, and VIII; or (G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of the Bond Ordinance, without the consent of the Holders of all Bonds affected by such change or modification."

6. By the terms of this Bond Ordinance, the City proposes to amend and restate all provisions of the Original Bond Ordinance. As a result, the written consent of all of the Holders of the Outstanding Bonds is required to implement the provisions of this Bond Ordinance. The

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the City intends to solicit and receive the consent of the all of holders of the Outstanding Bonds, which as previously provided, are the only Bonds now Outstanding under the terms of the Original Bond Ordinance.

7. The Series 2004 Bonds are currently held in the open market (the "2004 Holders"). The Series 2007 Bond, the Series 2010 Bond and the Series 2013A Bond are currently held by Branch Banking and Trust Company ("BB&T"). The Series 2012A Bond is currently held by TD Bank, N.A. ("TD Bank"). The Series 2012B Bond is currently held by the South Carolina Water Quality Revolving Fund Authority (the "Water Quality Authority," and collectively with the 2004 Holders, BB&T and TD Bank, the "Holders").

8. BB&T, TD Bank and the Water Quality Authority have initially indicated that they will grant their consent to the implementation of this Bond Ordinance. In order to confirm and evidence such consents, the City has requested that BB&T, TD Bank and the Water Quality Authority execute written consent certificates (the "Consents"), the forms of which are attached hereto as Exhibits A, B, C.

9. The City was unable to properly identify all of the 2004 Holders and therefore cannot request their consent to the implementation of this Bond Ordinance. Therefore, and subject to the due and proper execution of the Consents, the provisions of the Original Bond Ordinance shall remain in full force and effect until such time that: (1) the 2004 Bonds have been paid at their respective maturities or redemption dates, if redeemed as a whole; (2) the 2004 Bonds have been defeased under the provisions of the Original Bond Ordinance; or (3) the consent of the 2004 Holders to the provisions of this Bond Ordinance shall have been obtained. The earliest date on which one of the stated conditions has been met with respect to all of the 2004 Bonds is hereafter referred to as the "Effective Date."

10. Any future Series of Bonds issued under the Original Bond Ordinance after the date of enactment of this Bond Ordinance but prior to the Effective Date shall be deemed to have consented to the implementation of this Bond Ordinance.

11. This Bond Ordinance is intended to, and upon the Effective Date, shall amend and restate all provisions of the Original Bond Ordinance. Upon the Effective Date, the terms of this Bond Ordinance shall control; (i) the Outstanding Bonds; (ii) any Bonds issued under the Original Bond Ordinance after the date of enactment of this Bond Ordinance but prior to the Effective Date; and (iii) any future Series of Bonds issued hereunder.

12. By reason of the foregoing, the City has determined to adopt this Bond Ordinance to authorize the issuance of Bonds of the System.

[End of Article I]

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#### ARTICLE II - DEFINITIONS, CONSTRUCTION AND INTERPRETATIONS

##### Section 2.01. Definition of Ordinance.

This Bond Ordinance may be hereafter cited and is hereafter sometimes referred to as this Bond Ordinance. Such term shall include all ordinances supplemental to, or amendatory of, this Bond Ordinance.

##### Section 2.02. Defined Terms.

In this Bond Ordinance, including Article I, unless a different meaning clearly appears from the context, the following terms shall have the following respective meanings:

"Accountant" shall mean an independent firm of certified public accountants of suitable standing who audits the books, records, and accounts of the System.

"Accreted Value" shall mean the amounts set forth in or the amounts determined in the manner set forth in, a Series Ordinance, authorizing the issuance of Bonds in the form of Capital Appreciation Bonds.

"Annual Budget" shall mean the budget or amended budget of the City for the System in effect as provided in or adopted pursuant to the provisions of this Bond Ordinance.

"Annual Principal and Interest Requirement" shall mean, 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 during such Fiscal Year, plus (2) any Principal Installment of such Series of Bonds during such Fiscal Year, minus (3) any Interest Payment Subsidies received by the City, if any, for such Series of Bonds during such Fiscal Year and used to pay debt service on such Series of Bonds during such Fiscal Year.

(a) 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 (i) 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 (ii) with respect to any Series of Variable Rate Bonds, the actual rate of interest on the date of calculation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding); provided however, 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.

For purposes of this definition, if the initial rate on any Series of Variable Rate Bonds is not established and binding, then: (i) if interest on the Variable Rate Bonds is intended by the City 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 (ii) if interest is not intended to be so excludable, the interest rate on Government Obligations with comparable maturities; provided,

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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.

(b) For purposes of computing the "Annual Principal and Interest Requirement," the Principal Installments for each Series of Bonds used to determine (2) above will be the actual planned Principal Installments, except as for any Series of Bonds in which 25% or more of the Principal Installments are payable in a single Fiscal Year, the Principal Installment in such year will be assumed to be the result derived by dividing (A) the aggregate outstanding principal due on such Series of Bonds by (B) the number of full years in the remaining term of such Series of Bonds, but if the date of calculation is within twelve (12) months of the final maturity date of such Series of Bonds and a binding commitment by an institutional lender or municipal underwriting firm exists to provide money to refinance the outstanding aggregate principal amount of such Series of Bonds then Outstanding, the payment terms contained in the commitment are to be used for purposes of calculating the Principal Installments for such Series of Bonds.

"**Authorized Investments**" shall mean, within the limitations set forth herein, any investments now or hereafter permitted under Section 6-5-10 of the South Carolina Code, or any successor or similar statute, and shall also include the South Carolina Investment Fund established at Sections 6-6-10 to 6-6-40 of the South Carolina Code or any successor or similar statute and as the same may be further limited pursuant to the provisions of a Series Ordinance.

"**Bond Counsel**" shall mean 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 City and satisfactory to the Trustee.

"**Bondholder**" or "**Holder**", or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond.

"**Bond Ordinance**" means this amended and restated general bond ordinance. Any prior reference to the Original Bond Ordinance shall, after the Effective Date, refer to this Bond Ordinance.

"**Bond Payment Date**" shall mean each date as shall be prescribed by any applicable Series Ordinance 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.

"**Bonds**" shall mean any indebtedness or obligations (issued as tax-exempt or taxable obligations) including those entered into under the provisions of long-term contracts payable from the revenues of the System, issued in accordance with the provisions of the Enabling Act, this Bond Ordinance and a Series Ordinance, excluding indebtedness incurred in accordance with Article VI hereof.

"**Business Day**" shall mean, except as set forth in a Series Ordinance with respect to the Series of Bonds issued thereunder, any day other than a Saturday, a Sunday, a day on which

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and (2) to provide for the redemption of such Series of Bonds Outstanding prior to their stated maturity, as established by the provisions of Section 7.04 hereof.

"**Defeasance Obligations**," unless otherwise provided in a Series Ordinance for a particular Series of Bonds, shall mean non-callable (i) Government Obligations and (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.

"**Depository**" shall mean any bank or trust company selected by the City as a depository of moneys or securities held under the provisions of this Bond Ordinance and may include the Trustee.

"**Depreciation and Contingent Fund**" shall mean 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 hereof.

"**Enabling Act**" shall mean Chapter 17 of Title 6 and Chapter 21 of Title 11, South Carolina Code, and all other statutory authorizations, authorizing and enabling the City to enact this Bond Ordinance.

"**Events of Default**" shall mean those events set forth in Section 13.01 of this Bond Ordinance.

"**Fiduciary**" or "**Fiduciaries**" shall mean the Trustee and any Registrar and any other agent of the City appointed pursuant to the authorizations of this Bond Ordinance or any Series Ordinance or any or all of them, as may be appropriate.

"**Fiscal Year**" shall mean the period of twelve (12) calendar months, beginning on July 1 of each year, and ending on June 30 of the following year, unless the same shall have been changed pursuant to the authorization of Section 3.01 hereof.

"**General Revenue Fund**" shall mean the account or accounts established and maintained by the City 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 City in connection with the System, as established by the provisions of Section 7.02 hereof.

"**Government Obligations**" shall mean:

(a) 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

(b) obligations, specifically including interest payment strips, including without limitation REFCORP interest strips, the payment of the principal (if any), the premium (if any)

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banking institutions in the State or in the State of New York are required or authorized by law (including executive orders) to close or a day on which the United States federal reserve payment system is not operational.

"**Capital Appreciation Bonds**" shall mean Bonds that bear interest payable only at maturity or payable prior to maturity only on the redemption dates set forth in, and in the amounts determined by reference to the Accreted Value established in accordance with the provisions of the Series Ordinance authorizing the issuance of such Capital Appreciation Bonds.

"**Chief Financial Officer**" shall mean the finance director of the City, or in the absence of such person, the individual to whom the City Council has delegated 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.

"**City**" shall mean the City of Camden, South Carolina. References to actions required of or permitted by the City shall mean actions taken by or under the authority of the City Council.

"**City Council**" shall mean the City Council of the City of Camden, South Carolina.

"**Clerk**" shall mean the City Clerk of the City. The term shall include the acting City Clerk or such other person designated by City Council to fulfill such role whenever, by reason of absence, illness or other reason, the person who is the City Clerk is unable to act.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder, in each case, as from time to time in force.

"**Consulting Engineers**" shall mean any independent firm of consulting engineers having a reputation for skill and experience in utility financing and rate design, and the design and operation of, as may be dictated under the circumstances, facilities for water, sewer, and the distribution of electricity, or such other enterprise as may become a part of the System pursuant to Section 11.02 hereof.

"**County**" shall mean Kershaw County, South Carolina.

"**Date of Issue**" shall mean that date established in any Series Ordinance from which interest shall accrue on the Bonds of the applicable Series.

"**Debt Service Fund**" shall mean each of the funds herein so designated and designed to provide for the payment of the principal of and interest on all Outstanding Bonds issued pursuant to this Bond Ordinance, as the same respectively fall due, and as established by the provisions of Section 7.03 hereof.

"**Debt Service Reserve Fund**" shall mean the funds, if any, so designated and designed (1) to secure the timely payment of the principal of and interest on the respective Series of Bonds Outstanding and issued pursuant to this Bond Ordinance and the applicable Series Ordinance,

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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**" shall mean:

(a) all receipts and revenues derived from the operation of the System, except for those allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds, including all service fees (including connection, tap and impact fees, availability fees, and meter purchases);

(b) all proceeds from the sale or other disposition of any property owned directly or beneficially by the City in connection with the operation of the System;

(c) all interest and other income received directly or indirectly by the City from the investment of moneys or accounts relating to the System; excluding, however, investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service, and specifically excluding (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the City;

(d) all other unencumbered money to which the City may become entitled from any source whatsoever, but specifically excluding any amounts received by way of government grants and aids-to-construction; and

(e) all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. Any Interest Payment Subsidies payable to the Trustee and used to pay debt service on a Series of Bonds shall not be included in Gross Revenues.

All amounts received as *ad valorem* taxes shall not be included in Gross Revenues.

"**Insurance Consultant**" shall mean a person or firm who is not, and no member, director, officer or employee of which is, an officer or employee of the City, which is qualified to survey risks and to recommend insurance coverage for public utilities and services and organizations engaged in such operations.

"**Insurer**", with respect to any Series of Bonds, shall mean an insurance company that has written a Municipal Bond Insurance Policy covering such Series of Bonds.

"**Interest Payment Subsidies**" shall mean the refundable tax credit subsidies payable to the City from the federal government under any section of the Code that authorizes such tax credits.

"**Junior Lien Bonds**" shall mean any revenue bonds or other obligations issued by the City 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 and to the payment by the City of all Operation and Maintenance Expenses.

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“**Mayor**” shall mean the Mayor of the City. The term shall include the acting Mayor or the Mayor Pro Tempore whenever, by reason of absence, illness or other reason, the person who is the Mayor is unable to act.

“**Municipal Bond Insurance Policy**” shall mean any municipal bond insurance policy insuring the payment, when due, of the principal of and interest on a Series of Bonds.

“**Net Earnings**” shall mean, for the period in question, the Gross Revenues of the System, less Operation and Maintenance Expenses. Additionally, there shall be excluded from Net Earnings any gains in the sale or disposition of investments or fixed or capital assets, not resulting from the ordinary course of the City’s business.

“**Operation and Maintenance Expenses**” shall mean for the period in question all expenses incurred in connection with the administration and the 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 arrangements under Section 6.03 hereof, the fees and charges of the Trustee and the custodian or trustee of any fund, the costs of audits required hereunder, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds required by this Bond Ordinance. Operation and Maintenance Expenses shall not include:

- (a) depreciation allowances;
- (b) amounts paid as interest on Bonds;
- (c) amounts expended for extraordinary repairs to the System;
- (d) amounts paid from government grants or aids-to-construction;
- (e) unfunded pension or other post-employment benefit liabilities that do not result in any actual disposition of cash;
- (f) 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
- (g) amounts paid as capital costs pursuant to the provisions of long-term contracts which the City has entered into in order to provide services to the areas included within its service area, such obligations being specifically included within the definitions of Bonds or Junior Lien Bonds depending upon the pledge given to secure the same.

“**Operation and Maintenance Fund**” shall mean the fund established by the provisions of Section 7.05 hereof and designed to provide for the payment of all Operation and Maintenance Expenses.

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“**Registrar**” shall mean the Trustee or any bank or trust company which is authorized by the City Council 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 this Bond Ordinance and having the duties, responsibilities, and rights provided for in this Bond Ordinance and any Series Ordinance, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Bond Ordinance; however, the City Council may, pursuant to a Series Ordinance, authorize the City to serve as Registrar for the applicable Series of Bonds, in lieu of the institutions referred to above.

“**Reserve Requirement**” shall mean, as of any date of calculation, the debt service reserve requirement, if any, established by a Series Ordinance authorizing a Series of Bonds.

“**Responsible Officer**” means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Trustee having direct responsibility for the administration of this Bond Ordinance.

“**Securities Depository**” shall mean The Depository Trust Company, New York, New York, or any other recognized securities depository selected by the City, which securities depository maintains a book-entry system in respect of the Bonds of any Series, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“**Securities Depository Nominee**” shall mean, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by any Registrar the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

“**Serial Bonds**” shall mean the Bonds of any Series which are stated to mature in installments and for which there are no mandatory sinking fund provisions.

“**Series**” shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a single Series by the authorizing Series Ordinance, 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 Ordinance**” shall mean an ordinance of City Council authorizing the issuance of a Series of Bonds pursuant to this Bond Ordinance in accordance with the terms and provisions hereof, adopted by City Council in accordance with Article IV hereof.

“**Special Facilities**” shall mean those facilities financed with the proceeds of Special Facilities Bonds as described in Section 6.02 hereof.

“**Special Facilities Bonds**” shall mean those obligations issued in accordance with Section 6.02 hereof.

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“**Outstanding**”, when used with reference to the Bonds, and except as may be modified pursuant to the provisions of a Series Ordinance, shall mean, as of any date, all such Bonds theretofore or then being authenticated and delivered except:

- (a) Bonds cancelled at or prior to such date;
- (b) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered;
- (c) Bonds deemed to have been paid as provided in Article XVI hereof; and
- (d) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds, Bonds, to which a Responsible Officer has actual knowledge, held by, or for the account of the City, or by any person controlling, controlled by, or under common control with the City.

“**Paying Agent**” shall mean the financial institution which is authorized by the City Council 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 this Bond Ordinance and any Series Ordinance, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Bond Ordinance. Pursuant to the provisions of Section 15.02 of this Bond Ordinance, the Trustee serves as the Paying Agent.

“**Principal Installment**” shall mean, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a Bond Payment 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 date, the Accreted Value as of such certain date of such Capital Appreciation Bonds; and in this latter respect, any reference to “principal” of Bonds in this Bond Ordinance shall mean, with respect to Capital Appreciation Bonds, the Accreted Value of such Capital Appreciation Bonds.

“**Record Date**” shall mean the fifteenth (15th) day of the month immediately preceding each Bond Payment Date (or such other time or times as shall be prescribed by any applicable Series Ordinance).

“**Redemption Price**” shall mean, with respect to Bonds of any Series or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms, this Bond Ordinance and the applicable Series Ordinance.

“**South Carolina Code**” shall mean the Code of Laws of South Carolina, 1976, as from time to time amended.

“**State**” shall mean the State of South Carolina.

“**State Treasurer’s Office**” shall mean the office of the South Carolina State Treasurer.

“**System**” shall mean the Combined Public Utility System of the City as the same is now, or in accordance with Sections 11.02, 11.03 and 11.04 of this Bond Ordinance 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**” shall mean 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**” shall mean the financial institution serving as Trustee pursuant to this Bond Ordinance and which shall have such other duties, privileges and functions as are set forth herein. 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 hereunder.

“**Variable Rate Bonds**” shall mean, 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 Quality Authority**” shall mean the South Carolina Water Quality Revolving Fund Authority.

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Section 2.03. Interpretations.

In this Bond Ordinance, unless the context otherwise requires:

(A) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs of this Bond Ordinance.

(B) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities, including public bodies, as well as natural persons.

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(C) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder”, and any similar terms, as used in this Bond Ordinance refer to this Bond Ordinance or Sections or paragraphs of this Bond Ordinance and the term “hereafter” shall mean any date after the date of adoption of this Bond Ordinance.

(D) References to the payment of principal of Bonds shall be deemed to include payment of principal both at maturity and by mandatory redemption pursuant to any sinking fund payment obligations.

(E) Any Fiduciary shall be deemed to hold an Authorized Investment in which money is invested pursuant to the provisions of this Bond Ordinance, even though such Authorized Investment is evidenced only by a book entry or similar record of investment.

[End of Article II]

**ARTICLE III - FISCAL YEAR**

Section 3.01. Establishment and Modification of Fiscal Year.

The System shall continue to be operated on a Fiscal Year basis, which, until changed, shall commence on the first (1st) day of July of each year and shall end on the thirtieth (30th) day of June of the following year. The City may, by ordinance duly enacted by City Council, change the Fiscal Year at any time from that then existing to a different twelve (12) month period.

[End of Article III]

**ARTICLE IV - THE BONDS**

Section 4.01. Authorization for Bonds in Series.

(A) From time to time and for the purposes of:

(1) Obtaining funds for expansions, additions and improvements of the System, including the recoupment of funds already so expended;

(2) Providing funds for the payment of any bond anticipation note or notes issued in order to defray the costs of expansions, additions and improvements to the System and that were issued in anticipation of the issuance and sale of Bonds;

(3) Refunding Bonds or other obligations issued to provide land or facilities or equipment which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System;

(4) Providing funds for the payment of interest due on such Bonds;

(5) Funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund to the amount equal to its Reserve Requirement and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to Section 7.04(E) hereof; and

(6) Paying the costs of issuance of Bonds, including any credit enhancement therefor.

But, subject to the terms, limitations and conditions herein, the City Council may authorize the issuance of a Series of Bonds by the adoption of a Series Ordinance, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of this Article. The Bonds of each Series shall be issued in fully registered form, without coupons, and may be book-entry Bonds. The Bonds shall, in addition to the title City of Camden, South Carolina, Combined Public Utility System Revenue Bonds, bear a letter or number Series designation as may be necessary to distinguish them from the Bonds of every other Series and shall designate the year in which the Series is issued. 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 shall be prescribed by the applicable Series Ordinance.

(B) Each Series Ordinance shall include a determination to the effect that the issuance of such Series of Bonds is necessary to provide funds to be used and expended for one or more of the purposes enumerated in paragraph (A) above. In addition each Series Ordinance shall specify and determine:

(1) The then period of usefulness of the System;

(2) The Date of Issue of such Series of Bonds or method for determining the same;

(3) The maximum authorized principal amount of such Series of Bonds, and the manner of determining the precise principal amount and the officials authorized to make such determination;

(4) Bond Payment Dates and the date or dates of maturity and the amounts thereof, or the manner of determining such dates and amounts and the officials authorized to make such determinations, provided that the Series Ordinance shall specify a date beyond which the final maturity of such Series shall not extend, which date shall not be longer than forty years from the Date of Issue of such Series of Bonds as prescribed by the Enabling Act;

(5) The specific purposes for which such Series of Bonds are being issued;

(6) The title and designation of the Bonds of such Series;

(7) The manner in which Bonds of such Series are to be sold and provisions for the sale thereof;

(8) The interest rate or rates, or the manner of determining such rate or rates, of the Bonds of such Series, including whether and on what terms there shall be entered by the City an agreement for any form of interest rate swap or similar transaction with respect to such Series;

(9) The portion of such Series that are Serial Bonds and that are Term Bonds and that are Capital Appreciation Bonds, if any, including the amount and date of each mandatory redemption or sinking fund installment, if any, required by such Series Ordinance to be paid for the retirement of any such Bonds, or the manner of making such designations and the officials authorized to make such designations;

(10) The Redemption Price or Redemption Prices and the redemption date or redemption dates and other terms of redemption, if any, applicable to any of the Bonds of such Series for such payments, or the manner of determining such dates and prices and the officials authorized to make such determinations;

(11) The Trustee, the Paying Agent, and the Registrar for such Bonds and if other than the Trustee, the manner of determining the Paying Agent, the Registrar and the escrow agent, if such Bonds are refunding Bonds;

(12) The form or forms of the Bonds of such Series;

(13) The manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

(14) Whether the Bonds of such Series shall be issued in book-entry form pursuant to Section 4.20 hereof;

(15) That the then applicable Reserve Requirement, if any, for all Series of Bonds Outstanding have been met;

(16) The disposition of the proceeds of the sale of the Bonds of such Series and the manner of their application;

(17) That a Debt Service Fund shall be and a Debt Service Reserve Fund may be established for the Series of Bonds, and that a construction fund be established if the proceeds of the Bonds of any Series are intended to be used for the expansion or improvement of the System, and that a capitalized interest account be established as a standalone account or within any such construction fund if interest for any period is to be paid from proceeds of such Series of Bonds; and

(18) Any other provisions or funds deemed advisable by the City for the Bonds and any other applicable redemption requirement for the Bonds of such Series and the method of satisfying the same and not in conflict with or in substitution for the provisions of this Bond Ordinance.

Section 4.02. Conditions to Issuance of Bonds of a Series.

All Bonds shall be issued in compliance with the following provisions of this Section 4.02.

(1) Bonds shall be stated to mature and/or have mandatory or sinking fund redemptions on such day or days in the years and amounts prescribed or approved by the Series Ordinance.

(2) Bonds shall bear interest at the rates and on the occasions prescribed or approved by the Series Ordinance.

(3) Bonds shall be issued for a purpose or purposes set forth in Section 4.01(A) herein.

(4) There shall exist, on the occasion of the issuance of the Bonds, no default in the payment of the principal of or interest on any Bonds or any Junior Lien Bonds then Outstanding.

(5) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund the amount equal to the applicable Reserve Requirement, there shall be deposited in such Debt Service Reserve Funds such amounts as may be necessary to make the value of the moneys and securities in each Debt Service Reserve Fund equal to the applicable Reserve Requirement, unless:

and Interest Requirements shall not be so added into such Net Earnings; and (5) 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 System in the first Fiscal Year following the completion of such project, certified by the Consulting Engineers, from customers under long-term contracts which extend for the life of such proposed Series of Bonds.

Provided that in the instance of any Series of Bonds in the aggregate principal amount of \$5,000,000 or less, such calculation required by Section 4.02(6) hereof may, unless provided to the contrary in any Series Ordinance, be made by the Chief Financial Officer.

In the event that a Series of Bonds is Outstanding and the City determines to issue a note or other obligation in anticipation of the issuance of a Series of Bonds, for the purposes of complying with the additional bonds test established in this Section 4.02(6) above, the Accountants, Consulting Engineers, the City's financial advisor or the City's underwriter shall project the maturity schedule (including rate, term and principal maturities) of the future Series of Bonds that will be used to pay the note or other obligation at maturity; such future Series of Bonds and the accompanying projections shall qualify as a proposed Series of Bonds for purposes of the additional bonds test in Section 4.02(6) herein.

Whenever this Section 4.02(6) requires a certification for the most recent Fiscal Year for which audited financial statements are available, the City 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.

(7) In the case of Bonds issued for the purpose of refunding any Series of Bonds either:

(a) The Annual Principal and Interest Requirements of the refunding Bonds shall not exceed one hundred five percent (105%) of the Annual Principal and Interest Requirements of the Series of Bonds being refunded for any Fiscal Year until a time subsequent to the last maturity of such Series of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds; or

(b) The earnings tests prescribed by paragraph (6) above shall be complied with.

(8) If any Series of Bonds shall contain Variable Rate Bonds:

(a) the Series Ordinance and any previous Series Ordinances shall have provided 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 twelve (12) months from the date of issuance of such Series of Bonds there shall be in the applicable Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement with respect to such Bonds; and

(b) there shall be no unremedied defaults of any Monthly Series Payments required to have been made.

(6) Except in the case of the first Series of Bonds issued hereunder or in the event no Bonds are Outstanding, or in the case of Bonds issued for the purpose of refunding any Bonds and which meet the test prescribed in Section 4.02(7) hereof:

Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall be certified by the Accountants or by the Consulting Engineers 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 Section 4.02(6), 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 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 Accountants or Consulting Engineers 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 subparagraph (2) 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 Consulting Engineers, to be received by the System during the first Fiscal Year beginning after the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service, 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 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

(a) The Series Ordinance shall provide for and specify a maximum interest rate on (i) such Bonds and (ii) any reimbursement obligation to a liquidity provider for such Bonds;

(b) The liquidity provider for such Bonds shall be rated within the highest two short term rating categories by any rating agency then rating any Series of Bonds; and

(c) Any accelerated principal payments or any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if either of the tests referred to in Section 4.02(6) or 4.02(7) of this Bond Ordinance is calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

(9) All amounts then due under a reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof shall have been paid.

Section 4.03. Reliance on Certificates.

Each of the City, the Trustee and any purchaser of any Bonds shall be entitled to conclusively rely upon certificates of the Accountants and the certificates and reports of the Consulting Engineers and certificates of any Insurance Consultant, made in good faith, pursuant to any provision of this Bond Ordinance.

Section 4.04. Execution of Bonds.

(A) Unless otherwise prescribed by any Series Ordinance, the Bonds shall be executed in the name of and on behalf of the City by the Mayor or in his absence the Mayor pro-tempore, the corporate seal of the City shall be impressed or reproduced thereon and the same shall be attested by the Clerk. Such officers may employ facsimiles of their signatures.

(B) In case any officer whose signature or facsimile signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signatures or such facsimiles shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office.

Section 4.05. Authentication.

Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed by the Trustee or the Registrar shall be entitled to any right or benefit under this Bond Ordinance. No Bond shall be valid or obligatory for any purpose unless and until such certificate

of authentication shall have been duly executed by the Trustee or Registrar, and such executed certificate of the Trustee or Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Bond Ordinance. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by any authorized signatory of the Trustee or by any authorized officer of the Registrar.

Section 4.06. Medium of Payment.

The Bonds shall be payable with respect to principal, interest, and premium, if any, in lawful money of the United States of America, unless otherwise provided in a Series Ordinance.

Section 4.07. Mutilated, Lost, Stolen or Destroyed Bonds.

In the event any Bond is mutilated, lost, stolen or destroyed, the City may execute and the Trustee may authenticate a new Bond of the same Series of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the City and to the Trustee evidence of such loss, theft or destruction satisfactory to the City and the Trustee together with indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the City shall pay the same. The City and the Trustee may charge the Holder or owner of such Bond with their reasonable fees and expenses (including reasonable attorney's fees, costs and expenses) in this connection.

Section 4.08. Transfer and Registry; Persons Treated as Owners.

(A) As long as any Bonds shall be Outstanding, the City shall cause books for the registration and for the transfer of Bonds to be kept. Such books shall be kept by the Trustee unless there shall have been appointed a Registrar other than the Trustee to keep the books of registration for any particular Series of Bonds. The transfer of each Bond may be registered only upon the registration books of the City kept for that purpose by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof and an assignment with a written instrument of transfer satisfactory to the Trustee or the Registrar, as the case may be, duly executed by the registered owner or his duly authorized attorney. Upon the registration or transfer of any Bond, the City shall cause to be issued, subject to the provisions of Section 4.11 hereof, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

(B) The City, the Trustee, and any Registrar may deem and treat the person in whose name any Bond shall be registered upon the registration books of the City as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium (if any) and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; and none of the City, the Trustee and any Registrar shall be affected by any notice to the contrary.

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Section 4.13. Notice of Redemption.

If any of the Bonds, or portions thereof, are called for redemption, the Trustee shall give notice to the Holders of any Bonds to be redeemed, in the name of the City, of the redemption of such Bonds, or portions thereof. Notice of each redemption of Bonds is required to be mailed by the Trustee by first class mail, postage prepaid, at least thirty (30) but no more than sixty (60) days prior to the redemption date to each registered owner of Bonds to be redeemed, at the address of such owner recorded on the bond register and to be otherwise given in accordance with, among others, the following requirements:

(1) notices must contain, at a minimum, the complete official name of the Bonds, CUSIP number, Bond numbers, principal amount of each Bond to be redeemed (if less than all), publication date, redemption date, redemption price, redemption agent's name and address with contact person and phone number, Trustee's name and address, date of the Bonds, interest rate, maturity date, the place or places where amounts due will be payable, and any other descriptive information deemed necessary by the Trustee;

(2) notices must be sent to Bondholders of \$1,000,000 or more, to the Municipal Securities Rulemaking Board, if necessary (via its Electronic Municipal Market Access (EMMA) system, as may be amended or modified), and any Securities Depository by such method or such other method as is standard in the industry; in addition, any Bondholder holding in excess of \$1,000,000 principal amount of Bonds may request the Trustee to send notices to any additional addressee specified;

(3) a second notice to registered owners of the Bonds must be mailed by the means specified above to any registered owner of Bonds who has not presented Bonds for redemption 60 days after the redemption date;

(4) notice of redemptions effected by advance refundings must also be given in accordance with the above requirements at least thirty (30) days but no more than sixty (60) days prior to the actual redemption date; and

(5) CUSIP number identification with appropriate dollar amounts for each CUSIP number must accompany all redemption payments and interest payments, whether by check or by wire transfer.

The obligation to provide notice shall not be conditioned upon the prior payment to the Paying Agent of money or the delivery to the 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 a 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

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Section 4.09. Date and Payment Provisions.

Unless otherwise provided in any Series Ordinance with respect to Bonds issued thereunder, each Bond of a Series shall be authenticated on such dates as they shall, in each case, be delivered. Each Bond shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Bond's authentication.

Owners of at least \$1,000,000 principal amount of Bonds may, by written notice containing wiring instructions filed with the Trustee, at least twenty (20) days prior to any Bond Payment Date, provide for the payment of the interest on such Bonds by wire transfer to an account at a bank located in the continental United States.

Section 4.10. Interchangeability of Bonds.

Bonds of a Series, upon surrender thereof at the office of the Trustee or the Registrar, as the case may be, for the Bonds of such Series with a written instrument of transfer satisfactory to the Trustee or the Registrar, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder and upon payment by such Holder of any charges made pursuant to Section 4.11 hereof, be exchanged for an equal aggregate principal amount of Bonds of such Series of like maturity and interest rate of any other authorized denominations.

Section 4.11. Regulations With Respect to Exchanges and Transfer.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the City shall execute and the Trustee or the Registrar, as the case may be, shall authenticate and deliver Bonds in accordance with the provisions of this Bond Ordinance. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee or the Registrar, as the case may be, to the City. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Ordinance. There shall be no charge to the Holder for such exchange or transfer of Bonds except that the Trustee or the Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Trustee or the Registrar, as the case may be, shall be required to register, transfer or exchange Bonds of a Series during the period between a Record Date and its related Bond Payment Date, or to register, transfer or exchange any Bonds called for redemption after the mailing of any notice of redemption of such Bond.

Section 4.12. Cancellation and Destruction of Mutilated, Paid or Surrendered Bonds.

Upon the surrender of mutilated Bonds pursuant to Section 4.07 hereof, or Bonds paid or surrendered, the same shall be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate evidencing such destruction shall be furnished by the Trustee or the Registrar, as the case may be, to the City. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Ordinance.

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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.

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 Bonds for which notice is properly given. Any Bondholder may waive notice of redemption by delivery of a written waiver to the Trustee.

Any Series Ordinance providing for the issuance of Bonds consisting of contractual obligations not in the form of an instrument or providing for Bonds in bearer form may provide alternative methods for delivery of notice of redemption.

Provided sufficient funds for such redemption are on deposit with the Trustee, all Bonds so called for redemption shall cease to bear interest on the specified redemption date and shall no longer be deemed to be Outstanding hereunder. If said money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 4.14. Cancellation of Bonds Which Have Been Redeemed.

All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the City. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Ordinance.

Section 4.15. Restriction on Optional Redemption.

Notwithstanding anything in this Bond Ordinance to the contrary, no redemption of Bonds which is at the option of the City may be effected unless all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof shall have been paid in full.

Section 4.16. Selection of Bonds To Be Redeemed.

In the event that less than all of the Bonds of any Series are to be redeemed at the option of the City, Bonds to be redeemed shall be in such order of maturity as selected by the City. In the event of redemption of less than all of the Bonds of a Series of any maturity, the Bonds or portions of Bonds to be redeemed shall be selected by lot by the Trustee. The portion of any Bond of a denomination which is larger than the minimum denomination for the Bonds of such Series shall be in the principal amount of such minimum denomination or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of the minimum denomination; provided further that, if less than all of the beneficial interests in a Bond of a single maturity registered in the name of a Securities Depository or a Securities Depository Nominee are to be redeemed, the beneficial interests to be redeemed shall be selected by lot or in such manner as may be directed by the Securities Depository. If there shall be drawn for

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redemption less than all of a Bond, the City shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of the same Series in any authorized denomination. The procedures for selection of Bonds of a Series for redemption set forth in this Section 4.16 are subject, however, to any alternative provisions set forth in a Series Ordinance applicable to such Series of Bonds.

Section 4.17. Purchase of Bonds.

The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the City at such time, in such manner and at such price as may be specified by the City. The Trustee may so purchase Bonds with any money then held by the Trustee which is available for the redemption or purchase of Bonds and in excess of that set aside for the payment of Bonds called for redemption; provided, that the Trustee is provided with an opinion of counsel (who shall be acceptable to the Trustee) to the effect that such redemption or purchase complies with any limitations or restrictions on such redemption or purchase contained in this Bond Ordinance.

Section 4.18. Bonds Issued as Taxable Obligations.

Notwithstanding anything in this Bond Ordinance to the contrary, the City may from time to time, pursuant to one or more Series Ordinances, provide for the issuance of Bonds the interest on which may be includable in gross income of the Holders of such Bonds for federal income taxation purposes. In such event, such Bonds may, at the option of the City, be issued as coupon bonds, payable to bearer, as provided in the applicable Series Ordinance. Such Series Ordinance shall provide such rules and regulations with respect to the ownership, transfer and substitution of such Bonds as are not inconsistent with the other provisions of this Bond Ordinance.

Section 4.19. Security for Payment of Bonds; Priority of Lien.

The Bonds shall be payable solely from and shall be secured by a pledge of and lien upon the Gross Revenues. Such pledge and liens securing the Bonds shall at all times and in all respects be and remain superior to pledges and liens made and given to secure any other bonds or other obligations payable from the revenues of the System. The Bonds shall not constitute an indebtedness of the City within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license, and the faith, credit and taxing power of the City are expressly not pledged therefor. The City is not obligated to pay any of the Bonds or the interest thereon except from the Gross Revenues.

Section 4.20. Bonds in Book-Entry Form.

Notwithstanding any other provision of this Bond Ordinance with respect to the form of Bonds to the contrary, a Series Ordinance may provide for the issuance of one or more Series of Bonds solely in fully registered form registrable to a Securities Depository, a Securities Depository Nominee or the beneficial owner of the Bonds. The Series Ordinance may further provide that such Series of Bonds shall be evidenced by one or more certificates or by a system

**ARTICLE V - RATES AND CHARGES**

Section 5.01. Rate Covenant.

(A) It is hereby determined that the rates for services and facilities furnished by the System shall, until otherwise revised, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of this Bond Ordinance but they shall be revised by the City Council whenever necessary in order that they shall at all times be maintained on a basis sufficient to meet the requirements of this Bond Ordinance. The City specifically covenants and agrees to maintain rates and charges for all services furnished by the System which shall at all times be sufficient:

- (1) To maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on the Bonds;
- (2) To maintain the Debt Service Reserve Funds in the manner prescribed herein and in any applicable Series Ordinance;
- (3) To provide for the payment of the Operation and Maintenance Expenses as may be necessary to preserve the same in good repair and working order;
- (4) To build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order;
- (5) To pay all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof;
- (6) To provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding; and
- (7) To discharge all obligations imposed by the Enabling Act and by this Bond Ordinance and any applicable Series Ordinance.

(B) The City covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual Net Earnings in the current Fiscal Year equal to at least the sum of one hundred twenty percent (120%) of the Annual Principal and Interest Requirements in such Fiscal Year for all Bonds Outstanding. 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, the City shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the City shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating

of book entries in a form satisfactory to the Chief Financial Officer and to provide for payment, redemption, notices and like provisions in a manner consistent with such system of registration.

Section 4.21. Waiver of Certain Provisions.

Notwithstanding anything in this Bond Ordinance to the contrary, whenever all of the debt issued or all of the obligations incurred by the City under a Series Ordinance are acquired by and are held by a single entity, that single entity, at its sole option, may waive any provision or requirement of this Bond Ordinance that relates separately to the governance of such Series and is for the protection and benefit of such single entity only and not for the protection or benefit of any other Holder or Holders of Bonds.

[End of Article IV]

expenses and other expenditures of the System for such Fiscal Year which shall include the amount to be deposited during such Fiscal Year in the Depreciation and Contingency Fund. The City may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

(C) If the City, after adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant established hereinabove or if the audited financial statements of the City indicate that the City did not satisfy the rate covenant for the prior year, the City shall, within forty-five (45) days, engage a Consulting Engineer to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the City to meet such rate covenant. Copies of such report shall be made available to the City and the Trustee no later than sixty (60) days after the engagement of the Consulting Engineer.

The City agrees that it shall use its best efforts to effect such changes recommended by the Consulting Engineer in its report. So long as the City uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under Article XIII hereof; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

[End of Article V]



**ARTICLE VI - JUNIOR LIEN BONDS  
AND SPECIAL FACILITIES BONDS**

**Section 6.01. Right to Issue Junior Lien Bonds; Accession Thereof to Status of Bonds.**

Notwithstanding that Bonds may be Outstanding, the City 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 revenues made or authorized for the Bonds and to the payment of all Operation and Maintenance Expenses; and provided, further, that the maturity of Junior Lien Bonds may not be accelerated and paid in full unless all of the Bonds shall have been paid or provision therefor has been made pursuant to Article XVI hereof.

By proceedings authorizing the issuance of Junior Lien Bonds, the City may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the following conditions are met. Any such subsequent proceedings adopted by the City Council providing for such accession shall make the findings provided in subparagraphs (1) through (4) and state whether and to what extent a Debt Service Reserve Fund shall be established as set forth in subparagraph (5).

- (1) The Junior Lien Bonds were issued for a purpose or purposes set forth in Section 4.01(A) hereof.
- (2) 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, (b) no default in the performance of any duties required under the provisions of this Bond Ordinance, and (c) no amount owed by the City with respect to the full funding of a Debt Service Reserve Fund, either by way of cash or reimbursement of any other funding mechanism, except in accordance with Section 4.02(5)(a) hereof.
- (3) There shall be deposited in the Debt Service Fund for such Series of newly-accrued Bonds the amounts which would have been required under the provisions of Section 8.02 hereof to be accumulated therein on the date of accession if said Junior Lien Bonds had originally been issued as Bonds.
- (4) On the date of accession, the earnings tests prescribed by Section 4.02(6) hereof shall have been met.
- (5) In the event such proceedings require a Reserve Requirement to be maintained for such Series of newly-accrued Bonds, then in such event, there shall be on deposit on the date of accession in a Debt Service Reserve Fund an amount equal to the Reserve Requirement established for such Junior Lien Bonds which are being acceded to the status of Bonds.

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of the System less accumulated depreciation as shown on the audited balance sheet of the City for the most recent Fiscal Year for which audited financial statements are available; and (2) the loss of the property secured by the lien will not materially adversely affect the ability of the City to meet its financial obligations under this Bond Ordinance.

[End of Article VI]

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(6) The City shall obtain an opinion of Bond Counsel to the effect that: (a) this Bond Ordinance 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 City and are valid and binding upon, and enforceable against, the City (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) this Bond Ordinance 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 this Bond Ordinance.

(7) In the event such Junior Lien Bonds were issued with variable rates, the provisions of subparagraph (8) of Section 4.02 shall have been met.

**Section 6.02. Right to Issue Special Facilities Bonds.**

The City shall have at all times the right 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, subject to the following conditions:

- (1) It shall have been determined to the satisfaction of the City that the rents, revenues or receipts to be derived from the Special Facilities shall be at least equal to the principal, interest and any reserve requirements contained in the ordinance authorizing such Special Facilities Bonds and to pay all operation, maintenance and other costs and expenses applicable to such 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 pursuant to Section 8.08 hereof.

For purposes herein, the terms "Special Facilities" shall include all or a portion of water, sewer or electric (or those enterprises, if any, referred to in Section 11.02 hereof) facilities and rights to all or a portion of the use of, or the capacity available from any such facilities.

**Section 6.03. Lease Financing Agreements.**

The City shall have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System, provided, however, that: (1) the aggregate principal amount of such obligations outstanding at any time shall not exceed ten percent (10%) of the property, plant and equipment

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**ARTICLE VII - ESTABLISHMENT OF FUNDS**

**Section 7.01. Requirement for Special Funds.**

For so long a time as any sum remains due and payable by way of principal or interest on Bonds, the following funds or accounts relating to the Gross Revenues of the System shall be established and maintained, and deposits shall be made therein in the manner herein required.

**Section 7.02. The General Revenue Fund.**

(A) There shall be established and maintained a fund or account designated as the General Revenue Fund. This account shall be so maintained as to accurately reflect:

- (1) the Gross Revenues of the System; and
- (2) Net Earnings.

(B) Except as otherwise specifically directed or permitted herein, all Gross Revenues of the System shall be deposited in accordance with and in the manner prescribed by Article VIII hereof into this fund. Money in the General Revenue Fund shall be withdrawn and made use of only in the manner and in the order of priority specified in Article VIII hereof. So long as the City establishes, 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, the Depreciation and Contingent Fund, subject to the prior applications of the amounts in the General Revenue Fund for the purposes set forth in Sections 7.03 and 7.04 hereof.

**Section 7.03. Debt Service Funds.**

(A) There shall be established and maintained a Debt Service Fund for each Series of Bonds Outstanding. The respective Debt Service Funds are intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on the respective Series of Bonds as the same respectively fall due. Payments into such Debt Service Funds shall be made in the manner prescribed by this Bond Ordinance, including the applicable provisions of Article VIII hereof, and, except as herein provided, all money in the respective Debt Service Funds shall be used solely to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds, and for no other purpose. Each Debt Service Fund shall bear a number Series designation as may be necessary to distinguish each Debt Service Fund.

(B) The Debt Service Funds shall be kept in the complete custody and control of the Trustee and withdrawals from the Debt Service Funds shall be made only by such Trustee who shall transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds. Amounts held by the Trustee due to non-presentment of Bonds on any redemption date must be retained by the Trustee for a period of at least one year after the final maturity of such Bonds. Provided, however, in the event (1) a Series of Bonds is purchased by a single institution and thereafter held by a single Bondholder, and (2) there is not established for such Series of Bonds a

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Reserve Requirement, the Debt Service Fund established for such Series of Bonds may be held by the Holder of that Series of Bonds, and the Holder of any such Series of Bonds must provide to the Trustee, as and when requested by the Trustee, a written certificate containing current information as to the principal Outstanding, the redemption premium, if any, and accrued interest on such Series of Bonds, and, if the Holder of such Series of Bonds does not provide the Trustee such written certificate within five (5) Business Days of a request by the Trustee, the Trustee, for all purposes of this Bond Ordinance, shall conclusively assume that such Series of Bonds has been paid in accordance with the original tenor of such Series of Bonds.

(C) Money in the Debt Service Funds shall be invested and reinvested by the Trustee at the written direction of the Chief Financial Officer or his designee in Authorized Investments, maturing not later than the date on which such money is required to pay the principal of, premium, if any, and interest on the next occurring maturity of the Bonds. Unless otherwise provided in a Series Ordinance, all earnings from such investments shall be added to and become a part of the Debt Service Fund in which such investments are held, but shall be credited against payments that would otherwise be made to such Debt Service Fund pursuant to the provisions of Section 8.02 hereof.

(D) All monies received by the Trustee as Interest Payment Subsidies shall be deposited in the Debt Service Fund for such Series of Bonds and used to pay debt service on the Series of Bonds with respect to which such Interest Payment Subsidy was received.

(E) Within each Debt Service Fund, the Trustee, or as otherwise provided in the Series Ordinance, is authorized to create sub-accounts, as it determines necessary for the timely payment of the principal of, interest on, and sinking fund installments due on the Bonds.

Section 7.04. The Debt Service Reserve Funds.

(A) Each Series Ordinance may create a Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. Each such 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 Debt Service Reserve Fund shall be maintained in an amount equal to the Reserve Requirement for such Series of Bonds. Unless otherwise provided in a Series Ordinance, money in a 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 its Debt Service Fund is insufficient for such purposes;

(2) To pay the principal of, interest on, and redemption premium, if any, of the Bonds of that 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 that Series; but subject to the restrictions of Section 4.15 hereof and provided that subsequent to said partial

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another surety bond, letter of credit, or insurance policy (the "**Additional Funding Instrument**"), draws on the Original Funding Instrument and the Additional Funding Instrument shall be made on a pro rata basis to fund any insufficiency in the Debt Service Fund. In the event a Debt Service Reserve Fund is funded with both monies and a surety bond, letter of credit, or insurance policy (1) any withdrawals from such Debt Service Reserve Fund shall be made first from such monies (or the liquidation of investments made therewith) and second from such surety bond, line of credit, letter of credit, or insurance policy, and (2) cash deposits to such Debt Service Reserve Fund shall be used first to restore the cash balance and second to reinstate the surety bond, line of credit, letter of credit, or insurance policy. The surety bond, line of credit, letter of credit, or insurance policy shall be payable (upon the giving of notice as required thereunder) on any Bond Payment Date on which moneys will be required to be withdrawn from such Debt Service Reserve Fund and applied to the payment of the principal of or interest on the Outstanding Series of Bonds to which such surety bond, line of credit, letter of credit, or insurance policy relates when such payments cannot be made by amounts otherwise credited to such Debt Service Reserve Fund.

Section 7.05. The Operation and Maintenance Fund.

(A) There shall be established and maintained an Operation and Maintenance Fund. The Operation and Maintenance Fund is intended to provide for the payment of the Operation and Maintenance Expenses.

(B) Withdrawals from the Operation and Maintenance Fund shall be made by or on the order of the City in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 7.06. The Depreciation and Contingent Fund.

(A) There shall be established and maintained a Depreciation and Contingent Fund held and administered by the City. This fund shall be maintained in an amount to be established not less frequently than annually by the City Council in order to provide a reasonable reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions of the System.

(B) Money in this fund shall be used solely:

(1) For the purpose of restoring depreciated or obsolete items of the System;

(2) 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;

(3) To defray the cost of unforeseen contingencies and extraordinary repairs to the System;

(4) To prevent defaults of Bonds and Junior Lien Bonds; and

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redemption, the market value of the cash and securities in the Debt Service Reserve Fund shall be not less than the Reserve Requirement therefor.

Notwithstanding the provisions of Section 7.04(A)(1-3) above and as otherwise permitted by the Code, if the Debt Service Reserve Fund was funded with cash generated by the System, then, upon the written consent of the Holder of such Series of Bonds secured by such Debt Service Reserve Fund, the monies in such Debt Service Reserve Fund may be returned to the City. The requirements for and provisions governing any Debt Service Reserve Fund in the remainder of this Bond Ordinance shall, in references to "the Debt Service Reserve Fund", "the Reserve Requirement" and "the Bonds", be deemed to refer to each such Debt Service Reserve Fund created by a Series Ordinance, if any, and in each case to the respective Reserve Requirement for the respective Series of Bonds, and to Bonds only of that respective Series and not to any other Bonds.

(B) (1) Each Debt Service Reserve Fund shall be kept in the complete custody and control of the Trustee and withdrawals therefrom shall be made only by the Trustee who shall transmit to the Bondholders, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the Bonds.

(2) If a Series of Bonds is held by the Water Quality Authority, then the Debt Service Reserve Fund for such Series of Bonds may be kept in the custody and control of the State Treasurer's Office and invested in the Local Government Investment Pool in Authorized Investments. Withdrawals therefrom shall be made only as directed by the Water Quality Authority at such times as may be required to pay the principal and interest on such Series of Bonds. Any withdrawal of the monies in a Debt Service Reserve Fund that exceeds the Reserve Requirement shall be transferred in accordance with the provisions of Section 7.04(C) hereof.

(C) Except as provided in Section 7.04(B)(2) herein, money in a Debt Service Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the Chief Financial Officer or his designee in Authorized Investments. Subject to the remaining provisions of this paragraph (C), the earnings from such investments shall be added to and become a part of the Debt Service Reserve Fund. Except as provided in a Series Ordinance, if as of any date of calculation, the value of the securities and money in a Debt Service Reserve Fund shall exceed its Reserve Requirement, such excess shall either be used to effect partial redemption of Bonds of that Series, or shall be removed from such Debt Service Reserve Fund and transferred into the applicable Debt Service Fund, as directed in writing by the Chief Financial Officer.

(D) In the event a Series Ordinance requires a Debt Service Reserve Fund to be established for a Series of Bonds, unless otherwise required by such Series Ordinance, the City, in lieu of the deposit of moneys into a Debt Service Reserve Fund, may alternatively satisfy the Reserve Requirement by causing to be so credited an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy equal to the Reserve Requirement therefor.

(E) In the event the amount on deposit in, or credited to, a Debt Service Reserve Fund, in addition to the amount available under the surety bond, letter of credit, or insurance policy in question (the "**Original Funding Instrument**") includes amounts available under

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(5) For optional redemption of Bonds or Junior Lien Bonds.

(C) Withdrawals from this fund shall be made by or on order of the City.

Section 7.07. The Capitalized Interest Account.

There may be established a capitalized interest account to provide for the payment of interest on the Bonds of a particular Series. Any such account shall be created by the Series Ordinance relating to the issuance of the Bonds of such Series. The Series Ordinance shall provide for the disposition of any earnings from the investment of the funds in any such capitalized interest account.

Section 7.08. Investments of Funds.

Whenever, in the opinion of the City, it becomes desirable to invest money in any of the funds established by this Article (other than the Debt Service Reserve Funds and the Debt Service Funds for which provisions are made above) the City may make Authorized Investments. Earnings resulting from the investment of money in a particular fund shall be deposited into such fund (i) except as otherwise provided in Sections 7.03, 7.04 and 7.07 hereof, and (ii) unless the City Council shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Depreciation and Contingent Fund shall remain therein.

[End of Article VII]

**ARTICLE VIII - DISPOSITION OF REVENUES**

Section 8.01. Deposits to General Revenue Fund; Dispositions Therefrom.

The Gross Revenues of the System, except customers' deposits and that money the disposition of which is controlled by other provisions of this Bond Ordinance, are declared to be a part of the General Revenue Fund and shall from time to time be promptly deposited in a bank or depository in an account which will reflect the fact that they are a part of the General Revenue Fund. If Bonds are Outstanding, the dispositions from the General Revenue Fund required by the remaining Sections of this Article shall be made on or before the Business Day which is five (5) Business Days prior to the end of each month. Payments from the General Revenue Fund shall be made in the order of priority established by the sequence of the remaining Sections of this Article.

Section 8.02. Payments for Bonds.

Provision shall be made for the payment of principal of, premium, if any, and interest on all Bonds then Outstanding without priority of any other Bonds but ratably as to each Series of Bonds. To that end:

(1) There shall be deposited into each Debt Service Fund the monthly fraction of the aggregate amount of interest to become due on the respective Series of Bonds on the next ensuing Bond Payment Date; provided, however, that if provision has been made for the payment of all or part of the next installment of interest to become due on any Bonds, or the Trustee is in receipt of any Interest Payment Subsidies, pursuant to any other provision of this Bond Ordinance, or any Series Ordinance, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(2) There shall be deposited into each Debt Service Fund the monthly fraction of the Principal Installment of the respective Series of Bonds next becoming due and payable (whether at stated maturity or by sinking fund installments), so that on each principal maturity date, the amount of principal to be paid shall have been accumulated and be on hand; provided, however, that if provision has been made for the payment of all or part of the next installment of principal to become due on the respective Series of Bonds, pursuant to any other provision of this Bond Ordinance, or any Series Ordinance, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(3) If, on the occasion when the deposits required by paragraphs (1) and (2) of this Section, 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 principal and interest payment dates, 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 respective Series of Bonds, as the case may be, a sum equal to such deficiency shall be added to the deposits so to be made.

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(4) as to any investment not specified above, the value thereof established by prior agreement between the City and the Trustee.

Section 8.04. Deposits for the Operation and Maintenance Fund.

There shall be deposited in the Operation and Maintenance Fund the amounts budgeted for Operation and Maintenance Expenses for the ensuing month and any amounts required for an operational reserve.

Section 8.05. Deposits for the Depreciation and Contingent Fund.

There shall be deposited into the Depreciation and Contingent Fund that sum which is one-twelfth (1/12) of the sum which has been currently determined by the City Council to be the budgeted requirement therefor for the then current Fiscal Year.

Section 8.06. Reimbursement of Interest on Amounts Advanced by Credit Providers for the Debt Service Reserve Fund.

Provision shall then be made for payment of interest and any fees or penalties on amounts advanced by the provider of any surety bond, line of credit, letter of credit or insurance policy as contemplated in Section 7.04(D) hereof.

Section 8.07. Payments for Junior Lien Bonds.

Provision shall 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.

Section 8.08. Use of Surplus Money.

All money remaining after making the payments required by Sections 8.01 to 8.07, shall be disposed of for any lawful purpose in such manner as the City Council shall from time to time determine.

[End of Article VIII]

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Section 8.03. Deposits for the Debt Service Reserve Funds - Valuation.

Deposits shall next be made in the amounts required by this Section 8.03 or Section 4.02(5) into the respective Debt Service Reserve Funds. Except as provided in Section 7.04(B)(2), the Trustee shall calculate the value of the cash and securities in each Debt Service Reserve Fund forty-five days prior to each Bond Payment Date in order to determine if each Debt Service Reserve Fund contains the Reserve Requirement therefor, and the extent to which payments therefor or withdrawals must be made therefrom, and the timing thereof, pursuant to this Bond Ordinance and the respective Series Ordinances. To the extent the Trustee determines that a deficiency exists, but such deficiency is solely the result of accounting practices governing the valuation of securities in the Debt Service Reserve Fund, the Trustee may alternatively calculate value of the securities in each Debt Service Reserve Fund as of the maturity date of such securities, so long as such securities mature on or prior to the Bond Payment Date. Unless a Debt Service Reserve Fund is being funded pursuant to Section 4.02(5)(a) of this Bond Ordinance or then contains in cash and securities (or a surety bond, insurance policy, or letter of credit as herein described) an amount at least equal to its Reserve Requirement, unless otherwise provided in the Series Ordinance, there shall be paid into such Debt Service Reserve Fund on the last Business Day of each of the twenty-four (24) months following a determination of a deficiency in such Debt Service Reserve Fund one-twenty-fourth (1/24) of the amount necessary to re-establish in such Debt Service Reserve Fund its Reserve Requirement; provided, however, nothing herein shall preclude the City from fully re-establishing such Reserve Requirement in a more timely fashion than as so prescribed. Any surety bond, line of credit, insurance policy or letter of credit being used to meet the Reserve Requirement of a Debt Service Reserve Fund shall be valued at the amount still remaining to be drawn thereon; and in the event that any such surety bond, line of credit, insurance policy or letter of credit has been drawn upon, the amount necessary to restore the principal balance thereof shall be paid by the City in the same manner and on a parity with the payments described in this Section 8.03.

The market value of any Authorized Investments in a Debt Service Reserve Fund shall be calculated as follows:

(1) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if published therein, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

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**ARTICLE IX - AGREEMENT TO FURNISH INFORMATION WITH RESPECT TO SYSTEM**

Section 9.01. Keeping Records.

The City recognizes that those who may from time to time hereafter be Bondholders will, throughout the life of the Bonds, require full information with respect to the System, the fiscal affairs of the System, and all matters incident to each. To that end the City hereby covenants and agrees that it will install and thereafter at all times maintain proper books of records and accounts, separate and distinct from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System, and all revenues and receipts derived therefrom, directly or indirectly. Such books and records shall be kept in such fashion as to reveal in detail:

- (A) The number of customers who may from time to time make use of the System;
- (B) The Gross Revenues of the System and the source from whence derived;
- (C) All expenses incurred in the operation of the System suitably identified as to purpose;
- (D) The Net Earnings of the System;
- (E) All expenditures made from the several funds established by this Bond Ordinance, and Series Ordinances authorizing the issuance of the Bonds; and
- (F) The rate schedules that may from time to time be in force.

Section 9.02. Audit Required.

The City further covenants and agrees that so long as any Bonds are Outstanding, it will, not later than one hundred eighty (180) days after the close of each Fiscal Year, cause to be made and completed by the Accountants, an audit of the records, books and accounts pertaining to the System, made in accordance with generally accepted accounting practices, showing, among other things, Gross Revenues and Net Earnings; and that it will furnish a copy of such audit to the Trustee. Such audit shall contain a schedule demonstrating whether the City has complied with the rate covenant of Section 5.01(B) hereof for such Fiscal Year. The cost of such audit shall be treated as Operation and Maintenance Expenses.

[End of Article IX]

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ARTICLE X - INSURANCE

Section 10.01. Insurance.

(A) The City covenants and agrees that so long as any Bonds are Outstanding:

(1) To the extent coverage is available, that it will insure and at all times keep the System insured against physical loss or damage with a responsible insurance company or companies, authorized and qualified under the laws of the State, to assume the risks insured against, in such amount as private corporations engaged in similar endeavors would customarily insure for;

(2) That it will secure adequate fidelity bonds (blanket or individual) of a surety company doing business in the State, indemnifying the City against defalcation of all persons handling money derived from the System or signing checks on any bank accounts relating to the System, other than the Trustee or any Registrar;

(3) That all premiums on all bonds or insurance policies shall be deemed a part of the cost of operating and maintaining the System;

(4) That all insurance policies shall be open to the inspection of any Bondholder at any reasonable time;

(5) That all money received by the City as a consequence of any defalcation, covered by any fidelity bond, shall be used to restore the fund depleted by the defalcation. All sums received by the City from insurance with respect to the System may, to the extent necessary, be applied to the repair and replacement of the damaged or destroyed property, but, in the event that such money is not used for such purposes, then the same shall be deposited in the Depreciation and Contingent Fund; and

(6) That it will comply with the requirements of State law regarding the mandatory purchase of liability insurance contained in Section 15-78-140(b) of the South Carolina Code.

(B) Insurance required by this Section 10.01 may be provided through the South Carolina Insurance Reserve Fund. The City may obtain or adopt alternative risk management programs which an Insurance Consultant determines to be reasonable, including, without limitation, self-insurance in whole or in part individually or in connection with other institutions, participation in programs of captive insurance companies; participation with other governmental entities in mutual or other cooperative insurance or other risk management programs, participation in state or federal insurance programs, taking advantage of state or federal laws now or hereafter in existence limiting liability, or establishing or participating in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the City. If the City shall be self-insured for any coverage, the City shall obtain a report of an Insurance Consultant stating whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than

ARTICLE XI - ADDITIONAL COVENANTS

Section 11.01. Additional Covenants to Secure Bonds.

The City further covenants and agrees:

(A) That neither the System, nor any part thereof, nor any of the revenues derived from the System, have been or will be hypothecated, mortgaged, otherwise pledged or encumbered, save and except as herein disclosed and provided for;

(B) That it will permit no free service to be rendered, or use to be made of the services and facilities of the System, and for the services and facilities of the System used by the City, the reasonable cost and value of such services and facilities shall be paid as such services accrue. The revenue so received from the City shall be deemed revenue derived from the operation of the System, and shall be accounted for in the same manner as other revenues of the System;

(C) It will permit no customer to be connected to the System, or to receive any service afforded by the System, unless a proper account is established and charges are levied against such account for services rendered, and such customer shall become obligated to pay for the service rendered at the appropriate rate according to the rate schedule then in force;

(D) That it will permit, so long as there are any Bonds Outstanding, any Bondholder to inspect the System and all records and accounts thereof under reasonable terms and conditions and after reasonable notice has been given;

(E) That it will not make any use, and it shall direct the Trustee and each Fiduciary not to make any use of the proceeds of any Series of Bonds, other than Bonds issued pursuant to Section 4.18 hereof, which, if such use had been reasonably expected on the date of the issuance of the Bonds of such Series would have caused such Bonds or any other Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and will observe and not violate the requirements of Section 148 of the Code;

(F) That so long as there are any Bonds Outstanding, it will perform all duties with reference to the System required by the Constitution and statutes of the State;

(G) That it will not pledge, mortgage or otherwise encumber the System or any part thereof, or any revenues therefrom, except in the manner herein authorized, and it will not sell, lease or dispose of any portion of the System, necessary or useful (as determined by the City) in the operation of the System, until all Bonds shall be paid in full, or unless and until provision shall have been made for the payment of all Bonds and the interest thereon in full, and that it will maintain in good condition and operate the System. If pursuant to this paragraph anything belonging to the System which is not deemed by the City to be necessary or useful therefor shall be sold or disposed of, the proceeds of such sale or disposition shall be deposited at the direction of the City in the Depreciation and Contingent Fund or in the General Revenue Fund; and

(H) That no payments on account of appropriations to the general fund of the City shall be made except as permitted under Section 8.08 hereof.

annually. Any self-insurance program shall be subject to annual review by the Insurance Consultant who shall provide a written report to the City which shall include recommendations relating to such self-insurance program. The City shall provide to the Trustee annual certification evidencing compliance with the Insurance Consultant's recommendations.

(C) All costs and expenses of providing the insurance required by this Section 10.01 shall be payable solely from the Gross Revenues of the System.

[End of Article X]

Section 11.02. Acquisition of Additional Utilities.

No provision of this Bond Ordinance shall prevent the combining of the System with any other utility system or enterprise of whatever type if such combination then be permitted or authorized by the provisions of the South Carolina Code and if the requirements set forth below are met and provided that garbage collection and solid waste disposal units may be added only if any indebtedness financing the same is issued either as Junior Lien Bonds or Special Facilities Bonds; but no such combination shall impair the validity or priority of the pledge of revenues and the lien thereon created by this Bond Ordinance, or enlarge the provisions of this Bond Ordinance relating to the issuance and the securing of Bonds. The City shall have the right from time to time to add other utilities, enterprises, activities and facilities (which at the date of adoption of this Bond Ordinance were not included in the definition of System hereunder) to the definition of System hereunder, provided that:

(A) the City Council shall have determined that such utilities, enterprises, activities or facilities are of a similar public utility nature as are the utilities now constituting the System;

(B) the City Council shall have adopted an appropriate amendatory ordinance to this Bond Ordinance;

(C) the City shall have received an opinion of Bond Counsel to the effect that such action to be taken under this Section is authorized under this Bond Ordinance and the laws of the State and will not adversely affect the excludability of interest on the Bonds which were intended upon their issuance to be exempt from federal income taxation; and

(D) for each of the five (5) Fiscal Years following the date of the additions to the System, Net Earnings, as shall have been forecasted either by Consulting Engineers with a reputation for expertise in the type of enterprise being added to the System, or by Accountants, 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, however, that in the event that Bonds are being issued to acquire or improve the acquired utility, this paragraph (D) shall not apply and the City shall meet the requirements of Article IV hereof before issuing such Bonds and acquiring such utility.

Section 11.03. Sale, Exchange, Removal or Disposal of Component or Enterprise of System.

(A) The City may from time to time sell, exchange, remove or dispose of, (but not lease, contract or agree for the use thereof) an entire component or enterprise comprising a part of the System, if it determines by ordinance:

(1) that the sale, exchange, removal or other disposition thereof would not materially adversely affect the operating efficiency of the System and would not materially reduce Net Earnings; or

(2) that the sale, exchange, removal or other disposition thereof (1) would not materially adversely affect the ability of the City to comply with the rate covenant, set forth in

Section 5.01 hereof, for the current and next succeeding Fiscal Year, and (2) would be for a consideration of not less than fair market value.

(B) In addition to the provisions of Section 11.03(A) hereof, if the City determines to sell, exchange, remove or dispose of an entire component or enterprise comprising a part of the System the following conditions shall also be met:

(1) an opinion of Bond Counsel to the effect that the sale, exchange, removal or disposal of an enterprise or component of the System from the System has been effected in accordance with the terms of this Bond Ordinance; and

(2) notice shall be provided to any rating agency, if any, then rating any Series of Bonds regarding the sale, exchange, removal or disposal of such component or enterprise from the System.

(C) If the City sells, exchanges, removes or otherwise disposes of an enterprise or component of the System, the proceeds, if any, of such transaction may be applied, at the discretion of the City, as follows:

(1) to the payment or satisfaction, in whole or in part, of (1) Bonds associated with or related to such component or enterprise and (2) any other type of indebtedness of the City associated with or related to such component or enterprise; or

(2) to the payment or satisfaction, in whole or in part, of the amount due under any type of contractual obligations of the City associated with or related to such enterprise or component; or

(3) to the payment of the construction or purchase of additional improvements or expansions to the System.

[End of Article XI]

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(D) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds, except as otherwise provided herein;

(E) Permit preference or priority of any Bonds to others;

(F) Alter or modify the provisions of Section 4.02 or of Articles V, VII, and VIII hereof; or

(G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of this Bond Ordinance.

Section 12.03. Procedure for Procuring Bondholder Approval.

The City and the Trustee may conclusively rely upon the registry books maintained by the Trustee to determine who are the Holders of the Bonds. Any and all modifications made in the manner hereinabove provided for shall not become effective until there has been filed with the Clerk of Court for the County and the Trustee a copy of such amendatory ordinance hereinabove provided for, duly certified, as well as proof of consent to such modification by the Holders (depending on the type of modification) of (A) fifty-one percent (51%) in principal amount of the Bonds of each Series then Outstanding or (B) all Bonds Outstanding. In the event that any Series of Bonds are held under a book-entry system pursuant to Section 4.20 hereof, the approvals of the Bondholders may be obtained in the manner provided in the agreement with the Securities Depository.

Section 12.04. Notice to Rating Agencies.

Any rating agency rating a Series of Bonds shall be provided notice and a copy of any amendment to this Bond Ordinance or to any Series Ordinance within fifteen (15) days of its execution or enactment.

[End of Article XII]

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**ARTICLE XII - MODIFICATION OF ORDINANCE**

Section 12.01. Modification Without Bondholder Approval.

(A) Provided always that the security of the Bonds shall not be diminished, or in any manner impaired, the City Council may for any one or more of the following purposes at any time, or from time to time, adopt an ordinance, supplementing this Bond Ordinance, which ordinance shall be fully effective in accordance with its terms:

(1) to provide for the issuance of a Series of Bonds in accordance with Article IV of this Bond Ordinance;

(2) to add to the covenants and agreements of the City in this Bond Ordinance, other covenants and agreements thereafter to be observed;

(3) to surrender any right, power or privilege reserved to or conferred upon the City by this Bond Ordinance;

(4) to implement an addition to the System pursuant to Section 11.02 hereof; and

(5) to cure, correct and remove any ambiguity or inconsistent provisions contained in this Bond Ordinance.

(B) It is further provided that, except for a Series Ordinance as permitted by subsection (A), such supplemental ordinance shall not become effective until a copy thereof, duly certified, shall have been filed in the office of the Clerk of Court for the County. The Trustee, after due timely notification from the City to a Responsible Officer, shall promptly give notice of enactment and a copy of any modification made hereunder to any Insurer.

Section 12.02. Modification With Bondholder Approval.

The rights and duties of the City and the Bondholders and the terms and provisions of this Bond Ordinance may be modified or altered in any respect by an ordinance adopted by City Council with the consent of the Holders of fifty-one percent (51%) 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; however no such modification or alteration shall without the consent of the Holders of all Bonds affected by such change or modification:

(A) Extend the maturity of any payment of principal or interest due upon any Bond;

(B) Effect a reduction in the amount which the City is required to pay by way of principal, interest or redemption premium on any Bonds;

(C) Effect a change as to the type of currency in which the City is obligated to effect payment of the principal, interest and redemption premium of any Bond;

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**ARTICLE XIII - EVENTS OF DEFAULT**

Section 13.01. Events of Default.

(A) Each of the following events is hereby declared to be an "Event of Default":

(1) Payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption;

(2) Payment of any installment of interest on any Bonds shall not be made when the same becomes due and payable;

(3) Payment of any installment of either interest or principal on any Junior Lien Bonds shall not be made when the same becomes due and payable or any other event of default shall exist with respect to any Junior Lien Bonds;

(4) Except as provided in Section 5.01(C) hereof, the City shall not comply with the rate covenant in Section 5.01(B) herein;

(5) The City shall for any reason be rendered incapable of fulfilling its obligations hereunder;

(6) An order or decree shall be entered with the consent or acquiescence of the City appointing a receiver, or receivers, of the System, or of the revenues thereof, or any proceedings shall be instituted with the consent or acquiescence of the City for the purpose of effecting a composition between the City and its creditors whose claims relate to the System, or for the purpose of adjusting claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted, or if such order or decree, having been entered without the consent or acquiescence of the City, shall not be vacated or discharged or stayed on appeal within sixty (60) days after entry thereof, or if such proceeding having been instituted without the consent or acquiescence of the City, shall not be withdrawn or any orders entered shall not be vacated, discharged, or stayed on appeal within sixty (60) days after the institution of such proceedings, or the entry of such orders;

(7) The City shall fail to operate the System in an efficient and businesslike fashion so as to materially impair the operations of the System or shall default in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds or in this Bond Ordinance, and such default as to efficient operation or otherwise shall continue for thirty (30) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the City by any Bondholder, provided that in the case of default specified in this paragraph (7), if the default be such that it cannot be corrected within the said thirty (30) day period, it shall not constitute an event of default if corrective action is instituted by the City within said thirty (30) day period and diligently pursued until the default is corrected;

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(8) The occurrence of an event of default on the part of the City under any reimbursement agreement between the City and a provider of a surety bond, insurance policy or letter of credit as contemplated under Section 7.05(D) hereof; and

(9) Such other events of default as may be specified in a Series Ordinance.

In determining whether a default in payment has occurred under paragraphs (1) or (2) of this subsection (A) and in determining whether a payment on Bonds has been made under any other provision of this Bond Ordinance, no effect shall be given to payments made under a Municipal Bond Insurance Policy.

(B) The foregoing provisions of paragraph (7) of the preceding subsection (A) are subject to the following limitations: If by reason of force majeure the City is unable in whole or in part to carry out its agreements herein contained (other than the obligations on the part of the City contained in any of Section 4.02 or Articles V, VII and VIII hereof as to which this paragraph shall have no application), the City shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: 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; earthquake; 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 City, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

[End of Article XIII]

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(2) Suit upon all or any part of the Bonds;

(3) Civil action to require the City to account as if it were the trustee of an express trust for the Holders of Bonds;

(4) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(5) Enforcement of any other right of the Bondholders conferred by law or by this Bond Ordinance including the right to make application for the appointment of a receiver to administer and operate the System.

(B) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised by counsel shall be necessary or expedient:

(1) To prevent any impairment of the security under this Bond Ordinance by any acts which may be unlawful or in violation of this Bond Ordinance; or

(2) To preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of this Bond Ordinance and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

(C) When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

#### Section 14.03. Application of Revenues and Other Moneys After Default.

(A) The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee:

(1) Forthwith, all moneys and securities then held by the City which is credited to any fund under this Bond Ordinance (specifically including any moneys and securities in any construction fund created with proceeds of Bonds if construction of the projects to be paid for thereby has been completed or terminated, but exclusive of any amounts remaining in such construction fund that are in owed to or subject to dispute with any contractor); and

(2) As promptly as practicable after receipt thereof, all Gross Revenues.

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## ARTICLE XIV - REMEDIES

### Section 14.01. Acceleration; Annulment of Acceleration.

(A) Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the City Council, declare all Bonds Outstanding immediately due and payable; and such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Bond Ordinance to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

(B) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Ordinance, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if:

(1) Moneys shall have been deposited in each 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 of the respective Series;

(2) Moneys shall 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 City hereunder shall have been paid or a sum sufficient to pay the same shall have 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) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

### Section 14.02. Additional Remedies and Enforcement of Remedies.

(A) Upon the occurrence and continuance of any Event of Default, subject to the provisions of Section 17.01 hereof, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under this Bond Ordinance by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(1) Seeking a writ of mandamus, requiring the City to carry out its duties and obligations under the terms of this Bond Ordinance and under the Enabling Act;

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(B) During the continuance of an Event of Default, the Trustee shall apply 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, including reasonable counsel fees, costs and expenses; and

(2) To the payment of the interest and principal (and redemption premium, if any) then due on the Bonds, as follows:

(a) Unless the principal of all of the Bonds shall have 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 shall not be 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 or preference.

(ii) Second: To the payment to the persons entitled thereto of the unpaid Principal Installments (and redemption premiums, if any) of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be 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 or preference.

(b) If the principal of all of the Bonds shall have 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 any discrimination or preference except as to any differences as to the respective rates of interest specified in the Bonds;

(3) To the payment of the amounts required by Section 8.03, ratably, according to the amounts due thereon to the persons entitled thereto;

(4) To the payment of the necessary Operation and Maintenance Expenses;

(5) To the payment of the amounts required by Section 8.05, ratably, according to the amounts due thereon to the persons entitled thereto;

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(6) To the payment of the amounts required by Section 8.06, ratably, according to the amounts due thereon to the persons entitled thereto; and

(7) To the payment of the amounts required by Section 8.07, ratably, according to the amounts due thereon to the persons entitled thereto.

Section 14.04. Remedies Not Exclusive.

No remedy by the terms of this Bond Ordinance conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Ordinance or existing at law or in equity or by statute (including the Enabling Act) on or after the date hereof.

Section 14.05. Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Bond Ordinance or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 14.03 hereof, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 14.06. Majority of Bondholders Control Proceedings.

If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Bond Ordinance to the contrary, the Holders of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Bond Ordinance or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is in accordance with law and the provisions of this Bond Ordinance (including indemnity to the Trustee) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Bondholders not joining in such direction and provided further that nothing in this Section 14.06 shall impair the right of the Trustee in its discretion to take any other action under this Bond Ordinance which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 14.07. Individual Bondholder Action Restricted.

(A) No Holder of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of this Bond Ordinance or for the execution of any trust hereunder or for any remedy under this Bond Ordinance unless:

- (1) An Event of Default has occurred:

be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article XIV to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(B) The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Bond Ordinance, or before the completion of the enforcement of any other remedy under this Bond Ordinance.

(C) Notwithstanding anything contained in this Bond Ordinance to the contrary, but subject to Section 17.01 hereof, 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 shall at the time be Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), shall waive any Event of Default hereunder and its consequences; provided, however, that except under the circumstances set forth in subsection (B) of Section 14.01 hereof or subsection (B) of this Section 14.09, a default in the payment of the principal of, premium, if any, or interest on, any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all Bonds at the time Outstanding.

(D) In case of any waiver by the Trustee of an Event of Default hereunder, the City, the Trustee, each Insurer and the Bondholders shall be restored to their former positions and rights under this Bond Ordinance, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section 14.09.

Section 14.10. Notice of Defaults.

(A) Within thirty (30) days after:

(1) The receipt of notice of an Event of Default as provided in Section 14.07(A)(1)(b) or (c) hereof; or

(2) The occurrence of an Event of Default under Paragraph (1) or (2) of subsection (A) of Section 13.01 hereof, as to which the Trustee shall be deemed to have notice,

the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Insurer of any Series of Bonds then Outstanding, if any, and to each Holder of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal of, together with premium, if any and interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment (which may be based upon advice of counsel), it determines that the withholding of such notice is in the best interests of the Bondholders.

(a) under paragraph (1) or (2) of subsection (A) of Section 13.01 hereof;

(b) as to which a Responsible Officer of the Trustee has actual notice; or

(c) as to which the Trustee has been notified in writing; and

(2) The Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Bond Ordinance or to institute such action, suit or proceeding in its own name; and

(3) Such Bondholders shall have offered the Trustee reasonable indemnity; and

(4) The Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity.

(B) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Bond Ordinance or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(C) Nothing contained in this Bond Ordinance shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond:

(1) To receive payment of the principal of or interest on such Bond on the due date thereof; or

(2) To institute suit for the enforcement of any such payment on or after such due date.

Section 14.08. Termination of Proceedings.

In case any proceeding taken by the Trustee or any Bondholder on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, the City, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 14.09. Waiver and Non-waiver of Event of Default.

(A) No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall

(B) The Trustee shall promptly notify the City and each Insurer of any Series of Bonds then Outstanding of any Event of Default actually known to a Responsible Officer of the Trustee.

Section 14.11. Rights of Insurers.

Any Series Ordinance may provide that any Insurer insuring the applicable Series of Bonds upon the occurrence of an Event of Default and with respect to all remedies provided herein, may act as the Holder of all Outstanding Bonds of that Series and permit the acceleration of the Bonds of all Series or may prevent the annulment of the acceleration of the Bonds of all Series. Such Insurer may be subrogated to the rights to payment of the Holders of any Bonds with respect to which it pays any principal or interest on the Bonds owned by that Holder.

[End of Article XIV]

**ARTICLE XV - TRUSTEE AND ITS FUNCTIONS; OTHER FIDUCIARIES**

Section 15.01. Appointment and Vesting of Powers in Trustee; Limitation of Rights of Bondholders to Appoint Trustee.

Prior to the delivery of any Bonds pursuant to this Bond Ordinance, City Council shall appoint the Trustee. Such appointment shall be made by means of the Series Ordinance adopted by City Council in connection with the issuance of the first Series of Bonds pursuant to this Bond Ordinance. The Trustee shall be and is hereby vested with all rights and powers necessary to enable it to discharge its duties hereunder. The right of the Bondholders to appoint a trustee hereunder is limited to the circumstances contemplated by Section 15.10 hereof.

Section 15.02. Functions of Trustee.

The Trustee shall have the following additional functions:

- (A) To authenticate the Bonds of all Series that may be issued;
- (B) To act as custodian of the Debt Service Funds;
- (C) Except as otherwise provided in Section 7.04(B)(2), to act as custodian of the Debt Service Reserve Fund;
- (D) To act as Paying Agent for the Bonds;
- (E) Unless otherwise prescribed by any Series Ordinance, to act as Registrar for the Bonds, and to maintain a set of registration books therefor, which shall at all times accurately reflect the names and addresses of all those who may be Holders of any Bonds;
- (F) To make reports to the City on a monthly or such other basis as may be requested by the City, but not less often than semi-annually:
  - (1) Establishing balances on hand;
  - (2) Listing investments made for any fund handled by the Trustee;
  - (3) Establishing the market value of the Debt Service Reserve Funds; and
  - (4) Listing all securities, if any, pursuant to Section 15.13 hereof.

Section 15.03. Duty of Trustee with Respect to Deficits in the Debt Service Funds.

It shall be the further duty of the Trustee to give written notice to the City three (3) Business Days prior to each Bond Payment Date, if there is any deficiency in any Debt Service Fund which would result in a need for further moneys to meet the payment of interest and/or principal falling due on the next ensuing Bond Payment Date, and the extent, if any, to which resort must be had to the respective Debt Service Reserve Fund to meet such deficiency.

Section 15.09. Appointment of Successor Trustee Upon Resignation or Removal of Trustee.

(A) In case at any time the Trustee shall resign, or be removed or become incapable of acting, or be adjudged bankrupt or insolvent, or a receiver of its property shall be appointed, or any public officer shall take charge or control of its property or affairs, a successor thereto shall be promptly appointed by an ordinance of City Council duly adopted. Such successor shall in all instances be a bank or trust company and duly chartered pursuant to the laws of the United States or of the State, and shall have a combined capital and surplus of not less than \$500,000,000.

(B) Immediately following such appointment the City shall give written notice of such appointment to the Bondholders and any Registrar other than the Trustee.

Section 15.10. When Bondholder May Seek Successor Trustee.

If, in a proper case, no appointment of a successor Trustee shall be made within sixty (60) days of the notice of resignation or removal pursuant to Section 15.09, any Bondholder, the resigning or removed Trustee, may make application to any court of competent jurisdiction for the appointment of a successor and said court may thereupon, after such notice, if any, as such court may prescribe, appoint a successor.

Section 15.11. Acceptance by Successor Trustee.

Any successor Trustee appointed hereunder shall execute and deliver to its predecessor and to the City a written acceptance of such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally named as such Trustee and its predecessor shall be obligated to pay over, transfer, assign and deliver all moneys, securities and other property held by it to its successor; and on the reasonable written request of the City, or the successor, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may be reasonably required for the vesting and confirming in such successor all the right, title and interest of the predecessor in and to any property held by it.

Section 15.12. Effect of Trustee Merging With Another Bank.

Any bank or trust company into which the Trustee may be merged, or with which it may be consolidated, or any bank or trust company resulting from any merger or consolidation to which it shall be a party, or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall become the successor without the execution or filing of any paper or the performance of any further act; provided, always, that if the City shall be dissatisfied for any reason with the institution resulting from the merger, consolidation or other action spoken of above, then the City may at any time within thirty (30) days after such action name a new Trustee (with the qualifications prescribed by Section 15.09 hereof) in lieu of the Trustee then acting.

Section 15.04. Acceptance by Trustee Required.

Prior to the delivery of any Bonds, the Trustee appointed pursuant to Section 15.01 hereof shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Bond Ordinance, by executing and delivering to the City a written acceptance thereof.

Section 15.05. Liability as to Recitals in Bond Ordinance and Bonds.

The recitals of fact made in this Bond Ordinance and in the Bonds shall be taken as statements of the City, and the Trustee shall not be deemed to have made any representation as to the correctness of the same, nor shall the Trustee be deemed to have made any representation whatsoever as to the validity or sufficiency of this Bond Ordinance or of the Bonds issued hereunder except with respect to the authentication of any Bonds. Nor shall the Trustee be under responsibility or duty with respect to the issuance of said Bonds, or the application of the proceeds thereof, except to the extent provided for herein. Nor shall the Trustee be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Section 15.06. Trustee May Rely on Notices, etc.

The Trustee shall rely upon and shall at all times be fully protected in acting upon any notice, resolution, request, consent, order, certificate, statement, opinion, bond, or other paper or document believed to be genuine and to have been signed by the proper party or parties.

Section 15.07. Trustee Permitted to Resign.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving to the City Council and the Bondholders written notice of such resignation, specifying a date (not less than sixty (60) days after such notice) when such resignation is intended to take effect. Such resignation shall take effect immediately upon but not before the appointment and qualification of a successor. If after sixty (60) days no successor has been appointed, the Trustee may petition a court of competent jurisdiction to appoint a successor.

Section 15.08. Removal of Trustee.

- (A) 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.
- (B) Provided an Event of Default has not occurred and is not continuing, the Trustee may be removed at any time by the City.
- (C) Any such removal shall take effect immediately upon, but not before, the appointment and qualification of such successor.

Section 15.13. Trustee to Secure Funds and Securities Held in Trust.

Unless the same be secured as trust funds in the manner provided by the regulations of the Comptroller of the Currency as from time to time in effect, all funds or securities in the custody of the Trustee, in excess of the amount of such deposit insured by the Federal Deposit Insurance Corporation, shall be invested in Authorized Investments at the written direction of the City.

Section 15.14. Disposition of Paid Bonds.

It shall be the duty of the Trustee to cancel all Bonds which shall have been paid, whether upon their maturity or redemption prior to maturity; such cancellation shall be done in such fashion as to render such Bonds incapable of further negotiation or hypothecation. In any event it shall furnish appropriate certificates to the City indicating the disposition of such Bonds. Upon effecting such cancellation, the Trustee shall furnish appropriate certificates to the City setting forth the disposition made of the Bonds so cancelled.

Section 15.15. Appointment of Substitute Registrar.

The City may, from time to time, appoint a Registrar or Registrars to act in the place and stead of the Trustee as Registrar of the Bonds of one or more Series. The City shall cause written notice of such appointment to be mailed to the Holders of all Bonds affected by such appointment thirty (30) days prior to the effective date of such appointment.

Section 15.16. Additional Provisions Regarding the Trustee.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Bond Ordinance, and no implied covenants or obligations should be read into this Bond Ordinance against the Trustee. If any Event of Default under this Bond Ordinance shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Bond Ordinance and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs.

The Trustee agrees to perform the trust functions provided herein upon and subject to the following expressed terms and conditions:

- (A) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers appointed with due care.
- (B) The Trustee shall not be accountable for the use or application by the City of any money paid over by the Trustee in accordance with the provisions of this Bond Ordinance.
- (C) Before taking any action under this Bond Ordinance relating to an Event of Default or in connection with its duties under this Bond Ordinance other than making payments of principal and interest on the Bonds as they become due or causing an acceleration of the



Bonds whenever required by this Bond Ordinance, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all costs and expenses to which it may be put (including legal fees, costs and expenses) and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken.

(D) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(E) None of the provisions of this Bond Ordinance shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds cannot be assured to the Trustee's satisfaction.

(F) So long as investments are made in Authorized Investments, the Trustee may conclusively rely upon the City's written instructions as to both the suitability and legality of all investments directed hereunder. To the extent invested in Authorized Investments, the Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge reasonable fees for such trades, including cash sweep accounts. Notwithstanding anything to the contrary herein, in the absence of written investment instructions from the City, the Trustee shall not be responsible or liable for keeping moneys held by it hereunder fully invested. While invested in Authorized Investments, the Trustee shall not be liable for any losses from such investments. Confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered.

(G) The Trustee shall have no duty to review or analyze any financial statements delivered to it hereunder (including the audit required by Section 9.02 hereof) or verify the accuracy thereof and shall hold such financial statements solely as a repository for the benefit of the Bondholders; the Trustee shall not be deemed to have notice of any information contained therein or Event of Default which may be disclosed therein.

(H) The City shall pay to the Trustee reasonable compensation for all services performed by it hereunder and also its reasonable expenses, charges and other disbursements and the fees, costs, and expenses of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder. If the Trustee is required by governmental agency or court proceeding initiated by a third party to undertake efforts beyond that which is set forth herein but related thereto, the Trustee shall notify the City of same in writing. Payment for such extraordinary fees, costs and expenses (including but not limited to reasonable attorney's fees, costs and expenses) shall be made promptly by the City only after said notice.

**ARTICLE XVI - DEFEASANCE**

Section 16.01. Defeasance Generally.

Subject to the provisions of any Series Ordinance, if all of the Bonds issued pursuant to this Bond Ordinance and any other amounts required to be paid to a provider of a surety bond, line of credit, letter of credit or insurance policy hereunder shall have been paid and discharged, then the obligations of the City under this Bond Ordinance, the pledge of Gross Revenues made hereby, and all other rights granted hereby shall cease and determine. Subject to the provisions of any Series Ordinance, Bonds shall be deemed to have been paid and discharged within the meaning of this Article under each of the following circumstances:

(A) The Trustee shall hold, at the stated maturities of such Bonds, in trust and irrevocably appropriated thereto, sufficient money for the payment thereof;

(B) If default in the payment of the principal of such Bonds or the interest thereon shall have occurred, and thereafter tender of such payment shall have been made, and the Trustee shall then hold in trust and irrevocably appropriated thereto, sufficient money for the payment thereof to the date of the tender of such payment; or

(C) If the City shall have deposited with the Trustee, or, at the written direction of the City, any other bank or trust company which would otherwise meet the chartering and capital and surplus requirements contained in Section 15.09(A) hereof, in an irrevocable trust money or Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof) will, as certified in a verification report provided by an independent entity providing such services and deemed qualified by the Trustee, provide money which, together with the money, if any, deposited at the same time, shall be sufficient to pay, when due, the principal, interest and redemption premium, if any, due and to become due on and prior to the maturity of, or, if the City has irrevocably elected to redeem Bonds, on and prior to the redemption date of, such Bonds.

Section 16.02. Money to be Held in Trust – When Returnable to City.

Any money which at any time shall be deposited with the Trustee or other escrow holder authorized under Section 16.01(C), by or on behalf of the City, for the purpose of paying and discharging any Bonds or the interest thereon, shall be and is hereby assigned, transferred and set over to the Trustee or such other escrow holder in trust for the respective Holders of the Bonds, and such money shall be and is hereby irrevocably appropriated to the payment and discharge thereof. But if, through lapse of time or otherwise, the Holders of said Bonds shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Trustee or such other escrow holder to forthwith return said funds to the City.

(I) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Bond Ordinance arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation: acts of God; earthquakes; fire; flood; hurricanes or other catastrophic storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

[End of Article XV]

Section 16.03. Deposits With Trustee Subject to Conditions of Article XVI.

The City covenants and agrees that any money which it shall deposit with the Trustee shall be deemed to be deposited in accordance with, and subject to, the applicable provisions of this Article, and that whenever it shall have elected to redeem Bonds it will irrevocably bind and obligate itself to give notice of redemption thereof, and will further authorize and empower the Trustee to cause the publication of such notice of redemption in its name and on its behalf.

Section 16.04. No Defeasance of Series of Bonds Paid by Insurer.

In the event that the principal and/or interest due on a Series of Bonds shall be paid by an Insurer pursuant to a Municipal Bond Insurance Policy, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City until the Insurer has been reimbursed in full therefor in accordance with the terms of the Municipal Bond Insurance Policy, and the assignment and pledge of the Gross Revenues of the System and all covenants, agreements and other obligations of the City to the registered Holders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Holders.

[End of Article XVI]

ARTICLE XVII - MISCELLANEOUS

Section 17.01. Miscellaneous Rights of An Insurer.

(A) Notwithstanding any provision of this Bond Ordinance to the contrary, each Insurer shall be deemed the exclusive Holder of all Bonds of a Series insured by that Insurer, for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies. No rights granted to an Insurer by this Bond Ordinance shall be effective at any time that such Insurer is in breach of its obligations under the Municipal Bond Insurance Policy or is subject to bankruptcy or receivership proceedings.

(B) Any provision of this Bond Ordinance expressly recognizing or granting rights in or to an Insurer may not be amended in any manner which affects the rights of such Insurer hereunder without the prior written consent of each such Insurer.

(C) To the extent that an Insurer makes payment of the principal of or interest on any Bonds, it shall become the owner and Holder of such Bonds, appurtenant coupons or right to payment of such principal of or interest on such Bonds and shall be fully subrogated to all of the registered Holders' rights thereunder, including the registered Holders' rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note an Insurer's rights as subrogee on the registration books of the City maintained by the Trustee or Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the registered Holders of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Trustee or Registrar upon surrender of the Bonds by the registered Holders thereof to the Insurer or its agent.

(D) In the event that the principal of and/or interest on any Bonds shall be paid by the Insurer pursuant to the terms of its Municipal Bond Insurance Policy, (i) such Bonds shall continue to be "Outstanding" under this Bond Ordinance and (ii) the assignment and pledge of the Gross Revenues and all covenants, agreements and other obligations of the City to the registered Holders shall continue to exist, and the Insurer shall be fully subrogated to all of the rights of such registered Holders in accordance with the terms and conditions of subparagraph (C) above and the Insurer's Municipal Bond Insurance Policy.

(E) No rights granted to an Insurer by this Bond Ordinance shall be effective at any time that such Insurer is in breach of its obligations under the Municipal Bond Insurance Policy or is subject to bankruptcy or receivership proceedings.

(F) The terms and provisions of this Bond Ordinance or of any applicable Series Ordinance may not be terminated as long as there are any moneys owed to an Insurer under such terms and provisions of this Bond Ordinance or the applicable Series Ordinance or any agreement between such Insurer and the City.

ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO."

Section 17.08. Governing Law.

The terms of this Bond Ordinance shall be governed by the laws of the State of South Carolina, without regard to conflict of law principles.

[End of Article XVII]

Section 17.02. Purpose of Covenants in Bond Ordinance.

Every covenant, undertaking and agreement made on behalf of the City, as set forth in this Bond Ordinance is made, undertaken and agreed to, for the proper securing of the payment of the principal of and interest on the Bonds. Each shall be deemed to partake of the obligation of the contract between the City and the Bondholders and shall be enforceable accordingly. In this connection, any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof may enforce the terms, conditions and obligations under this Bond Ordinance as a third party beneficiary hereunder. Nothing in this Bond Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, an Insurer, the Trustee, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Bond Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Bond Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, an Insurer, the Trustee, and the registered owners of the Bonds.

Section 17.03. Effect of Remedies Granted by Ordinance Not Being Available to Holders of Other Bonds.

If it shall be held by any court of competent jurisdiction that any right or remedy granted by this Bond Ordinance or any Series Ordinance to the Holders of any Bond is not available to the Holders of all other Bonds, then such rights and remedies are herewith conferred upon the Holders of such other Bonds.

Section 17.04. Severability.

If any Section, paragraph, clause or provision of this Bond Ordinance shall be held invalid, the invalidity of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Bond Ordinance.

Section 17.05. Repealing Clause.

All ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistencies.

Section 17.06. Authorization to Sign.

For purposes of all consents and other necessary documentation associated with the issuance of Bonds, the Mayor, the Clerk and the Chief Financial Officer shall be authorized to sign on behalf of the City and the City Council.

Section 17.07. Direction to Index Bond Ordinance.

This Bond Ordinance shall be forthwith codified in the Code of City Ordinances as required by law or by the rules and regulations of the City, and the same shall be indexed under the general heading "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE

DONE, RATIFIED AND ENACTED this 11th day of February, 2014.

CITY OF CAMDEN, SOUTH CAROLINA

(SEAL)

Mayor Anthony P. Scully

Attest:

City Clerk Brenda Davis
City of Camden, South Carolina

First Reading: January 28, 2014
Second Reading: February 11, 2014

EXHIBIT A

CONSENT OF BRANCH BANKING AND TRUST COMPANY

The undersigned hereby certifies that he is authorized to execute and deliver this Consent on behalf of Branch Banking and Trust Company (the "Bank") as holder of the following indebtedness of the City of Camden, South Carolina:

(A) the now outstanding principal amount of the originally issued \$1,273,000 Combined Public Utility System Improvement Revenue Bond, Series 2007 dated November 30, 2007 (the "Series 2007 Bond");

(B) the now outstanding principal amount of the originally issued \$3,000,000 Combined Public Utility System Improvement Revenue Bond, Series 2010 dated February 3, 2010 (the "Series 2010 Bond"); and

(C) the now outstanding principal amount of the originally issued \$3,910,000 Combined Public Utility System Refunding Revenue Bond, Series 2013A dated March 27, 2013 (the "Series 2013A Bond," and collectively with the Series 2007 Bond and the Series 2010 Bond, the "Outstanding Bonds").

The Bank hereby consents to the execution and delivery of "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO" dated February 11, 2014 (the "Bond Ordinance").

By granting this Consent, the Bank expressly authorizes the Outstanding Bonds to be governed by the terms of the Bond Ordinance. Further, the Bank expresses no opinion as to whether the consent of any other person is required for such amendment.

BRANCH BANKING AND TRUST COMPANY

By: \_\_\_\_\_  
Its: Senior Vice President

Dated: \_\_\_\_\_, 20\_\_

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EXHIBIT B

CONSENT OF TD BANK, N.A.

The undersigned hereby certifies that he is authorized to execute and deliver this Consent on behalf of TD Bank, N.A. (the "Bank") as holder of the now outstanding principal amount of the originally issued \$2,660,000 Combined Public Utility System Refunding Revenue Bond, Series 2012A of the City of Camden, South Carolina dated February 29, 2012 (the "Series 2012A Bond").

The Bank hereby consents to the execution and delivery of "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO" dated February 11, 2014 (the "Bond Ordinance").

By granting this Consent, the Bank expressly authorizes the Series 2012A Bond to be governed by the terms of the Bond Ordinance. Further, the Bank expresses no opinion as to whether the consent of any other person is required for such amendment.

TD BANK, N.A.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_

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EXHIBIT C

CONSENT OF SOUTH CAROLINA WATER QUALITY REVOLVING FUND AUTHORITY

The undersigned hereby certifies that she is authorized to execute and deliver this Consent on behalf of the South Carolina Water Quality Revolving Fund Authority (the "Authority") as holder of the now outstanding principal amount of the originally issued \$35,218,517 Combined Public Utility System Refunding Revenue Bond, Series 2012B (South Carolina Water Pollution Control Revolving Fund Loan Number 1-145-11-433-01) of the City of Camden, South Carolina dated March 20, 2012 (the "Series 2012B Bond").

The Authority hereby consents to the execution and delivery of "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO" dated February 11, 2014 (the "Bond Ordinance").

By granting this Consent, the Authority expressly authorizes the Series 2012B Bond to be governed by the terms of the Bond Ordinance. Further, the Authority expresses no opinion as to whether the consent of any other person is required for such amendment.

SOUTH CAROLINA WATER QUALITY REVOLVING FUND AUTHORITY

By \_\_\_\_\_  
Ashlie Lancaster, Interim Director  
Office of Local Government,  
South Carolina Budget and Control Board

Dated: \_\_\_\_\_, 20\_\_

C-1

CONSENT OF TD BANK, N.A.

The undersigned hereby certifies that he is authorized to execute and deliver this Consent on behalf of TD Bank, N.A. (the "Bank") as holder of the now outstanding principal amount of the originally issued \$2,660,000 Combined Public Utility System Refunding Revenue Bond, Series 2012A of the City of Camden, South Carolina dated February 29, 2012 (the "Series 2012A Bond").

The Bank hereby consents to the execution and delivery of "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO" dated February 11, 2014 (the "Bond Ordinance").

By granting this Consent, the Bank expressly authorizes the Series 2012A Bond to be governed by the terms of the Bond Ordinance.

TD BANK, N.A.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: February 11, 2014

**CONSENT OF BRANCH BANKING AND TRUST COMPANY**

The undersigned hereby certifies that he is authorized to execute and deliver this Consent on behalf of Branch Banking and Trust Company (the "Bank") as holder of the following indebtedness of the City of Camden, South Carolina:

(A) the now outstanding principal amount of the originally issued \$1,273,000 Combined Public Utility System Improvement Revenue Bond, Series 2007 dated November 30, 2007 (the "Series 2007 Bond");

(B) the now outstanding principal amount of the originally issued \$3,000,000 Combined Public Utility System Improvement Revenue Bond, Series 2010 dated February 3, 2010 (the "Series 2010 Bond"); and

(C) the now outstanding principal amount of the originally issued \$3,910,000 Combined Public Utility System Refunding Revenue Bond, Series 2013A dated March 27, 2013 (the "Series 2013A Bond," and collectively with the Series 2007 Bond and the Series 2010 Bond, the "Outstanding Bonds").

The Bank hereby consents to the execution and delivery of "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO" dated February 11, 2014 (the "Bond Ordinance").

By granting this Consent, the Bank expressly authorizes the Outstanding Bonds to be governed by the terms of the Bond Ordinance. Further, the Bank expresses no opinion as to whether the consent of any other person is required for such amendment.

**BRANCH BANKING AND TRUST COMPANY**

By:   
Its: Senior Vice President

Dated: February 11, 2014

**CONSENT OF SOUTH CAROLINA WATER QUALITY REVOLVING FUND AUTHORITY**


The undersigned hereby certifies that she is authorized to execute and deliver this Consent on behalf of the South Carolina Water Quality Revolving Fund Authority (the "Authority") as holder of the now outstanding principal amount of the originally issued \$35,218,517 Combined Public Utility System Refunding Revenue Bond, Series 2012B (South Carolina Water Pollution Control Revolving Fund Loan Number 1-145-11-433-01) of the City of Camden, South Carolina dated March 20, 2012 (the "Series 2012B Bond").

The Authority hereby consents to the execution and delivery of "AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, 'AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,' ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO" dated February 11, 2014 (the "Bond Ordinance"). Terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Bond Ordinance.

The amendments initiated by the enactment of the Bond Ordinance generally include the following: (1) authorizing the deposit of any Debt Service Reserve Fund moneys (if funded) with the State Treasurer's Office (only applicable to Bonds held by the Authority); (2) clarifying the additional bonds test by removing the forecasting requirements; (3) increasing the date to furnish the audit from 120 days to 180 days; (4) amending the redemption notice provisions to explicitly provide for a contingent call; (5) clarifying a number of definitions and adding definitions; (6) specifically authorizing lease purchase obligations; (7) discussing how components of the System may be sold, exchanged, removed or disposed; (8) adding some additional protections and covenants for the Trustee; and (9) reducing the consent required for certain modifications to the Bond Ordinance from 66.66% to 51%.

By granting this Consent, the Authority expressly authorizes the Series 2012B Bond to be governed by the terms of the Bond Ordinance. Further, the Authority expresses no opinion as to whether the consent of any other person is required for such amendment.

**SOUTH CAROLINA WATER QUALITY REVOLVING FUND AUTHORITY**

By:   
Ashlie Lancaster, Interim Director  
Office of Local Government,  
South Carolina Budget and Control Board

Dated: February 11, 2014

**A SERIES ORDINANCE**

**PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, IN AN AMOUNT NOT EXCEEDING SIXTY-FIVE MILLION DOLLARS (\$65,000,000), AND OTHER MATTERS RELATING THERETO.**

2020 SERIES ORDINANCE

Enacted July 28, 2020

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**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CAMDEN, SOUTH CAROLINA IN MEETING DULY ASSEMBLED:**

**ARTICLE I - FINDINGS OF FACT**

Section 1.01 Findings.

As an incident to the enactment of this ordinance (this “*2020 Series Ordinance*”), and the issuance of the combined public utility system revenue bonds provided for herein, the City Council of the City of Camden (the “*City Council*”), the governing body of the City of Camden, South Carolina (the “*City*”), finds that the facts set forth in this Article exist and the following statements are in all respects true and correct:

(a) The City Council has made general provision for the issuance of Combined Public Utility System Revenue Bonds (the “*Bonds*”) of the City from time to time by the terms of a master bond ordinance entitled “AN ORDINANCE AMENDING AND RESTATING AN ORDINANCE ENTITLED, ‘AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS OF THE CITY OF CAMDEN, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,’ ENACTED JANUARY 30, 1997; AND OTHER MATTERS RELATING THERETO” duly enacted on February 11, 2014 (the “*Bond Ordinance*”).<sup>1</sup> Each term using initial capitals herein and not otherwise defined shall have the meaning ascribed thereto in the Bond Ordinance.

(b) It is provided in and by the Bond Ordinance that, upon enactment of a “Series Ordinance,” there may be issued one or more Series of Bonds for the purposes, among others, of (1) obtaining funds for expansions, additions and improvements of the combined public utility system of the City (the “*System*,” as such term is more particularly defined in the Bond Ordinance), including the recoupment of funds already expended, (2) providing funds to pay any outstanding bond anticipation notes of the City issued in anticipation of the issuance of Bonds, (3) refunding Bonds or other obligations payable from the revenues of the System, (4) providing funds for the payment of interest due on Bonds, (5) funding or restoring of Debt Service Reserve Funds, if any, or otherwise meeting the applicable Reserve Requirement, and (6) paying the costs of issuing Bonds, including payment of any premium due on any Municipal Bond Insurance Policy or other credit enhancement.

(c) The City currently has the following Series of Bonds Outstanding in the principal amounts set forth below (collectively, the “*Parity Bonds*”):

- (1) the \$1,781,331 principal amount of the \$3,000,000 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2010 dated February 3, 2010, as subsequently reissued by the \$2,619,700 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2010 dated December 1, 2014 (the “*2010 Bond*”);

<sup>1</sup> Effective March 1, 2015

(2) the \$575,827 principal amount of the \$2,653,350 original principal amount Combined Public Utility System Refunding Revenue Bond, Series 2012A dated February 29, 2012;

(3) the \$25,563,913.58 principal amount of the \$34,288,643 original principal amount Combined Public Utility System Revenue Bond, Series 2012B dated March 20, 2012 (the "2012B Bond");

(4) the \$1,630,000 principal amount of the \$3,910,000 original principal amount Combined Public Utility System Refunding Revenue Bond, Series 2013A dated March 27, 2013;

(5) the \$4,475,000 principal amount of the \$9,650,000 original principal amount Combined Public Utility System Refunding Revenue Bond, Series 2014A dated March 3, 2014;

(6) the \$4,195,000 principal amount of the \$6,000,000 original principal amount Combined Public Utility System Revenue Bond, Series 2015 dated July 29, 2015 (the "2015 Bond");

(7) the \$5,445,000 principal amount of the \$7,080,000 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2016A dated January 15, 2016 (the "2016A Bond");

(8) the \$7,089,206 principal amount of the \$7,089,206 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2016B dated November 23, 2016<sup>2</sup> (the "2016B Bond");

(9) the \$5,236,780 principal amount of the \$5,236,780 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2016C dated November 23, 2016<sup>2</sup> (the "2016C Bond");

(10) the \$6,410,000 principal amount of the \$6,758,000 original principal amount Combined Public Utility System Improvement Revenue Bond, Series 2018 dated November 15, 2018 (the "2018 Bond");

(11) the \$1,995,195 principal amount of the \$1,995,195 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2019A dated September 12, 2019<sup>1</sup> (the "2019A Bond"); and

(12) the \$2,051,531 principal amount of the \$2,051,531 original principal amount, plus capitalized interest, if any, Combined Public Utility System Revenue Bond, Series 2019B dated September 12, 2019<sup>1</sup> (the "2019B Bond", and collectively with the 2010 Bond, the 2012B Bond, the 2015 Bond, the 2016A Bond, the 2016B Bond, the 2016C Bond, the 2018 Bond and the 2019A Bond, the "Refunded Bonds").

<sup>2</sup>Project is ongoing; final loan amount and amortization have not been determined.

(1) The current period of the usefulness of the System is as set forth in Article III hereof.

(2) the Date of Issue of the Series 2020 Bonds shall be the date that the Series 2020 Bonds are executed and delivered as provided in Section 4.03 hereof;

(3) the maximum authorized principal amount of the Series 2020 Bonds is set forth at Section 4.01 hereof, and the exact principal amount of the Series 2020 Bonds shall be determined by the Authorized Officer at the closing of the Series 2020 Bonds pursuant to Section 4.09 hereof;

(4) the Bond Payment Dates, the Record Dates, and the dates and amounts of maturity of Series 2020 Bonds, shall be determined by the Authorized Officer at the closing of such Series 2020 Bonds pursuant to Section 4.03 hereof, provided, however, no such Series 2020 Bonds shall mature later than 25 years from the Date of Issue of the Series 2020 Bonds;

(5) the Series 2020 Bonds are to be issued for the purposes set forth at Section 4.02 hereof;

(6) the title and designation of the Series 2020 Bonds shall be as set forth at Section 4.01 hereof;

(7) the Series 2020 Bonds shall be sold in accordance with, and by the Authorized Officer as prescribed at, Article VI hereof;

(8) the Series 2020 Bonds shall bear interest at rates as determined by the Authorized Officer through the sale procedures of Article VI hereof, and the City will not enter into any interest rate swap or similar transaction with respect to the Series 2020 Bonds;

(9) Series 2020 Bonds may be issued as either Serial Bonds or Term Bonds (with appropriate mandatory redemption provisions), but not Capital Appreciation Bonds, as determined by the Authorized Officer pursuant to Section 4.09 hereof;

(10) the Redemption Prices and dates applicable to the Series 2020 Bonds shall be as determined by the Authorized Officer pursuant to Section 4.03 hereof;

(11) U.S. Bank National Association shall serve as Trustee, Paying Agent and Registrar for the Series 2020 Bonds as provided in Section 4.06 herein;

(12) the Series 2020 Bonds shall be in the form as provided at Section 4.10 hereof;

(13) the Series 2020 Bonds shall be numbered R-1, shall be issued in one or more Series with appropriate lettering to differentiate each Series of Series 2020 Bonds from another as determined by the Authorized Officer, and shall be issued in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount of such Series of Series 2020 Bonds maturing in each year as described in Section 4.05 hereof;

(d) Based upon advice received from the City's staff and professional consultants, the City Council has determined that certain improvements to the System are necessary, including (i) replacements, repairs and upgrades to electric lines (underground) and street lighting, (ii) replacements, repairs and upgrades to water lines and treatment facilities, (iii) replacements, repairs and upgrades to sewer lines, pump stations and treatment facilities, and (iv) landscaping, hardscaping and roadwork associated with such construction (collectively, the "Improvements").

(e) On the basis of the authority provided in the Bond Ordinance, the City has determined to issue the Series 2020 Bonds (as defined herein) to: (1) provide for the refunding of all or a portion of the Refunded Bonds; (2) provide funds to defray the costs of the Improvements; (3) provide funds for the payment of any bond anticipation notes; (4) funding the 2020 Debt Service Reserve Fund, if any, or otherwise meeting the 2020 Reserve Requirement; (5) pay the costs of issuance of the Series 2020 Bonds, including payment of any premium due on any Municipal Bond Insurance Policy. The City Council, acting through the Authorized Officer, with the advice of Stephens Inc., as the independent municipal advisor to the City (the "Municipal Advisor"), shall make a recommendation as to whether all or a portion of the Refunded Bonds (if any) should be refunded with a portion of the proceeds of the Series 2020 Bonds.

(f) In order to provide the moneys necessary to redeem the outstanding principal, interest and premium, if any, of the Refunded Bonds, the City Council has determined to enact this 2020 Series Ordinance as a "Series Ordinance" in accordance with the terms and provisions of the Bond Ordinance.

(g) Upon the issuance of the Series 2020 Bonds, the Series 2020 Bonds, together with all additional Series of Bonds issued pursuant to the terms of the Bond Ordinance, shall be issued on a parity with the Parity Bonds, excluding any of the Refunded Bonds redeemed with the proceeds of the Series 2020 Bonds.

(h) Pending the issuance and delivery of the Series 2020 Bonds, the City acting through the Authorized Officer (as defined herein), may determine to issue one or more combined public utility system revenue bond anticipation notes in the principal amount of not exceeding \$10,000,000 (the "BAN" or "BANs") in accordance with the provisions of Title 11, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the "BAN Act"). Article IX of this 2020 Series Ordinance provides for the authorization for issuance of a BAN or BANs and provides the terms and conditions of issuance of such obligations.

(i) By reason of the foregoing, the City has determined to enact this 2020 Series Ordinance in accordance with the terms and provisions of the Bond Ordinance in order to issue the Series 2020 Bonds for the purposes described in paragraph (e) above and, if so determined by an Authorized Officer, to issue the BANs as described in paragraph (h) above.

Section 1.02 Determinations Required by Section 4.01(B) of the Bond Ordinance.

The City Council hereby specifies and determines that:

(14) Series 2020 Bonds may be issued in book-entry form as permitted by Section 4.20 of the Bond Ordinance as determined by the Authorized Officer at the closing of such Series 2020 Bonds;

(15) the Reserve Requirement for each of the Parity Bonds, to the extent applicable, has been met and sustained;

(16) the proceeds of the Series 2020 Bonds shall be applied as set forth at Article VII hereof; and

(17) the 2020 Debt Service Fund is established pursuant to Section 4.07 hereof; the 2020 Debt Service Reserve Fund may be established pursuant to Section 4.08 hereof; and the 2020 Improvement Fund and 2020 COI Account are established pursuant to Section 7.04 hereof.

\* \* \*

ARTICLE II - DEFINITIONS AND AUTHORITY

Section 2.01 Definitions.

(a) Except as provided in subsection (b) below and Section 1.01 of this 2020 Series Ordinance, all terms which are defined in Section 2.02 of the Bond Ordinance shall have the same meanings in this 2020 Series Ordinance as such terms are prescribed to have in the Bond Ordinance.

(b) As used in this 2020 Series Ordinance, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"2020 COI Account" shall mean the account created within the 2020 Improvement Fund pursuant to Section 7.04 herein.

"2020 Debt Service Fund" shall mean the fund or funds established to provide for the payment of the principal of and interest on the Series 2020 Bonds in accordance with the provisions of Section 7.03 of the Bond Ordinance and Section 4.07 hereof.

"2020 Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund, if any, established for the Series 2020 Bonds in accordance with the provisions of Section 7.04 of the Bond Ordinance and Section 4.08 hereof.

"2020 Improvement Fund" shall mean the fund established in accordance with Section 4.01(B)(17) of the Bond Ordinance and Section 7.04 hereof, for the purposes set forth in Section 7.01 hereof.

"2020 Series Ordinance" means this Series Ordinance authorizing the Series 2020 Bonds and matters related thereto.

"2020 Reserve Requirement" if any, shall mean an amount determined by the Authorized Officer in compliance with the provisions and requirements of the Code.

"Authorized Officer" means the Mayor, City Manager, the Finance Director or any other official authorized by the City Council to act on behalf of the City.

"BAN" or "BANS" shall mean any one or more combined public utility system revenue bonds anticipation notes authorized in Article IX hereof.

"Bond Payment Date(s)" shall mean such date or dates as determined pursuant to the provisions of Section 4.03 hereof.

"City Manager" shall mean the City Manager of the City.

"Escrow Deposit Agreement" shall mean any agreement between the Trustee, or other entity contemplated at Section 16.01(C) of the Bond Ordinance, and the City for the purpose of defeasing Refunded Bonds pursuant to Article XVI of the Bond Ordinance.

"Finance Director" shall mean the Finance Director of the City. Further, the Finance Director constitutes the Chief Financial Officer under the Bond Ordinance.

"Governmental Unit" means a state or local governmental unit within the meaning of Section 141(b) of the Code.

"Holder" shall mean the registered owner of the Series 2020 Bonds.

"Insurer" shall mean, with respect to the Series 2020 Bonds, the Insurer (as such term is defined in the Bond Ordinance) if any, chosen by the City, acting through the Authorized Officer, to write a Municipal Bond Insurance Policy covering the Series 2020 Bonds.

"Municipal Bond Insurance Policy" shall mean, with respect to the Series 2020 Bonds, the Municipal Bond Insurance Policy (as such term is defined in the Bond Ordinance) if any, chosen by the City, acting through the Authorized Officer, insuring the payment, when due, of the principal of and interest on the Series 2020 Bonds.

"Nongovernmental Person" means any Person other than a Governmental Unit.

"Paying Agent" shall mean U.S. Bank National Association, its successors and assigns.

"Registrar" shall mean U.S. Bank National Association, its successors and assigns.

"Series 2020 Bonds" shall mean the Bonds authorized by the provisions of this 2020 Series Ordinance, as may be issued from time to time.

"South Carolina Code" shall mean the Code of Laws of South Carolina 1976, as amended.

"Trustee" shall mean U.S. Bank National Association, its successors and assigns.

Section 2.02 Authority for this 2020 Series Ordinance.

This 2020 Series Ordinance is enacted pursuant to the provisions of the Bond Ordinance.

\* \* \*

ARTICLE III - USEFUL LIFE

Section 3.01 Determination of the Useful Life of the System.

The period of usefulness of the System is hereby determined to be not less than forty (40) years from the date of enactment of this 2020 Series Ordinance.

\* \* \*

ARTICLE IV - AUTHORIZATION AND TERMS OF SERIES 2020 BONDS

Section 4.01 Principal Amount of Series 2020 Bonds; Designation of Series 2020 Bonds.

(a) Pursuant to the provisions of the Enabling Act and the Bond Ordinance, the Series 2020 Bonds are hereby authorized in the principal amount of not exceeding Sixty-Five Million Dollars (\$65,000,000). The Series 2020 Bonds so authorized shall be designated "City of Camden, South Carolina Combined Public Utility System Revenue Bonds, Series 2020."

(b) The Series 2020 Bonds may be sold from time to time in one or more Series and bearing alternative Series designations, including an "Improvement" or "Refunding" Series designation, as appropriate, as determined by the Authorized Officer, but in all cases shall include the calendar year of the issuance thereof. Should the Series 2020 Bonds not be issued in calendar year 2020, the designation for the Series 2020 Bonds and all other references to "2020" recited herein shall be changed to appropriately reflect the year of such actual issuance.

(c) In the event Series 2020 Bonds are sold in more than one Series, separate funds and accounts shall be created and maintained for each Series of Series 2020 Bonds and appropriate numeric or alphanumeric designations shall be established so as to appropriately account for the funds established pursuant to Articles IV and VII hereof, as contemplated by Article VII of the Bond Ordinance. Notwithstanding anything in this 2020 Series Ordinance to the contrary, in the event that Series 2020 Bonds are sold in more than one Series, all references in this 2020 Series Ordinance to Series 2020 Bonds shall, as the context may require, be read as referring to the applicable Series of Series 2020 Bonds.

(d) One or more Series of the Series 2020 Bonds may be sold on a taxable basis and any Series of Series 2020 Bonds issued as taxable obligations shall bear an appropriate designation so as to distinguish its tax status. So long as the aggregate par amount of Series 2020 Bonds issued does not exceed \$65,000,000, the Authorized Officer is hereby authorized to determine the principal amount of each Series of Series 2020 Bonds and other items related to the sale and marketability of Series 2020 Bonds, including any necessary determination as to which of the Refunded Bonds (if any) and whether all or a portion of such Refunded Bonds shall be refunded with the proceeds of the Series 2020 Bonds, respectively. References herein to Series 2020 Bonds shall include all Series of Bonds authorized by this 2020 Series Ordinance.

(e) Further, as dictated by the call provisions of each of the Refunded Bonds, the Authorized Officer shall also determine whether the Refunded Bonds shall be refunded (i) in full or in part, and (ii) on a current or advance basis. Any of the Refunded Bonds which are being advance refunded shall be refunded under the provisions of the Bond Ordinance and the Enabling Act, as amplified by the provisions of Title 11, Chapter 21 of the South Carolina Code.

Section 4.02 Purposes of Series 2020 Bonds.

The Series 2020 Bonds are authorized for the principal purposes of: (a) providing the necessary funds that, together with other available moneys of the City, will be sufficient to effect a current refunding of the Refunded Bonds; (b) providing funds for the redemption of any BANs then outstanding; (c) providing funds to defray the costs of the Improvements; (d) funding the 2020 Debt Service Reserve Fund, if any, in an amount equal to the 2020 Reserve Requirement; and (e) paying costs and expenses related to the issuance of the Series 2020 Bonds, including payment of any premium due on any Municipal Bond Insurance Policy or other credit enhancement.

Section 4.03 Date of Issue, Interest Rate, Maturity and Redemption of Series 2020 Bonds.

(a) The Series 2020 Bonds shall be dated the day of original delivery thereof or such other date prior to the delivery of the Series 2020 Bonds as the Authorized Officer determines (the "Date of Issue"). The Series 2020 Bonds shall bear interest at a rate or rates to be determined by the Authorized Officer, on advice from the Municipal Advisor (calculated on a 360-day year of twelve 30-day months), and shall mature in the respective years and principal amounts as shall be determined by the Authorized Officer at the time of original delivery of the Series 2020 Bonds; provided that the Series 2020 Bonds shall reach final maturity no later than the date which is twenty-five (25) years from the Date of Issue.

(b) Principal of and interest on the Series 2020 Bonds shall be payable in any coin or currency of the United States which at the time of payment is legal tender for the payment of public and private debts. The Series 2020 Bonds shall be payable with respect to principal of and interest on such date or dates as shall be determined by the Authorized Officer (the "Bond Payment Date(s)"). The Record Dates for the payment of interest on the Series 2020 Bonds shall be the 15<sup>th</sup> day of the month prior to each Bond Payment Date or on such other date as determined by the Authorized Officer.

(c) The Series 2020 Bonds shall be subject to redemption prior to final maturity, if at all, at the times and prices and in such manner as shall be determined by the Authorized Officer at the time of the original delivery of the Series 2020 Bonds.

Section 4.04 Authentication; Payment of Series 2020 Bonds.

(a) The Series 2020 Bonds shall be authenticated by the Trustee on such date as the same shall be delivered. The Series 2020 Bonds shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of authentication of the Series 2020 Bonds.

(b) The Principal Installments of and interest on the Series 2020 Bonds shall be paid by check or draft mailed from the office of the Trustee to the person in whose name the Series 2020 Bonds are registered at the close of business on the Record Date.

Bonds and all provisions applicable to the 2020 Debt Service Fund shall apply to each such Debt Service Fund *mutatis mutandis*.

Section 4.08 2020 Debt Service Reserve Fund.

In accordance with the Bond Ordinance, the Authorized Officer may determine to create the 2020 Debt Service Reserve Fund. If established, the 2020 Debt Service Reserve Fund shall be maintained by the Trustee in accordance with the provisions of the Bond Ordinance in an amount equal to the 2020 Reserve Requirement, as may be determined in accordance with Section 4.09 hereof. The 2020 Debt Service Reserve Fund, if established, may be funded by cash or another method permitted by the Bond Ordinance, such method of funding to be determined by the Authorized Officer. If the Series 2020 Bonds are issued in multiple Series, the Authorized Officer may direct the Trustee to establish a Debt Service Reserve Fund for each Series of Bonds and all provisions applicable to the 2020 Debt Service Reserve Fund shall apply to each such Debt Service Reserve Fund *mutatis mutandis*.

Section 4.09 Delegations to the Authorized Officer.

(a) In addition to the explicit delegations already provided herein, the City Council hereby delegates to the Authorized Officer, the authority: (i) to determine the aggregate principal amount of each of the Series 2020 Bonds to be issued, and the interest rates, maturities and redemptions provisions with respect thereto; (ii) to determine the Date of Issue of the Series 2020 Bonds; (iii) to determine whether to issue the Series 2020 Bonds as multiple Series of Bonds; (iv) to determine which of the Refunded Bonds (if any) shall be refunded; (v) to determine whether all or a portion of each Refunded Bonds shall be refunded with the proceeds of the Series 2020 Bonds; (vi) to determine whether a Series of the Series 2020 Bonds shall be issued on a taxable basis; (vii) to determine whether to obtain a Municipal Bond Insurance Policy and to select the Insurer to provide the same; (viii) to determine whether to establish the 2020 Reserve Requirement and the methodology for funding the 2020 Reserve Requirement, if any; (ix) to determine whether to issue the Series 2020 Bonds in book-entry form; (x) to determine whether to issue one or more series of BANs and to determine all necessary decisions regarding the sale and delivery of the BANs authorized herein; and (xi) to make any such other decisions concerning the Series 2020 Bonds as may be necessary or appropriate.

(b) The City Manager is permitted to retain and engage (i) Stephens Inc., as the Municipal Advisor, (ii) Pope Flynn, LLC, as Bond Counsel and disclosure counsel ("Disclosure Counsel") in connection with the issuance of Series 2020 Bonds and is further authorized to engage the services of other entities, including, without limitation rating agencies, printers, verification agents, and other vendors and professionals usual and customary in furtherance of the issuance of municipal bonds, in connection with the issuance of the Series 2020 Bonds. The Authorized Officer is further authorized to make all other necessary decisions necessary or appropriate in connection with the issuance of the Series 2020 Bonds and is directed to consult with the Municipal Advisor, Bond Counsel, Disclosure Counsel, and such other advisors as he determines to be appropriate in making any such decisions.

(c) In the absence or unavailability of the City Manager, who in his capacity as an Authorized Officer is expected to make the delegated determinations provided herein, any one

(c) Any Holder of the Series 2020 Bonds may request, prior to the applicable Record Date, that interest payments be made by wire transfers to such Holder at an account specified by such Holder.

Section 4.05 Denomination of Series 2020 Bonds.

(a) The Series 2020 Bonds shall be issued as fully registered Serial or Term Bonds, or both (the portion of the Series 2020 Bonds to be issued as either Serial or Term Bonds to be determined by the Authorized Officer upon advice of the Municipal Advisor), in the denominations of \$5,000 or any multiple thereof, not exceeding the principal amount of the Series 2020 Bonds maturing in each year. Each Series 2020 Bond shall be numbered by the Registrar in such a fashion as to reflect the fact that it is one of the Series 2020 Bonds and to identify the owner thereof on the books kept by the Registrar.

(b) As necessary for the marketability and sale of the Series 2020 Bonds, the Authorized Officer may determine to authorize any Serial Bonds to be issued with split maturities.

Section 4.06 Appointment of Trustee; Maintenance of Offices for Payment, Transfer, and Exchange of Series 2020 Bonds.

(a) U.S. Bank National Association, the trustee for the Parity Bonds, is hereby appointed as Trustee, Registrar and Paying Agent under the Bond Ordinance with respect to the Series 2020 Bonds, and shall signify its acceptance of such duties upon delivery of the Series 2020 Bonds. The City shall pay to the Trustee from time to time reasonable compensation based on the then-standard fee schedule of such parties for all services rendered under the Bond Ordinance and this 2020 Series Ordinance, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Bond Ordinance and this 2020 Series Ordinance.

(b) The Series 2020 Bonds shall be presented for payment and for registration of transfers and exchanges, and notices and demands to or upon the Trustee and the City in respect of the Series 2020 Bonds, at the corporate trust office of the Trustee. In lieu of presentation, payment of principal and interest may be made upon such indicia of satisfaction or upon such conditions as the City and the purchaser of the Series 2020 Bonds may determine; the Trustee shall bear no responsibility for any such arrangements wherein the Series 2020 Bonds are not presented for payment.

Section 4.07 2020 Debt Service Fund.

The 2020 Debt Service Fund is hereby directed to be established by the Trustee on the Date of Issue of the Series 2020 Bonds and maintained by the Trustee for the benefit of the Holder of such Series 2020 Bonds. If the Series 2020 Bonds are issued in multiple Series, the Authorized Officer shall direct the Trustee to establish a Debt Service Fund for each Series of

of the other Authorized Officers shall be fully authorized and equally permitted to make any and all such determinations delegated to the City Manager herein.

Section 4.10 Form of Series 2020 Bonds.

The Series 2020 Bonds, together with the Certificate of Authentication and Assignment to appear thereon, shall be in substantially the following form with necessary and appropriate variations, omissions and insertions as permitted or required by the Bond Ordinance or this 2020 Series Ordinance, to wit:



(FORM OF BOND)

CITY OF CAMDEN, SOUTH CAROLINA
COMBINED PUBLIC UTILITY SYSTEM REVENUE BONDS
SERIES 2020

No. R-\_\_

Interest Rate Maturity Date Issue Date CUSIP

Registered Holder:

Principal Amount: \_\_\_ AND \_\_\_/100 DOLLARS (\$ \_\_\_)

CITY OF CAMDEN, SOUTH CAROLINA (the "City") acknowledges itself indebted and for value received hereby promises to pay, solely from the sources and as hereinafter provided, to the Registered Holder named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Series 2020 Bond (this "Bond") is subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender of this Bond at the corporate trust office of U.S. Bank National Association (the "Trustee") in the City of St. Paul, Minnesota and to pay interest on such principal amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the City with respect to the payment of such principal amount shall be discharged.

This Bond is one of an issue of Series 2020 Bonds in the aggregate principal amount of \$ \_\_\_ (the "Series 2020 Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provisions, issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "State"), including particularly Title 6, Chapter 17], as amplified and supplemented by Title 11, Chapter 21] of the Code of Laws of South Carolina 1976, as amended, and other statutory authorization authorizing and enabling the enactment of a bond ordinance (the "Bond Ordinance") duly enacted by the City Council of the City (the "City Council"), the governing body of the City, on February 11, 2014 (effective March 1, 2015), and a series ordinance duly enacted by the City Council on \_\_\_, 2020 (the "Series Ordinance," and together with the Bond Ordinance, the "Ordinances"). Certain capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Ordinances. Certified copies of the Ordinances are on file in the office of the Clerk of Court for Kershaw County, South Carolina.

This Series 2020 Bonds are issued for the principal purposes of obtaining funds (a) that, together with other available moneys of the City, will be sufficient to effect a current refunding of the Refunded Bonds, (b) provide for the redemption in full of any outstanding BANs; (c) to defray the costs of the Improvements, (d) fund, if necessary, the 2020 Debt Service Reserve Fund and (e) to pay the costs and expenses related to the issuance of the Series 2020 Bonds.

Each of the Series 2020 Bonds will bear interest from the later of \_\_\_ 1, 20 \_\_\_, or the date to which interest has been paid immediately preceding the authentication date thereof, unless the authentication date thereof is \_\_\_ 1 or \_\_\_ 1, in which event, each such Series 2020 Bond will bear interest from the earlier of such authentication date or the date to which interest has last been paid. Interest on this Bond is payable on \_\_\_ 1 and \_\_\_ 1 of each year beginning \_\_\_ 1, 20 \_\_\_. The interest so payable on \_\_\_ 1 or \_\_\_ 1 will be paid to the person in whose name this Bond is registered at the close of business on the \_\_\_ 15 or \_\_\_ 15 immediately preceding such \_\_\_ 1 or \_\_\_ 1 (the "Record Date").

Interest hereon shall be payable by check or draft mailed at the times provided herein from the office of the Paying Agent to the person in whose name this Bond is registered on the Record Date at the address shown on the registration books; provided that any Holder of Series 2020 Bonds in the aggregate principal amount of \$1,000,000 or more may request, prior to the applicable Record Date, that interest payments be made by wire transfer to such Holder at an account specified in such request. The principal of, redemption premium, if any, and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

For the payment of the principal of and interest on this Bond issued pursuant to the Bond Ordinance, there are hereby irrevocably pledged the Gross Revenues of the System. Such pledge securing the Series 2020 Bonds shall have priority over all other pledges except those made to secure any Bonds (as defined hereinbelow) as may be currently outstanding or issued from time to time in the future.

NEITHER THE FULL FAITH, CREDIT OR TAXING POWER OF THE STATE OF SOUTH CAROLINA NOR THE CITY ARE PLEDGED TO THE PAYMENT OF THIS SERIES 2020 BOND, AND THIS SERIES 2020 BOND SHALL NOT IN ANY EVENT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION (EXCEPT ARTICLE X, SECTION 14 OF THE CONSTITUTION) OR STATUTES OF THE STATE OF SOUTH CAROLINA. THE CITY IS NOT OBLIGATED TO PAY THIS SERIES 2020 BOND, OR THE INTEREST HEREON, SAVE AND EXCEPT FROM GROSS REVENUES OF THE SYSTEM.

The Bond Ordinance authorizes the issuance of additional bonds on a parity with the pledge and lien given to secure the Series 2020 Bonds which, when issued in accordance with the provisions of the Bond Ordinance, will rank equally and be on a parity therewith (the Series 2020 Bonds and all bonds heretofore or hereafter issued on a parity therewith are hereinafter referred to as the "Bonds").

The City has covenanted to continuously operate and maintain the System and fix and maintain such rates for the services and facilities furnished by the System as shall at all times be sufficient (1) to maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on all Bonds, (2) to maintain the Debt Service Reserve Funds, if any, in the manner therein and in any Series Ordinance prescribed, (3) to provide for the payment of

Operation and Maintenance Expenses as may be necessary to preserve the same in good repair and working order, (4) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order, (5) to pay all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit as contemplated under the Bond Ordinance, (6) to provide for the punctual payment of the principal of and interest on all Bonds and all Junior Lien Bonds that may from time to time be Outstanding, and (7) to discharge all obligations imposed by the Enabling Act and by the Bond Ordinance and any applicable Series Ordinance.

The Bond Ordinance provides that, in addition to other remedies, upon a default thereunder, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding, declare all Bonds Outstanding immediately due and payable.

This Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Bond is transferable, as provided in the Bond Ordinance, only upon the registration books of the City kept for that purpose and maintained by the Registrar, by the holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Series 2020 Bond and an assignment with a written instrument of transfer satisfactory to the Trustee or any other Registrar, as the case may be, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a new Series 2020 Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Bond Ordinance. The City, the Trustee and the Registrar may deem and treat the person in whose name this Series 2020 Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Series 2020 Bond, the City may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[The Series 2020 Bonds maturing after \_\_\_ 1, 20 \_\_ shall be subject to redemption prior to maturity, at the option of the City on and after \_\_\_ 1, 20 \_\_, in whole or in part at any time prior to maturity, upon at least thirty (30) days' notice, at par, plus interest accrued to the redemption date.]

[The Series 2020 Bonds maturing on \_\_\_ 1, 20 \_\_ are subject to mandatory sinking fund redemption commencing \_\_\_ 1, 20 \_\_ and will be redeemed (to the extent not previously redeemed) at one hundred percent (100%) of the principal amount, plus interest accrued to the redemption date, on \_\_\_ 1 of each of the following years in the respective amounts for each year specified below:

Table with 2 columns: Year, Amount. The Amount column contains a dollar sign (\$) and a line for a footnote.

\* Final maturity.

The amount of the mandatory sinking fund redemptions prescribed above shall be reduced to the extent Series 2020 Bonds of the applicable maturity have been purchased by the City or redeemed by the City pursuant to the optional redemption provisions set forth above, in such manner as the City shall direct, or, absent such direction, on a pro rata basis.]

[If less than all of the Series 2020 Bonds are to be redeemed, the particular Series 2020 Bonds or portions of Series 2020 Bonds to be redeemed shall be selected by the Registrar by lot. Series 2020 Bonds in a denomination of more than \$5,000 may be redeemed in part from time to time in one or more units of \$5,000 in the manner provided in the Bond Ordinance.]

If any of the Series 2020 Bonds, or portions thereof, are called for redemption, the Trustee will give notice to the Holders of any such Bonds to be redeemed, in the name of the City, of the redemption of such Bonds, or portions thereof, which notice will specify, among other things, the Series 2020 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2020 Bonds are to be redeemed, the numbers of such Bonds so to be redeemed, and, in the case of Series 2020 Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will be given by mailing a copy of the redemption notice by first class mail at least thirty (30) days prior to the date fixed for redemption to the appropriate Paying Agent or Agents and the Holder of each Series 2020 Bond to be redeemed, at the address shown on the registration books; in the event a Holder has not forwarded a Series 2020 Bond so called for redemption to the Trustee within thirty (30) days of the redemption date, the Trustee shall give a second notice by mailing a copy of such redemption notice by first class mail to any such Holder; provided, however, that failure to give such notice by mail, or any defect in the notice mailed to the Holder of any Series 2020 Bond, shall not affect the validity of the proceedings for the redemption of any other Bond; provided, further, with respect, only, to Holders of \$1,000,000 or more in aggregate principal amount of the Series 2020 Bonds, the principal, interest and redemption premium, if any, will be paid, upon request of any such Holder or Holders, by wire transfer to an account specified in such request. Provided funds for their redemption are on deposit with the Paying Agent, all Series 2020 Bonds so called for redemption will cease to bear interest on the specified redemption date.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of the Series 2020 Bonds, exist, have been performed and have happened, that the amount of the Series 2020 Bonds, together with all other indebtedness of the City, does not exceed any limit prescribed by such Constitution or statutes.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, CITY OF CAMDEN, SOUTH CAROLINA, has caused this Bond to be executed by the Mayor of the City of Camden, South Carolina, its corporate seal to be impressed hereon and the same to be attested by the City Clerk of said City, all as of the day of \_\_\_\_\_, 2020.

CITY OF CAMDEN, SOUTH CAROLINA

(SEAL) By: \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk  
City of Camden, South Carolina

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within mentioned Ordinances of the City of Camden, South Carolina.

U.S. BANK NATIONAL ASSOCIATION,  
as Registrar

By: \_\_\_\_\_  
Authorized Officer

Date of Authentication: \_\_\_\_\_, 2020.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
(please print or type name and address of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

\_\_\_\_\_  
Signature (Authorized Officer)

Dated:

[(STATEMENT OF INSURANCE)]

\_\_\_\_\_ has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Series 2020 Bond to \_\_\_\_\_, or its successor, as paying agent for the Series 2020 Bonds. Such policy is on file and available for inspection at the offices of the paying agent and a copy thereof may be obtained therefrom.]

[END OF FORM OF BOND]

Section 4.11 Book-Entry System

Pursuant to Section 4.20 of the Bond Ordinance, the Series 2020 Bonds will be eligible securities for the purposes of the book-entry system of transfer ("Book-Entry System") maintained by The Depository Trust Company, New York, New York ("DTC"), and transfers of beneficial ownership of the Series 2020 Bonds shall be made only through DTC and its Participants in accordance with rules specified by DTC. Such beneficial ownership must be of a \$5,000 principal amount of the Series 2020 Bonds of the same maturity or any integral multiple of \$5,000, with each increment of \$5,000 being separately of a single maturity.

The Series 2020 Bonds shall be issued in fully registered form, one certificate for each of the maturities of each Series of the Series 2020 Bonds, in the name of Cede & Co., as the nominee of DTC. When any principal of, premium, if any, or interest on the Series 2020 Bonds becomes due, the Trustee, from available monies on deposit for such purposes under the provisions of the Bond Ordinance, shall transmit or cause the Paying Agent to transmit to DTC an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of DTC as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of DTC shall be considered to be the owner of the Series 2020 Bonds so registered for all purposes of this 2020 Series Ordinance, including, without limitation, payments as aforesaid and receipt of notices and exercise of rights of beneficial owners of Series 2020 Bonds.

The Trustee shall notify DTC of any notice of redemption required to be given pursuant to this 2020 Series Ordinance not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption.

DTC is expected to maintain records of the positions of Participants in the Series 2020 Bonds, and the Participants and persons acting through Participants are expected to maintain records of the beneficial owners in the Series 2020 Bonds. The City makes no assurances that DTC and its Participants will act in accordance with such rules or expectations on a timely basis, and the City shall have no responsibility for any such maintenance of records of transfer or payments by DTC to its Participants, or by the Participants or persons acting through Participants to the beneficial owners.

If (a) DTC determines not to continue to act as securities depository for the Series 2020 Bonds, or (b) the City has advised DTC of the City's determination that DTC is incapable of discharging its duties, the City shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the City of the Series 2020 Bonds together with an assignment duly executed by DTC, the City shall execute and deliver to the successor depository, Series 2020 Bonds of the same principal amount, interest rate and maturity.

If the City is unable to retain a qualified successor to DTC or the City has determined that it is in the best interest of the City and the System not to continue the Book-Entry System or that the interest of the beneficial owners of the Series 2020 Bonds might be adversely affected if the Book-Entry System is continued (the City undertakes no obligation to make any investigation to determine the occurrence of any events that would permit them to make any such determination),

and has made provision to so notify beneficial owners of the Series 2020 Bonds by mailing an appropriate notice to DTC, upon receipt by the City of the Series 2020 Bonds together with an assignment duly executed by DTC, the City shall execute, and cause to be authenticated and delivered pursuant to the instructions of DTC, Series 2020 Bonds in fully registered form, in substantially the form set forth in this 2020 Series Ordinance, in the denomination of \$5,000 or any integral multiple thereof, as provided in Section 4.04 of this 2020 Series Ordinance.

Notwithstanding any other provisions of the Bond Ordinance to the contrary, so long as any Series 2020 Bond is registered in the name of Cede & Co., all payments with respect to the principal of, premium, if any, and interest on such Series 2020 Bonds and all notices with respect to such Series 2020 Bonds shall be made and given, respectively, to DTC, as provided in the Letter of Representations from the City to DTC.

In connection with any notice or other communication to be provided to the Holders by the City or the Trustee with respect to any consent or other action to be taken by the Holders, the City or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than fifteen (15) days in advance of such record date to the extent possible.

Section 4.12 Purchase of Municipal Bond Insurance Policy; Other Credit Enhancement

If in the judgment of the Authorized Officer the purchasing of a Municipal Bond Insurance Policy, and/or a debt service reserve fund funding substitute as permitted by Section 7.04(D) of the Bond Ordinance to satisfy the 2020 Reserve Requirement, if established, for the Series 2020 Bonds, will enhance the marketing of Series 2020 Bonds such that a savings to the City would otherwise be realized, the Authorized Officer is hereby authorized to effect the purchase of such Municipal Bond Insurance Policy and/or funding substitute in connection with such Series 2020 Bonds. In this respect, the Authorized Officer is hereby authorized to execute and deliver on behalf of the City, upon advice of counsel, any necessary reimbursement agreements with the provider of any debt service reserve fund funding substitute or any other appropriate covenants and agreements with the provider of any Municipal Bond Insurance Policy.

\* \* \*

ARTICLE V - EXECUTION OF AND NO RECOURSE ON SERIES 2020 BONDS

Section 5.01 Execution of Series 2020 Bonds.

The Series 2020 Bonds shall be executed and authenticated in accordance with the applicable provisions of the Bond Ordinance; however, in the absence of the Mayor or the Clerk for any reason, an Authorized Officer shall be authorized to either execute the Series 2020 Bonds or attest to the execution of the Series 2020 Bonds on behalf of the absent party; however, in no event shall the same Authorized Officer be permitted to both execute and attest to the Series 2020 Bonds. If acting on behalf of an absent person, such Authorized Officer shall be authorized to execute, sign, certify or attest any documentation otherwise required of the Mayor or the Clerk respecting the issuance and delivery of the Series 2020 Bonds.

Facsimiles or electronic signatures by the Mayor, Clerk or any Authorized Officer are expressly authorized and permitted with respect to the Series 2020 Bonds and all closing documents and certificates associated therewith.

Section 5.02 No Recourse on Series 2020 Bonds.

All covenants, stipulations, promises, agreements and obligations of the City contained in the Bond Ordinance or in this 2020 Series Ordinance shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not those of any officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Series 2020 Bonds or for any claim based thereon or on the Bond Ordinance or in this 2020 Series Ordinance, either jointly or severally, against any officer or employee of the City or any person executing the Series 2020 Bonds.

\* \* \*

distribute the preliminary official statement and the Official Notice of Sale to prospective purchasers of Series 2020 Bonds. The City Council authorizes the Authorized Officer to designate the preliminary official statement as "final" for purposes of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). The Authorized Officer is further authorized to see to the completion of the final form of the official statement upon the sale of such Series 2020 Bonds so that it may be provided to the purchaser or underwriter of such Series 2020 Bonds.

Section 6.03 Negotiated Sale.

Any Series 2020 Bonds sold on a negotiated basis may be sold pursuant to either of the following methods as determined by the Authorized Officer.

- (a) Negotiated Direct Placement. The Series 2020 Bonds may be sold to a Direct Placement Purchaser as a means of making a commercial loan pursuant to negotiation. In such case, the City Council authorizes the Authorized Officer to solicit, or cause to be solicited, financing proposals from prospective purchasers of Series 2020 Bonds and award the Series 2020 Bonds after negotiation with prospective purchaser or purchasers. Such Series 2020 Bonds shall be issued as a single Series (or separate single Bonds if the Series 2020 Bonds are sold in multiple Series), without CUSIP identification (unless otherwise agreed by the Direct Placement Purchaser and the Authorized Officer on behalf of the City). The Direct Placement Purchaser of such Series 2020 Bonds shall execute an investor letter to the City acknowledging its purchase of the Series 2020 Bonds as a means of making a commercial loan and necessary language restricting the transfer of the Series 2020 Bonds may be incorporated into the physical certificates evidencing the Series 2020 Bonds.
(b) Negotiated Public Offering. Any Series 2020 Bonds may be sold to an underwriter pursuant to the terms of a bond purchase agreement for resale in the public capital markets. The underwriter shall be selected by the Authorized Officer upon advice of the Municipal Advisor, and the bond purchase agreement shall be executed by the Authorized Officer upon advice of Bond Counsel and the Municipal Advisor. The execution of the bond purchase agreement by such Authorized Officer shall constitute conclusive evidence of his or her approval thereof. In such case, the City Council hereby authorizes the Authorized Officer to prepare, or cause to be prepared, a preliminary official statement and authorize the distribution of the preliminary official statement by the underwriter. The City Council authorizes the Authorized Officer to designate the preliminary official statement as "final" for purposes of Rule 15c2-12. Such Authorized Officer is further authorized to see to the completion of the final form of the official statement upon the sale of such Series 2020 Bonds so that it may be provided to the underwriter.

\* \* \*

ARTICLE VI - SALE OF SERIES 2020 BONDS

Section 6.01 Sale of Bonds.

The Series 2020 Bonds may be sold on a competitive basis as set forth at Section 6.02 hereof, or on a negotiated basis as set forth at Section 6.03 hereof, as determined by the Authorized Officer upon the advice of the Municipal Advisor. Regardless of the method of sale, the refunding of each of the Refunding Bonds is expressly conditioned upon the realization of interest cost savings through the issuance of the Series 2020 Bonds.

Section 6.02 Competitive Sale.

The Series 2020 Bonds may be sold at a date and time certain after distribution of an Official Notice of Sale (as defined below) in a manner customarily used in the sale of municipal bonds. Bids may be received at such time and date and in such manner as determined by the Authorized Officer. Unless all bids are rejected, the award of the Series 2020 Bonds may be made by the Authorized Officer to the bidder offering the most advantageous terms to the City, with the basis of such award and the date and time certain for opening bids to be set forth in a notice of sale used in connection with the sale of the Series 2020 Bonds (the "Official Notice of Sale").

Any Series of Series 2020 Bonds sold on a competitive sale basis may be sold pursuant to either of the following methods as determined by the Authorized Officer:

- (A) Competitive Direct Placement. Any Series 2020 Bonds may be sold to an institution or institutions on a date and time certain as a single instrument as a means of making a commercial loan (a "Direct Placement Purchaser"). The City Council authorizes the Authorized Officer to distribute the Official Notice of Sale to prospective purchasers of Series 2020 Bonds and award such Series 2020 Bonds to a Direct Placement Purchaser on the basis of the terms and conditions contained therein. Such Series 2020 Bonds shall be issued as a single Bond (or separate single Bonds if the Series 2020 Bonds are sold in multiple Series), without CUSIP identification (unless otherwise agreed by the Direct Placement Purchaser and the Authorized Officer on behalf of the City), shall not be issued in book-entry-only form, and no official statement shall be prepared in connection with the sale of such Series 2020 Bonds. The Direct Placement Purchaser of any such Series 2020 Bonds shall execute an investor letter to the City acknowledging its purchase of such Series 2020 Bonds as a means of making a commercial loan and necessary language restricting the transfer of the Series 2020 Bonds may be incorporated into the physical certificates evidencing the Series 2020 Bonds.
(B) Competitive Public Offering. Any Series 2020 Bonds may be sold in the public capital markets to an underwriter for the purpose of reselling such Series 2020 Bonds. In such case, the City Council hereby authorizes the Authorized Officer to prepare, or cause to be prepared, a preliminary official statement and

ARTICLE VII - APPLICATION OF PROCEEDS AND OTHER MONEY

Section 7.01 Use and Disposition of Proceeds.

Upon the delivery of the Series 2020 Bonds and receipt of the proceeds thereof, net of any underwriter's discount (if any), such proceeds shall be applied as follows:

- (1) the sum necessary to redeem each of the Refunded Bonds shall be distributed by the purchaser (or underwriter, as applicable), either (i) directly to the holder of each of the Refunded Bonds, respectively, or (ii) to the Trustee, for ultimate distribution to the holders of the Refunded Bonds. Any payoff directly to the holder of the Refunded Bonds shall be made in accordance with the terms and conditions of closing memoranda dated as of the date of closing of the Series 2020 Bonds. Any payoff provided to the Trustee shall be made in accordance with the terms and conditions of the applicable closing memorandum or Escrow Deposit Agreement;
(2) if BANs are issued prior to the issuance of the Series 2020 Bonds, the sum necessary to redeem any and all BANs then outstanding, including any premium and any accrued interest thereon, if necessary, shall be transferred either (A) to the named payee thereof, or (B) to the Trustee for subsequent dissemination to the named payee thereof; if transferred to the Trustee, the Trustee, as directed by the City in writing, may establish a separate account for such purpose;
(3) funding the 2020 Debt Service Reserve Fund, if the 2020 Reserve Requirement is established, in any manner provided by Sections 4.09 or 4.12 hereof; and
(4) all remaining proceeds and other available funds shall be deposited with the Trustee in the 2020 Improvement Fund and used to defray the costs of the Improvements and pay the costs of issuance on the Series 2020 Bonds. Amounts representing the costs of issuance for the Series 2020 Bonds shall be kept in the 2020 COI Account within the 2020 Improvement Fund. Any authorizations herein related to the 2020 Improvement Fund shall apply equally to the 2020 COI Account.

Section 7.02 Authorization to Redeem the Refunded Bonds.

The City Council does hereby determine that the Refunded Bonds to be refunded by the Series 2020 Bonds shall be called for redemption on such dates as determined by the Authorized Officer; consistent with Section 4.13 of the Bond Ordinance, such call may be conditioned upon prior payment of monies sufficient to pay the Redemption Price for each of the respective Refunded Bonds to be redeemed. The Authorized Officer is hereby authorized to (i) determine, upon the advice of the Municipal Advisor, how the Refunded Bonds shall be redeemed (under Section 7.01 above), (ii) determine and select which maturities of the Refunded Bonds are to be refunded with a portion of the proceeds of the Series 2020 Bonds, and (iii) acting alone or through the Trustee, provide for the notice of defeasance and notice of

redemption, respectively and as applicable, in such manner, forms and times as required by the proceedings authorizing the issuance of the Refunded Bonds and the Enabling Act.

Section 7.03 Authorizations with respect to the Escrow Deposit Agreement.

As needed, the Authorized Officer is hereby authorized to execute and deliver the Escrow Deposit Agreement in such form as he deems necessary in order to establish any escrow deposit account or accounts. The Authorized Officer is further hereby authorized to (i) determine the type of investments that shall be made in the Escrow Deposit Agreement, (ii) select an escrow agent, (iii) give or direct the giving of any notice filings that may be required, (iv) take such action to properly redeem or defease or provide for the redemption or defeasance of the Refunded Bonds, and (v) determine whether or not to use one or more Escrow Deposit Agreements for the Refunded Bonds.

Section 7.04 Establishment of 2020 Improvement Fund and 2020 COI Fund.

There is hereby established the 2020 Improvement Fund, and the 2020 COI Account within the 2020 Improvement Fund. There shall be paid into the 2020 Improvement Fund the sums prescribed by Section 7.01(4) hereof. The 2020 Improvement Fund shall be held and controlled by the Trustee, unless otherwise determined by the Authorized Officer at the closing of the Series 2020 Bonds. Withdrawals for the payment of costs of issuance from the 2020 COI Account shall be made upon written order of the City by the Authorized Officer. The City shall requisition funds, including any funds required for the reimbursement of costs previously incurred, from the 2020 Improvement Fund upon written request to the Trustee. The Trustee shall be fully protected in releasing moneys from the 2020 Improvement Fund and the 2020 COI Account based upon such written orders of the City.

Subject to Section 15.13 of the Bond Ordinance, moneys in the 2020 Improvement Fund shall be invested and reinvested at the written direction of the City in Authorized Investments. Upon written notification from the City by the Authorized Officer (or any designated representative thereof) that the payment of all costs of issuance for the Series 2020 Bonds have been paid, the sums remaining in the 2020 COI Account shall be transferred by the Trustee and applied to the 2020 Debt Service Fund. If there are any funds remaining in the 2020 Improvement Fund upon completion of the Improvements, such funds shall be transferred to the 2020 Debt Service Fund and used to pay principal of and interest on the Series 2020 Bonds as the same come due.

\* \* \*

(4) The City will not sell, or permit any other party to sell, any property financed or refinanced with the Series 2020 Bonds to any person unless it obtains an opinion of nationally recognized bond counsel that such sale will not affect the tax-exempt status of the Series 2020 Bonds.

(5) The Series 2020 Bonds will not be "federally guaranteed" within the meaning of Section 149(b) of the Code. The City shall not enter into, or permit any other party to enter into, any leases or sales or service contract with any federal government agency with respect to any facility financed or refinanced with the proceeds of the Series 2020 Bonds and will not enter into any such leases or contracts unless it obtains the opinion of nationally recognized bond counsel that such action will not affect the tax-exempt status of the Series 2020 Bonds.

(C) *Arbitrage Bonds, Rebate.* The City covenants that no use of the proceeds of the sale of the Series 2020 Bonds shall be made which, if such use had been reasonably expected on the date of issue of such Series 2020 Bonds would have caused the Series 2020 Bonds to be "arbitrage bonds" as defined in the Code, and to that end the City shall:

(1) comply with the applicable regulations of the Treasury Department previously promulgated under Section 103 of the Internal Revenue Code of 1954, as amended, and any Regulations, so long as the Series 2020 Bonds are Outstanding;

(2) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code and Regulations relating to required rebate of certain amounts to the United States Government;

(3) make such reports of such information at the time and places required by the Code and Regulations; and

(4) take such other action as may be required to assure that the tax-exempt status of the Series 2020 Bonds will not be impaired.

(D) *Tax Certificate.* The Authorized Officer is hereby authorized and directed to execute, at or prior to delivery of any Series of Series 2020 Bonds, a certificate or certificates specifying actions taken or to be taken by the City, and the reasonable expectations of such officials, with respect to such Series of Series 2020 Bonds, the proceeds thereof, or the City.

(E) *Not Bank Qualified.* The Series 2020 Bonds shall not be designated as "qualified tax-exempt obligations" in accordance with Section 265(b)(3)(B) of the Code.

(F) *Reimbursement Declaration.* The City hereby declares its intention to reimburse itself for a portion of the costs of the Improvements with the proceeds of Series 2020 Bonds. To that end, the City Council determines and declares as follows:

(1) no funds from any sources other than the Series 2020 Bonds are or are reasonably expected to be, reserved, allocated on a long-term basis or otherwise set aside by the City pursuant to the budget or financial policies of the City for the

**ARTICLE VIII – CERTAIN TAX CONSIDERATIONS**

Section 8.01 Tax Covenants.

(A) *General Tax Covenant.* The City will comply with all requirements of the Code in order to preserve the tax-exempt status of the Series 2020 Bonds, including without limitation, (i) the requirement to file Form 8038-G, *Information Return for Tax-Exempt Government Obligations*, with the Internal Revenue Service, and (ii) the requirement to rebate certain arbitrage earnings to the United States Government pursuant to Section 148(f) of the Code. In this connection, the City covenants to execute any and all agreements or other documentation as it may be advised by Bond Counsel will enable it to comply with this Section 8.01, including its certification on reasonable grounds that the Series 2020 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code.

(B) *Tax Representations.* The City hereby represents and covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2020 Bonds to become includable in the gross income of the Holders thereof for federal income tax purposes pursuant to the provisions of the Code and the United States Treasury Regulations (the "*Regulations*"). For purposes of this Article VIII, all references to the Series 2020 Bonds shall apply equally to the BANs, *mutatis mutandis*. Without limiting the generality of the foregoing, the City represents and covenants that:

(1) All property financed or refinanced with the proceeds of the Series 2020 Bonds will be owned by the City or another political subdivision of the State so long as the Series 2020 Bonds are Outstanding in accordance with the rules governing the ownership of property for federal income tax purposes.

(2) The City shall not use, and will not permit any party to use, the proceeds of the Series 2020 Bonds, or any bonds refunded thereby, in any manner that would result in (i) 10% or more of such proceeds being considered as having been used directly or indirectly in any trade or business carried on by any Nongovernmental Person, (ii) 5% or more of such proceeds being considered as having been used directly or indirectly in any trade or business of any Nongovernmental Person that is either "unrelated" or "disproportionate" to the governmental use of the financed facility by the City or by any other Governmental Unit (as the terms "unrelated" and "disproportionate" are defined for purposes of Section 141(b)(3) of the Code) or (iii) 5% or more of such proceeds being considered as having been used directly or indirectly to make or finance loans to any Nongovernmental Person.

(3) The City is not a party to, and will not enter into or permit any other party to enter into, any contract with any person involving the management of any facility financed or refinanced with the proceeds of the Series 2020 Bonds or by notes paid by the Series 2020 Bonds that does not conform to the guidelines set forth in Revenue Procedure 2017-13, or a successor revenue procedure, Code provision or Regulations.

financing of the portion of the costs of acquisition, construction, and equipping of the Improvements to be funded with the Series 2020 Bonds;

(2) the City reasonably expects that all or a portion of the expenditures incurred for the Improvements and the issuance of the Series 2020 Bonds will be paid prior to the issuance of the Series 2020 Bonds;

(3) the City intends and reasonably expects to reimburse itself for all such expenditures paid by it with respect to the Improvements prior to the issuance of the Series 2020 Bonds from the proceeds of the Series 2020 Bonds, and such intention is consistent with the budgetary and financial circumstances of the City;

(4) all of the costs to be paid or reimbursed from the proceeds of the Series 2020 Bonds will be for costs incurred in connection with the issuance of the Series 2020 Bonds, or will, at the time of payment thereof, be properly chargeable to the capital account of the Improvements (or would be so chargeable with a proper election) under general federal income tax principles; and

(5) this 2020 Series Ordinance shall constitute a declaration of official intent under United States Department of the Treasury Regulation Section 1.150-2.

(G) *Taxable Bonds.* Prior to the issuance of a Series of Series 2020 Bonds, the Authorized Officer may, in consultation with Bond Counsel, designate a Series of Series 2020 Bonds as not excluded from federal taxation under the Code. The election to issue such a Series of Series 2020 Bonds shall be clearly indicated by including the phrase "Taxable Series," or words to that effect, in the Series designation of such Series 2020 Bonds. The above provisions of Section 8.01(A)-(F) shall not be applicable to such Taxable Series.

\* \* \*

ARTICLE IX – BOND ANTICIPATION NOTES

Section 9.01 Determination to Issue BANs.

- (a) Pursuant to the BAN Act, and for the purpose of raising moneys to (1) be applied for any purpose for which the Series 2020 Bonds may be applied, (2) (2) renew or refund any outstanding BAN, and (3) pay costs of issuance associated therewith, the City Council authorizes the Authorized Officer to determine whether and to what extent BANs shall be issued.
(b) BANs may be issued as one or more notes, in one or more series.
(c) BANs may be issued in anticipation of the issuance of the Series 2020 Bonds; to the extent any BAN issued hereunder cannot be redeemed with the proceeds of the Series 2020 Bonds, any BAN then outstanding may be redeemed through the issuance of a subsequent BAN issued under the provisions of this Article IX. No BAN shall be expressed to mature more than one year after its date of issue or more than four years from the date of enactment of this 2020 Series Ordinance.
(d) The Authorized Officer shall establish the principal amount of each BAN, so long as the aggregate principal amount of the BANs outstanding at any one time does not exceed \$10,000,000.

Section 9.02 Issuance of BANs.

The BAN shall be issued and delivered at such times and upon such conditions as determined by the Authorized Officer.

Section 9.03 Sale of BANs; Determination of Interest Rate.

The Authorized Officer shall be authorized to negotiate the sale of any BAN to a financial institution(s) on terms the Authorized Officer determines to be most advantageous to the City.

Section 9.04 Date, Interest Payment and Redemption Provisions.

Each BAN shall be dated the date of its respective delivery and bear interest on the basis of a 360-day year (consisting of twelve 30-day months), payable at maturity or the earlier redemption of the BAN. Each BAN shall mature on such date or dates as the Authorized Officer shall determine. The BANs shall be subject to optional redemption upon such terms as the Authorized Officer shall determine, consistent with Section 9.07 herein.

Section 9.10 Execution of BAN.

The BAN shall be executed in the name of the City by the manual signature of the Mayor, under the seal of the City, which shall be impressed or reproduced thereon, and attested by the manual signature of the Clerk; however, in the absence of the Mayor or the Clerk for any reason, an Authorized Officer shall be authorized to either execute the BAN or attest to the execution of the BAN on behalf of the absent party; however, in no event shall the same Authorized Officer be permitted to both execute and attest to the BAN. If acting on behalf of an absent person, such Authorized Officer shall be authorized to execute, sign, certify or attest any documentation otherwise required of the Mayor or the Clerk respecting the issuance and delivery of the BAN.

Facsimiles or electronic signatures by the Mayor, Clerk or any Authorized Officer are expressly authorized and permitted with respect to the BAN and all closing documents and certificates associated therewith.

Section 9.11 Pledges Securing the BAN.

For the payment of the principal of and interest on the BAN there shall be, and there is hereby irrevocably pledged a sufficient amount of the proceeds of any refunding BAN or the Series 2020 Bonds in order to provide the moneys necessary to effect the payment thereof, and to that end the City irrevocably obligates and binds itself to effect the issuance of a refunding BAN or the Series 2020 Bonds in order to effect the payment of the principal of and interest on the BAN on the date of its stated maturity or earlier redemption. THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE BAN.

Section 9.12 Proceeds of the BAN.

Upon delivery of the BAN and the receipt of the proceeds thereof shall be deposited with the City for the purpose of defraying the costs of the Improvements.

Section 9.13 Qualified Tax-Exempt Obligation.

To the extent the City has not issued and does not intend to issue tax-exempt obligations in calendar year 2020 or any subsequent year to which such designation may apply, which together with the BAN do not add up to more than \$10,000,000 in the aggregate, the BAN is hereby accordingly designated a "qualified tax-exempt obligation" in accordance with Section 265(b)(3) of the Code.

Section 9.14 Form of the BAN.

The BAN shall be issued in typewritten form. The BAN is to be substantially the following form with necessary and appropriate variations, omissions and insertions as permitted or required by the Bond Ordinance or this 2020 Series Ordinance, to wit:

Section 9.05 Assignability of the BANs.

Subject to certain restrictions recited on the face of the obligation, the BAN shall be subject to assignment by the purchaser thereof or any future assignee by an instrument in writing duly executed by the purchaser or any assignee of the payee.

Section 9.06 Covenant to Issue Refunding BANs or the Series 2020 Bonds.

The City irrevocably covenants and agrees to effect the issuance of a refunding BAN or the Series 2020 Bonds, the issuance of which has been authorized herein, on an occasion prior to the maturity of any outstanding BAN and in sufficient time that the proceeds of the refunding BAN or the Series 2020 Bonds shall be available to effect the payment of such outstanding BAN.

Section 9.07 Redemption of BANs.

In the event a BAN is subject to optional redemption and the City shall hereafter determine to issue the Series 2020 Bonds on a date which would result in the City receiving proceeds from the issuance of the Series 2020 Bonds in an amount sufficient to redeem such BAN, then in such event, the City may exercise its option to effect the redemption of the BAN, at such times as the Authorized Officer shall determine, and shall be obligated to give notice of its intention to exercise such right to the payee or to any assignee of the BAN, not less than seven (7) days prior to the date fixed for the redemption of the BAN.

In the event that the BAN is not subject to optional redemption prior to its stated maturity, then the principal amount of any refunding bond anticipation note issued prior to the stated maturity of the BAN sufficient to redeem the BAN or any amounts made available from the proceeds of the Series 2020 Bonds after the respective delivery thereof and prior to the stated maturity date of the BAN sufficient to redeem the BAN shall be retained by U.S. Bank National Association, as paying agent, or such other financial institution as the Authorized Officer shall choose as paying agent in an irrevocable trust and invested in Defeasance Obligations pending the maturity of the BAN.

Section 9.08 Medium of Payment.

Both the principal of and interest on the BAN shall be payable only in such coin or currency of the United States of America as shall be on the occasion of such payments legal tender for the payment of public and private debts.

Section 9.09 Provision for Payment of BANs.

The principal sum of a BAN shall bear interest from the date of delivery thereof. Such principal sum, together with such interest as may be due thereon, shall be paid on the stated maturity date or dates of the BAN, or the date of its redemption if the BAN is redeemed prior to the stated maturity thereof, and shall be paid to the named payee thereof; provided, however, if the BAN has been assigned by the named payee, such payment shall be made to the subsequent assignee.

(FORM OF BAN)

WITH THE CONSENT OF THE PURCHASER, AND NOTWITHSTANDING ANY CONTRARY PROVISION CONTAINED IN THE BOND ORDINANCE, THE BOND ANTICIPATION NOTE MAY BE SOLD OR TRANSFERRED ONLY TO SUBSEQUENT PURCHASERS WHO EXECUTE AN INVESTMENT LETTER DELIVERED TO THE CITY, IN FORM SATISFACTORY TO THE CITY, CONTAINING CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS AS TO THE SUITABILITY OF SUCH PURCHASERS TO PURCHASE AND HOLD THE BAN. SUCH RESTRICTION SHALL BE SET FORTH ON THE FACE OF THE BAN AND SHALL BE COMPLIED WITH BY EACH TRANSFEREE OF THE BAN.

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CITY OF CAMDEN, SOUTH CAROLINA
COMBINED PUBLIC UTILITY SYSTEM REVENUE BOND ANTICIPATION NOTE,
SERIES \_\_\_\_

[\$] No. 1

The CITY OF CAMDEN, SOUTH CAROLINA (the "City") hereby acknowledges itself indebted, and for value received, promises to pay, but only from the sources hereinafter described, to the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), and to pay interest on said principal sum, on the basis of a 360 day year (calculated on the basis of twelve (12) 30-day months), from the delivery date hereof, at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_%) per annum, on \_\_\_\_\_, 202\_, or upon the earlier redemption of this Combined Public Utility System Revenue Bond Anticipation Note, Series \_\_\_\_ (this "Note").

Both the principal of and interest on this Note are payable in any coin or currency of the United States of America, which is, at the time of payment, legal tender for the payment of public and private debts.

This Note is issued by the City pursuant to the authorization of Title 11, Chapter 17 (Sections 11-17-10 to 11-17-120, inclusive) of the Code of Laws of South Carolina 1976, as amended, a bond ordinance (the "Bond Ordinance") duly enacted by the City Council of the City (the "City Council"), the governing body of the City, on February 11, 2014 (effective March 1, 2015), and a series ordinance duly enacted by the City Council on [\_\_\_\_], 2020 (the "Series Ordinance," and together with the Bond Ordinance, the "Ordinances"), in anticipation of the issuance of the Combined Public Utility System Revenue Bond Anticipation Note or the Combined Public Utility System Revenue Bonds (the "Bonds"), to be issued by the City pursuant to the authority of Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended.

This Note is a special obligation of the City and there are hereby pledged to the payment of this Note, both principal and interest, when due, the proceeds of the Bonds or if the Bonds are not issued prior to the maturity of this Note, from the sale, issuance and delivery of an issue of renewal or refunding bond anticipation notes. The City at its option may also utilize any other funds available therefor for the payment of the principal of and interest on this Note. The full faith, credit, and taxing power of the City are not pledged for the payment of principal of and interest on this Series 2019 Note.

[In the event this Note is subject to redemption, the following provision shall be applicable to this Note. If by reason of the issuance of a refunding bond anticipation note or the Bonds in anticipation of which this Note is issued, on a date earlier than the stated maturity of this Note, this Note shall be redeemable upon payment of the principal amount due hereon, plus interest hereon to the redemption date, upon written notice of redemption to the payee hereof, seven (7) days prior to the date fixed for redemption.]

**THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THIS NOTE.**

This Note is a non-negotiable instrument but may be assigned by the payee hereof, or any assignee of such payee, by an instrument in writing, duly executed by the payee or any assignee of the payee, notice of which shall be given to the City.

This Note and the interest hereon are exempt from all State, municipal, school, city and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer or certain franchise taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and Laws of the State of South Carolina to exist, to happen, or to be performed precedent to or in the issuance of this Note, do exist, have happened and have been performed in regular and due time, form and manner, and that the City has irrevocably obligated itself to issue and sell prior to the stated maturity hereof, in the manner prescribed by law, the Bonds in anticipation of which this Note is issued.

**ARTICLE X - MISCELLANEOUS**

**Section 10.01 Severability.**

If any one or more of the covenants or agreements provided in this 2020 Series Ordinance on the part of the City or any fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2020 Series Ordinance.

**Section 10.02 Repealer of Prior Series Ordinance.**

Upon the due enactment of this 2020 Series Ordinance, the Series Ordinance enacted by the City Council on May 26, 2020 is hereby rescinded in its entirety and of no further force or effect.

**Section 10.03 Other Documents.**

(a) The City Council hereby authorizes the Authorized Officers, including the Clerk, as necessary, to execute and sign all other documents necessary to redeem the Refunded Bonds, arrange for the funding of the Improvements and effect the purchase of the Series 2020 Bonds.

(b) The Municipal Advisor and Bond Counsel are hereby authorized to contract with such advisors as they deem necessary or desirable to provide for the details of the Series 2020 Bonds or any Series of the Series 2020 Bonds, or BANs and to assist in the conduct of the sale of the Series 2020 Bonds or BANs.

(c) The City Council hereby authorizes the Authorized Officers, to execute such documents and instruments as may be necessary to effect the issuance of the Series 2020 Bonds or BANs, as applicable.

**Section 10.04 Continuing Disclosure Covenant.**

In accordance with Section 11-1-85 of the South Carolina Code ("**Section 11-1-85**"), the City hereby covenants to file with a central repository for availability in the secondary market, when requested (1) an annual independent audit, within thirty (30) days of the City's receipt of the audit; and (2) event specific information, within thirty (30) days of an event adversely affecting more than five percent (5%) of the City's revenue or tax base. The City reserves the right to modify this Section 10.04 to reflect changes in or any repeal of Section 11-1-85 without the consent of the Insurer, Trustee, or Holders of any Series 2020 Bonds.

The Authorized Officer is hereby authorized to execute and deliver on behalf of the City a continuing disclosure undertaking in a form traditionally used in connection with municipal bond offerings to satisfy the requirements of Rule 15c2-12 or as otherwise determined necessary or desirable by the Authorized Officer to provide information regarding the City on an annual

IN WITNESS WHEREOF, CITY OF CAMDEN, SOUTH CAROLINA, has caused this Note to be executed by the Mayor of the City of Camden, South Carolina, its corporate seal to be impressed hereon and the same to be attested by the City Clerk of said City, all as of the \_\_\_\_\_ day of \_\_\_\_\_, 2020.

**CITY OF CAMDEN, SOUTH CAROLINA**

(SEAL) By: \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk  
City of Camden, South Carolina

**(FORM OF ASSIGNMENT)**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
(please print or type name and address of Transferee)

the within Note and all rights and title thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

\_\_\_\_\_  
Signature (Authorized Officer)

Dated:

\* \* \*

basis while any Series 2020 Bonds are Outstanding. The City hereby covenants and agrees to comply with and carry out its obligations pursuant to said undertaking, if any.

The only remedy for failure by the City to comply with the covenants set forth in this Section shall be an action for specific performance of such covenants; and failure to comply with such covenants shall not constitute a default or an "Event of Default" under the Bond Ordinance or this 2020 Series Ordinance. The Trustee shall have no responsibility to monitor the City's compliance with such covenants. The Holder of the Series 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section 10.04.

**Section 10.05 Table of Contents and Section Headings Not Controlling.**

The Table of Contents and the Headings of the several Articles and Sections of this 2020 Series Ordinance have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this 2020 Series Ordinance.

**Section 10.06 Ordinance to Constitute Contract.**

In consideration of the purchase and acceptance of the Series 2020 Bonds by those who shall purchase and hold the same from time to time, the provisions of this 2020 Series Ordinance shall be deemed to be and shall constitute a contract between the City and the Holder from time to time of the Series 2020 Bonds, and such provisions are covenants and agreements with such Holder which the City hereby determines to be necessary and desirable for the security and payment thereof. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed on behalf of the City shall be for the benefit, protection and security of the Holder of the Series 2020 Bonds.

**Section 10.07 Authorized Officer; Prior Action.**

All provisions herein delegating any authority to the Authorized Officer are ratified and approved by the City Council. All prior actions of the Authorized Officer in furtherance of the purposes of this 2020 Series Ordinance (including, but not limited to, any negotiated sale of the Series 2020 Bonds or any solicitation of bids under the provisions of Article VI hereof) are hereby approved, ratified and confirmed.

\* \* \*

DONE, RATIFIED AND ENACTED this 28th day of July, 2020.

CITY OF CAMDEN, SOUTH CAROLINA

(SEAL)

  
Alfred Mac Drakeford, Mayor

Attest:

  
Brenda Davis, City Clerk

First Reading: July 14, 2020  
Second Reading and Enactment: July 28, 2020

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**APPENDIX E**

**FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT**

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## DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “*Disclosure Agreement*”), dated September 16, 2020, is executed and delivered by the City of Camden, South Carolina (the “*City*” or “*Issuer*”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “*Disclosure Dissemination Agent*” or “*DAC*”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the City in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “*Rule*”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the City through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “*Act*”). DAC will not provide any advice or recommendation to the City or anyone on the City’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

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

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

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

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

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

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

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

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

“*Disclosure Representative*” means the City Manager, or his designee, or such other person as the City shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

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

**“Financial Obligation”** as used in this Disclosure Agreement is defined in the Rule as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). 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.

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

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

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

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

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

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

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

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

**“Voluntary Event Disclosure”** means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

**“Voluntary Financial Disclosure”** means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

## SECTION 2. Provision of Annual Reports.

(a) The City shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of

the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2020. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

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

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

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

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the City pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
  - 1. “Principal and interest payment delinquencies;”
  - 2. “Non-Payment related defaults, if material;”
  - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
  - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
  - 5. “Substitution of credit or liquidity providers, or their failure to perform;”
  - 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the Bonds;”
  - 7. “Modifications to rights of securities holders, if material;”
  - 8. “Bond calls, if material;”
  - 9. “Defeasances;”

10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
  11. "Rating changes;"
  12. "Tender offers;"
  13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
  14. "Merger, consolidation, or acquisition of the obligated person, if material;"
  15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
  16. "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
  17. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the City pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
  2. "change in obligated person;"
  3. "notice to investors pursuant to bond documents;"
  4. "certain communications from the Internal Revenue Service;"
  5. "secondary market purchases;"
  6. "bid for auction rate or other securities;"
  7. "capital or other financing plan;"
  8. "litigation/enforcement action;"
  9. "change of tender agent, remarketing agent, or other on-going party;" and
  10. "other event-based disclosures;"
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the City pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"
  2. "timing of annual disclosure;"
  3. "change in fiscal year/timing of annual disclosure;"
  4. "change in accounting standard;"
  5. "interim/additional financial information/operating data;"
  6. "budget;"
  7. "investment/debt/financial policy;"
  8. "information provided to rating agency, credit/liquidity provider or other third party;"
  9. "consultant reports;" and
  10. "other financial/operating data."

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

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

(g) Any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

### SECTION 3. Content of Annual Reports.

Each Annual Report shall contain Annual Financial Information with respect to the City, including the information provided in the Official Statement as follows:

(a) The financial statements of the City for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and operating data for the fiscal year then ended, to the extent such information is not included in the City's audited financial statements filed pursuant to Section 3(a) above, financial and operating data of the general type included in the tables set forth under the following headings in the Official Statement in such format as the City deems appropriate:

- (i) FINANCIAL FACTORS—Summary of Revenues and Expenses
- (ii) FINANCIAL FACTORS—Outstanding Bonds and Other Obligations of the System
- (iii) FINANCIAL FACTORS—Debt Service Requirements
- (iv) FINANCIAL FACTORS—Historical Coverage
- (v) THE SYSTEM—Electric Unit—*Average Consumption and Peak Demand*
- (vi) THE SYSTEM—Electric Unit—*Kilowatt Hour Sales*
- (vii) THE SYSTEM—Electric Unit—*Number of Customers*
- (viii) THE SYSTEM—Electric Unit—*Ten Largest Electricity Users*
- (ix) THE SYSTEM—Water Unit—*Average and Peak Flows*
- (x) THE SYSTEM—Water Unit—*Number of Customers*
- (xi) THE SYSTEM—Water Unit—*Ten Largest Water Users*
- (xii) THE SYSTEM—Sewer Unit—*Sales and Usage*
- (xiii) THE SYSTEM—Sewer Unit—*Number of Customers*
- (xiv) THE SYSTEM—Sewer Unit—*Ten Largest Wastewater Users*

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

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in this Disclosure Agreement related to the Bonds, the City is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

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

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

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

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



15. Incurrence of a financial obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties.

The City shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

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

(c) If the Disclosure Dissemination Agent has been instructed by the City as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The City will provide the Disclosure Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

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

SECTION 7. Voluntary Filing.

(a) The City may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the City as prescribed in this Section 7(a) to file a Voluntary Event

Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

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

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

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

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

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

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

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

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

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

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

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

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the City and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the City or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

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

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

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

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

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

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

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

CITY OF CAMDEN, SOUTH CAROLINA, as Issuer

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

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer:	City of Camden, South Carolina
Obligated Person(s):	City of Camden, South Carolina
Name of Bond Issue:	\$52,015,000 Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2020
Date of Issuance:	September 16, 2020
Date of Official Statement	August 27, 2020
CUSIP Numbers:	133159GD9 133159GE7 133159GF4 133159GG2 133159GH0 133159GJ6 133159GK3 133159GL1 133159GM9 133159GN7 133159GP2

**EXHIBIT B**

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

Name of Issuer: City of Camden, South Carolina  
Obligated Person(s): City of Camden, South Carolina  
Name of Bond Issue: \$52,015,000 Combined Public Utility System Refunding and Improvement Revenue Bonds, Series 2020  
Date of Issuance: September 16, 2020  
Date of Disclosure Agreement: September 16, 2020  
  
CUSIP Numbers: 133159GD9  
133159GE7  
133159GF4  
133159GG2  
133159GH0  
133159GJ6  
133159GK3  
133159GL1  
133159GM9  
133159GN7  
133159GP2

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

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

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

\_\_\_\_\_

cc:

**EXHIBIT C-1**

**EVENT NOTICE COVER SHEET**

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

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

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Issuer's Six-Digit CUSIP Number:

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

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Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Notice Events (Check One):

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

\_\_\_\_\_ Failure to provide annual financial information as required.

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

Signature:

---

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

Digital Assurance Certification, L.L.C.  
315 E. Robinson Street  
Suite 300  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-2**

**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary event disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September 16, 2020 between the Issuer and DAC.

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

\_\_\_\_\_

Issuer’s Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

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

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

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

Signature:

\_\_\_\_\_

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

Digital Assurance Certification, L.L.C.  
315 E. Robinson Street  
Suite 300  
Orlando, FL 32801  
407-515-1100

Date:



**EXHIBIT C-3**

**VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September 16, 2020, between the Issuer and DAC.

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

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

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

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

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

Signature:

\_\_\_\_\_

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

Digital Assurance Certification, L.L.C.  
315 E. Robinson Street  
Suite 300  
Orlando, FL 32801  
407-515-1100

Date

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**APPENDIX F**

**FORM OF SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

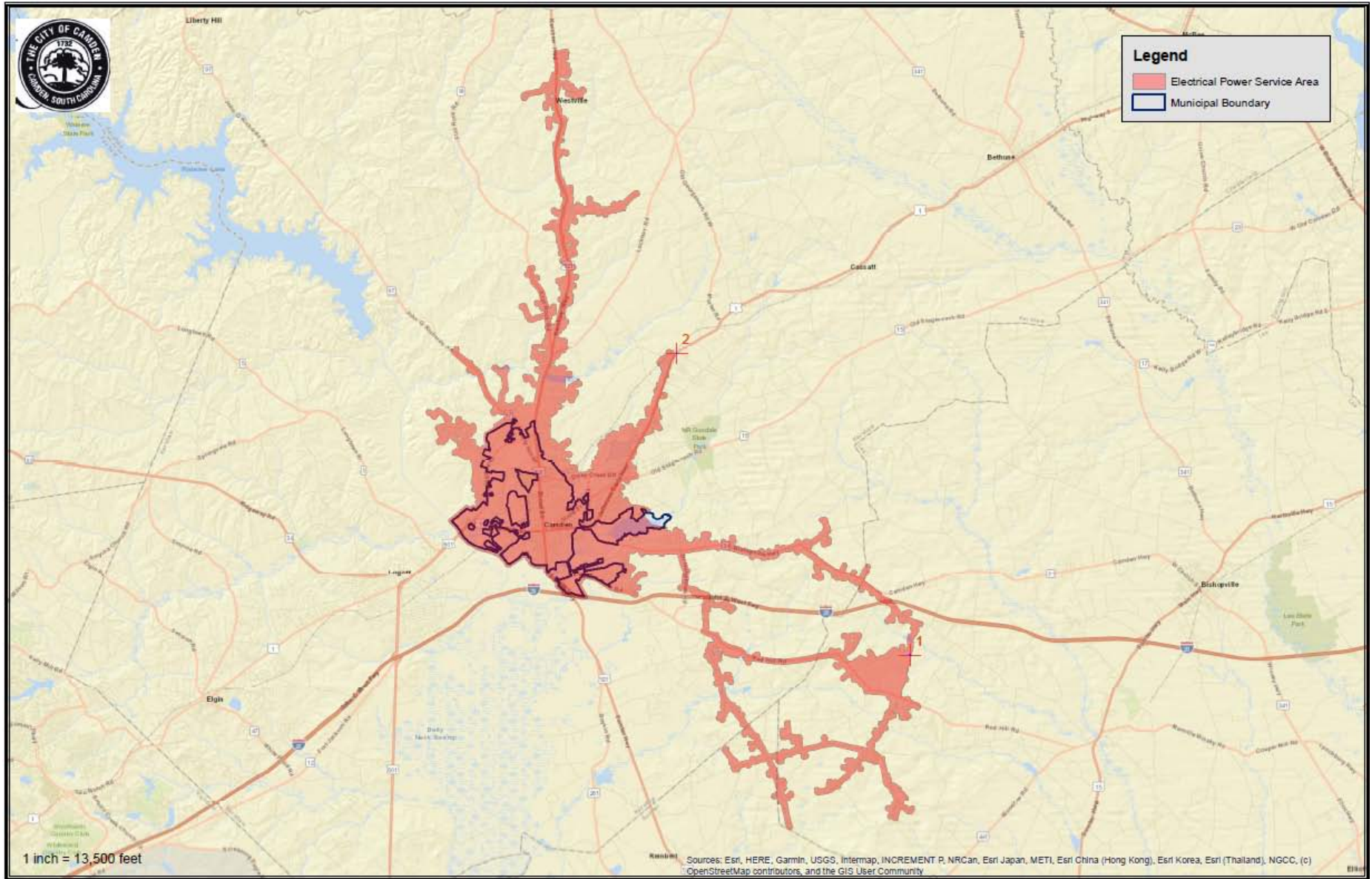
A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)

**APPENDIX G**  
**MAPS OF SERVICE AREAS**



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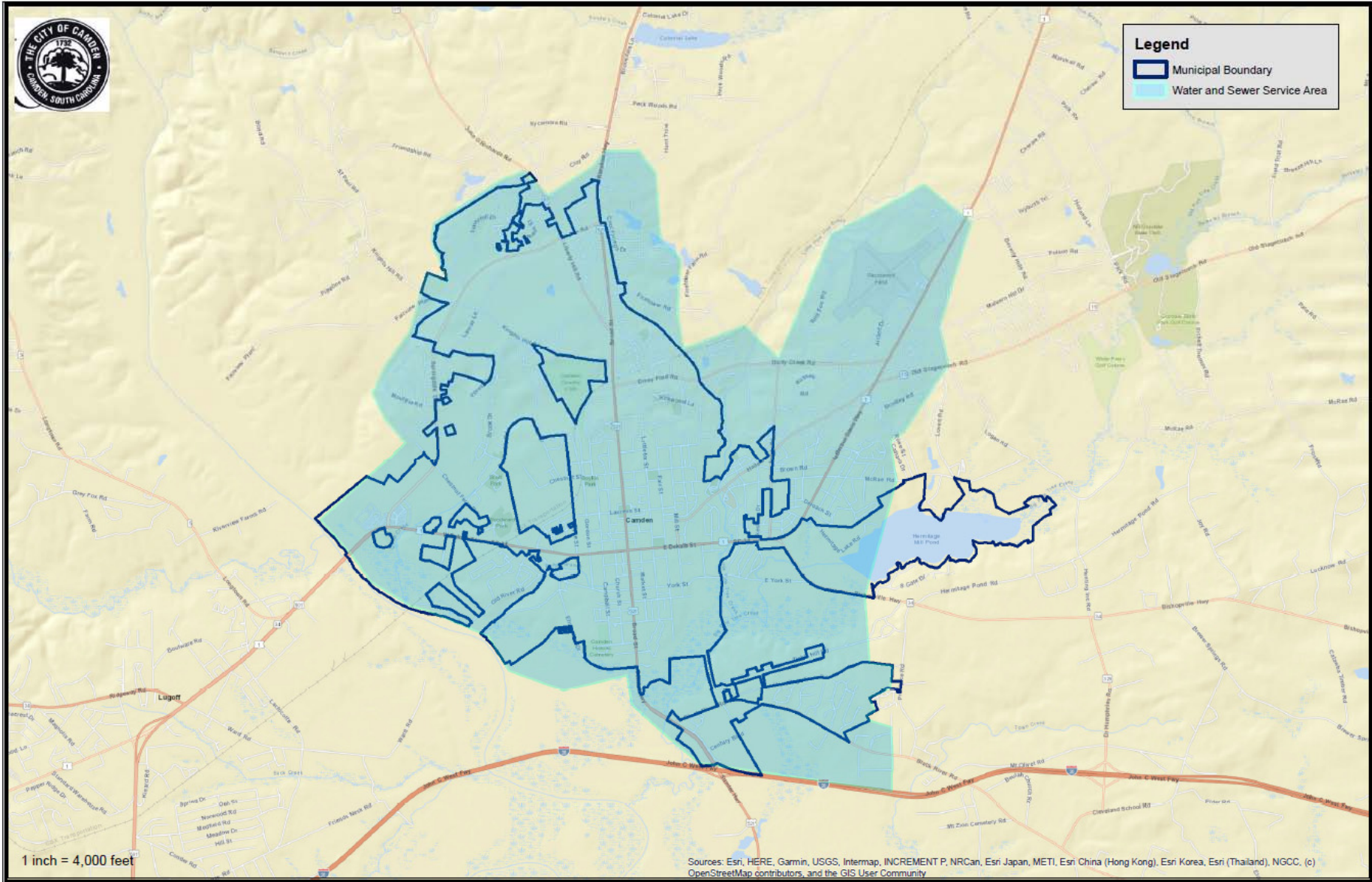






**Legend**

-  Municipal Boundary
-  Water and Sewer Service Area



1 inch = 4,000 feet

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community

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## APPENDIX H

### DESCRIPTION OF BOOK-ENTRY-ONLY SYSTEM

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

Purchases of Series 2020 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 Series 2020 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any 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 Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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).

Principal and interest payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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 City and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained Series 2020 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

The information in this APPENDIX H concerning DTC and DTC's book-entry system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

The City and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2020 Bonds (i) payments of principal of, premium, if any, and interest with respect to the Series 2020 Bonds, (ii) confirmations of their ownership interests in the Series 2020 Bonds or (iii) prepayment or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Series 2020 Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.





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