

In the opinion of Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, Bond Counsel, assuming continuing compliance by the Commission with certain covenants, interest on the 2020 Notes is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the 2020 Notes is not an item of tax preference in computing the alternative minimum taxable income of individuals. See "TAX EXEMPTION" for a brief description of alternative minimum tax treatment and certain other federal income tax consequences to certain recipients of interest on the 2020 Notes. The 2020 Notes and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

\$42,605,000

**Laurens County Water and Sewer Commission,
South Carolina
Waterworks Distribution System
Bond Anticipation Notes, Series 2020**

Dated: Date of Delivery **Interest Rate:** 1.375% **Yield to Call:** 1.150% **Due:** February 1, 2022

The 2020 Notes are issuable only in book-entry form in the denomination of \$5,000 or any integral multiple thereof. U.S. Bank National Association, Columbia, South Carolina, is Trustee, Registrar, and Paying Agent for the 2020 Notes (the "Trustee"). Interest on the 2020 Notes is payable on February 1 and August 1, commencing August 1, 2020 (each such date an "Interest Payment Date"). Interest payments will be mailed by the Trustee to each holder of Notes of record as of the last business day of the calendar month preceding an Interest Payment Date. Principal will be paid upon surrender of the 2020 Notes to the Trustee. The 2020 Notes are subject to optional redemption as provided herein.

THE 2020 NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF LAURENS COUNTY WATER AND SEWER COMMISSION (THE "COMMISSION"), A POLITICAL SUBDIVISION OF THE STATE OF SOUTH CAROLINA. THE COMMISSION IS NOT OBLIGATED TO PAY THE 2020 NOTES OR THE INTEREST THEREON EXCEPT FROM THE PROCEEDS OF LAURENS COUNTY WATER AND SEWER COMMISSION WATERWORKS DISTRIBUTION SYSTEM REVENUE BONDS, AND NEITHER THE REVENUES OF THE COMMISSION SYSTEMS (AS DEFINED HEREIN), THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR OF THE COMMISSION ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2020 NOTES.

The 2020 Notes are issued for the purpose of providing certain moneys (i) to be used by the Commission, along with certain other monies, to construct, acquire, renovate, improve and equip a potable water treatment facility, water distribution lines, and appurtenances thereto (collectively, the "**Project**"), (ii) to pay capitalized interest on the 2020 Notes, and (iii) to pay the costs of issuing the 2020 Notes.

The 2020 Notes are offered for delivery when, as and if issued and received by the Underwriter, subject to the approving opinion of Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, Bond Counsel. Certain legal matters will be passed upon for the Commission by its counsel, Allen M. Wham, Esquire, Laurens, South Carolina and for the Underwriter by Pope Flynn, LLC, Columbia, South Carolina. The 2020 Notes in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about February 18, 2020.

This cover page contains 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 decision.

STEPHENS INC.

This Official Statement is dated January 28, 2020.

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

Except for information with respect to U.S. Bank National Association (“U.S. Bank”), U.S. Bank has not provided, or undertaken to determine, the accuracy of any information contained in this Official Statement and makes no representation or warranty, express or implied, as to: (i) the accuracy or completeness of any information contained in this Official Statement; (ii) the validity of, and security for, the 2020 Notes; and (iii) the tax-exempt status of interest on the 2020 Notes.

Upon execution and delivery, the 2020 Notes will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission (the “SEC”) 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 or disapproved the 2020 Notes for sale. Any representation to the contrary is a criminal offense.

Certain information contained in this Official Statement may have been obtained from sources other than records of the Commission and, while believed to be reliable, such information is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMMISSION SINCE THE DATE THEREOF.

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.

This Preliminary Official Statement has been deemed final by the Commission for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule.

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

LAURENS COUNTY WATER AND SEWER COMMISSION

3850 Highway 221 South
Laurens, South Carolina 29360

Members of Commission

Thomas E. Davenport, Chairman
William Teague, Vice Chairman
Susan Curry, Treasurer
Jurell Byrd, Jr., Secretary
Douglas Hendrick
John McMurray
Philip O'Dell
John S. Peden

Commission Executive Director

Jeff Field, P.E.

Director of Finance

Wendy Medlock

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Laurens, South Carolina

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TABLE OF CONTENTS

INTRODUCTION	1
The Commission.....	1
Authority for Issuance	1
Purposes	2
Security.....	2
THE 2020 NOTES.....	2
General	2
Optional Redemption.....	3
Notice of Redemption.....	3
Exchange and Transfer of 2020 Notes.....	3
Book-Entry Only System	4
SECURITY FOR THE 2020 NOTES.....	6
Security for 2020 Notes.....	6
USDA PROGRAM.....	6
RISK FACTORS	7
Permanent Financing	7
Construction Risk	8
Government Shutdown Risk.....	8
SOURCES AND USES OF FUNDS	9
THE PROJECT.....	10
Construction Process	10
Payments from Proceeds of 2020 Notes.....	10
FINANCIAL INFORMATION	11
Five Year Historical Summary of Revenues and Expenses.....	11
Projected Operating Results and Coverage	12
Budgets.....	13
Debt Service Requirements	14
THE COMMISSION	14
THE SYSTEM.....	16
Customer Base.....	16
Description of Users	17
Ten Largest Customers.....	18
Usage	18
Water Purchases and Sales	18
Service Area	19
Billing and Collections	20
Water Service Cost Comparison.....	21

Licenses	21
Regulations and Permits	21
Environmental Matters	22
Insurance	22
Litigation	22
TAX EXEMPTION	23
Federal Income Tax Generally	23
State Tax Exemption	23
Collateral Federal Tax Considerations	24
Original Issue Premium – 2020 Notes	24
LITIGATION	25
ENFORCEABILITY OF REMEDIES	25
LEGAL MATTERS	25
General	25
United States Bankruptcy Code	25
RATING	26
UNDERWRITING	26
FINANCIAL ADVISOR	26
CONTINUING DISCLOSURE	26
FINANCIAL STATEMENTS	27
MISCELLANEOUS	28
APPENDIX A - AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019	
APPENDIX B - THE BOND ANTICIPATION NOTE RESOLUTION	
APPENDIX C - USDA LETTER OF CONDITIONS, AS AMENDED	
APPENDIX D - USDA TAKE-OUT LETTER	
APPENDIX E - DESCRIPTION OF LAURENS COUNTY AND ITS SURROUNDING AREA	
APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX G - FORM OF BOND COUNSEL OPINION	

OFFICIAL STATEMENT

\$42,605,000 WATERWORKS DISTRIBUTION SYSTEM BOND ANTICIPATION NOTES, SERIES 2020

INTRODUCTION

This Official Statement, including the Cover Page hereof, the Table of Contents and the Appendices hereto, is intended to furnish information regarding the \$42,605,000 original principal amount Waterworks Distribution System Bond Anticipation Notes, Series 2020 (the “2020 Notes”) of the Laurens County Water and Sewer Commission, South Carolina (the “Commission”). Included in this Official Statement are brief descriptions of the 2020 Notes and the security therefor, the Commission, the Commission’s Waterworks Distribution System (the “System”), and the resolution pursuant to which the 2020 Notes are authorized and issued by the Commission.

All information and descriptions included herein have been provided by the Commission except where attributed to other sources. Such information and descriptions do not purport to be comprehensive or definitive. All references herein to the 2020 Note Resolution (hereinafter defined) are qualified in their entirety by reference to such document, and all references to the 2020 Notes are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the 2020 Note Resolution. All summaries of documents herein are qualified by reference to such documents in their entirety. Terms not previously defined, or otherwise cross-referenced in this Official Statement, are defined in **Appendix B - The Bond Anticipation Note Resolution**.

The Commission

The Commission is the successor by reason of the consolidation, effective May 1, 1993, of (i) Rabon Creek Rural Water District, a special purpose district created for the distribution and sale of water at retail in all portions of Laurens County (except the municipalities of Laurens, Gray Court and Clinton) and a small portion of Greenville County (“Rabon Creek”) and (ii) the Laurens County Water Resources Commission, a special purpose district created for the purpose of the wholesale sale of water, and the collection and treatment of sewage, in certain portions of Laurens County (the “Water Resources Commission”). Prior to the consolidation, Rabon Creek owned and operated the System, and the Water Resources Commission owned and operated a system through which it sold water at wholesale (the “Water Supply System”) and a system through which it collected and treated sewage (the “Sewer System”). Through the consolidation, the Commission (i) became the owner and operator of the System, the Water Supply System and the Sewer System and responsible for all outstanding indebtedness of Rabon Creek and Water Resources Commission. The System, the Water Supply System and the Sewer System are referred to herein as the “Commission Systems.” The Water Supply System, the Sewer System and the Waterworks System are operated as three separate and distinct systems, with separate books of account. The boundaries of the Commission’s service area were reduced in 2004 to exclude from its statutory service area any area within neighboring Greenville County. The Commission, however, presently provides through an intergovernmental agreement for water service in four small areas of Greenville County. See “**THE SYSTEM—Service Area.**”

Authority for Issuance

The 2020 Notes are authorized and issued pursuant to Title 11, Chapter 17, Code of Laws of South Carolina 1976, as amended (the “Enabling Act”), and a resolution adopted by the Commission in accordance with the Enabling Act on November 26, 2019 (the “2020 Note Resolution”).

Purposes

The 2020 Notes will be issued to provide funds: (i) to construct, acquire, renovate, improve and equip a potable water treatment facility located on Lake Greenwood in Laurens County, South Carolina, water distribution lines, and appurtenances thereto (collectively, the “Project”), (ii) to pay capitalized interest on the 2020 Notes, and (iii) to pay the costs of issuing the 2020 Notes.

Security

The 2020 Notes are special and limited obligations of the Commission secured and payable solely from moneys pledged for the payment thereof under the 2020 Note Resolution. All Notes of the Commission issued under the 2020 Note Resolution will be equally and ratably secured thereby. There are pledged for the payment of the principal of and interest on the 2020 Notes the proceeds of Waterworks Distribution System Revenue Bonds of the Commission (herein, the “Refunding Bonds”) to be issued for the purpose of discharging the Series 2020 Notes or any refunding bond anticipation notes issued for such purpose (the “Security Property”). See **“SECURITY FOR THE 2020 Notes.”**

The Commission has covenanted in the Series 2020 Resolution:

- (1) to effect the issuance of the Refunding Bonds or refunding bond anticipation notes on such occasion and in such aggregate amount that the proceeds from the sale and issue thereof shall be available to effect the payment of the principal of and interest on the Series 2020 Notes on or prior to the date of their stated maturity; and
- (2) if the Refunding Bonds shall be issued on an occasion earlier than presently anticipated, the delivery of the Refunding Bonds shall occur on the date prescribed by the Commission and the proceeds of the Refunding Bonds will be held by the Trustee in an escrow account in accordance with the 2020 Note Resolution to effect the payment of the principal and interest of the Series 2020 Notes on the date of their stated maturity or earlier permissible redemption date.

THE 2020 NOTES

General

The 2020 Notes will be dated their date of delivery, and will mature and bear interest in the amounts and at the rate (calculated on the basis of a 360-day year comprised of twelve 30-day months) set forth on the cover page of this Official Statement. The 2020 Notes will be issued in fully registered form in denominations of \$5,000 (or integral multiples thereof), in the name of the owner as set forth on the registration books (the “Registration Books”) maintained at the corporate trust office in St. Paul, Minnesota, of U.S. Bank National Association, as trustee (the “Trustee”). Interest on the 2020 Notes will be payable semiannually on February 1 and August 1 of each year (the “Note Payment Dates”), commencing August 1, 2020, until maturity or prior redemption to each owner of the 2020 Notes at the address shown on the Registration Books on the fifteenth day of the calendar month next preceding each Note Payment Date (each a “Record Date”) by check of the Trustee (as defined herein) mailed or, in the case of a holder of \$1,000,000 or more in principal amount of the 2020 Notes, by wire transfer upon request of such holder, to such holder. Principal and interest due at maturity or upon redemption will be payable at the principal corporate trust office of U.S. Bank National Association, as Trustee, in St. Paul, Minnesota.

Optional Redemption

The 2020 Notes shall be subject to redemption prior to maturity, at the option of the Commission, at any time on or after July 1, 2021, in whole, but not in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date. The Series 2020 Notes shall also be subject to redemption at the option of the Commission at any time upon the revocation of USDARD's commitment to purchase the Refunding Bonds.

Notice of Redemption

If the 2020 Notes are called for redemption, the Trustee shall give notice to the holders of the 2020 Notes. Such notice shall be given by first-class mail to each holder of the 2020 Notes at the address shown on the registration books at least 30 days prior to the date fixed for redemption. Such notice must contain the complete official name of the Series 2020 Notes, the CUSIP number for the 2020 Notes, the date of redemption of the 2020 Notes (the "Redemption Date"), the Trustee's name and address, the interest rate applicable to the 2020 Notes, the maturity date of the Notes, the place or places where amounts due will be payable, and any other descriptive information deemed necessary by the Trustee.

If a 2020 Note has been duly called for redemption and notice of the redemption thereof has been duly given as provided in the 2020 Note Resolution, and if moneys for the payment of such 2020 Note at the then applicable redemption price and the interest to accrue to the Redemption Date are held for the purpose of such payment by the Trustee on the Redemption Date, then such 2020 Note so called for redemption shall, on the Redemption Date, become due and payable and interest on the 2020 Notes so called for redemption shall cease to accrue. The Commission is not required to deposit funds for the redemption of 2020 Notes with the Trustee prior to the Redemption Date.

Exchange and Transfer of 2020 Notes

For so long as a Book-Entry Only System is in place, the registration, transfer and exchange of the 2020 Notes will be made as described in "Book-Entry Only System" below. If the Book-Entry Only System is discontinued, the paragraphs under the heading "*Discontinuation of Book-Entry Only System*" below shall apply.

Upon surrendering the same at the designated corporate trust office of the Trustee, 2020 Notes may be exchanged for an equal aggregate principal amount of 2020 Notes of like maturity, bearing the same rate of interest and containing the same redemption provisions and in denominations of \$5,000 or whole multiples thereof.

All 2020 Notes are transferable at the designated corporate trust office of the Trustee, upon presentation and surrender thereof together with a written instrument of transfer satisfactory to the Trustee. Upon surrender for transfer of any such 2020 Notes, the Commission will execute and the Trustee will authenticate and deliver in the name of the transferee, one or more 2020 Notes of the same aggregate principal amount, maturity, redemption provisions and rate of interest.

All 2020 Notes surrendered in any exchange or transfer shall be immediately cancelled and destroyed by the Trustee. For each such exchange or transfer of 2020 Notes, the Trustee 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, which sum or sums shall be paid by the owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Commission is not obligated to issue, exchange, or transfer any 2020 Note (i) after a Record Date until the applicable Note Payment Date or (ii) after the mailing of any notices of redemption or after such 2020 Note has been called for redemption.

Book-Entry Only System

Beneficial ownership interests in the 2020 Notes will be available only in book-entry only form. Beneficial owners of the 2020 Notes will not receive physical note certificates representing their interests in the 2020 Notes purchased. So long as DTC or its nominee is the registered owner of the 2020 Notes, references in this Official Statement to the Holders of the 2020 Notes shall mean DTC, or its nominee and shall not mean the Beneficial Owners.

The following description of DTC, its procedures and record keeping of beneficial ownership interests in the 2020 Notes, payment of interest and other payments on the 2020 Notes to the DTC Participants (as defined herein) or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2020 Notes and of other transactions by and between DTC, DTC'S Participants and Beneficial Owners is based on information furnished by DTC.

Unless and until the book-entry only system has been discontinued, the 2020 Notes will be available only in book-entry form in principal amounts of \$5,000 or any integral multiple thereof. DTC or its successor will act as securities depository for the 2020 Notes. The 2020 Notes will be issued initially as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered 2020 Note certificate will be issued and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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 in 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, "DTC Participants"). DTC has Standard & Poor's rating of AA+. The DTC rules applicable to DTC's Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2020 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Notes on DTC's records. The ownership interest of each actual purchaser of each 2020 Note ("Beneficial Owner") is in turn to be recorded on the DTC 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 beneficial ownership interests in the 2020 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in the 2020 Notes, unless the use of the book-entry only system for the 2020 Notes is discontinued.

To facilitate subsequent transfers, all 2020 Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2020 Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Notes 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 the 2020 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Notes, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Note Resolution. For example, Beneficial Owners of the 2020 Notes may wish to ascertain that the nominee holding the 2020 Notes 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 Trustee and request that copies of notices be provided directly to them. Redemption notices will be sent to DTC.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2020 Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2020 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of the principal of and interest on the 2020 Notes 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participants and not of DTC (nor its nominee), the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. **THE COMMISSION CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.**

DTC may discontinue providing its service as depository for the 2020 Notes at any time by giving reasonable notice to the Trustee or the Commission. The Commission also may decide to discontinue use of the book-entry only system through DTC (or a successor depository). In either situation, if a successor securities depository is not obtained, the 2020 Notes in certificated form will be delivered to each Beneficial Owner in accordance with the applicable rules and procedures of DTC on file with or as approved by the Securities and Exchange Commission.

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

Discontinuation of Book-Entry Only System. If (a) DTC determines not to continue to act as securities depository for the 2020 Notes and gives reasonable notice to the Trustee and the Commission or (b) the Commission has advised DTC of the Commission's determination that DTC is incapable of discharging its duties, the Commission will attempt to retain another qualified securities depository to replace DTC. Upon receipt by the Commission or the Trustee of the 2020 Notes together with an assignment duly executed by DTC, the Commission will execute and deliver to the successor depository 2020 Notes of the same principal amount, interest rate and maturity. If the Commission is unable to retain a qualified successor to DTC, or the Commission has determined that it is in its best interest not to continue the book-entry only system of transfer with respect to the 2020 Notes or that interests of the Beneficial Owners of the 2020 Notes might be adversely affected if the book-entry only system of transfer is continued (however, the Commission has undertaken no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the 2020 Notes by mailing an appropriate notice to DTC, upon receipt by the Commission of the 2020 Notes together with an assignment duly executed by DTC, the Commission will execute, authenticate and deliver to the Participants the 2020 Notes in fully-registered form, in authorized denominations.

SECURITY FOR THE 2020 NOTES

Security for 2020 Notes

The 2020 Notes are issued in accordance with the provisions of the Enabling Act and the 2020 Note Resolution. The 2020 Notes are payable solely from, and are secured by, the Security Property. **The 2020 Notes are not secured by any pledge of or lien upon, and will not be payable from, any revenues of the Commission Systems, nor has any lien upon or mortgage of the Commission Systems been created in favor of Holders of the 2020 Notes.**

THE 2020 NOTES AND THE INTEREST THEREON ARE NOT PAYABLE FROM, NOR ARE THEY A CHARGE UPON, THE REVENUES OF THE COMMISSION SYSTEMS, AND THE FULL FAITH, CREDIT AND TAXING POWER OF THE COMMISSION ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2020 NOTES. THE 2020 NOTES SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE COMMISSION WITHIN ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY THE SECURITY PROPERTY.

USDA PROGRAM

USDA is the credit agency for agriculture and rural development within the United States Department of Agriculture, and was established by Congress to provide credit services to rural areas through various programs, including the USDA Program. Funds obtained under the USDA Program may be used to construct, repair, improve, expand or otherwise modify water supply and distribution facilities and waste collection, pumping, treatment and other disposal facilities and other public projects. Funds may also be used to pay interest during construction and reasonable legal, engineering fees and other costs. The USDA Program is designed to provide low cost, long-term financing for eligible projects including, but not limited to: reservoirs, pipelines, wells, pumping stations, sewer lines, treatment plants, stabilization ponds, storm sewers, sanitary landfills, school facilities, and incinerators.

USDA has issued to the Commission its Letter of Conditions dated September 6, 2016, as amended September 14, 2018, July 29, 2019, and September 16, 2019 (collectively, the "Letter of Conditions"), pursuant to which it has agreed, subject to the conditions set forth in the Letter of Conditions, to issue a letter of commitment (the "Take Out Letter") for the purchase of the Refunding Bonds through the payment of the outstanding principal

of and unpaid interest on the 2020 Notes (such commitment as provided in the Take-Out Letter is referred to herein as “Permanent Financing.”) The Letter of Conditions indicates the general intention of USDA to assist in the financing of the Project and sets forth certain conditions that are required for the issuance of the 2020 Notes and the issuance of the Take-Out Letter. The Letter of Conditions appears as **Appendix C** to this Official Statement. The expected form of the Take-Out Letter appears as **Appendix D** to this Official Statement.

The Letter of Conditions provides for both a loan of funds to the Commission through Permanent Financing and a grant to the Commission to finance the Project. The loan will be effectuated through USDA’s purchase of the Refunding Bonds in the aggregate principal amount of \$42,607,930, as further described herein. The grant (the “USDA Grant”) is in the amount of \$5,013,070, and may be drawn upon only upon the exhaustion of all proceeds of the 2020 Notes. The Commission has contributed \$2,020,000 from available funds towards the cost of the Project as required by the Letter of Conditions, and anticipates contributing an additional \$74,068 towards the cost of the Project.

It is anticipated that the closing of the Permanent Financing (the “Permanent Financing Date”) and the contemporaneous payment of the principal of and accrued interest on the 2020 Notes will occur prior to the maturity date of the 2020 Notes. In such case, the 2020 Notes will be called for early redemption (See “The 2020 Notes—Optional Redemption”). In the event the Permanent Financing Date occurs before the Redemption Date, proceeds of the Refunding Bonds will be paid by USDA to the Trustee on or before the Redemption Date to allow timely redemption of the 2020 Notes.

All conditions set forth in the Letter of Conditions and the Take-Out Letter must be satisfied prior to purchase of the Refunding Bonds by the USDA. The Take-Out Letter provides that Permanent Financing is scheduled

to be closed when the project to be financed with loan funds is 85-90% substantially complete, or when the (2020 Notes mature), or funds borrowed through the (2020 Notes) have been expended --- whichever occurs first --- so that funds will be available to pay off the total amount of (2020 Notes) for authorized approved purposes, including accrued interest to the date of closing.

The Notes are not obligations, direct or contingent, of USDA and the inclusion of information concerning USDA in this Official Statement should not be construed to mean that USDA is liable or in any way responsible for the payment of the principal of and interest on the Notes. Federal law and regulations (7 CFR § 1980.23) expressly prohibit USDA from guaranteeing debt instruments of the type exemplified by the Notes.

RISK FACTORS

Purchasers of the Notes are advised of certain risk factors with respect to construction of the Project and payment of the Notes at maturity or earlier redemption.

Permanent Financing

Any breach by the Commission of the rules and procedures of the USDA could result in a decision by USDA not to purchase, or to accept delivery of, the Permanent Financing. In the event that USDA fails to purchase, or to accept delivery of, the Permanent Financing, unspent proceeds of the 2020 Notes will be insufficient to pay the principal of the Notes and the accrued interest thereon at maturity. In such event, the Issuer may attempt to issue refunding bond anticipation notes, or will issue long-term indebtedness secured by the revenues of the Water Distribution System, for the purpose of discharging the 2020 Notes. Issuance of either type of issuance is subject

to market access and conditions obtaining at the time such issuance is attempted, and the Commission can give no assurance that it would be able to complete such issuance prior to the maturity date of the 2020 Notes.

Construction Risk

The Commission believes that the proceeds of the 2020 Notes, the USDA Grant, along with the Commission's contribution of funds will be sufficient to complete the Project. See **"SOURCES AND USES OF FUNDS"** herein. In the event of cost overruns by reason of delay or otherwise, the Commission would seek additional funding from USDA or other sources. The Commission, however, can give no assurance that it would be able to obtain such additional funding.

The timely completion of the Project is dependent upon, among other factors, promptly obtaining approvals and permits from governmental authorities with jurisdiction, and the absence of delays occasioned by adverse weather, labor and materials shortages and the like. The cost of the Project may be affected by additional factors beyond control of the Commission, including contractor and sub-contractor defaults, bidder protests, and other unforeseen contingencies. There can be no assurance that the construction of the Project will progress as scheduled to completion within the expected costs therefor.

The Commission has reserved in the 2020 Note Resolution the right to issue not exceeding \$2,000,000 principal amount of additional bond anticipation notes in addition to those here offered in order to provide funds required to meet costs of the Project ("Additional Notes"). All Additional Notes issued subject to the conditions of the 2020 Note Resolution shall mature on the same date, shall bear identical redemption provisions, and shall otherwise be on a parity in all respects with the 2020 Notes.

Prior to the issuance of Additional Notes, the Commission must provide to the Trustee:

- (1) a written statement of the Construction Manager to the effect that the proceeds of Additional Notes are required to defray costs of the Project, along with costs of issuance and, if directed by the Commission, capitalized interest, and will be, in combination with the proceeds of the Notes, the Grant and the Commission Contribution, sufficient to pay all remaining unpaid costs of the Project; and
- (2) an amended Letter of Conditions and an amended Take-Out Letter reflecting the intention of USDA to purchase bonds issued by the Commission in an amount sufficient to pay the principal of and interest on the Additional Notes.

If the Commission is unable to comply with the foregoing conditions to the issuance of Additional Notes, the Commission may only issue Additional Notes upon the approval of a majority of Holders of the Notes in the manner provided in the 2020 Note Resolution.

Government Shutdown Risk

Payment of the 2020 Notes upon the maturity thereof or on and after the Redemption Date is subject to delay upon the temporary closure of United States government offices following failure of the United States Congress to enact budgetary authorizations. In the past 10 years, the United States government has furloughed non-essential personnel on three (3) separate occasions, the longest lasting 35 days (December 22, 2018 to January 25, 2019). In the event of such a delay, interest will continue to accrue on the 2020 Notes until the day of actual payment.

SOURCES AND USES OF FUNDS

The following table sets forth the sources of funds to be derived from the sale of the 2020 Notes and the uses of such funds:

<u>Sources of Funds</u>	
Principal Amount of 2020 Notes	\$42,605,000
Original Issue Premium	<u>129,519</u>
Total Sources	<u>\$42,734,519</u>
 <u>Uses of Funds</u>	
Deposit to 2020 Construction Fund	\$41,298,751
Deposit to Capitalized Interest Fund	1,123,281
Costs of Issuance ⁽¹⁾	<u>312,487</u>
Total Uses	<u>\$42,734,519</u>

⁽¹⁾Including underwriter's discount, legal, printing, consulting, trustee and miscellaneous fees.

The following table sets forth the funds expected to be available to defray the cost of the Project and expected application of such funds:

<u>Available Funds</u>	
2020 Construction Fund	\$41,298,751
Capitalized Interest	1,123,281
Investment Earnings ⁽¹⁾	507,219
Cash Contribution by Commission	2,094,068
USDA Grant	<u>5,013,070</u>
Total Funds	<u>\$50,036,389</u>
 <u>Uses of Funds</u>	
Water Treatment Plant and Raw Water Intake Structure	\$28,916,467
Raw and Finished Water Transmission Lines	16,300,948
Engineering/Architectural	3,675,000
Capitalized Interest	<u>1,143,974</u>
Total Uses	<u>\$50,036,389</u>

⁽¹⁾Includes estimated investment earnings on unexpended portions of 2020 Construction Fund and 2020 Capitalized Interest Fund.

THE PROJECT

A portion of the proceeds of the 2020 Notes, together with other amounts as shown in “**SOURCES AND USES OF FUNDS**”, will be used to defray the costs of the Project. Generally, the Project includes the design and construction of a potable water treatment facility (“WTF”) to be located near Lake Greenwood in Laurens County, South Carolina, as follows:

- Raw water intake facility (“RWF”) at Lake Greenwood (Nine (9.0) million gallons per day (“MGD”) capacity).
- Approximately 12,200 linear feet (“LF”) of 24-inch raw water transmission lines from RWF to WTF.
- WTF with 4.0 MGD up-flow clarifier (upgradeable to 6.0 MGD) and ozone oxidant process.
- Process chemical and sludge disposal facility.
- Approximately 93,250 LF of 16-inch transmission line, and 50,600 LF of 12-inch transmission line.
- Three (3) booster pump stations.

Finished water produced at the WTF will be transported to existing System distribution lines located at several points within the System.

Construction Process

Plans and specifications for the Project have received the required governmental approvals, including the approval of the State of South Carolina Department of Health and Environmental Control (“SCDHEC”). The Project has also been approved as a third-party user by the Federal Energy Regulatory Commission pursuant to Project No. 1267.

Harper General Contractors, based in Greenville, South Carolina, will be the general contractor for the RWF and the WTF under a construction manager at risk contract with the Commission. Pursuant to such contract, Harper has agreed to construct the RWF and WTF for a total combined guaranteed price of \$28,916,467.

Construction of raw water and finished water transmission lines (together, the “Transmission Lines”) will be undertaken by several different contractors. The Commission has awarded contracts with an aggregate value of \$16,300,948 for construction of the Transmission Lines; these contracts, however, are subject to cost adjustments in the event of unexpected circumstances, e.g. rock removal. Construction of the Transmission Lines has been separated for bidding purposes into four (4) separate contracts, which has resulted in contract awards to four (4) different contractors.

Construction of the Project commenced on December 1, 2019. The Commission projects that the Project will be operational by December 31, 2021.

The completed construction and renovation of the Project is required to be inspected by SCDHEC for compliance with applicable codes and standards, and approval is required to be obtained from SCDHEC before the Project is placed into service.

Payments from Proceeds of 2020 Notes

The 2020 Note Resolution establishes the 2020 Construction Fund, which will be held by the Trustee. Proceeds of the 2020 Notes deposited to the 2020 Construction Fund shall be withdrawn to pay costs of the Project against disbursement requests presented by the Commission to the Trustee. All requisitions must be approved by the Construction Manager and USDA before the Trustee makes disbursements therefor.

FINANCIAL INFORMATION

Five Year Historical Summary of Revenues and Expenses

The following summaries of income, expenses, Net Earnings, Annual Principal and Interest Requirements (as such terms are defined in the resolution of the Commission authorizing the issuance of revenue bonds secured by and payable from the revenues of the System (the “Bond Resolution”) and debt service coverage present the results of operation of the System for the fiscal years ended June 30, 2015 through 2019, and have been derived from the audited financial statements with respect to the System. The summaries should be read in conjunction with such financial statements and the notes thereto. The audited financial statements with respect to the System for the fiscal year ended June 30, 2019 are included as **Appendix A** hereto.

	<u>Fiscal Year Ending June 30,</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues	\$7,001,397	\$7,340,649	\$7,950,655	\$8,354,748	\$9,005,731
Non Operating Revenues	<u>201,277</u>	<u>224,246</u>	<u>532,168</u>	<u>296,753</u>	<u>406,897</u>
Total Revenues	\$7,202,675	\$7,564,895	\$8,482,823	\$8,651,501	\$9,412,628
Operating Expenses (Excluding Depreciation, Interest and Amortization)	\$3,767,340	\$3,858,712	\$4,156,740	\$4,535,958	\$4,434,646
Administrative Expenses ⁽²⁾	<u>630,752</u>	<u>749,590</u>	<u>843,586</u>	<u>960,345</u>	<u>953,282</u>
Total Expenses	<u>\$4,398,092</u>	<u>\$4,608,302</u>	<u>\$5,000,326</u>	<u>\$5,496,303</u>	<u>\$5,387,928</u>
Net Earnings	\$2,804,583	\$2,956,593	\$3,482,497	\$3,155,198	\$4,024,700
Annual Principal and Interest Requirements	\$1,711,310	\$1,711,310	\$1,342,780	\$1,342,780	\$1,342,545
Debt Service Coverage	1.64x	1.73x	2.59x	2.35x	3.00x

⁽¹⁾ Annual transfers to administrative division to cover certain administrative costs of operation of the System. See “**THE COMMISSION—Administrative Division.**”

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Projected Operating Results and Coverage

Set forth below are projected operating results of the System for the fiscal years 2020 through 2024, together with the projected Net Earnings, Annual Principal and Interest Requirements (as such terms are defined in the Bond Resolution) and debt service coverage in each year, as forecasted by the Commission. Such forecasts are forward looking in nature, and there can be no assurance that the forecasts will be realized or that actual results will not differ materially from those forecasted, primarily because certain components of revenues and expenses are dependent on future results of operations and are beyond the control of the Commission.

	<u>Fiscal Year Ending June 30</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$9,167,834	\$9,332,855	\$9,500,847	\$9,671,862	\$9,845,955
Non-Operating Revenues	<u>419,104</u>	<u>431,677</u>	<u>444,627</u>	<u>457,966</u>	<u>471,705</u>
Total Revenue	\$9,586,938	\$9,764,532	\$9,945,474	\$10,129,828	\$10,317,660
Expenses (Excluding Depreciation, Interest & Amortization)	\$4,567,685	\$4,704,716	\$4,927,619	\$4,436,298	\$4,569,387
Administrative Expenses ⁽¹⁾	<u>981,880</u>	<u>1,011,337</u>	<u>1,041,677</u>	<u>1,072,927</u>	<u>1,105,115</u>
Total Expenses	\$5,549,566	\$5,716,053	\$5,969,296	\$5,509,225	\$5,674,502
Net Earnings	<u>\$4,037,372</u>	<u>\$4,048,479</u>	<u>\$3,976,178</u>	<u>\$4,620,603</u>	<u>\$4,643,158</u>
Annual Principal and Interest Requirements	\$1,296,930	\$1,176,790	\$2,455,394	\$3,016,923	\$2,842,828
Debt Service Coverage	3.11x	3.44x	1.62x	1.53x	1.63x

⁽¹⁾ Annual transfers to administrative division to cover certain administrative costs of operation of the System. See “**THE COMMISSION—Administrative Division.**”

Note: Projections are based on an annual 1.80% growth rate in Operating Revenues, an annual 3.0% growth rate in Non-Operating Revenues, Estimated Expenses reflect a 3.0% growth rate except for Fiscal Years ending June 30, 2022 and 2023. Expenses in the Fiscal Year ending June 30, 2022 only include eight months of water purchase from the City of Clinton and Laurens Commission of Public Works but also include 8 months of operating expenses associated with the WTF. Expenses in the Fiscal Year ending June 30, 2023 include the full operating expenses for the WTF and only include limited and/or emergency water purchase from the City of Clinton and Laurens Commission of Public Works. Annual Principal and Interest Requirements in the Fiscal Year ending June 30, 2022 include six months of debt service on the Refunding Bonds; Fiscal Year ending June 30, 2023 and 2024 include a full 12 months of debt service on the Refunding Bonds.

Budgets

The following table sets forth the budgeted revenues and expenses of the System for the fiscal years ended June 30, 2019 and 2020.

	<u>FY - 2019</u>	<u>FY - 2020</u>
<u>Revenues</u>		
Water Sales	\$8,109,143	\$7,990,914
Other	<u>945,889</u>	<u>1,183,830</u>
Total	\$9,055,032	\$9,174,744
 <u>Expenses</u>		
Operating Expenses	\$3,089,150	\$3,198,548
Asset Replacement	616,757	794,832
Debt Service	1,451,195	1,250,104
Capital Improvements	1,528,000	1,600,000
Wholesale Water Purchase	<u>2,369,929</u>	<u>2,331,260</u>
Total	\$9,055,032	\$9,174,744

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Debt Service Requirements

The following table shows annual principal and interest requirements on the outstanding indebtedness of the Commission secured by revenues of the System:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$1,060,000	\$236,930	\$1,296,930
2021	960,000	216,790	1,176,790
2022	980,000	198,550	1,178,550
2023	1,005,000	179,930	1,184,930
2024	850,000	160,835	1,010,835
2025	860,000	144,685	1,004,685
2026	875,000	128,345	1,003,345
2027	890,000	111,720	1,001,720
2028	915,000	94,810	1,009,810
2029	930,000	77,425	1,007,425
2030	1,030,000	59,755	1,089,755
2031	1,050,000	40,185	1,090,185
2032	1,065,000	20,235	1,085,235

Note: Totals may not sum due to rounding.

Other indebtedness of the Commission is described in the Notes to the Audited Financial Statements at **Appendix A** hereto.

THE COMMISSION

Pursuant to an Ordinance enacted on November 24, 1992, as amended on March 23, 1993, and October 26, 2004 by the Laurens County Council and an Ordinance enacted on March 2, 1993, as amended on October 5, 2004 by the Greenville County Council, Rabon Creek Rural Water District (previously defined herein as “Rabon Creek”) and the Laurens County Water Resources Commission (previously defined herein as the “Water Resources Commission”) were consolidated effective May 1, 1993. The consolidated district is known as Laurens County Water and Sewer Commission (previously defined herein as the “Commission”). The consolidation created a unified water supply and distribution and wastewater collection and treatment system for the service area of the Commission. The Commission’s service area includes all of the unincorporated areas of Laurens County, except those areas that are provided services through an incorporated municipality. The Commission is authorized to build, construct, maintain and operate water distribution systems and to wholesale water for domestic or industrial uses. The enabling legislation contemplates that the Commission will not compete with any existing public water or sewer systems of Laurens County. The Commission is authorized and empowered to contract with municipalities, water or sewer districts, or public service companies, however, for the sale of water and collection and treatment of sewage.

Notwithstanding the consolidation of Rabon Creek and the Water Resources Commission, the Commission continues to operate the System, the Water Supply System and the Sewer System as separate systems, and maintains separate books of account for each. In addition, at present, improvements to each system are financed independently and such financing is secured by pledges of the revenues of the applicable system.

The governing body of the Commission is a Board of Commissioners (the “Board”) consisting of nine Commissioners appointed by the Governor. Seven of the Board members represent each of the seven County Council districts within Laurens County and are nominated by the member of County Council representing that district. The cities of Laurens and Clinton share a Commissioner for 2-year rotating terms, with that Commissioner currently representing the City of Clinton.

Commissioners serve four-year staggered terms. The current Commissioners are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>	<u>Number of Years on Commission</u>
Thomas E. Davenport, Chairman	Retired Textile Mfg. Executive	06/30/21	22
William Teague, Vice Chairman	Retired Owner, Engineering and Surveying business	06/30/23	14
Susan Curry, Treasurer	Owner, Piedmont Pulp, Inc	06/30/23	4
Jurell Byrd, Jr., Secretary	Retired Military/Law Enforcement	06/30/21	14
Douglas Hendrick	Customer Service/Sales, AMT, Inc.	06/30/21	2
John McMurray	Retired Textile Mfg. Executive	06/30/21	10
Philip O'Dell	Manufacturing, Mount Vernon Chemical	06/30/21	4
John S. Peden	Senior Vice President, Grand South Bank	06/30/23	1

*

*Currently one Commission position is vacant.

Jeff Field, P.E., is the Executive Director of the Commission. Mr. Field has served as the Executive Director since February 1, 2005, having previously served as a staff engineer with the Commission for five years and Deputy Director for two years. Mr. Field is a registered professional engineer in the State of South Carolina and a graduate of Clemson University. Following his graduation, he worked for four years with the South Carolina Department of Health and Environmental Control ("DHEC"). There Mr. Field was assigned to the Water Quality Section. His primary function was to provide technical assistance to water systems and to inspect water treatment plants as a part of their operating permit conditions.

Wendy Medlock is the Director of Finance of the Commission. Mrs. Medlock has served as the Director of Finance since May 2, 2016. Mrs. Medlock has a Bachelor of Science degree in Business Administration with an emphasis in Accounting from Erskine College and a Master of Professional Accountancy degree with an emphasis in Auditing from Clemson University. Following her graduation, she worked for Community First Bank for one year as its Internal Auditor. Then she worked for The Palmetto Bank, which merged with United Community Bank in February 2016, for nine and half years. There Mrs. Medlock served as an Audit Assistant for one and half years, an Audit Senior Officer for four years, and an Internal Audit Manager Assistant Vice President for four years. Her duties at the Commission include maintaining the general ledger and payroll systems, reconciling bank statements, processing payroll, preparing monthly, quarterly, and annual reports, employee benefits, as well as other accounting and human resources functions.

Kelly C. Price, P.E., is the Engineering Manager of the Commission. Mr. Price has served as the Engineering Manager since March 7, 2018. Mr. Price is a registered, professional engineer in the State of South Carolina and a graduate of Clemson University. Following his graduation, he worked for DHEC, where his primary duties were to provide technical assistance and inspect water treatment plants and distribution systems. Mr. Price has worked for the following utilities over the past 20 years: Westminster CPW, SJWD Water District, Greenville Water and Spartanburg Water.

Administrative Division

The Commission is operated as five separate enterprises for accounting purposes. In addition to the System and the Water Supply System, the Sewer System is divided into sanitary sewer collection system and a wastewater treatment plant enterprises. The Commission also has an administrative division which provides administrative services to the other enterprises. Each of the previously mentioned enterprises transfers revenues to the administration budget to cover administrative costs. Items that are included in the administration budget are salaries and benefits for the executive director, the engineering manager, the director of finance, the director of administration and customer service, the regulatory compliance and operations manager, the staff accountant, the

geographic information system (“GIS”) analyst, the executive administrative assistant, the engineering, operations, and maintenance administrative assistant, office utilities, office equipment and maintenance, office supplies, consultant services, economic development, and community outreach which relate to the overall operations of the Commission.

The budget for each fiscal year is developed by the Executive Director, the Director of Finance, the Director of Administration and Customer Service, the Regulatory Compliance and Operations Manager, the Construction Manager, and the Engineering Manager for presentation to the Commission in June. The Commission reviews the budget and makes any appropriate revisions and approves the budget prior to the beginning of the budget year on July 1 of each year. Income and expenses are tracked on a monthly basis and compared with the budget to insure conformity therewith.

In 2002, the Commission was granted Delegated Review Authority and General Permit Status by DHEC. This status is only granted to water systems that show fiscal responsibility and consistent compliance with State and federal regulations.

THE SYSTEM

The System provides water to residential and commercial customers within the Commission’s service area. Operation of the System began in 1972 with 1,300 customers. The System has been expanded on numerous occasions since commencing operations. The System includes:

- 900 miles of water line ranging in diameter from 4 inches to 16 inches.
- 14,600 service connections serving both residential and commercial users.
- Three (3) booster pump stations and associated appurtenances.
- Ten (10) elevated tanks consisting of one 100,000 gallon tank, two 150,000 gallon tanks, six 250,000 gallon tanks, and one 1.0 million gallon tank.

Since July 1, 2015, the Commission has expanded the System with approximately five (5) miles of water mains. The additional water mains range in size from 12-inch to 3-inch and serve mainly residential areas of the county. Each mile of new main has added new customers to the System and increased the System’s capacity for new residential development.

Customer Base

The customer base of the Commission is predominantly residential. The System adjoins Greenville County, which is one of the most rapidly growing counties in South Carolina. In November 2019, the System billed 14,602 customers for water service taps. Assuming 3.5 persons per tap, the System provides water for approximately 51,107 people. In addition, several small areas in Greenville County are served pursuant to an intergovernmental agreement. Recent activity related to customer base growth in Laurens County is discussed in the next following paragraphs.

Southern Laurens County

Industrial parks near the City of Clinton in the southern part of the County and associated hotel/restaurant development continue to draw interest from other companies and it is expected that businesses will start to choose this location for expansion. A new park, the Clinton-Adair Industrial Park, is located on I-26. The City of Clinton recently completed the construction of a “spec” building in this park which has been leased by General Electric. The Pharmacy school at Presbyterian College has brought in new faculty members and increased enrollment at the college. This has led to new housing in the form of several apartment complexes and many renovations to existing

housing that was formerly unoccupied. The college also recently unveiled a new strategic plan for the next decade that will lead to continued growth in enrollment and engagement in the community.

Northern Laurens County

Just over 10 years ago, the Commission constructed significant water and sewer infrastructure, including a 1,000,000-gallon elevated tank, in the northern part of the County to provide sufficient water and sewer service for both large and small manufacturing facilities that were anticipated to locate there, centered around the Owings Industrial Park. Shortly thereafter, construction of the German owned ZF Transmissions facility in Phase I of the Owings Industrial Park was completed. The 1,200,000-square foot manufacturing facility and the associated research and development facility employ over 2,000 people and manufacture advanced automotive transmissions for automobile suppliers all over the world. A separate building in Phase II of the Owings Industrial Park has been leased by ZF Transmissions and is currently being used as warehouse space.

Another new facility, constructed by Reinicke Athens, Inc. (RAI), is now in operation in Phase II and employs 250 people. Inteplast Group, a plastics manufacturer, purchased a facility formerly owned by Uni-site in Phase III of the Owings Industrial Park and currently has 350 employees.

A new industrial park is being developed near the Owings Industrial Park. The Connexial Center, as it is known, is in the preliminary construction phase. Once complete, it will include over 500 acres of prime industrial property with interstate access to I-385. Finally, the Commission just completed a \$1.5 million sewer collection system, funded by the Economic Development Administration (EDA), to extend a sewer service to an existing industrial park just over 2.0 miles south of the Owings Industrial Park. This sewer collection system will serve an existing industrial building that has been redeveloped and expanded. It will also serve other industrial sites in this same park that were previously undevelopable because public sewer was not available. Industrial prospects continue to look in this area of the County as an attractive location given its proximity to interstate I-385 and Greenville County.

Description of Users

The Commission currently provides service through the System for approximately 14,600 customers. Of these, 99% are residential users and 1% are industrial/commercial users. Water sales for the fiscal year ended June 30, 2019, totaled \$8,065,722, which represents an increase of 4% from water sales (\$7,724,592) for the fiscal year ended June 30, 2018.

The following table shows the number of accounts (based on the number of taps) with respect to the System for the fiscal years ended June 30, 2015 through 2019.

<u>Fiscal Year Ended June 30,</u>	<u>Taps</u>	<u>Residential</u>	<u>Commercial</u>
2019	14,530	14,374	156
2018	14,239	14,081	158
2017	14,064	13,907	157
2016	13,811	13,657	154
2015	13,664	13,510	154

Ten Largest Customers

The following table sets forth the ten largest customers of the System for the fiscal year ended June 30, 2019.

<u>Customer</u>	<u>Business</u>	<u>Annual Billing</u>	<u>% of Revenue</u>	<u>Annual Usage</u>	<u>% of Total Annual Usage</u>
Norbord South Carolina	Engineered Wood Products	\$ 594,042	7.39%	110,040,800	11.49%
ZF Friedrichshafen AG	Transmission Mfg.	113,569	1.41%	22,400,210	2.34%
Country Fresh	Produce Packaging	81,414	1.01%	16,058,000	1.68%
Gray Court Water Works	Municipality	66,511	0.83%	20,094,000	2.10%
Inteplast Group Ltd.	Plastics Mfg.	57,529	0.72%	11,347,000	1.18%
Teknor Apex Carolina	Rubber Hose Mfg.	52,722	0.66%	10,398,900	1.09%
Fibertex Nonwoven Inc.	Plastics Mfg.	49,718	0.62%	9,806,400	1.02%
Johnson Detention Center	County Detention Ctr.	41,690	0.52%	8,222,926	0.86%
Greenville Health System	Healthcare	39,865	0.50%	7,863,000	0.82%
Specialty Vermiculite	Mining	<u>25,629</u>	<u>0.32%</u>	<u>5,055,000</u>	<u>0.53%</u>
Total:		<u>\$ 1,122,692</u>	<u>14.08%</u>	<u>221,286,236</u>	<u>23.10%</u>

Note: Totals may not sum due to rounding.

Usage

The following table shows the average daily flow with respect to the System for the fiscal years ended June 30, 2015 through 2019.

<u>Fiscal Year</u>	<u>Average Daily Flow (Million Gallons)</u>	<u>Peak Daily Flow (Million Gallons)</u>
2019	3.29	3.86
2018	3.55	4.23
2017	3.68	4.30
2016	3.62	4.34
2015	3.31	3.87

Water Purchases and Sales

The Commission presently purchases all of the water which it provides from the City of Clinton, Laurens Commission of Public Works (“Laurens CPW”), and the Greenville Water System operated by the Commission of Public Works for the City of Greenville (the “Greenville Water System”) pursuant to water purchase agreements. The Commission has also entered into an agreement to sell water to the Town of Gray Court (“Gray Court”), as described herein. The Commission intends to terminate the contracts with the City of Clinton and Laurens CPW once the Project is put into service.

City of Clinton

The Commission purchases water from Clinton at a wholesale rate of \$3.098 per 1,000 gallons for the first 16.3 million gallons per month, \$2.265 per 1,000 gallons for the next 5 million gallons per month and \$1.957 per 1,000 gallons for all usage over 21.5 million gallons per month. Under a water sale and purchase agreement between the Commission and Clinton (the “Clinton Agreement”), the Commission may purchase up to 35 million gallons of water per month, but is required to purchase a minimum of 16.5 million gallons per month. During fiscal year 2019, the Commission purchased an average of 1.01 million gallons per day from Clinton, which is in excess of the

minimum purchase requirement. The Clinton Agreement, which originated as a long-term agreement, now automatically renews for one-year terms, until either party provides at least 12 months' notice of termination thereof.

Laurens Commission of Public Works

The Commission also purchases water from Laurens Commission of Public Works, a division of the City of Laurens ("CPW") pursuant to a water service agreement last amended in September 2004 (the "CPW Agreement"). The current rate paid by the Commission to CPW is \$1.66 per 1,000 gallons for the first 0.6 million gallons per day and \$1.00 per 1,000 gallons for all over 0.6 million gallons per day; subject to adjustment annually. Under the CPW Agreement, the Commission may purchase up to 1.4 million gallons of water each day (equivalent to 42 million gallons for a 30-day month). During fiscal year 2019, the Commission purchased an average of 1.08 million gallons per day from CPW. The CPW Agreement, which originated as a long-term agreement, now automatically renews for one-year terms, until either party provides at least 12 months' notice of termination thereof.

Greenville Water System

Under an agreement dated May 8, 1995, and amended March 11, 2015, the Greenville Water System has allocated water treatment capacity to the Commission in a quantity not exceeding 1.70 million gallons per day (the "Greenville Agreement"). The average rate for the water is \$0.94 per 1,000 gallons plus a monthly base charge of \$11,397. The Greenville Agreement will assure adequate long-term water supply for the northern part of the County. During fiscal year 2019, the Commission purchased an average of 1.18 million gallons per day from the Greenville Water System. The Greenville Agreement extends to March 11, 2055, with provisions for mutually agreed upon renewals thereafter.

Gray Court

Under a water sale and purchase agreement dated December 14, 2004, and amended August 23, 2016, the Commission has agreed to sell up to 2.6 million gallons of water per month to the Town of Gray Court. Present rates are set as a function of the rates presently charged by the Greenville Water System pursuant to the Greenville Agreement and are adjusted annually on water used after the first day of November of each year or any date that the Greenville Water System implements a rate increase. The agreement with the Town of Gray Court extends for a term of ten (10) years from August 23, 2016, and automatically renews for successive one (1) year terms thereafter. Either party may terminate the agreement by providing written notice to the other party at least 180 days prior to the renewal term. The Commission and the Town of Gray Court have entered into an agreement whereby the Commission will undertake the day-to-day management of the Town of Gray Court water system (the "Gray Court Agreement"). The Gray Court Agreement extends for a term of three (3) years from January 1, 2020, with an automatic renewal of a second three (3) year term on January 1, 2023, unless terminated by either party.

The Commission owns all of the pipes, tanks and pumping stations which it uses to distribute water to customers within the System. The pipe and all other parts of the System are expected to have at least a 50-year useful life. The pipe is typically installed in rights-of-way owned by either the State of South Carolina or Laurens County or Greenville County pursuant to written easements. The Commission owns in fee simple the land on which its administration building, maintenance shop, water tanks and pumping stations are located. The Commission also owns a fleet of maintenance vehicles, five backhoes, as well as boring machines and other miscellaneous equipment for maintenance of the system.

Service Area

The service area of the System includes the entire unincorporated area of Laurens County (excluding areas served by the incorporated municipalities of Laurens, Clinton and Gray Court), and four small adjacent areas served by contract in Greenville County as described herein.

In 2004, the service area of the Commission was reduced pursuant to ordinances adopted by Laurens County Council and Greenville County Council at the request of the Commission to facilitate the issuance of general obligation bonds of the Commission. Such action diminished the boundaries of the Commission's service area to exclude all areas with Greenville County, but the Commission retains the right to serve in Greenville County pursuant to contracts with other utility providers. The Commission now provides service in Greenville County (the "Greenville Service Area"), pursuant to a contract with Greenville Water System, a division of the City of Greenville ("GWS"). The Commission's authority to serve in the Greenville Service Area is dependent upon the maintenance of its agreement with GWS or other municipality authorized to provide water service to the Greenville Service Area; no municipalities are presently so authorized. The agreement is subject to termination by either party. The Commission believes that negotiations with GWS over service rights in the Greenville Service Area will be undertaken while the 2020 Notes are outstanding. It is possible that the Commission may withdraw from the Greenville Service Area during such time. Customers within Greenville County currently account for approximately 5.4% of total System water sales revenues.

Billing and Collections

Meter Reading

The Commission utilizes electronic read meters which are read by radio transmission between the meter and the passing "read vehicle". This method allows the Commission to read the meters itself and thereby obtain an accurate accounting of the water consumed each month at minimum cost. In addition, the Commission has divided the System into three billing zones and reads the meters in zone 1 on the first Monday of the month. The water bill is mailed to the customer on the following Friday. This process is repeated for zones 2 and 3 until the entire System is billed. By billing the same week that the meter is read, lag time is eliminated. This process allows the Commission to spread the workload out into the entire month and utilize its employees more efficiently.

Rate Structure

The Commission bills its commercial and residential users on different rate structures. Larger commercial and industrial customers are billed a base charge of \$90.00 and a volume rate of \$5.07 per 1,000 gallons for all usage. Additionally, such customers are billed \$30.00 per month for a non-metered fire line.

Residential and small commercial customers are billed monthly based on water meter usage readings at the following rates:

Base Charge	\$15.00 minimum
Volume Rate	\$5.90 per 1,000 gallons

Tap fees are as follows:

Tap Fees

<u>Tap Size</u>	<u>Tap Fees</u>
¾" (irrigation)	\$ 625
¾"	1,000
1"	1,550
Larger taps are individually quoted	

Payment of bills is due within 15 days from the date of the bill. A 10% penalty is then added to the bill.

Collections

An account is past due 25 days from the date of the bill, and the account is then subject to interruption of service. The Commission interrupts service to a customer by turning off and locking the meter. Service is not restored until the bill is paid, plus a \$45.00 service charge, except for service restoration during non-working hours, when a \$60.00 service charge is imposed. In addition to this method of collection, the South Carolina Department of Revenue will withhold from income tax refunds any amount owed to a public entity such as the Commission. The Commission uses this process and furnishes the Department of Revenue a list of customers with delinquent accounts in October. The amounts are deducted in the processing of the income taxes during the first quarter of the following year. The Department of Revenue will withhold from income tax refunds until the entire bill is collected or for up to three years. Because of this process, the Commission has a high percentage of collection.

The rates charged for services furnished by the Commission are not subject to supervision or regulation by any state bureau, board, and commission or like instrumentality or agency. The last rate increase was imposed by the Commission on July 1, 2018. Growth in the System has provided revenue sufficient to operate and maintain the System as well as provide revenue for orderly expansion.

Water Service Cost Comparison

The following table prepared by the Commission shows the rates for residential water service provided by the Commission and certain other providers in the region as of July 1, 2019, based on an assumed monthly usage of 4,000 gallons.

<u>Water Service Cost Comparison</u>	
<u>Public Utility</u>	<u>Monthly Bill</u>
Laurens Co. Water and Sewer Commission	\$38.60
Newberry Co. Water and Sewer Authority	43.60
City of Clinton (Inside City Limits)	29.10
City of Clinton (Outside City Limits)	47.42
City of Laurens (Inside City Limits)	37.20
City of Laurens (Outside City Limits)	55.82

Licenses

DHEC has issued a system operations permit to the Commission. DHEC periodically monitors the quality of water provided to customers. All new lines added to the System are tested for bacteria and issued a permit to operate by DHEC. The Commission is not aware of any water quality problems. No other licenses or approvals are necessary for the Commission to provide water to its customers.

Regulations and Permits

The rates charged for water service by the Commission are not subject to supervision or regulation by any state bureau, board, commission or agency. The System is subject to regulation by DHEC. DHEC is responsible for insuring compliance with federal and State water quality standards, for approving plans and specifications for wastewater projects within the State, for issuing construction permits and permits to operate, in addition to other administrative functions which have been delegated to DHEC by the United States Environmental Protection Agency.

Environmental Matters

Operation of the System is subject to regulation by certain federal, State and local authorities. Federal and state standards and procedures that currently regulate and control operation of the System may change from time to time as a result of continuing legislative, regulatory and judicial action. Therefore, there is no assurance that the facilities comprising the System currently in operation, under construction, about to be acquired or otherwise contemplated, will always remain subject to the regulations currently in effect, or will always be in compliance with future regulations.

An inability to comply with various governmental regulations and standards could result in reduced operating levels or the issuance of a consent order which, if not complied with, could cause the complete shutdown of those facilities not in compliance. Furthermore, compliance with such governmental regulations and standards may substantially increase capital and operating costs. The Commission believes that it is currently in compliance with all regulatory requirements and that requirements and conditions of all permits required to operate the System are in order.

The South Carolina Drought Response Act (the “SCDRA”) provides, among other things, for the South Carolina Department of Natural Resources to formulate a drought mitigation plan, and to coordinate appropriate drought response. Additionally, the SCDRA provides the authority for municipalities, counties, public service districts, special purpose districts and commissions of public works engaged in the business or activity of supplying water for any purpose to develop and implement drought response ordinances or plans consistent with the state drought response plan implemented through the SCDRA. The Commission adopted a formal Drought Response Plan as of July 22, 2008 (the “Response Plan”). The Response Plan directs Commission action in response to varying stages of drought, from when drought is deemed incipient, which requires written warnings to customers of possible water shortages, through periods of extreme drought, which requires imposition by the Commission on mandatory restrictions on certain non-essential water uses. The Response Plan also provides for enforcement of restrictions made mandatory thereunder through monetary penalties and termination of service.

Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act (the “Tort Claims Act”), local governments including the Commission are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Tort Claims Act. The Commission currently maintains liability insurance coverage with Allied World Specialty Insurance Company (the “Insurance Policy”). In the opinion of the Executive Director, the amount of liability coverage maintained by the Commission is sufficient to provide protection against any loss arising under the Tort Claims Act. In the opinion of counsel for the Commission, there is no litigation pending or threatened against the Commission which is not adequately insured by such coverage. The Insurance Policy also provides casualty insurance coverage for damage or loss of Commission-owned property. A copy of the Insurance Policy is available from the Commission upon request. The Commission also maintains a cyber and privacy liability policy with BCS Insurance Co.

Litigation

There is no litigation presently pending or threatened against the Commission which might pose a material risk to the Commission in the event of an adverse outcome.

TAX EXEMPTION

Federal Income Tax Generally

On the date of issuance of the 2020 Notes, Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina (“Bond Counsel”), will render an opinion that, assuming continuing compliance by the Commission with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations promulgated thereunder (the “Regulations”), and further subject to certain considerations described in “Collateral Federal Tax Considerations” below, under existing statutes, regulations and judicial decisions, interest on the 2020 Notes is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the 2020 Notes will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the 2020 Notes or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the 2020 Notes and the tax-exempt status of interest on the 2020 Notes as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

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

The opinion of Bond Counsel described above is subject to the condition that the Commission 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 2020 Notes 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 2020 Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2020 Notes in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Notes. The opinion of Bond Counsel delivered on the date of issuance of the 2020 Notes is conditioned on compliance by the Commission with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such 2020 Notes.

State Tax Exemption

Bond Counsel is of the further opinion that the 2020 Notes and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the 2020 Notes is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the 2020 Notes or the interest thereon under the laws of any other jurisdiction.

Collateral Federal Tax Considerations

Prospective purchasers of the 2020 Notes 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 2020 Notes should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2020 Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the 2020 Notes. Prospective purchasers of the 2020 Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2020 Notes. Bond Counsel's engagement with respect to the 2020 Notes ends with the issuance of the 2020 Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the Holders regarding the tax-exempt status of the 2020 Notes in the event of an audit examination by the IRS. The IRS has taken the position that, under the standards of practice before the IRS, Bond Counsel must obtain a waiver of a conflict of interest to represent the Commission in an examination of tax-exempt bonds for which Bond Counsel had issued an approving opinion. Under current procedures, parties other than the Commission and their appointed counsel, including the Holders, 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 Commission legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2020 Notes 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 2020 Notes, and may cause the Commission or the Holders to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the Commission may be obligated to disclose the commencement of an audit under the Continuing Disclosure Undertaking. See, CONTINUING DISCLOSURE, herein.

Original Issue Premium – 2020 Notes

The 2020 Notes have been sold at an initial public offering price which is greater than the amount payable at maturity. An amount equal to the excess of the purchase price of the 2020 Notes over their stated redemption prices at maturity constitutes premium on such 2020 Notes. A purchaser of the 2020 Notes must amortize any premium over the earlier of (i) such 2020 Note's term or (ii) the first optional redemption date for such 2020 Notes using constant yield principles, based on the purchaser's yield to maturity or earlier redemption, as applicable. As premium is amortized, the purchaser's basis in such 2020 Note is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such 2020 Note prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2020 Notes, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning 2020 Notes.

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the Commission, threatened, questioning the corporate existence of the Commission, or which would restrain or enjoin the issuance or delivery of the 2020 Notes, or which materially and adversely affects the System or the proceedings of the Commission taken in connection with the issuance or sale of the 2020 Notes or the pledge or application of the Gross Revenues or the operation of the System, or which contests the powers or authority of the Commission with respect to any of the foregoing. There is currently no environmental litigation pending or threatened in connection with the System.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the 2020 Notes upon an event of default under the 2020 Note Resolution 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 2020 Note Resolution, and the 2020 Notes may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2020 Notes (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 creditors enacted before or after such delivery.

LEGAL MATTERS

General

The delivery of the 2020 Notes is subject to the unqualified approving opinion of Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, Bond Counsel, which opinion will accompany the 2020 Notes and will be substantially in the form set forth as **Appendix G**. Certain legal matters will be passed upon for the Commission by its Counsel, Allen M. Wham, Esquire, of Cox, Ferguson & Wham LLC, Laurens, South Carolina.

United States Bankruptcy Code

The undertaking of the Commission should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. § 901, et seq., as amended (the "Bankruptcy Code"), and other laws affecting creditors' rights and public instrumentalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a state that is insolvent or unable to meet its debts as such debts mature, to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; 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 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.

RATING

Moody's Investors Service, Inc. (the "Rating Agency"), has assigned its municipal bond rating of "MIG-1" on the 2020 Notes. Such rating reflects only the views of the Rating Agency, and any desired explanation of the significance of such rating should be obtained from the Rating Agency. Generally, the Rating Agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of Rating Agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2020 Notes.

UNDERWRITING

Under a bond purchase agreement (the "Purchase Agreement") entered into by and between the Commission and Stephens Inc., as underwriter (the "Underwriter"), the 2020 Notes are being purchased for reoffering by the Underwriter at an aggregate purchase price of \$42,654,532.17 (which is an amount equal to the par amount of the 2020 Notes plus net original issue premium of \$129,519.20, less underwriter's discount of \$79,987.03). The obligation of the Underwriter to accept delivery of the 2020 Notes is subject to various conditions contained in the Purchase Agreement. The Purchase Agreement provides that the Underwriter will purchase all of the 2020 Notes if any are purchased.

The Underwriter intends to offer the 2020 Notes to the public initially at the offering prices as set forth on the cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the 2020 Notes to the public. The Underwriter may offer and sell Notes to certain dealers at prices lower than the public offering prices. In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the 2020 Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

FINANCIAL ADVISOR

First Tryon Advisors has served as financial advisor (the "Financial Advisor") to the Commission with respect to the sale of the 2020 Notes. The Financial Advisor's fee for services rendered with respect to the sale of the 2020 Notes is contingent on the issuance and delivery of the 2020 Notes. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices thereto.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate given by the Commission in connection with the issuance of the 2020 Notes (the "Continuing Disclosure Certificate"), the Commission will covenant for the benefit of the Holders and the "Beneficial Owners" (as defined in the Continuing Disclosure Certificate) of the 2020 Notes to provide certain financial information and operating data relating to the Commission by no later than seven months after the end of each of the Commission's fiscal years, commencing with the report for the fiscal year ending June 30, 2020 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2020 Notes, if material. The Annual Report will be filed by or on behalf of the Commission with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system or other central repository and with the State Information Depository, if any, established by the State of South Carolina. The notices of such material events will be filed by or on behalf of the Commission with EMMA (and with such State Information Depository, if any). The specific nature of the information to be contained in the Annual Report

or the notices of material events is set forth in “**Appendix F - FORM OF CONTINUING DISCLOSURE CERTIFICATE.**” These covenants have been made in order to assist the original purchaser of the 2020 Notes in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

As provided in the Continuing Disclosure Certificate, if the Commission fails to comply with any provision of the Resolution relating to the continuing disclosure, any Holder or “Beneficial Owner” of the 2020 Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Commission to comply with its continuing disclosure obligations under the Continuing Disclosure Certificate. “Beneficial Owner” is defined in the Continuing Disclosure Certificate to mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2020 Notes (including persons holding 2020 Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2020 Notes for federal income tax purposes. If any person seeks to cause the Commission to comply with its continuing disclosure obligations under the Continuing Disclosure Certificate, it is the responsibility of such person to demonstrate that it is a “Beneficial Owner” within the meaning of the Continuing Disclosure Certificate.

The Commission has also covenanted in the 2020 Note Resolution, so long as required pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, to file with a central repository for availability in the secondary bond market when requested, an annual independent audit within 30 days of its receipt, and event specific information within 30 days of an event adversely affecting more than 5% of revenues or the Commission’s tax base. Failure of the Commission to comply with said covenants will not result in an Event of Default under the 2020 Note Resolution.

The Commission presently has outstanding no indebtedness subject to the Rule, all of such indebtedness having been paid no later than March 1, 2017. Pursuant to a continuing disclosure undertaking executed by the Commission in 2005 in connection with the issuance of its Series 2005 General Obligation Bonds (the “Series 2005 Bonds”), the Commission agreed to file its audited financial statement and annual report by February 1 of each year. On February 2, 2015, the Commission filed notice of redemption in full of the Series 2005 Bonds as of March 1, 2015. The Commission failed, however, to file its annual report relating to the Series 2005 Bonds (or notice of failure to file) on February 1, 2015 or thereafter prior to the date of redemption. The Commission’s audited financial statements for Fiscal Year 2014 were timely filed on January 15, 2015, but were not linked by CUSIP number on the EMMA site to the Series 2005 Bonds.

FINANCIAL STATEMENTS

The portions of the financial statements of the Commission relating to the System for the fiscal year ending June 30, 2019, audited by Love Bailey & Associates, LLC, Certified Public Accountants, are included in **Appendix A** attached to this Official Statement.

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MISCELLANEOUS

All the summaries of the provisions of the Act, the 2020 Notes, the 2020 Note Resolution 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, the 2020 Note Resolution 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, copies of which may be obtained from Jeff Field, P.E., Executive Director, 3850 Highway 221 South, Post Office Box 1006, Laurens, South Carolina 29360-1006. The attached Appendices A, B, C, D, E, F and G 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 this Official Statement and in the Appendices hereto has been obtained from sources other than the Commission that are believed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriter or the Commission.

The execution of this Official Statement and its delivery have been duly authorized by the Commission. Neither this Official Statement nor any advertisement of the 2020 Notes is to be construed as a contract with the holders of the 2020 Notes. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

LAURENS COUNTY WATER AND SEWER
COMMISSION, SOUTH CAROLINA

By: _____
Chairman

APPENDIX A
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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LAURENS COUNTY WATER AND SEWER COMMISSION
LAURENS, SC
FINANCIAL STATEMENTS
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

**LAURENS COUNTY WATER AND SEWER COMMISSION
YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
Combined statements of net position	10 - 11
Combined statements of revenues, expenses, and changes in net position	12 - 13
Combined statements of cash flows	14 - 15
NOTES TO FINANCIAL STATEMENTS	16 - 40
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of proportionate share of the net pension liability	41
Schedule of pension plan contributions	42
Schedule of changes in total OPEB liability and related ratios	43
COMBINING AND INDIVIDUAL FUND SCHEDULES	
All proprietary fund types	
Combining statements of net position - all proprietary fund types	44 - 45
Combining statements of revenues, expenditures, and changes in net position - all proprietary fund types	46 - 47
Combining statements of cash flows - all proprietary fund types	48 - 49
Collection system	
Statements of net position - collection system	50
Statements of revenues, expenses and changes in net position budget to actual - collection system	51
Statements of cash flows - collection system	52
Clinton/Joanna Wastewater Treatment Plant	
Statements of net position - Clinton/Joanna Wastewater Treatment Plant	53
Statements of revenues, expenses and changes in net position budget to actual - Clinton/Joanna Wastewater Treatment Plant	54
Statements of cash flows - Clinton/Joanna Wastewater Treatment Plant	55

LAURENS COUNTY WATER AND SEWER COMMISSION
YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

(continued)

	<u>Page</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES, continued	
Lake Rabon Water Supply System	
Statements of net position - Lake Rabon Water Supply System	56
Statements of revenues, expenses and changes in net position budget to actual - Lake Rabon Water Supply System	57
Statements of cash flows - Lake Rabon Water Supply System	58
Rabon Creek Rural Water Distriution System	
Statements of net position - Rabon Creek Rural Water Distriution System	59
Statements of revenues, expenses and changes in net position budget to actual - Rabon Creek Rural Water Distriution System	60
Statements of cash flows - Rabon Creek Rural Water Distriution System	61
Administrative Fund	
Statements of net position - Administrative Fund	62
Statements of revenues, expenses and changes in net position budget to actual - Administrative Fund	63
Statements of cash flows - Administrative Fund	64
 OTHER SUPPLEMENTAL INFORMATION	
Revenue bond debt coverage ratios	65
 COMPLIANCE SECTION	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i>	66 - 67
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE	68 - 69
Schedule of expenditures of federal awards	70
Notes to schedule of expenditures of federal awards	71
Schedule of findings and questioned costs	72
Summary schedule of prior audit findings	72



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Commissioners
Laurens County Water and Sewer Commission
Laurens, South Carolina

We have audited the accompanying financial statements of Laurens County Water and Sewer Commission, Laurens, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens County Water and Sewer Commission as of June 30, 2019, and the changes in financial position and 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 analysis, pension plan schedules and other postemployment benefit plan schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Laurens County Water and Sewer Commission's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the Laurens County Water and Sewer Commission'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 Laurens County Water and Sewer Commission's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
November 26, 2019

**LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This section presents management's analysis of the Laurens County Water & Sewer Commission (the "Commission") financial condition and activities for the year. This information should be read in conjunction with the financial statements.

FINANCIAL ANALYSIS AND HIGHLIGHTS

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are self-supporting and are thus accounted for with a separate set of accounts. The opinion of management and the supporting facts presented in this discussion are based on the combined financial statement of all the funds.

The Commission's financial condition is stable with a 9.42% increase in operating revenue and a 9.56% increase in net position. This stability can be contributed primarily to continued increases in water sales, water tap fees and wastewater treatment revenues. Management believes consumption is slightly increasing in water sales and that the recently adopted rate plan for sewer collection and sewer treatment will result in sufficient operating revenue. The following are key financial highlights:

- Total assets did increase by \$2.8 million or 4.13% from the previous fiscal year, primarily from an increase in cash and net receivables. At year-end total assets were \$70.9 million which exceeded total liabilities by \$45.1 million. The Commission's Net Position is still strong at \$45.7 million, an increase of \$3.9 million or 9.56% from the previous fiscal year.
- Unrestricted cash and cash equivalents to support short-term operations were \$4.2 million compared to \$3.4 million the prior year.
- Operating revenues for fiscal year 2019 increased 9.42% or \$1.0 million, compared to fiscal year 2018.
- Operating expenses for fiscal year 2019, before depreciation, increased 0.79% or \$56 thousand, compared to fiscal year 2018.
- Total operating income for the year was \$2.4 million compared to an operating income of \$1.3million in the prior year.
- Ratios of operating income to total operating revenues are at 20.0% for 2019 compared to 11.6% for 2018.
- Long-term debt decreased from \$19.9 million in 2018 to \$18.4 million in 2019; a decrease of (7.83%).

OVERVIEW OF ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Commission's financial condition and performance.

The financial statements report information about the Commission using full accrual accounting

**LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the Commission on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end. The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements; the notes present information about the Commission's accounting policies, significant account balances and activities, dependencies, obligations, and commitments, if any.

The financial statements were prepared by the Commission's external independent auditors from the detailed books and records of the Commission. The financial statements were audited and adjusted, if material, during the independent external audit process.

ECONOMIC CONDITION AND OUTLOOK

The Commission operates in all of Laurens County and portions of southern Greenville County with the exceptions of areas inside the municipal boundaries of Laurens, Clinton and Gray Court, and agreed upon areas contiguous thereto. Customer growth rate within this service area has started to increase in the last few fiscal years and that trend continues for FY 2019.

South Carolina is an extremely pro-business State. For this reason, it is anticipated the Upstate of South Carolina, including Laurens County, will continue to grow as the U.S. economy recovers. The three Clinton Corporate Industrial Parks and associated hotel/restaurant development continues to draw interest from companies looking to locate to the region. A relatively new industrial park, the Clinton-Adair Industrial Park, is located on I-26. The City of Clinton has completed the construction of two "Spec" buildings in this park, one of which is being leased by General Electric, and the other is being consider by another prospective industry. The Pharmacy school and the new Physicians Assistance Curriculum at Presbyterian College has brought in new faculty members and increased enrollment at the college. This has led to new housing in the form of several apartment complexes and many renovations to existing housing that was formerly unoccupied. The college as adopted a new strategic plan for the next decade that will lead to continue growth in enrollment and engagement in the community. These activities indicate that the Clinton area is poised for growth which will help sustain if not slightly increase sewer revenue moving forward.

**LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Just over 11 years ago the Commission constructed significant water and sewer infrastructure, including a 1,000,000-gallon elevated tank, in the northern part of its service area to provide enough water and sewer service for both large and small manufacturing facilities that were anticipated to locate in this part of Laurens County. Shortly thereafter, construction of the German owned ZF Transmissions facility in Phase I of Owings Industrial Park was complete. The 1,200,000-square foot manufacturing facility and the associated research and development facility employ over 2,000 people and manufactures some of the most advanced transmissions for automobile suppliers all over the world. A separate "Spec" building in Phase II of Owings Industrial Park has been leased by ZF Transmissions and is currently being used as warehouse space. Another facility, constructed by Reinicke Athens, Inc. (RAI), is now in operation in Phase II and employees 250 people. Inteplast Group, is a plastic company that purchased the facility formerly owned by Uni-site, located in Phase III of the Owings Industrial Park, and currently employees 350 employees. A new industrial park is being developed near the Owings Industrial Park. The Connexial Center, as it is known, is in the construction phase. Once complete in early 2020, it will include over 500 acres of prime industrial property with interstate access to I-385. Finally, in FY 2018 the Commission installed a \$1.5 million sewer collection system to extend sewer service to an existing industrial park just over two miles south of the Owings Industrial Park. This sewer collection system, funded by the Economic Development Administration (EDA), will serve an existing industrial building that has been redeveloped and expanded. It will also serve other industrial sites in this same park that were previously undevelopable because public sewer was not available. Industrial prospects continue to look in this area of the County as an attractive location given its proximity to interstate I-385 and Greenville County. For this reason, management anticipates that the industrial/commercial/residential population in the northern part of the Commission's service area will continue to increase over the next 20+ years.

With northern and southern Laurens County primed for industrial development and the residential growth associated with these developments and the development of Lake Greenwood, the Commission's financial outlook for the future continues to look very strong. To better encourage this growth, the Commission will continue to play a leadership role in economic development for Laurens County.

FINANCIAL ANALYSIS

The following condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning.

The Commission's financial condition remains steady at year-end with adequate assets, reliable and sufficient infrastructure to meet demand, and a strong unrestricted net position. The current billing and accounting systems, technical support staff capabilities and operating plans, including Capital Improvements Plan (CIP), are up to date and able to meet anticipated customer growth.

TOTAL NET POSITION

The following schedule is a summary of Commission's net position for the fiscal year ended June 30, 2019 and the amount and percentage differences in relation to the prior year net position. The Commission's net position improved 9.56 percent over the prior fiscal year or \$3.9million.

LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

	Total Net Position			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>Increase (decrease) from FY 18</u>	<u>Percent increase (decrease)</u>
<u>Assets</u>				
Total Cash	\$ 4,151,073	\$ 3,336,779	\$ 814,294	24.4%
Restricted Cash for Debt Service	829,052	827,594	1,458	0.2%
Restricted Cash ¹	1,510,909	1,277,290	233,619	18.3%
Net Receivables	1,221,788	1,996,218	(774,430)	-38.8%
Other Assets	151,128	65,317	85,811	131.4%
Capital assets	63,108,918	60,655,131	2,453,787	4.0%
Total assets	<u>70,972,868</u>	<u>68,158,329</u>	<u>2,814,539</u>	<u>4.1%</u>
<u>Deferred Outflows/Inflows</u>				
Deferred Outflows - Pension	764,108	902,492	(138,384)	-15.3%
Deferred Inflows - Pension	(156,398)	(210,376)	53,978	-25.7%
Loss on Refunding of Debt	25,403	37,638	(12,235)	-32.5%
Total Deferred Outflows	<u>633,133</u>	<u>729,754</u>	<u>(96,641)</u>	<u>-13.2%</u>
<u>Liabilities</u>				
Current liabilities	2,318,189	2,747,004	(428,815)	-15.6%
Long-term liabilities	16,946,682	18,405,424	(1,458,742)	-7.9%
Other Non-Current Liabilities	6,646,259	6,029,029	617,230	10.2%
Total liabilities	<u>26,911,130</u>	<u>27,181,457</u>	<u>(1,270,327)</u>	<u>-4.7%</u>
<u>Net Position</u>				
Net invested in capital assets	44,823,277	41,720,044	3,103,233	7.4%
Restricted for Debt Service	829,052	827,594	1,458	0.2%
Restricted for Future Capacity	1,510,909	1,206,510	304,399	25.2%
Unrestricted	(1,468,387)	(2,047,522)	579,135	-28.3%
Total net position	<u>\$ 45,694,851</u>	<u>\$ 41,706,626</u>	<u>\$ 3,988,225</u>	<u>9.6%</u>

Note 1: Restricted cash consists of Construction Funds and Capacity Fees

LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

REVENUES

The following schedule presents a summary of Commission's revenues for the fiscal year ended June 30, 2019 and the amount and percentage differences in relation to prior year revenues.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (decrease) from FY 18</u>	<u>Percent increase (decrease)</u>
<u>Operating Revenues</u>				
Sewer Collection Revenues	\$ 572,832	4.80%	\$ 11,626	2.07%
Wastewater Treatment Revenues	1,957,706	16.41%	424,427	27.68%
Raw Water Sales	330,114	2.77%	(49,268)	(12.99)%
Water Sales & Tap Fees	8,333,733	69.86%	548,621	7.05%
Other Operating Income	735,160	6.16%	91,813	14.27%
Total Operating Revenue	<u>\$ 11,929,545</u>		<u>\$ 1,027,219</u>	<u>9.42%</u>

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (decrease) from FY 18</u>	<u>Percent increase (decrease)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Collections	\$ 330,492	-100.61%	\$ (4,231)	-1.26%
Interest Earned	84,754	-25.80%	31,511	59.18%
Interest Expense	(426,425)	129.82%	49,738	-10.45%
Bond Administration Expense	(6,789)	2.07%	3,762	-35.66%
Gain on Sale of Assets	30,416	-9.26%	36,961	-564.72%
Capacity Fees	291,000	-88.59%	41,600	16.68%
Miscellaneous Income	73,643	-22.42%	20,825	39.43%
Non Cash - State Retirement	(189,538)	57.70%	81,668	-30.11%
Non Cash - Post Employment Expense	(516,039)	157.10%	(472,753)	1092.16%
Total Non-Operating Revenues (Expenses)	<u>\$ (328,486)</u>		<u>\$ (210,919)</u>	<u>179.40%</u>

**LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

EXPENSES

The following schedule presents a summary of Commission's expenses for the fiscal year ended June 30, 2019 and the amount and percentage differences in relation to prior year expenses.

<u>Expenses</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (decrease) from FY 18</u>	<u>Percent increase (decrease)</u>
Salaries and Employees' Benefits	\$ 2,796,755	29.31%	\$ 115,524	4.31%
Liability Insurance	82,355	0.86%	9,164	12.52%
Water Purchase	2,003,004	20.99%	(32,981)	-1.62%
Bush River WWTP	94,648	0.99%	3,333	3.65%
Contract Plant Operations	158,073	1.66%	(22,508)	-12.46%
Utilities	373,082	3.91%	32,889	9.67%
Telephone and Other Communications	61,650	0.65%	1,857	3.11%
Vehicle and Equipment	207,616	2.18%	3,446	1.69%
Repairs and Maintenance	548,535	5.75%	(76,342)	-12.22%
Audit and Legal Fees	46,446	0.49%	(10,487)	-18.42%
Engineering Fees	34,359	0.36%	(1)	0%
Building and Grounds	200,144	2.10%	(21,842)	-9.84%
Depreciation	2,415,909	25.32%	(151,975)	-5.92%
Flow Monitoring	10,800	0.11%	(193)	-1.76%
Economic Development	41,428	0.43%	1,755	4.42%
Administrative and General	280,668	2.94%	10,354	3.83%
Billing	92,840	0.97%	1,412	1.54%
SCDHEC Fees	32,378	0.34%	1,660	5.40%
Miscellaneous	60,688	0.64%	(95,882)	180.51%
Total Expenses	\$ 9,541,378		\$ (95,882)	-0.99%

CONTRIBUTED CAPITAL

Capital Contributions for the fiscal year ended June 30, 2019 were \$1,928,544. This is a decrease of 35.43 percent or \$504,538 from the prior fiscal year's capital contributions. Capital contributions to the Commission are detailed in Note 4.

LAURENS COUNTY WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2019, the Commission had invested \$63.1 million in capital assets. This amount represents an increase (including additions and deductions) of \$2.5 million from the prior year. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

<u>Capital Assets</u>	<u>FY 2019</u>	<u>Increase (decrease) from FY 18</u>	<u>Percent increase (decrease)</u>
Land & Right of Ways	\$ 1,576,325	\$ (193,883)	-10.95%
Buildings, Furniture & Fixtures	4,191,691	224,801	5.67%
Mains, Pumps & Accessories	11,789,432	2,629,264	28.70%
Water Distribution System	51,742,291	1,019,522	2.01%
Water Capacity Rights	4,342,243	-	0.00%
Sewer WWTP and Lines	22,903,324	206,672	0.91%
Dam, Intake Tower & Other	4,038,145	75,908	1.92%
Equipment	1,204,159	396	0.03%
Vehicles	679,348	195,359	40.36%
Recreation Park	1,323,485	62,482	4.95%
Construction in Progress	4,646,921	610,726	15.13%
Accumulated Depreciation	(45,328,446)	(2,377,460)	5.54%
Net	\$ 63,108,918	\$ 2,453,787	4.05%

LONG-TERM DEBT AND CAPITAL LEASES

At year-end, the Commission had \$18.45 million in bonds, notes and capital leases outstanding; a decrease of (7.8) percent or \$1.6 million from the prior year. More detailed information about the Commission's long-term liabilities is presented in Note 5 to the financial statements.

<u>Outstanding Debt</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>Increase (decrease) from FY 18</u>	<u>Percent increase (decrease)</u>
Bonds and Notes	\$ 18,405,424	\$ 19,856,006	\$ (1,450,582)	-7.31%
Capital Leases	-	112,522	(112,522)	-100.00%
Total	\$ 18,405,424	\$ 19,968,528	\$ (1,563,104)	-7.83%

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Field, P.E., Executive Director, Post Office Box 1006, Laurens, South Carolina 29360.

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINED STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,151,073	\$ 3,336,779
Restricted cash for debt service	829,052	827,594
Accounts receivable, net	1,100,713	1,013,199
Contributed capital receivable	121,075	983,019
Inventories	71,661	65,317
Prepaid expenses	79,467	-
Total current assets	<u>6,353,041</u>	<u>6,225,908</u>
Non-Current Assets		
Restricted cash - capacity funds	1,510,909	1,206,510
Restricted cash - construction funds	-	70,780
Capital assets, net	<u>63,108,918</u>	<u>60,655,131</u>
Total non-current assets	<u>64,619,827</u>	<u>61,932,421</u>
Total assets	<u>70,972,868</u>	<u>68,158,329</u>
DEFERRED OUTFLOW OF RESOURCES		
Pensions	764,108	902,492
Loss on refunding of debt	<u>25,403</u>	<u>37,638</u>
Total deferred outflow of resources	<u>789,511</u>	<u>940,130</u>
LIABILITIES		
Current Liabilities		
Accounts payable	492,098	825,263
Accruals	196,467	181,656
Due to municipalities	33,430	31,620
Accrued interest	70,127	78,036
Customer deposits	50,825	50,825
Deferred revenue	16,500	16,500
Current portion of bonds payable	1,379,000	1,373,000
Current portion of note payable	79,742	77,582
Current portion of capital lease obligations	<u>-</u>	<u>112,522</u>
Total current liabilities	<u>2,318,189</u>	<u>2,747,004</u>

The accompanying notes are an integral part of these financial statements.

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINED STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
Non-Current Liabilities		
Bonds payable	12,798,000	14,177,000
Note payable	4,148,682	4,228,424
Net pension liability	3,937,170	3,835,978
Accrued other post employment benefits	2,709,089	2,193,051
Total non-current liabilities	<u>23,592,941</u>	<u>24,434,453</u>
Total liabilities	<u>25,911,130</u>	<u>27,181,457</u>
DEFERRED INFLOW OF RESOURCES		
Pensions	<u>156,398</u>	<u>210,376</u>
NET POSITION		
Net investment in capital assets	44,823,277	41,720,044
Restricted for debt service	829,052	827,594
Restricted for future capacity	1,510,909	1,206,510
Unrestricted	<u>(1,468,387)</u>	<u>(2,047,522)</u>
Total net position	<u>\$ 45,694,851</u>	<u>\$ 41,706,626</u>

The accompanying notes are an integral part of these financial statements.

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
OPERATING REVENUE		
Sewer collection revenue	\$ 572,832	\$ 561,206
Wastewater treatment revenue	1,957,706	1,533,279
Raw water sales	330,114	379,382
Water sales and tap fees	8,333,733	7,785,112
Other operating revenue	735,160	643,347
Total revenue	<u>11,929,545</u>	<u>10,902,326</u>
OPERATING EXPENSES		
Salaries	1,938,181	1,890,499
Payroll taxes	142,591	142,042
Group insurance	353,225	341,986
State retirement	272,591	230,660
Worker's compensation	32,910	31,040
Employee health/safety expense	6,503	6,828
Employee YMCA memberships	6,475	6,425
Employee training, conferences and seminars	44,279	31,751
Uniform expense	30,347	26,582
Employee license renewal	15,196	14,273
Commissioners expense	41,554	50,335
Water purchases	2,003,004	2,035,985
Contract plant operations	158,073	180,581
Treatment expense	94,648	91,315
System maintenance	420,484	553,606
Vehicle and equipment maintenance	207,616	204,170
Buildings, office equipment and grounds maint	200,144	221,986
Property and casualty insurance	82,355	73,191
Depreciation	2,415,909	2,567,884
Utilities	373,082	340,193
Telephone and mobile communications	61,650	59,793
DHEC licenses and fees	32,378	30,718
Tools and equipment	55,023	49,687
Flow monitoring	10,800	10,993
Right of way maintenance	73,028	21,584
Billing fees	92,840	91,428
Office expense	122,799	111,234
Audit and legal fees	46,446	56,933
Engineering and consulting	34,359	34,360
Employee reimbursements	15,386	16,553
Economic development	41,428	39,673
Community outreach	82,909	91,339
Entertainment expense	17,615	17,789
Payroll tax penalties	-	(6,274)

The accompanying notes are an integral part of these financial statements.

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
Miscellaneous	15,550	(29,882)
Total operating expenses	9,541,378	9,637,260
Operating income	2,388,167	1,265,066
NON-OPERATING REVENUE (EXPENSES)		
Property tax collections	330,492	334,723
Interest earned	84,754	53,243
(Loss) gain on sale of assets	30,416	(6,545)
Capacity fees	291,000	249,400
Bond administration expense	(6,789)	(10,551)
Miscellaneous non-operating rev(exp)	73,643	52,818
Interest expense	(426,425)	(476,163)
Non cash - state retirement	(189,538)	(271,206)
Non cash - post employment expense	(516,039)	(43,286)
Total non-operating revenue (expense)	(328,486)	(117,567)
Change in net position before capital contributions and transfers	2,059,681	1,147,499
Capital contributions	1,928,544	1,424,006
Change in net position	3,988,225	2,571,505
Net position, beginning of year	41,706,626	39,135,121
Net position, end of year	\$ 45,694,851	\$ 41,706,626

The accompanying notes are an integral part of these financial statements.

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 11,992,027	\$ 10,913,732
Payments for supplies for goods and services	(4,929,354)	(4,086,454)
Payments for labor and related services	(2,053,445)	(2,016,029)
Payment for employee benefits	(632,547)	(591,810)
Net cash provided by operating activities	<u>4,376,681</u>	<u>4,219,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property tax collections	330,492	334,723
Capital outlay	(4,864,506)	(3,568,525)
Capital contributions	2,745,505	787,805
Proceeds from sale of assets	(3,690)	8,887
Interest paid on bonds and note	(414,591)	(462,265)
Principal paid on bonds and note, net	(1,563,128)	(1,920,901)
Bond administration fees	(6,789)	(10,551)
Property lease fees	73,643	52,818
Capacity fees	291,000	249,403
Net cash used in capital and related financing activities	<u>(3,412,064)</u>	<u>(4,528,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	84,754	53,243
Net cash flows provided by investing activities	<u>84,754</u>	<u>53,243</u>
Net increase (decrease) in cash	1,049,371	(255,924)
Cash, beginning of year	5,441,663	5,697,587
Cash, end of year	<u><u>\$ 6,491,034</u></u>	<u><u>\$ 5,441,663</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	4,151,073	3,336,779
Restricted cash - debt service funds	829,052	827,594
Restricted cash - capacity funds	1,510,909	1,206,510
Restricted cash - construction funds	-	70,780
Total cash and cash equivalents	<u><u>\$ 6,491,034</u></u>	<u><u>\$ 5,441,663</u></u>

The accompanying notes are an integral part of these financials statements.

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 2,388,167	\$ 1,265,066
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,415,909	2,567,884
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(83,095)	(115,755)
(Increase) decrease in inventory	(6,344)	7,187
(Increase) decrease in prepaids	(79,467)	-
Increase (decrease) in accounts payable	(337,584)	486,704
Increase (decrease) in due to municipalities	1,811	(21,391)
Increase (decrease) in accrued expenses	<u>77,284</u>	<u>29,744</u>
Total adjustments	<u>1,988,514</u>	<u>2,954,373</u>
Net cash provided by operating activities	<u><u>\$ 4,376,681</u></u>	<u><u>\$ 4,219,439</u></u>

The accompanying notes are an integral part of these financials statements.

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pursuant to an Ordinance enacted on November 24, 1992, as amended on March 23, 1993, by the Laurens County Council and by an Ordinance enacted on March 2, 1993, by the Greenville County Council, respectively, Rabon Creek Rural Water District and the Laurens County Water Resources Commission were consolidated effective July 1, 1993. The consolidated district is known as Laurens County Water and Sewer Commission (the "Commission"). In enacting the Ordinances, the County Councils determined that the Water Resources Commission and Rabon Creek should be consolidated in order to obtain greater efficiency and economy in the provision of water and sewer services to the residents of rural Laurens County. The consolidation created a unified water supply and distribution and wastewater collection and treatment system for the unincorporated areas of the county. The Commission sells on credit to customers in this rural area of Laurens County and two small areas of Southern Greenville County.

The consolidated district is governed by the Commission, which comprises nine members, each of whom is either an individual user in the service area operated and maintained by the consolidated district or a resident of the service area of the consolidated district. The Commission succeeded to all the rights, powers and privileges and obligations of Rabon Creek Rural Water District and the Laurens County Water Resources Commission as set forth in the acts creating each, including the debt obligations issued by such entities.

The Commission's eight members as appointed by the Governor of South Carolina are as follows:

<u>Name of Member</u>	<u>Beginning of Term</u>	<u>Expiration of Term</u>
Thomas E. Davenport	07-01-17	06-30-21
Susan Curry	07-01-15	06-30-19
Doug Hendrick	07-01-17	06-30-19
William Teague	07-01-15	06-30-19
Jurrell Byrd, Jr.	07-01-17	06-30-21
John L. McMurray	07-01-17	06-30-21
Phil O'Dell	07-01-17	06-30-21
John S. Peden	07-01-15	06-30-19
Vacant		

Notwithstanding the consolidation of Rabon Creek and the Water Resources Commission, the Commission continues to operate the Water Distribution System, the Water Supply System and the Sewer System as separate "systems" and maintains separate books of account for each. In addition, at present, improvements to each system are financed independently and such financing is secured by pledges of the revenues of the applicable system. The Commission is authorized to fix rates for service without any supervision or regulation by the state or county. The Commission is further authorized to build, construct, maintain and operate reservoirs, water treatment facilities, and water distribution systems to sell water on a retail and wholesale basis for domestic, industrial and agricultural uses.

(Continued)

**LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Commission may also construct sewage treatment facilities and sewage collection facilities to collect and treat sewage on a retail and wholesale basis.

The Commission is independent of any other governing body. There are no significant continuing relationships between the Commission and Laurens County for carrying out the day to day functions. The Commission hires management and prepares budgets independently. The Commission is responsible for its own debt. It is not financially accountable to Laurens County. Consequently, the County is not entitled to the surpluses of the system and is not obligated for its deficits or debts.

The Commission operates five funds under a Board-Manager form of government.

The accounting policies of Laurens County Water and Sewer Commission conform to generally accepted accounting policies as applicable to governments. The following is a summary of the more significant policies:

A. Fund Accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements as follows:

B. Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following are brief descriptions of the four enterprise funds presented in this report.

Collection System – The Collection System provides collection and transportation of sewer for treatment by the Clinton/Joanna Wastewater Treatment Plant or by various other treatment providers.

Clinton/Joanna Wastewater Treatment Plant – The plant is a source of sewage treatment for the towns of Clinton, Joanna, Lydia Mill, and local industry.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Lake Rabon Water Supply System – The watershed is comprised of three dams forming Lake Beulah, Lake Stoddard and Lake Rabon. The Commission owns and operates Lake Rabon which serves as a water supply for Laurens County as well as recreation and flood control. The Commission of Public Works of the City of Laurens also purchases raw water from the watershed.

Rabon Creek Rural Water Distribution System – The water distribution system acquires, treats and distributes fresh water for industrial, agricultural, and domestic use. There are approximately 14,375 residential homes and 148 businesses serviced by this system.

Internal Service Fund – Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the Commission on a cost-reimbursement basis. The following is a brief description of the Internal Service Fund presented in this report.

Administrative Fund – The Administrative Fund provides the management and other administrative needs required of the other funds for proper execution of their duties. The Administrative Fund is funded by an administrative fee charged to other funds based on time required by the other funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at year end. With this measurement focus, all assets and liabilities are included on the Statement of Net Position. Net position is segregated into invested in capital assets, restricted, and unrestricted.

D. Budgets and Budgetary Accounting

Prior to June 30, the Executive Director submits to the Board of Commissioners a proposed operating budget for each fund for the fiscal year commencing July 1. The operating budgets include proposed expenditures and the means for financing them.

All Commission Board Meetings are open to the public. The commission will discuss the proposed budgets at the public meetings and make changes as necessary. The budgets are passed by the Commissioners by vote at a public meeting to adopt it. They are always adopted prior to the beginning of the fiscal year on July 1.

All changes in the budgets are authorized by the Commission in subsequent meetings. The Executive Director has no authority to make changes in the budget.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All funds presented are budgeted. Revenues and expenses are presented in comparison with the budget.

Budgets for these funds are adopted on a basis consistent with generally accepted accounting principles.

E. Economic Dependency

The City of Clinton is the major source of revenue for the Clinton/Joanna Wastewater Treatment Plant. The Commission of Public Works of the City of Laurens is the major source of revenue for the Lake Rabon Water Supply System.

F. Cash and Cash Equivalents

Demand deposits and short term investments with a maturity of three months or less when purchased are considered cash and cash equivalents.

G. Investments

The Commission currently or in the past year has primarily used the following investments in its operating activities:

- South Carolina Local Government Investment Pool (“LGIP” or “Pool”) investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools”*, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.
- Money market mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.
- U.S. Government Agency Bonds are securities that are generally backed by mortgage loans, and due to their creation from particular corporations that are sponsored by the U.S. government, they enjoy credit protection based on either an implicit or explicit guarantee from the U.S. government.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Restricted Cash

The Commission is required to maintain debt service funds under the terms of certain bonds (see Note 6). The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. The Commission also established accounts for capacity fees and construction funds that may only be used for construction purposes. These funds are shown as restricted cash on the Statement of Net Position because their use is limited.

I. Accounts Receivable

The Commission renders bills to residential, commercial, and industrial customers on billing cycles that end on various days throughout the month. The accounts receivable are financial instruments that potentially subject the Commission to credit risk. If accounts have not been collected within the designated time, the service is disconnected and a penalty is required to be paid before the service is reconnected. Accounts which are not considered collectible are written off as bad debts at various times during the year.

Collection System customer accounts receivable at June 30, 2019 was \$94,828. The allowance for doubtful accounts in the Collection System was \$39,978 at June 30, 2019. Collection System bad debt expense for the year ended June 30, 2019 was \$0.

Clinton/Joanna Wastewater Treatment Plant accounts receivable due from the City of Clinton for wastewater services was \$161,611 at June 30, 2019. Other accounts receivable at June 30, 2019 was \$24,454. The allowance for doubtful accounts in the Clinton/Joanna Wastewater Treatment Plant was \$16,713 at June 30, 2019. Clinton/Joanna Wastewater Treatment Plant bad debt expense for the year ended June 30, 2019 was \$0.

Lake Rabon Water Supply System accounts receivable due from the Laurens Commission of Public Works for sale of raw water was \$53,878 at June 30, 2019 and LCWSC \$13,629 (eliminated in consolidation) at June 30, 2019.

Rabon Creek Rural Water Distribution System accounts receivable at June 30, 2019 was \$1,418,084. The allowance for doubtful accounts in the Rabon Creek Rural Water Distribution System was \$574,313 at June 30, 2019. Rabon Creek Rural Water Distribution System bad debt expenses for the year ended June 30, 2019 was \$0.

J. Inventories

Inventory is valued at cost. Cost is determined by the first-in, first-out method.

K. Inter-fund Transfers

The inter-fund transfers were the transfers from each of the other four funds to the Administrative Fund for each fund's prorated share of the costs incurred by that fund in performing administrative duties for the other four funds. For the year ended June 30, 2019, the Collection System transferred \$155,107, the Clinton/Joanna Wastewater Treatment Plant transferred \$310,213, the Lake Rabon Water Supply System transferred \$155,107, and the Rabon Creek Rural Water Distribution System transferred \$930,639 to the Administrative Fund.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Capital Assets

The accounting and reporting treatment applied to the Capital Assets associated with a fund are determined by its measurement focus. All proprietary funds are accounted for on a cost of service or “capital maintenance” measurement focus. This means that all assets (whether current or non-current) associated with their activity are included on their Statements of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

<u>Description</u>	<u>Useful Life</u>
Dam, Intake Tower	60 years
Plant, Buildings and Improvements	10 – 50 years
Sewer Mains and Pump Stations	20 – 50 years
Water Distribution System	20 – 60 years
Equipment	5 - 7 years
Vehicles	5 years

M. Capitalization of Interest

Amounts incurred for interest costs during the construction phase of fixed assets are capitalized.

N. Compensated Absences

The Commission has a general leave program which provides employees with annual paid general leave days. Employees can carry a maximum of ninety days of sick time and twenty-five days of accrued leave. At June 30, 2019 \$105,858 for compensated absences is included in accrued expenses reported on the Statement of Net Position. No liability is booked for sick pay because it is not payable to the employee at termination.

O. Long-term Obligations

If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Gains or losses on debt refundings are deferred and amortized over the life of the new debt or the remaining life of the refunded debt, whichever is shorter, using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Gains or losses on debt refundings are treated as deferred inflows of resources and deferred outflows of resources, respectively.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission currently has two

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

types of deferred outflows of resources. (1) The Commission reports *deferred refunding charges* in its Statement of Net Position. If material, *deferred refunding charges*, which is the difference between the reacquisition price and the net carrying amount of the defeased debt, are deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of *deferred refunding charges* is included in interest expense. (2) The Commission also reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

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

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

R. Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 7 and the required supplementary information immediately following the notes to the financial statements for more information). The Commission recognizes a net pension liability for its qualified pension, which represents the Commission's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Commission's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

S. Fair Value

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

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

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

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

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

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

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

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

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

T. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

U. Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results for the year ended June 30, 2018.

V. New pronouncements

The GASB (Government Accounting Standards Board) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June, 2015. Statement No. 75 is effective for the Commission for the fiscal year ended June 30, 2019, and has been implemented in these financial statements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governmental entities for postemployment benefits other than pensions (other postemployment benefits or OPEB).

It is GASB's intention that GASB No. 68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Commission's financial obligations to current and former employees for past services rendered.

This Statement requires the liability for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Financial Institutions

Custodial credit risk is the risk that the Commission's bank deposits may not be returned to it in the event of financial institution failure. All of the Commission's cash deposits are with financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000.

South Carolina Law requires deposits in excess of \$250,000 to be collateralized. Loss would only occur if the financial institution fails and is seized by the Federal Deposit Insurance Corporation, which would not be legally obligated on cash deposits in excess of \$250,000. At June 30, 2019, all of the commission's deposits in excess of the amount insured by the Federal Deposit Insurance Corporation were fully collateralized.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS, Continued

Investment Credit Risk

At June 30, 2019, the Commission has cash equivalent short term investments of \$1,426,583 in the South Carolina Local Government Investment Pool. This investment pool holds investment grade governmental and corporate bonds and notes with an average maturity of ninety days or less. Information regarding the underlying security rating of the Commission's investment in this local government investment pool is available in the South Carolina Local Government Investment Pool's financial statements. This investment pool does not have a credit quality rating assigned. A copy of these financial statements may be obtained by writing to the state treasurer at the following address:

The State Treasurer's Office
Local Governmental Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 1,770,208	\$ -	\$ -	\$ (193,883)	\$ 1,576,325
Construction in Progress	4,036,195	3,990,391	-	(3,379,665)	4,646,921
Total Capital Assets, Non-Depreciable	5,806,403	3,990,391	-	(3,573,548)	6,223,246
Capital Assets, Depreciable					
Buildings, Furniture and Fixtures	3,966,890	48,966	-	175,835	4,191,691
Mains, Pumps, and Accessories	9,160,168	85,500	-	2,543,764	11,789,432
Water Distribution System	50,722,769	369,118	-	650,404	51,742,291
Water Capacity Rights	4,342,243	-	-	-	4,342,243
Sewer System Treatment Plant and Lines	22,696,652	154,215	-	52,457	22,903,324
Dam, Intake Tower, and Other Costs	3,962,237	-	-	75,908	4,038,145
Equipment	1,203,763	82,260	-	(81,864)	1,204,159
Vehicles	483,989	171,154	(75,707)	99,912	679,348
Recreation Park	1,261,003	-	-	62,482	1,323,485
Total Capital Assets, Depreciable	97,779,714	911,213	(75,707)	3,578,898	102,214,118
Less: Accumulated Depreciation	42,950,986	2,450,228	72,768	-	45,328,446
Total Capital Assets, Depreciable, Net	54,848,728	(1,539,015)	(2,939)	3,578,898	56,885,672
Total Capital Assets, Net	\$60,655,131	2,451,376	(2,939)	5,350	\$ 63,108,918

Construction in Progress consists of \$594,007 in improvements to the Collection System and \$4,052,914 system improvements to the Rabon Creek Rural Water Distribution System.

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 4 – CAPITAL CONTRIBUTIONS

During the year ended June 30, 2019, the Commission received a total of \$1,928,544 in capital contributions. The following is a brief description of the various sources of these capital contributions:

The Commission received \$402,822 in federal Community Development Block Grant funds as a sub-recipient from Laurens County for construction of water and sewer facilities.

The Commission received \$116,579 in South Carolina Rural Infrastructure Authority funds.

The Commission received \$473,517 from the U.S. Economic Development Administration funds.

The Commission received \$478,159 from the U.S. Environmental Agency.

The Commission received \$42,814 from the U.S. Department of Transportation Recreational Trails Program.

Other contributions from homeowners and industry toward waterline and sewer facility construction totaled \$414,653.

NOTE 5 – LONG TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2019.

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds:					
Collection System					
Series 2013	\$ 1,995,000	\$ -	\$ 288,000	\$ 1,707,000	\$ 475,000
Series 2016	7,930,000	-	620,000	7,310,000	585,000
Series 2017	5,625,000	-	465,000	5,160,000	465,000
Total Bonds	<u>\$ 15,550,000</u>	<u>\$ -</u>	<u>\$ 1,373,000</u>	<u>\$ 14,177,000</u>	<u>\$ 1,525,000</u>
Notes:					
Clinton/Joanna					
USDA Note	\$ 4,306,005	\$ -	\$ 77,581	\$ 4,228,424	\$ 79,742
Capital Leases:					
Rabon Creek Rural					
BB&T	<u>\$ 112,522</u>	<u>\$ -</u>	<u>\$ 112,522</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 5 – LONG TERM OBLIGATIONS, Continued

The following is a summary of the long-term obligations at June 30, 2019 operating unit:

Collection System

Series 2013 General Obligation Advanced Refunding Bond

Dated October 31, 2013, due March 1, 2024

Interest rate 2.25% \$ 1,707,000

Clinton/Joanna Wastewater Treatment Plant

United States Department of Agriculture – Rural Development Notes

Dated September 26, 2013, due September 26, 2053, at 2.75% \$ 4,228,424

Rabon Creek Rural Water Distribution System

Series 2016 Revenue Bonds

Dated December 7, 2016, due March 1, 2032

Interest rate at 1.90% \$ 7,310,000

Series 2017 Revenue Bonds

Dated January 26, 2017, due March 1, 2029

Interest rate at 1.90% 5,160,000

BB&T Capital Lease

Due January 22, 2019, at 1.75% -

Total Bonds and Capital Leases of Rabon Creek Rural Water
Distribution System \$ 12,470,000

Total Long-Term Obligations of the Commission \$ 18,405,424

Annual debt service requirements to maturity for all long-term debt at June 30, 2019 are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2020	1,458,742	390,619	1,849,362
2021	1,370,963	361,082	1,732,045
2022	1,398,246	333,156	1,731,402
2023	1,444,592	304,674	1,749,267
2024-2028	5,232,504	1,153,381	6,385,885
2029-2033	4,614,773	632,947	5,247,720
2034-2038	619,239	355,881	975,120
2039-2043	710,404	264,716	975,120
2044-2048	814,990	160,130	975,120
2049-2053	740,970	42,613	783,583
	<u>\$ 18,405,424</u>	<u>\$ 3,999,199</u>	<u>\$ 22,404,623</u>

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 5 – LONG TERM OBLIGATIONS, Continued

All revenue bonds are secured by pledges of revenue of the applicable system. Therefore, sewer system revenue cannot be used to service the debt of the water distribution system, or vice versa. The 2007 Series Junior Lien Revenue Bond was secured with a subordinated lien on the revenue of the Rabon Creek Rural Water Distribution System however the loan was paid in full during fiscal year 2019. The South Carolina State Budget and Control Board Revolving Fund loan and the United States Department of Agriculture Rural Development loans are secured by a pledge of sewer revenue and a statutory lien on the sewer system.

The general obligation bonds of the Collections System is payable through property tax collections from the service area (see Note 9).

The Government Accounting Standards Board (GASB) in Statement No. 23 requires that the loss on debt defeasance be amortized in a rational and systematic way as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. This deferred amount is shown as a Loss on Refunding of Debt in the Deferred Outflows of Resources section of the Statements of Net Position. The losses on refunding of debt per system are as follows:

Collection System	<u>\$ 25,403</u>
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NOTE 6 – COMPLIANCE WITH BOND REQUIREMENTS – RESTRICTED CASH

The amount of cash or cash equivalents restricted by the bond resolutions is summarized below.

	Debt Service Fund	Debt Service Reserve Fund	Total
Collection System	\$ 152,867	\$ -	\$ 152,867
Clinton/Joanna Wastewater Treatment Plant	-	132,852	132,852
Rabon Creek Rural Water Distribution System	543,333	-	543,333
Total Debt Service Funds	<u>\$ 696,200</u>	<u>\$ 132,852</u>	<u>\$ 829,052</u>

NOTE 7 – PENSION PLAN

Employee Retirement Systems

The Commission participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA").

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act
(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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' in Pension Trust Funds.

The CAFR is publically available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

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.

State ORP – As an alternative to membership in SCRS, newly state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems; trust funds for financial statement purposes. Employee

and employer contributions to the State ORP are at the same rate as SCRS. A direct remittance is required from the employer's to the member's account with investment providers for the employee contribution and a portion of the employer contributions (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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 the benefit terms for the 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 requirement that the total of the member's age and the member's credible 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.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

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.

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.

Contributions

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

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

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

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
State ORP		
Employee	9.00%	8.66%

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

Required employer contribution rates (1) are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employee Class Two	14.41%	13.41%
Employee Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%

(1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

(2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

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 regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued as of July 1, 2015.

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

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes Inflation at 2.25%		

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

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 System's 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 determination of the June 30, 2018, TLP are as follows:

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

Net Pension Liability

The net pension liability (NLP) represents the total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. SPL totals, as of June 30, 2018, for SCRS is presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%

The TPL is calculated by the System's actuary, and the fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the System's actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plan's funding requirements.

Long-term Expected Rate of Return

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

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

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

Asset Class	Total Asset Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Marketing Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (net)	2.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Pensions

At June 30, 2019, the Commission reported a liability of \$3,937,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2019, the Commission recognized pension expense of \$464,426. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 175,190	\$ 23,169
Changes of assumptions:		
Net difference between projected and actual earnings on pension plan investments	358,256	826
Changes in proportion and differences between: Commission contributions and proportionate share of contributions	-	132,403
Commission contributions subsequent to the measurement date	230,660	-
Total	<u>\$ 764,106</u>	<u>\$ 156,398</u>

An amount of \$230,660 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS:

Measurement Period Ending June 30	
2019	\$ 239,343
2020	157,312
2021	(15,221)
2022	(4,387)
Net Balance of Deferred Outflow/(Inflow) of Resources	<u>\$ 377,047</u>

Discount Rate

The discount rate used to measure the TLP was 7.25 percent. 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 Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 TLP.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 7 – PENSION PLAN, Continued

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 5,030,973	\$ 3,937,171	\$ 3,155,207

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plan administered by PEBA is available in the System's audited financial statements for the fiscal year ended June 30, 2018 accounting and financial reporting actuarial valuation as of June 30, 2018.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Commission's post-employment benefit plan is a single employer plan that pays a portion of the health insurance premiums of retired employees. Coverage is provided through the Employee Insurance Program for the State of South Carolina. For current retirees age 65 and over, the Commission pays a percentage of the insurance premium of retirees' Medicare supplemental policies and optional dental insurance. Retirees under age 65 are covered under the same health insurance policy as are active employees, and the Commission pays a portion of their premiums. The plan was amended for employees hired after November 2010, whereby eligibility in the plan remains the same, but the Commission will no longer pay any portion of the health insurance premium when the retiree becomes eligible for Medicare. The Board of Commissioners establishes plan policies, including benefits and contribution requirements of the Commission and plan members, which may be amended at its discretion. The retiree health plan does not issue a publicly available financial report.

As of June 30, 2019, the measurement date, there were 41 covered participants, including 35 active participants (12 hired before November 2010 and 23 hired after November 2010) and 6 retirees. The percentage of the health insurance premium paid by the Commission for retiree health insurance is based on the number of years of service as follows:

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS, Continued

Continuous Years of Service	Percentage Paid by the Commission
Less than 10	0%
10	20%
15	40%
20	60%
25	80%
30+	100%

Funding Policy

The Commission's annual other post-employment benefits (OPEB) cost (expense) is a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

Health Insurance Continuation of Coverage – As required by the Consolidated Omnibus Budget and Reconciliation Act (COBRA), the Commission provides health insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth day of the month for the actual month covered. There is no associated cost to the Commission.

Total OPEB Liability – The Commission's total OPEB liability of \$2,709,089 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount rate	3.50 percent

The discount rate was based on the 20-Bond GO Index.

Mortality rates were based on the July 1, 2017 SCRS valuation (see Note 8).

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with a measurement date of June 30, 2019.

(Continued)

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS, Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/18	\$ 2,193,050
Changes for the year:	
Service cost	98,016
Interest	99,958
Economic losses	(1,533)
Effect of assumptions	348,128
Employer contributions	(28,530)
Net changes	516,039
Balance at 6/30/19	<u>\$ 2,709,089</u>

Post-Employment and Other Employee Benefits, Continued

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50)	Discount Rate (3.50)	1% Increase (4.50)
Total OPEB liability	<u>\$ 3,188,562</u>	<u>\$ 2,709,089</u>	<u>\$ 2,322,252</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the Commission recognized OPEB expense of \$516,039. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

**LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

NOTE 9 – PROPERTY TAXES

Property taxes are levied against all real and tangible personal property located in the Commission's service area in Laurens County. The Laurens County Treasurer and Auditor annually sets the millage in the Commission's service area sufficient to service the principal and interest repayment schedules of the General Obligation Bonds of Laurens County Water and Sewer Commission, South Carolina. The county treasurer also collects all levied property taxes for the Commission, and makes principal and interest payments on this debt from the property tax collections.

The Commission reports property taxes actually collected as non-operating revenue. Property tax collections are kept in a debt service fund which is maintained by the Laurens County Treasurer. The Commission reports the balance of funds in this account as restricted cash in debt service funds.

NOTE 10 – LITIGATION

The Laurens County Water and Sewer Commission and the commissioners are not a material party as a defendant or plaintiff in any litigation.

NOTE 11 – SUBSEQUENT EVENTS

The Commission has evaluated events and transactions for subsequent events through November 26, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAURENS COUNTY WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

Only six years of information is presented as only six years of data were available.

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability	0.017571%	0.017040%	0.016452%	0.015875%	0.015862%	0.015862%
Commission's proportionate share of the net pension liability	\$ 3,937,170	\$ 3,835,978	\$ 3,514,123	\$ 2,986,494	\$ 2,730,911	\$ 2,845,077
Commission's covered-employee payroll	\$ 1,876,214	\$ 1,701,032	\$ 1,719,245	\$ 1,476,446	\$ 1,440,044	\$ 1,359,813
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.8%	225.5%	204.4%	202.3%	189.6%	209.2%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	52.9%	57.0%	59.9%	56.4%

Notes to schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

LAURENS COUNTY WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2019

Only six years of information is presented as only six years of data were available.

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 273,177	\$ 230,660	\$ 198,745	\$ 176,200	\$ 160,933	\$ 152,645
Contributions in relation to the contractually required contribution	<u>\$ 273,177</u>	<u>\$ 230,660</u>	<u>\$ 198,745</u>	<u>176,200</u>	<u>160,933</u>	<u>152,645</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 1,876,214	\$ 1,701,032	\$ 1,719,245	\$ 1,593,126	\$ 1,476,446	\$ 1,440,044
Contributions as a percentage of covered-employee payroll	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

LAURENS COUNTY WATER AND SEWER COMMISSION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

For the last fiscal year

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 98,016	\$ 127,150
Interest	99,958	114,533
Economic losses	(1,533)	(360,043)
Effect of assumptions	348,128	189,481
Employer contributions	<u>(28,530)</u>	<u>(27,835)</u>
Net change in total OPEB liability	516,039	43,286
Total OPEB liability - beginning	<u>2,193,050</u>	<u>2,149,764</u>
Total OPEB liability - ending	<u><u>\$ 2,709,089</u></u>	<u><u>\$ 2,193,050</u></u>
Covered-employee payroll	\$ 1,876,214	\$ 1,701,032
Total OPEB liability as a percentage of covered-employee payroll	144.4%	128.9%
Measurement date	June 30, 2019	June 30, 2018

Notes

(1) Pursuant to GASB 75, a 10-year history of the information shown above is required. However, until a full 10-year history is compiled, information for those years which are available may be presented.

COMBINING AND INDIVIDUAL FUND SCHEDULES

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	ENTERPRISE				INTERNAL			
	Collection System	Clinton/Joanna Wastewater Treatment	Lake Rabon Water Supply System	Rabon Creek Rural Water Distribution	Administration Fund	Eliminations	2019	2018
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 386,163	\$ 1,015,639	\$ 335,133	\$ 2,261,009	\$ 153,129	\$ -	\$ 4,151,073	\$ 3,336,779
Restricted cash for debt service	152,867	132,852	-	543,333	-	-	829,052	827,594
Accounts receivable, net	60,632	174,741	67,507	811,402	60	(13,629)	1,100,713	1,013,199
Contributed capital receivable	121,075	-	-	-	-	-	121,075	983,019
Inventories	8,745	45,288	-	17,628	-	-	71,661	65,317
Prepaid expenses	-	-	-	-	79,467	-	79,467	-
Total current assets	729,482	1,368,520	402,640	3,633,372	232,656	(13,629)	6,353,041	6,225,908
Non-Current Assets								
Restricted cash - capacity funds	219,475	-	-	1,291,434	-	-	1,510,909	1,206,510
Restricted cash - construction funds	-	-	-	-	-	-	-	70,780
Capital assets, net	9,105,109	13,593,706	3,013,866	36,668,167	728,070	-	63,108,918	60,655,131
Total non-current assets	9,324,584	13,593,706	3,013,866	37,959,601	728,070	-	64,619,827	61,932,421
Total assets	10,054,066	14,962,226	3,416,506	41,592,973	960,726	(13,629)	70,972,868	68,158,329
DEFERRED OUTFLOW OF RESOURCES								
Pensions	78,026	85,303	30,880	287,110	282,789	-	764,108	902,492
Loss on refunding of debt	25,403	-	-	-	-	-	25,403	37,638
Total deferred outflow of resources	103,429	85,303	30,880	287,110	282,789	-	789,511	940,130

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	ENTERPRISE				INTERNAL			
	Collection System	Clinton/Joanna Wastewater Treatment	Lake Rabon Water Supply System	Rabon Creek Rural Water Distribution	Administration Fund	Eliminations	2019	2018
LIABILITIES								
Current Liabilities								
Accounts payable	132,244	85,131	9,297	228,236	50,819	(13,629)	492,098	825,263
Accruals	16,359	15,404	10,311	85,165	69,228	-	196,467	181,656
Due to municipalities	-	-	-	33,430	-	-	33,430	31,620
Accrued interest	9,602	1,292	-	59,233	-	-	70,127	78,036
Customer deposits	-	-	-	50,825	-	-	50,825	50,825
Deferred revenue	-	-	-	16,500	-	-	16,500	16,500
Current portion of bonds payable	319,000	-	-	1,060,000	-	-	1,379,000	1,373,000
Current portion of note payable	-	79,742	-	-	-	-	79,742	77,582
Current portion of capital lease obligations	-	-	-	-	-	-	-	112,522
Total current liabilities	477,205	181,569	19,608	1,533,389	120,047	(13,629)	2,318,189	2,747,004
Non-Current Liabilities								
Bonds payable	1,388,000	-	-	11,410,000	-	-	12,798,000	14,177,000
Note payable	-	4,148,682	-	-	-	-	4,148,682	4,228,424
Net pension liability	347,749	397,491	148,517	1,588,622	1,454,791	-	3,937,170	3,835,978
Accrued other post employment benefits	308,324	271,258	107,423	1,060,533	961,551	-	2,709,089	2,193,051
Total non-current liabilities	2,044,073	4,817,431	255,940	14,059,155	2,416,342	-	23,592,941	24,434,453
Total liabilities	2,521,278	4,999,000	275,548	15,592,544	2,536,389	(13,629)	25,911,130	27,181,457
DEFERRED INFLOW OF RESOURCES								
Pensions	16,270	17,692	6,379	58,163	57,894	-	156,398	210,376
NET POSITION								
Net investment in capital assets	7,519,184	9,363,990	3,013,866	24,198,167	728,070	-	44,823,277	41,720,044
Restricted for debt service	152,867	132,852	-	543,333	-	-	829,052	827,594
Restricted for future capacity	219,475	-	-	1,291,434	-	-	1,510,909	1,206,510
Unrestricted	(271,579)	533,995	151,593	196,442	(2,078,838)	-	(1,468,387)	(2,047,522)
Total net position	\$ 7,619,947	\$ 10,030,837	\$ 3,165,459	\$ 26,229,376	\$ (1,350,768)	\$ -	\$ 45,694,851	\$ 41,706,626

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	ENTERPRISE				INTERNAL			
	Collection System	Clinton/Joanna Wastewater Treatment	Lake Rabon Water Supply System	Rabon Creek Rural Water Distribution	Administration Fund	Eliminations	2019	2018
OPERATING REVENUE								
Sewer collection revenue	\$ 572,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 572,832	\$ 561,206
Wastewater treatment revenue	-	1,957,706	-	-	-	-	1,957,706	1,533,279
Raw water sales	-	-	507,158	-	-	(177,044)	330,114	379,382
Water sales and tap fees	-	-	-	8,333,733	-	-	8,333,733	7,785,112
Other operating revenue	31,467	5,660	26,035	671,998	-	-	735,160	643,347
Total revenue	604,299	1,963,366	533,193	9,005,731	-	(177,044)	11,929,545	10,902,326
OPERATING EXPENSES								
Salaries	153,555	143,752	105,518	836,805	698,551	-	1,938,181	1,890,499
Payroll taxes	11,355	10,833	7,906	60,719	51,778	-	142,591	142,042
Group insurance	26,606	28,892	9,036	196,601	92,090	-	353,225	341,986
State retirement	19,659	19,126	9,283	119,214	105,309	-	272,591	230,660
Worker's compensation	4,607	4,607	2,962	18,759	1,975	-	32,910	31,040
Employee health/safety expense	887	708	140	4,273	495	-	6,503	6,828
Employee YMCA memberships	765	715	300	2,670	2,025	-	6,475	6,425
Employee training, conferences and seminars	6,524	6,814	-	14,490	16,451	-	44,279	31,751
Uniform expense	4,660	4,699	1,322	16,983	2,683	-	30,347	26,582
Employee license renewal	-	490	-	1,336	13,370	-	15,196	14,273
Commissioners expense	-	-	-	-	41,554	-	41,554	50,335
Water purchases	-	-	-	2,180,048	-	(177,044)	2,003,004	2,035,985
Contract plant operations	-	158,073	-	-	-	-	158,073	180,581
Treatment expense	962	58,784	-	34,902	-	-	94,648	91,315
System maintenance	24,811	64,456	412	330,805	-	-	420,484	553,606
Vehicle and equipment maintenance	29,212	43,056	13,908	121,440	-	-	207,616	204,170
Buildings, office equipment and grounds maint	2,174	17,319	13,022	41,848	125,781	-	200,144	221,986
Property and casualty insurance	-	-	-	-	82,355	-	82,355	73,191
Depreciation	261,015	564,897	122,416	1,381,902	85,679	-	2,415,909	2,567,884
Utilities	33,657	203,748	5,272	106,810	23,595	-	373,082	340,193
Telephone and mobile communications	7,195	11,392	1,644	26,361	15,058	-	61,650	59,793
DHEC licenses and fees	-	2,205	1,675	28,498	-	-	32,378	30,718
Tools and equipment	18,250	14,180	1,583	21,010	-	-	55,023	49,687
Flow monitoring	-	-	10,800	-	-	-	10,800	10,993
Right of way maintenance	56,679	3,995	-	12,354	-	-	73,028	21,584
Billing fees	4,414	4,414	-	84,012	-	-	92,840	91,428
Office expense	-	-	-	105,746	17,053	-	122,799	111,234
Audit and legal fees	-	-	1,887	2,090	42,469	-	46,446	56,933
Engineering and consulting	-	1,200	-	-	33,159	-	34,359	34,360
Employee reimbursements	-	-	-	-	15,386	-	15,386	16,553

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	Collection System	Clinton/Joanna Wastewater Treatment	Lake Rabon Water Supply System	Rabon Creek Rural Water Distribution	Administration Fund	Eliminations	2019	2018
Economic development	-	-	-	-	41,428	-	41,428	39,673
Community outreach	-	-	-	-	82,909	-	82,909	91,339
Entertainment expense	-	-	-	-	17,615	-	17,615	17,789
Payroll tax penalties	-	-	-	-	-	-	-	(6,274)
Miscellaneous	(144)	26,413	-	(11,250)	531	-	15,550	(29,882)
Total operating expenses	666,843	1,394,768	309,086	5,738,426	1,609,299	(177,044)	9,541,378	9,637,260
Operating income	(62,544)	568,598	224,107	3,267,305	(1,609,299)	-	2,388,167	1,265,066
NON-OPERATING REVENUE (EXPENSES)								
Property tax collections	330,492	-	-	-	-	-	330,492	334,723
Interest earned	9,976	10,876	4,205	56,879	2,818	-	84,754	53,243
Gain on sale of assets	1,500	5,190	-	23,055	671	-	30,416	(6,545)
Capacity fees	750	13,875	-	276,375	-	-	291,000	249,400
Bond administration expense	-	(3,556)	-	(3,233)	-	-	(6,789)	(10,551)
Miscellaneous non-operating rev(exp)	-	-	-	73,643	-	-	73,643	52,818
Interest expense	(55,503)	(117,419)	-	(253,503)	-	-	(426,425)	(476,163)
Non cash - state retirement	(18,560)	(20,416)	(7,001)	(74,889)	(68,672)	-	(189,538)	(271,206)
Non cash - post employment expense	(67,727)	(45,241)	(20,236)	(209,487)	(173,348)	-	(516,039)	(43,286)
Total non-operating revenue (expense)	200,928	(156,691)	(23,032)	(111,160)	(238,531)	-	(328,486)	(117,567)
Change in net position before capital contributions and transfers	138,384	411,907	201,075	3,156,145	(1,847,830)	-	2,059,681	1,147,499
Capital contributions	1,604,621	-	42,814	281,109	-	-	1,928,544	1,424,006
Transfer LGIP	50,000	100,000	(150,000)	-	-	-	-	-
Transfer administrative fees	(155,107)	(310,213)	(155,107)	(930,639)	1,551,066	-	-	-
Change in net position	1,637,898	201,694	(61,218)	2,506,615	(296,764)	-	3,988,225	2,571,505
Net position, beginning of year	5,982,049	9,829,143	3,226,677	23,722,761	(1,054,004)	-	41,706,626	39,135,121
Net position, end of year	\$ 7,619,947	\$ 10,030,837	\$ 3,165,459	\$ 26,229,376	\$ (1,350,768)	\$ -	\$ 45,694,851	\$ 41,706,626

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	ENTERPRISE				INTERNAL		
	Collection System	Clinton/Joanna Wastewater Treatment	Lake Rabon Water Supply System	Rabon Creek Rural Water Distribution	Administration Fund	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 562,729	\$ 1,933,052	\$ 546,758	\$ 8,949,483	\$ 5	\$ 11,992,027	\$ 10,913,732
Payments for supplies for goods and services	(426,629)	(565,736)	(51,965)	(3,213,871)	(671,153)	(4,929,354)	(4,086,454)
Payments for labor and related services	(163,424)	(154,585)	(97,475)	(897,524)	(740,437)	(2,053,445)	(2,016,029)
Payment for employee benefits	(50,872)	(53,333)	5,028	(334,574)	(198,796)	(632,547)	(591,810)
Net cash (used in) provided by operating activities	(78,196)	1,159,398	402,346	4,503,514	(1,610,381)	4,376,681	4,219,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer LGIP funds	-	-	(150,000)	-	-	(150,000)	(684,557)
Transfers between funds	(105,107)	(210,213)	(155,107)	(930,639)	1,551,066	150,000	684,557
Net cash (used in) provided by noncapital financing activities	(105,107)	(210,213)	(305,107)	(930,639)	1,551,066	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Property tax collections	330,492	-	-	-	-	330,492	334,723
Capital outlay	(1,678,145)	(217,129)	(44,704)	(2,891,738)	(32,790)	(4,864,506)	(3,568,525)
Capital contributions	2,445,355	19,041	-	281,109	-	2,745,505	787,805
Proceeds from sale of assets	1,500	(5,190)	-	-	-	(3,690)	8,887
Interest paid on bonds and note	(43,268)	(117,419)	(401)	(253,503)	-	(414,591)	(462,265)
Principal paid on bonds and note, net	(288,000)	(77,606)	-	(1,197,522)	-	(1,563,128)	(1,920,901)
Bond administration fees	-	(3,556)	-	(3,233)	-	(6,789)	(10,551)
Property lease fees	-	-	-	73,643	-	73,643	52,818
Capacity fees	750	13,875	-	276,375	-	291,000	249,403
Net cash provided by (used in) capital and related financing activities	768,684	(387,984)	(45,105)	(3,714,869)	(32,790)	(3,412,064)	(4,528,606)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income	9,976	10,876	4,205	56,879	2,818	84,754	53,243
Net cash flows provided by investing activities	9,976	10,876	4,205	56,879	2,818	84,754	53,243
Net (decrease) increase in cash	595,357	572,077	56,339	(85,115)	(89,287)	1,049,371	(255,924)
Cash, beginning of year	163,148	576,414	278,794	4,180,891	242,416	5,441,663	5,697,587
Cash, end of year	\$ 758,505	\$ 1,148,491	\$ 335,133	\$ 4,095,776	\$ 153,129	\$ 6,491,034	\$ 5,441,663

LAURENS COUNTY WATER AND SEWER COMMISSION
COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	ENTERPRISE				INTERNAL	2019	2018
	Collection System	Clinton/Joanna Wastewater Treatment	Lake Rabon Water Supply System	Rabon Creek Rural Water Distribution	Administration Fund		
RECONCILIATION TO STATEMENT OF NET POSITION							
Cash and cash equivalents	386,163	1,015,639	335,133	2,261,009	153,129	4,151,073	3,336,779
Restricted cash - debt service funds	152,867	132,852	-	543,333	-	829,052	827,594
Restricted cash - capacity funds	219,475	-	-	1,291,434	-	1,510,909	1,206,510
Restricted cash - construction funds	-	-	-	-	-	-	70,780
Total cash and cash equivalents	<u>\$ 758,505</u>	<u>\$ 1,148,491</u>	<u>\$ 335,133</u>	<u>\$ 4,095,776</u>	<u>\$ 153,129</u>	<u>\$ 6,491,034</u>	<u>\$ 5,441,663</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating (loss) income	\$ (62,544)	\$ 568,598	\$ 224,107	\$ 3,267,305	\$ (1,609,299)	\$ 2,388,167	\$ 1,265,066
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	261,015	564,897	122,416	1,381,902	85,679	2,415,909	2,567,884
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(10,103)	(30,314)	13,565	(56,248)	5	(83,095)	(115,755)
(Increase) decrease in inventory	-	(1,280)	-	(5,064)	-	(6,344)	7,187
(Increase) decrease in prepaids	-	-	-	-	(79,467)	(79,467)	-
Increase (decrease) in accounts payable	(266,430)	55,242	(928)	(107,699)	(17,769)	(337,584)	486,704
Increase (decrease) in due to municipalities	-	-	-	1,811	-	1,811	(21,391)
Increase (decrease) in accrued expenses	(134)	2,255	43,186	21,507	10,470	77,284	29,744
Total adjustments	<u>(15,652)</u>	<u>590,800</u>	<u>178,239</u>	<u>1,236,209</u>	<u>(1,082)</u>	<u>1,988,514</u>	<u>2,954,373</u>
Net cash provided by operating activities	<u>\$ (78,196)</u>	<u>\$ 1,159,398</u>	<u>\$ 402,346</u>	<u>\$ 4,503,514</u>	<u>\$ (1,610,381)</u>	<u>\$ 4,376,681</u>	<u>\$ 4,219,439</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
COLLECTION SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 386,163	\$ (206,296)
Restricted cash for general obligation bonds	152,867	155,262
Accounts receivable, net	60,632	50,529
Contributed capital receivable	121,075	963,977
Inventories	<u>8,745</u>	<u>8,745</u>
Total current assets	<u>729,482</u>	<u>972,217</u>
Non-Current Assets		
Restricted cash - capacity funds	219,475	214,182
Capital assets, net	<u>9,105,109</u>	<u>7,687,979</u>
Total non-current assets	<u>9,324,584</u>	<u>7,902,161</u>
Total assets	<u>10,054,066</u>	<u>8,874,378</u>
DEFERRED OUTFLOW OF RESOURCES		
Pensions	78,026	90,249
Loss on refunding of debt	<u>25,403</u>	<u>37,638</u>
Total deferred outflow of resources	<u>103,429</u>	<u>127,887</u>
LIABILITIES		
Current Liabilities		
Accounts payable	132,244	398,674
Accruals	16,359	14,873
Accrued interest	9,602	11,222
Current portion of bonds payable	<u>319,000</u>	<u>288,000</u>
Total current liabilities	<u>477,205</u>	<u>712,769</u>
Non-Current Liabilities		
Bonds payable	1,388,000	1,707,000
Net pension liability	347,749	338,811
Accrued other post employment benefits	<u>308,324</u>	<u>240,598</u>
Total non-current liabilities	<u>2,044,073</u>	<u>2,286,409</u>
Total liabilities	<u>2,521,278</u>	<u>2,999,178</u>
DEFERRED INFLOW OF RESOURCES		
Pensions	<u>16,270</u>	<u>21,038</u>
NET POSITION		
Net investment in capital assets	7,519,184	6,656,956
Restricted for debt service	152,867	155,262
Restricted for future capacity	219,475	214,182
Unrestricted	<u>(271,579)</u>	<u>(1,044,351)</u>
Total net position	<u>\$ 7,619,947</u>	<u>\$ 5,982,049</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
COLLECTION SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	Budget	Variance	2018
OPERATING REVENUE				
Collection revenue	\$ 572,832	\$ 580,290	\$ (7,458)	\$ 561,206
Sewer tap, origination and new account fees	12,318	12,030	288	14,895
Miscellaneous revenue	19,149	16,792	2,357	18,713
Total revenue	604,299	609,112	(4,813)	594,814
OPERATING EXPENSES				
Salaries	153,555	158,876	(5,321)	146,920
Payroll taxes	11,355	11,894	(539)	11,746
Group insurance	26,606	30,283	(3,677)	26,133
State retirement	19,659	22,742	(3,083)	18,025
Worker's compensation	4,607	4,250	357	4,346
Employee health/safety expense	887	1,100	(213)	745
Employee memberships	765	900	(135)	851
Employee training, conferences and seminars	6,524	4,570	1,954	4,299
Uniform expense	4,660	4,020	640	3,193
Chemicals	962	843	119	547
System maintenance	24,811	15,791	9,020	25,992
Vehicle and equipment maintenance	19,266	22,426	(3,160)	36,413
Software and office equipment maintenance	2,174	850	1,324	2,193
Depreciation	261,015	51,231	209,784	265,460
Vehicle and equipment fuel	9,946	9,600	346	15,470
Utilities	33,657	29,424	4,233	29,548
Telephone and mobile communications	7,195	2,400	4,795	7,967
Tools and equipment	16,132	3,700	12,432	6,330
Equipment rental	2,118	3,000	(882)	6,582
Railroad right of way fees	51,247	2,700	48,547	2,786
Right of way maintenance	5,432	4,700	732	1,396
Billing fees	4,414	4,410	4	4,418
Miscellaneous	(144)	650	(794)	(10,416)
Total operating expenses	666,843	390,360	276,483	610,944
Operating (loss) income	(62,544)	218,752	(281,296)	(16,130)
NON-OPERATING REVENUE (EXPENSES)				
Property tax collections	330,492	-	330,492	334,723
Interest earned	9,976	4,265	5,711	4,663
Gain on sale of assets	1,500	-	1,500	8,887
Capacity fees	750	-	750	35,025
Interest expense	(55,503)	(55,503)	-	(65,059)
Non cash - state retirement	(18,560)	(7,873)	(10,687)	(27,121)
Non cash - post employment expense	(67,727)	-	(67,727)	(4,329)
Total non-operating revenue (expense)	200,928	(59,111)	260,039	286,789
Change in net position before capital contributions and transfers	138,384	159,641	(21,257)	270,659
Capital contributions	1,604,621	-	-	1,274,647
Transfer LGIP funds to Rabun Creek	50,000	-	-	155,557
Transfer administrative fees to admin fund	(155,107)	(159,641)	-	(155,975)
Change in net position	1,637,898	-	(21,257)	1,544,888
Net position, beginning of year	5,982,049	5,982,049	-	4,437,161
Net position, end of year	\$ 7,619,947	\$ 5,982,049	\$ (21,257)	\$ 5,982,049

LAURENS COUNTY WATER AND SEWER COMMISSION
COLLECTION SYSTEM
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 562,729	\$ 538,090
Payments for supplies for goods and services	(426,629)	281,491
Payments for labor and related services	(163,424)	(156,779)
Payment for employee benefits	(50,872)	(48,504)
Net cash (used in) provided by operating activities	<u>(78,196)</u>	<u>614,298</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer administrative fees to admin fund	(105,107)	(418)
Net cash used in noncapital financing activities	<u>(105,107)</u>	<u>(418)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property tax collections	330,492	334,723
Capital outlay	(1,678,145)	(1,339,456)
Capital contributions	2,445,355	411,454
Proceeds from sale of assets	1,500	8,887
Interest paid on bonds	(43,268)	(50,760)
Principal paid on bonds	(288,000)	(261,000)
Capacity fees	750	35,026
Net cash provided by (used in) capital and related financing activities	<u>768,684</u>	<u>(861,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,976	4,663
Net cash flows provided by investing activities	<u>9,976</u>	<u>4,663</u>
Net increase (decrease) in cash	595,357	(242,583)
Cash, beginning of year	163,148	405,731
Cash, end of year	<u><u>\$ 758,505</u></u>	<u><u>\$ 163,148</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	386,163	(206,296)
Restricted cash - debt service funds	152,867	155,262
Restricted cash - capacity funds	219,475	214,182
Total cash and cash equivalents	<u><u>\$ 758,505</u></u>	<u><u>\$ 163,148</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (62,544)	\$ (16,130)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	261,015	265,460
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(10,103)	(23,116)
Increase (decrease) in accounts payable	(266,430)	386,197
Increase (decrease) in accrued expenses	(134)	1,887
Total adjustments	<u>(15,652)</u>	<u>630,428</u>
Net cash (used in) provided by operating activities	<u><u>\$ (78,196)</u></u>	<u><u>\$ 614,298</u></u>

**LAURENS COUNTY WATER AND SEWER COMMISSION
CLINTON/JOANNA WASTEWATER TREATMENT PLANT
STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,015,639	\$ 465,051
Restricted cash for debt service funds	132,852	111,363
Accounts receivable, net	174,741	144,427
Contributed capital receivable	-	19,041
Inventories	45,288	44,008
Total current assets	<u>1,368,520</u>	<u>783,890</u>
Non-Current Assets		
Capital assets, net	<u>13,593,706</u>	<u>13,936,284</u>
Total non-current assets	<u>13,593,706</u>	<u>13,936,284</u>
Total assets	<u>14,962,226</u>	<u>14,720,174</u>
DEFERRED OUTFLOW OF RESOURCES		
Pensions	<u>85,303</u>	<u>99,274</u>
LIABILITIES		
Current Liabilities		
Accounts payable	85,131	29,889
Accruals	15,404	16,661
Accrued interest	1,292	1,316
Current portion of notes payable	79,742	77,582
Total current liabilities	<u>181,569</u>	<u>125,448</u>
Non-Current Liabilities		
Note payables	4,148,682	4,228,424
Net pension liability	397,491	387,275
Accrued other post employment benefits	271,258	226,017
Total non-current liabilities	<u>4,817,431</u>	<u>4,841,716</u>
Total liabilities	<u>4,999,000</u>	<u>4,967,164</u>
DEFERRED INFLOW OF RESOURCES		
Pensions	<u>17,692</u>	<u>23,141</u>
NET POSITION		
Net investment in capital assets	9,363,990	9,628,962
Restricted for debt service	132,852	111,363
Unrestricted	533,995	88,818
Total net position	<u>\$ 10,030,837</u>	<u>\$ 9,829,143</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
CLINTON/JOANNA WASTEWATER TREATMENT PLANT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2019
(with totals for the year ended June 30, 2018)

	2019	Budget	Variance	2018
OPERATING REVENUE				
Wastewater treatment revenue	\$ 1,957,706	\$ 1,522,192	\$ 435,514	\$ 1,533,279
Miscellaneous revenue	5,660	-	5,660	14,843
Total revenue	<u>1,963,366</u>	<u>1,522,192</u>	<u>441,174</u>	<u>1,548,122</u>
OPERATING EXPENSES				
Salaries	143,752	151,798	(8,046)	162,593
Payroll taxes	10,833	11,036	(203)	12,631
Group insurance	28,892	31,203	(2,311)	33,444
State retirement	19,126	21,087	(1,961)	20,105
Worker's compensation	4,607	4,250	357	4,346
Employee health/safety expense	708	1,100	(392)	703
Employee memberships	715	900	(185)	901
Employee training, conferences and seminars	6,814	4,570	2,244	4,418
Uniform expense	4,699	3,855	844	3,224
Employee license renewal	490	800	(310)	120
Contract plant operations	99,385	97,596	1,789	100,726
Sludge disposal	47,148	41,200	5,948	61,864
System maintenance	64,456	45,438	19,018	71,634
Vehicle and equipment maintenance	30,326	4,925	25,401	18,623
Building and grounds maintenance	15,364	16,848	(1,484)	16,269
Software and office equipment maintenance	1,955	850	1,105	4,007
Depreciation	564,897	323,905	240,992	560,330
Vehicle and equipment fuel	12,730	10,400	2,330	10,856
Utilities	203,748	184,380	19,368	176,999
Telephone and mobile communications	11,392	12,120	(728)	12,738
DHEC licenses and fees	2,205	2,300	(95)	2,205
Sampling and testing	11,540	14,570	(3,030)	17,991
Chemicals	58,784	65,191	(6,407)	56,028
Tools and equipment	14,180	4,350	9,830	5,837
Legal fees	-	500	(500)	-
Consulting service	1,200	5,000	(3,800)	2,080
Right of way	3,995	8,600	(4,605)	6,127
Billing fees	4,414	4,408	6	4,418
Miscellaneous	26,413	2,700	23,713	(33,573)
Total operating expenses	<u>1,394,768</u>	<u>1,075,880</u>	<u>318,888</u>	<u>1,337,644</u>
Operating (loss) income	<u>568,598</u>	<u>446,312</u>	<u>122,286</u>	<u>210,478</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	10,876	5,285	5,591	4,242
Gain (loss) on sale of assets	5,190	-	5,190	(6,319)
Capacity fees	13,875	-	13,875	8,025
Bond administration charge	(3,556)	-	(3,556)	(4,418)
Interest expense	(117,419)	(120,000)	2,581	(123,981)
Non cash - state retirement	(20,416)	-	(20,416)	(29,833)
Non cash - post employment expense	(45,241)	(12,315)	(32,926)	(4,761)
Total non-operating revenue (expense)	<u>(156,691)</u>	<u>(127,030)</u>	<u>(29,661)</u>	<u>(157,045)</u>
Change in net position before capital contributions and transfers	<u>411,907</u>	<u>319,282</u>	<u>92,625</u>	<u>53,433</u>
Capital contributions	-	-	-	(6,360)
Transfer LGIP funds to Rabun Creek	100,000	-	100,000	529,000
Transfer administrative fees to admin fund	<u>(310,213)</u>	<u>(319,282)</u>	<u>9,069</u>	<u>(311,950)</u>
Change in net position	201,694	-	101,694	264,123
Net position, beginning of year	<u>9,829,143</u>	<u>9,829,143</u>	<u>-</u>	<u>9,565,020</u>
Net position, end of year	<u>\$ 10,030,837</u>	<u>\$ 9,829,143</u>	<u>\$ 101,694</u>	<u>\$ 9,829,143</u>

**LAURENS COUNTY WATER AND SEWER COMMISSION
CLINTON/JOANNA WASTEWATER TREATMENT PLANT
STATEMENTS OF CASH FLOW
YEAR ENDED JUNE 30, 2019**

(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,933,052	\$ 1,500,078
Payments for treatment plant operations	(565,736)	(519,672)
Payments for labor and related services	(154,585)	(175,224)
Payment for employee benefits	(53,333)	(58,598)
Net cash provided by operating activities	<u>1,159,398</u>	<u>746,584</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer administrative fees to admin fund	(210,213)	217,050
Net cash (used in) provided by noncapital financing activities	<u>(210,213)</u>	<u>217,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital outlay	(217,129)	(112,750)
Capital contributions	19,041	230,432
Proceeds from sale of assets	(5,190)	-
Interest paid on bonds and note	(117,419)	(123,981)
Principal paid on bonds and note	(77,606)	(335,584)
Bond administration fees	(3,556)	(4,418)
Capacity fees	13,875	8,027
Net cash used in capital and related financing activities	<u>(387,984)</u>	<u>(338,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	10,876	4,242
Net cash flows provided by investing activities	<u>10,876</u>	<u>4,242</u>
Net increase in cash	572,077	629,602
Cash, beginning of year	576,414	(53,188)
Cash, end of year	<u>\$ 1,148,491</u>	<u>\$ 576,414</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	1,015,639	465,051
Restricted cash - debt service funds	132,852	111,363
Total cash and cash equivalents	<u>\$ 1,148,491</u>	<u>\$ 576,414</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 568,598	\$ 210,478
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	564,897	560,330
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(30,314)	(48,044)
(Increase) decrease in inventory	(1,280)	3,608
Increase (decrease) in accounts payable	55,242	19,409
Increase (decrease) in accrued expenses	2,255	803
Total adjustments	<u>590,800</u>	<u>536,106</u>
Net cash provided by operating activities	<u>\$ 1,159,398</u>	<u>\$ 746,584</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
LAKE RABON WATER SUPPLY SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 335,133	\$ 278,794
Accounts receivable	<u>67,507</u>	<u>81,072</u>
Total current assets	<u>402,640</u>	<u>359,866</u>
Non-Current Assets		
Capital assets, net	<u>3,013,866</u>	<u>3,091,578</u>
Total non-current assets	<u>3,013,866</u>	<u>3,091,578</u>
Total assets	<u>3,416,506</u>	<u>3,451,444</u>
DEFERRED OUTFLOW OF RESOURCES		
Pensions	<u>30,880</u>	<u>36,100</u>
LIABILITIES		
Current Liabilities		
Accounts payable	9,297	10,225
Accruals	<u>10,311</u>	<u>10,340</u>
Total current liabilities	<u>19,608</u>	<u>20,565</u>
Non-Current Liabilities		
Net pension liability	148,517	144,700
Accrued other post employment benefits	<u>107,423</u>	<u>87,187</u>
Total non-current liabilities	<u>255,940</u>	<u>231,887</u>
Total liabilities	<u>275,548</u>	<u>252,452</u>
DEFERRED INFLOW OF RESOURCES		
Pensions	<u>6,379</u>	<u>8,415</u>
NET POSITION		
Net investment in capital assets	3,013,866	3,091,578
Unrestricted	<u>151,593</u>	<u>135,099</u>
Total net position	<u>\$ 3,165,459</u>	<u>\$ 3,226,677</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
LAKE RABON WATER SUPPLY SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2019
(totals for the year ended June 30, 2018)

	2019	Budget	Variance	2018
OPERATING REVENUE				
Laurens Commission of Public Works				
water sales	\$ 330,114	\$ 329,997	\$ 117	\$ 379,382
Rabun Creek Rural Water Distribution sales	177,044	151,171	25,873	174,555
Recreation permits and shelter rentals	26,035	22,400	3,635	25,260
Total revenue	<u>533,193</u>	<u>503,568</u>	<u>29,625</u>	<u>579,197</u>
OPERATING EXPENSES				
Salaries	105,518	107,526	(2,008)	103,819
Payroll taxes	7,906	8,226	(320)	7,780
Group insurance	9,036	9,053	(17)	8,646
State retirement	9,283	9,288	(5)	7,922
Worker's compensation	2,962	3,250	(288)	3,104
Employee health/safety expense	140	260	(120)	156
Employee memberships	300	300	-	300
Uniform expense	1,322	1,890	(568)	1,184
Vehicle and equipment maintenance	6,081	11,100	(5,019)	7,024
Building and grounds maintenance	12,716	13,000	(284)	8,190
Dam maintenance	412	2,250	(1,838)	5,914
Trail maintenance	32	2,500	(2,468)	-
Office equipment maintenance and supplies	274	500	(226)	3,625
Deestrat system maintenance	-	1,000	(1,000)	111
Fuel, oil and lubrication	7,827	7,500	327	6,794
Depreciation	122,416	116,744	5,672	124,787
Flow monitoring systems	10,800	12,600	(1,800)	10,993
Utilities	5,272	27,500	(22,228)	9,893
Telephone and mobile communications	1,644	1,740	(96)	1,591
Tools and equipment	1,583	1,100	483	960
Legal and professional fees	1,887	5,000	(3,113)	-
Permits	1,675	2,000	(325)	1,256
Total operating expenses	<u>309,086</u>	<u>344,327</u>	<u>(35,241)</u>	<u>314,049</u>
Operating income	<u>224,107</u>	<u>159,241</u>	<u>64,866</u>	<u>265,148</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	4,205	2,400	1,805	5,043
Interest expense	-	-	-	(1,070)
Non cash - state retirement	(7,001)	(2,000)	(5,001)	(10,848)
Non cash - post employment expense	(20,236)	-	(20,236)	(1,731)
Total non-operating revenue (expense)	<u>(23,032)</u>	<u>400</u>	<u>(23,432)</u>	<u>(8,606)</u>
Change in net position before transfers	<u>201,075</u>	<u>159,641</u>	<u>41,434</u>	<u>256,542</u>
CAPITAL CONTRIBUTIONS	42,814	-	42,814	9,800
TRANSFERS				
Transfer LGIP funds to Rabun Creek	(150,000)	-	(150,000)	(684,557)
Transfer administrative fees to admin fund	(155,107)	(159,641)	4,534	(155,975)
Total transfers	<u>(305,107)</u>	<u>(159,641)</u>	<u>(145,466)</u>	<u>(840,532)</u>
Change in net position	(61,218)	-	(104,032)	(574,190)
Net position, beginning of year	<u>3,226,677</u>	<u>3,226,677</u>	<u>-</u>	<u>3,800,867</u>
Net position, end of year	<u>\$ 3,165,459</u>	<u>\$ 3,226,677</u>	<u>\$ (104,032)</u>	<u>\$ 3,226,677</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
LAKE RABON WATER SUPPLY SYSTEM
STATEMENTS OF CASH FLOW
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 546,758	\$ 541,495
Payments to suppliers for goods and services	(51,965)	(62,004)
Payments for labor and related services	(97,475)	(111,508)
Payment for employee benefits	5,028	(7,093)
Net cash provided by operating activities	<u>402,346</u>	<u>360,890</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer LGIP funds to Rabon Creek	(150,000)	(684,557)
Transfer administrative fees to admin fund	(155,107)	(155,975)
Net cash used in noncapital financing activities	<u>(305,107)</u>	<u>(840,532)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital outlay	(44,704)	(119,151)
Principal paid on revenue bonds	-	(121,961)
Interest paid on bonds	(401)	(1,471)
Net cash used in capital and related financing activities	<u>(45,105)</u>	<u>(242,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,205	5,043
Net cash flows provided by investing activities	<u>4,205</u>	<u>5,043</u>
Net increase (decrease) in cash	56,339	(717,182)
Cash, beginning of year	278,794	995,976
Cash, end of year	<u>\$ 335,133</u>	<u>\$ 278,794</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 224,107	\$ 265,148
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	122,416	124,787
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	13,565	(38,511)
Increase (decrease) in accounts payable	(928)	(1,635)
Increase (decrease) in accrued expenses	43,186	11,101
Total adjustments	<u>178,239</u>	<u>95,742</u>
Net cash provided by operating activities	<u>\$ 402,346</u>	<u>\$ 360,890</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
RABON CREEK RURAL WATER DISTRIBUTION SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,261,009	\$ 2,556,814
Restricted cash for debt service funds	543,333	560,969
Accounts receivable, net	811,402	755,154
Inventories	17,628	12,564
Total current assets	3,633,372	3,885,501
Non-Current Assets		
Restricted cash - capacity funds	1,291,434	992,328
Restricted cash - construction funds	-	70,780
Capital assets, net	36,668,167	35,158,331
Total non-current assets	37,959,601	36,221,439
Total assets	41,592,973	40,106,940
DEFERRED OUTFLOW OF RESOURCES		
Pensions	287,110	342,947
Total deferred outflow of resources	287,110	342,947
LIABILITIES		
Current Liabilities		
Accounts payable	228,236	335,935
Accruals	85,165	80,446
Due to municipalities	33,430	31,619
Accrued interest	59,233	65,498
Customer deposits	50,825	50,825
Deferred revenue	16,500	16,500
Current portion of bonds payable	1,060,000	1,085,000
Current portion of capital lease obligations	-	112,522
Total current liabilities	1,533,389	1,778,345
Non-Current Liabilities		
Bonds payable	11,410,000	12,470,000
Net pension liability	1,588,622	1,547,792
Accrued other post employment benefits	1,060,533	851,046
Total non-current liabilities	14,059,155	14,868,838
Total liabilities	15,592,544	16,647,183
DEFERRED INFLOW OF RESOURCES		
Pensions	58,163	79,943
NET POSITION		
Net investment in capital assets	24,198,167	21,561,589
Restricted for debt service	543,333	560,969
Restricted for future capacity	1,291,434	992,328
Unrestricted	196,442	607,875
Total net position	\$ 26,229,376	\$ 23,722,761

LAURENS COUNTY WATER AND SEWER COMMISSION
RABON CREEK RURAL WATER DISTRIBUTION SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2019
(totals for the year ended June 30, 2018)

	2019	Budget	Variance	2018
OPERATING REVENUE				
Water sales	\$ 8,056,963	\$ 8,109,144	\$ (52,181)	\$ 7,634,362
Penalties	356,350	282,000	74,350	275,574
Tap fees	276,770	116,000	160,770	150,750
Reinstate, reconnect and delinquent fees	176,522	174,840	1,682	169,514
Origination fees	48,450	42,600	5,850	44,400
Testing, sampling and valve install fees	45,984	36,816	9,168	39,708
Miscellaneous	44,692	9,360	35,332	40,440
Total revenue	9,005,731	8,770,760	234,971	8,354,748
OPERATING EXPENSES				
Water purchases	2,180,048	2,369,929	(189,881)	2,210,540
Salaries	836,805	908,083	(71,278)	797,817
Payroll taxes	60,719	68,365	(7,646)	57,292
Group insurance	196,601	209,603	(13,002)	180,809
State retirement	119,214	129,967	(10,753)	97,492
Worker's compensation	18,759	18,000	759	17,382
Employee health/safety expense	4,273	3,800	473	4,430
Employee memberships	2,670	3,600	(930)	2,423
Employee training, conferences and seminars	14,490	12,700	1,790	9,433
Uniform expense	16,983	17,775	(792)	16,371
Employee license renewal	1,336	1,060	276	1,020
System maintenance	330,805	261,158	69,647	449,955
Vehicle and equipment maintenance	72,083	41,121	30,962	59,899
Building and grounds maintenance	28,719	26,026	2,693	31,198
Software and office equipment maintenance	13,129	28,463	(15,334)	21,901
Fuel, oil and lubrications	49,357	49,000	357	49,091
Depreciation	1,381,902	3,206,946	(1,825,044)	1,526,855
Utilities	106,810	102,264	4,546	102,626
Telephone and mobile communications	26,361	26,160	201	23,738
DHEC licenses and fees	28,498	28,466	32	27,257
Sampling and testing	34,902	47,792	(12,890)	34,699
Chemicals	-	-	-	42
Tools and equipment	20,455	18,000	2,455	27,850
Equipment lease	555	2,500	(1,945)	2,128
Railroad right of way fees	3,954	3,775	179	3,775
Right of way maintenance	8,400	14,500	(6,100)	7,500
Legal fees	2,090	-	2,090	-
Consulting engineer	-	10,000	(10,000)	3,730
Billing expense	84,012	86,100	(2,088)	82,592
Bank and merchant service fees	105,746	94,500	11,246	95,320
Miscellaneous expense	(11,250)	3,151	(14,401)	11,623
Total operating expenses	5,738,426	7,792,804	(2,054,378)	5,956,788
Operating income	3,267,305	977,956	2,289,349	2,397,960
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	56,879	35,570	21,309	37,585
(Loss) Gain on sale of assets	23,055	4,000	19,055	(9,113)
Capacity fees	276,375	174,000	102,375	206,350
Lease revenue	73,643	62,985	10,658	52,818
Bond administration expense	(3,233)	-	(3,233)	(6,133)
Interest expense	(253,503)	(254,000)	497	(286,053)
Non cash - state retirement	(74,889)	(42,665)	(32,224)	(103,058)
Non cash - post employment expense	(209,487)	-	(209,487)	(16,449)
Total non-operating revenue (expense)	(111,160)	(20,110)	(91,050)	(124,053)
Change in net position before transfers	3,156,145	957,846	2,198,299	2,273,907
TRANSFERS				
Capital contributions	281,109	-	281,109	145,919
Transfer administrative fees to admin fund	(930,639)	(957,846)	27,207	(935,850)
Change in net position	2,506,615	-	2,506,615	1,483,976
Net position, beginning of year	23,722,761	23,722,761	-	22,238,785
Net position, end of year	\$ 26,229,376	\$ 23,722,761	\$ 2,506,615	\$ 23,722,761

LAURENS COUNTY WATER AND SEWER COMMISSION
RABON CREEK RURAL WATER DISTRIBUTION SYSTEM
STATEMENTS OF CASH FLOW
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 8,949,483	\$ 8,334,134
Payments to suppliers for goods and services	(3,213,871)	(3,253,730)
Payments for labor and related services	(897,524)	(855,109)
Payment for employee benefits	(334,574)	(295,683)
Net cash provided by operating activities	<u>4,503,514</u>	<u>3,929,612</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer administrative fees to admin fund	(930,639)	(935,850)
Net cash used in noncapital financing activities	<u>(930,639)</u>	<u>(935,850)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital outlay	(2,891,738)	(1,934,548)
Capital contributions	281,109	145,919
Interest paid on bonds, note and capital leases	(253,503)	(286,053)
Principal paid on bonds, note and capital leases, net	(1,197,522)	(1,202,356)
Bond administration fees	(3,233)	(6,133)
Capacity fees	276,375	206,350
Property lease fees	73,643	52,818
Net cash used in capital and related financing activities	<u>(3,714,869)</u>	<u>(3,024,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	56,879	37,585
Net cash flows provided by investing activities	<u>56,879</u>	<u>37,585</u>
Net (decrease) increase in cash	(85,115)	7,344
Cash, beginning of year	4,180,891	4,173,547
Cash, end of year	<u><u>\$ 4,095,776</u></u>	<u><u>\$ 4,180,891</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	2,261,009	2,556,814
Restricted cash - debt service funds	543,333	560,969
Restricted cash - capacity funds	1,291,434	992,328
Restricted cash - construction funds	-	70,780
Total cash and cash equivalents	<u><u>\$ 4,095,776</u></u>	<u><u>\$ 4,180,891</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 3,267,305	\$ 2,397,961
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,381,902	1,526,855
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(56,248)	(6,019)
(Increase) decrease in inventories	(5,064)	3,579
(Increase) decrease in due to/from	-	(14,595)
Increase (decrease) in accounts payable	(107,699)	27,208
Increase (decrease) in due to municipalities	1,811	(21,391)
Increase (decrease) in accrued expenses	21,507	16,014
Total adjustments	<u>1,236,209</u>	<u>1,531,651</u>
Net cash provided by operating activities	<u><u>\$ 4,503,514</u></u>	<u><u>\$ 3,929,612</u></u>

LAURENS COUNTY WATER AND SEWER COMMISSION
ADMINISTRATIVE FUND
JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 153,129	\$ 242,416
Accounts receivable	60	65
Prepays	<u>79,467</u>	<u>-</u>
Total current assets	<u>232,656</u>	<u>242,481</u>
Non-Current Assets		
Capital assets, net	<u>728,070</u>	<u>780,959</u>
Total non-current assets	<u>728,070</u>	<u>780,959</u>
Total assets	<u>960,726</u>	<u>1,023,440</u>
DEFERRED OUTFLOW OF RESOURCES		
Pensions	<u>282,789</u>	<u>333,922</u>
LIABILITIES		
Current Liabilities		
Accounts payable	50,819	68,588
Accruals	<u>69,228</u>	<u>59,336</u>
Total current liabilities	<u>120,047</u>	<u>127,924</u>
Non-Current Liabilities		
Net pension liability	1,454,791	1,417,400
Accrued other post employment benefits	<u>961,551</u>	<u>788,203</u>
Total non-current liabilities	<u>2,416,342</u>	<u>2,205,603</u>
Total liabilities	<u>2,536,389</u>	<u>2,333,527</u>
DEFERRED INFLOW OF RESOURCES		
Pensions	<u>57,894</u>	<u>77,839</u>
NET POSITION		
Net investment in capital assets	728,070	780,959
Unrestricted	<u>(2,078,838)</u>	<u>(1,834,963)</u>
Total net position	<u>\$ (1,350,768)</u>	<u>\$ (1,054,004)</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
ADMINISTRATIVE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	Budget	Variance	2018
OPERATING EXPENSES				
Salaries	\$ 698,551	\$ 688,587	\$ 9,964	\$ 679,350
Payroll taxes	51,778	55,890	(4,112)	52,593
Group insurance	92,090	92,366	(276)	92,954
State retirement	105,309	101,972	3,337	87,116
Worker's compensation	1,975	2,500	(525)	1,862
Employee health/safety expense	495	1,100	(605)	794
Employee memberships	2,025	3,600	(1,575)	1,950
Employee training, conferences and seminars	16,451	16,550	(99)	13,601
Uniform expense	2,683	3,660	(977)	2,610
Dues, subscriptions and licenses	13,370	14,500	(1,130)	13,133
Commissioners' expense	39,087	42,300	(3,213)	49,336
Legislative expense	2,467	1,000	1,467	999
Entertainment	17,615	16,500	1,115	17,789
Building and grounds maintenance	16,262	19,465	(3,203)	11,555
Software and office equipment maintenance	92,090	92,981	(891)	106,534
Printer and copier expense	9,034	7,920	1,114	9,185
Property and casualty insurance	82,355	81,875	480	73,191
Depreciation	85,679	53,900	31,779	90,452
Utilities	23,595	22,200	1,395	21,127
Telephone and mobile communications	15,058	15,120	(62)	13,759
Office and cleaning supplies	17,429	15,590	1,839	16,514
Postage and shipping	8,019	8,138	(119)	6,729
Audit	26,060	32,500	(6,440)	38,940
Legal fees	16,409	20,000	(3,591)	17,993
Consulting service	33,159	33,420	(261)	28,550
Economic development	41,428	40,100	1,328	39,673
Community outreach	82,909	79,650	3,259	91,339
Employee reimbursements	15,386	15,000	386	16,553
Miscellaneous expense	531	-	531	2,484
Total operating expenses	<u>1,609,299</u>	<u>1,578,384</u>	<u>30,915</u>	<u>1,592,391</u>
Operating loss	<u>(1,609,299)</u>	<u>(1,578,384)</u>	<u>(30,915)</u>	<u>(1,592,391)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	2,818	-	2,818	1,710
Gain on sale of assets	671			
Non cash - state retirement	(68,672)	-	(68,672)	(100,346)
Non cash - post employment expense	(173,348)	(18,025)	(155,323)	(16,016)
Total non-operating revenue (expense)	<u>(238,531)</u>	<u>(18,025)</u>	<u>(221,177)</u>	<u>(114,652)</u>
Change in net position before transfers	<u>(1,847,830)</u>	<u>(1,596,409)</u>	<u>(252,092)</u>	<u>(1,707,043)</u>
TRANSFERS				
Transfer administrative fees to admin fund	<u>1,551,066</u>	<u>1,596,409</u>	<u>(45,343)</u>	<u>1,559,750</u>
Change in net position	<u>(296,764)</u>	<u>-</u>	<u>(297,435)</u>	<u>(147,293)</u>
Net position, beginning of year	<u>(1,054,004)</u>	<u>-</u>	<u>-</u>	<u>(906,711)</u>
Net position, end of year	<u>\$ (1,350,768)</u>	<u>\$ -</u>	<u>\$ (297,435)</u>	<u>\$ (1,054,004)</u>

LAURENS COUNTY WATER AND SEWER COMMISSION
ADMINISTRATIVE FUND
STATEMENTS OF CASH FLOW
YEAR ENDED JUNE 30, 2019
(with summarized comparative totals for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers for goods and services	\$ (671,153)	\$ (532,539)
Payments for labor and related services	(740,437)	(717,409)
Payment for employee benefits	(198,796)	(181,932)
Collected from (advances to) employees	5	(65)
Net cash used in operating activities	<u>(1,610,381)</u>	<u>(1,431,945)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer in for administrative fees	<u>1,551,066</u>	<u>1,559,750</u>
Net cash provided by noncapital financing activities	<u>1,551,066</u>	<u>1,559,750</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital outlay	<u>(32,790)</u>	<u>(62,620)</u>
Net cash used in capital and related financing activities	<u>(32,790)</u>	<u>(62,620)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>2,818</u>	<u>1,710</u>
Net cash flows provided by investing activities	<u>2,818</u>	<u>1,710</u>
Net (decrease) increase in cash	(89,287)	66,895
Cash, beginning of year	<u>242,416</u>	<u>175,521</u>
Cash, end of year	<u><u>\$ 153,129</u></u>	<u><u>\$ 242,416</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (1,609,299)	\$ (1,592,391)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	85,679	90,452
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	5	14,530
(Increase) decrease in prepaid expenses	(79,467)	-
Increase (decrease) in accounts payable	(17,769)	55,525
Increase (decrease) in accrued expenses	<u>10,470</u>	<u>(61)</u>
Total adjustments	<u>(1,082)</u>	<u>160,446</u>
Net cash used in operating activities	<u><u>\$ (1,610,381)</u></u>	<u><u>\$ (1,431,945)</u></u>

OTHER SUPPLEMENTAL INFORMATION

LAURENS COUNTY WATER AND SEWER COMMISSION
REVENUE BOND DEBT COVERAGE RATIO
JUNE 30, 2019

	Rabon Creek Rural Water Distribution System	Clinton/Joanna Wastewater Treatment Plant
Change in net position before transfers	\$ 3,156,145	\$ 550,291
Less: Gain on sale of assets	(23,055)	-
Less: Allocated administrative loss	(1,108,698)	(554,349)
Less: Property tax collections	-	(330,492)
Plus: GASB 75 noncash expenses	209,487	112,968
Plus: GASB 75 noncash expenses - administrative	104,009	52,004
Plus: Depreciation	1,381,902	825,912
Plus: Allocate administrative depreciation	51,407	25,704
Plus: Interest expense on bonds	253,503	43,268
Net earnings of the system (per bond resolution)	<u>\$ 4,024,700</u>	<u>\$ 725,306</u>
Debt service requirement	<u>\$ 1,342,545</u>	<u>\$ 332,888</u>
Debt service coverage ratio	<u>3.00</u>	<u>2.18</u>

At June 30, 2019, Rabon Creek Rural Water Distribution System and Clinton/Joanna Wastewater Treatment Plant were in compliance with the debt service ratio requirements.

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Board of Commissioners
Laurens County Water and Sewer Commission
Laurens, 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 business-type activities of the Laurens County Water and Sewer Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Laurens County Water and Sewer Commission's basic financial statements, and have issued our report thereon dated November 26, 2019

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Laurens County Water and Sewer Commission'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 Laurens County Water and Sewer Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Laurens County Water and Sewer Commission'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 Laurens County Water and Sewer Commission'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.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC

Laurens, South Carolina

November 26, 2019



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Board of Commissioners
Laurens County Water and Sewer Commission
Laurens, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the Laurens County Water and Sewer Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Laurens County Water and Sewer Commission's major federal programs for the year ended June 30, 2019. Laurens County Water and Sewer Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Laurens County Water and Sewer Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Laurens County Water and Sewer Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Laurens County Water and Sewer Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Laurens County Water and Sewer Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Laurens County Water and Sewer Commission, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Laurens County Water and Sewer Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Laurens County Water and Sewer Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC

Laurens, South Carolina

November 26, 2019

LAURENS COUNTY WATER AND SEWER COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
US Department of Commerce		
Investments for Public Works and Economic Development Facilities	11.300	\$ 473,517
US Department of Housing and Urban Development		
Community Development Block Grant	14.228	402,822
US Department of Transportation		
Recreational Trails Program	20.219	42,814
United States Environmental Agency		
Capitalization Grants for Clean Water State Revolving Funds Passed through South Carolina Water Quality Revolving Fund Authority Whitten Center Sewer Lift Station	66.458	<u>478,159</u>
Grand Total		<u>\$ 1,397,312</u>

See accompanying notes to the schedule of expenditures of federal awards.

LAURENS COUNTY WATER AND SEWER COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Commission under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Commission

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Commission has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

LAURENS COUNTY WATER AND SEWER COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified?

Yes X No

- Significant deficiency(ies) Identified?

Yes X None
Noted

Noncompliance material to financial statements noted?

Yes X No

Federal awards

Internal control over major programs:

- Material Weakness(es) Identified?

Yes X No

- Significant deficiency(ies) Identified?

Yes X None
Noted

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes X No

Identification of major programs:

Capitalization Grants for Clean Water State Revolving Funds

66.458

Dollar threshold used to distinguish between type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes No

**LAURENS COUNTY WATER AND SEWER COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

None reported

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APPENDIX B
THE BOND ANTICIPATION NOTE RESOLUTION

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A RESOLUTION

AUTHORIZING THE ISSUANCE OF WATERWORKS DISTRIBUTION SYSTEM REVENUE BOND ANTICIPATION NOTES BY THE LAURENS COUNTY WATER AND SEWER COMMISSION, SOUTH CAROLINA IN ANTICIPATION OF THE RECEIPT OF THE PROCEEDS OF THE SALE OF A WATERWORKS SYSTEM REVENUE BOND OF THE LAURENS COUNTY WATER AND SEWER COMMISSION, SOUTH CAROLINA; AND OTHER MATTERS RELATED THERETO.

(2020 Bond Anticipation Note Resolution)

TABLE OF CONTENTS

Page

ARTICLE I FINDINGS OF FACT

Section 1.01	Recitals and Statement of Purpose.	1
Section 1.02	Determination to Issue Bond Anticipation Notes.....	2

ARTICLE II DEFINITIONS, CONSTRUCTION AND INTERPRETATIONS

Section 2.01	Definition of Resolution.	3
Section 2.02	Defined Terms.	3
Section 2.03	Interpretations.	5

ARTICLE III THE SERIES 2020 NOTES

Section 3.01	Authorization of Issuance of Notes.	6
Section 3.02	Selection of Underwriter; Note Purchase Contract.	6
Section 3.03	Execution and Form of Series 2020 Notes.	6
Section 3.04	Authentication.	6
Section 3.05	Medium of Payment.	7
Section 3.06	Mutilated, Lost, Stolen or Destroyed Series 2020 Notes.	7
Section 3.07	Transfer and Registry; Persons Treated as Owners.....	7
Section 3.08	Date and Payment Provisions.	8
Section 3.09	Interchangeability of Series 2020 Notes.....	8
Section 3.10	Regulations With Respect to Exchanges and Transfer.....	8
Section 3.11	Cancellation and Destruction of Mutilated, Paid or Surrendered Series 2020 Notes.....	8
Section 3.12	Redemption; Notice to Noteholder.....	9
Section 3.13	Cancellation of Series 2020 Notes Which Have Been Redeemed.	10
Section 3.14	Security for Payment of Series 2020 Notes; Covenant to Issue Bonds.	10
Section 3.15	Series 2020 Notes in Book-Entry Form.	10
Section 3.16	Series 2020 Notes Exempt from State Taxes.	11
Section 3.17	Additional Bond Anticipation Notes.	11

ARTICLE IV ESTABLISHMENT OF FUNDS

Section 4.01	Requirement for Special Funds.	12
Section 4.02	The 2020 Construction Fund.	12
Section 4.03	The Capitalized Interest Fund.	12
Section 4.04	Investments of Funds.....	12

ARTICLE V CERTAIN SECURITIES LAW MATTERS

Section 5.01	Preliminary and Final Official Statement.....	14
Section 5.02	Continuing Disclosure.....	14

ARTICLE VI AGREEMENT TO FURNISH INFORMATION WITH RESPECT TO SYSTEM

Section 6.01	Keeping Records.	15
Section 6.02	Audit Required.	15

TABLE OF CONTENTS
(continued)

Page

**ARTICLE VII
INSURANCE**

Section 7.01	Insurance.	16
--------------	-----------------	----

**ARTICLE VIII
ADDITIONAL COVENANTS**

Section 8.01	Additional Covenants.	18
--------------	----------------------------	----

**ARTICLE IX
MODIFICATION OF RESOLUTION**

Section 9.01	Modification Without Noteholder Approval.	19
Section 9.02	Modification with Noteholder Approval.	19
Section 9.03	Procedure for Procuring Noteholder Approval.	20
Section 9.04	Consolidation of System With Other Commission Enterprises.	20
Section 9.05	Sale, Exchange or Disposal of Component or Enterprise of System.	20

**ARTICLE X
EVENTS OF DEFAULT**

Section 10.01	Events of Default.	21
---------------	-------------------------	----

**ARTICLE XI
REMEDIES**

Section 11.01	Acceleration; Annulment of Acceleration.	22
Section 11.02	Additional Remedies and Enforcement of Remedies.	22
Section 11.03	Remedies Not Exclusive.	23
Section 11.04	Remedies Vested in Trustee.	23
Section 11.05	Noteholders Control of Proceedings.	23
Section 11.06	Individual Noteholder Action Restricted.	23
Section 11.07	Termination of Proceedings.	24
Section 11.08	Waiver and Non-waiver of Event of Default.	24
Section 11.09	Notice of Defaults.	25

**ARTICLE XII
TRUSTEE AND ITS FUNCTIONS; OTHER FIDUCIARIES**

Section 12.01	Appointment and Vesting of Powers in Trustee; Limitation of Rights of Noteholders to Appoint Trustee.	26
Section 12.02	Functions of Trustee.	26
Section 12.03	Acceptance by Trustee Required.	26
Section 12.04	Liability as to Recitals in Resolution and Series 2020 Notes; Duties, Rights and Responsibilities of Trustee.	26
Section 12.05	Trustee May Rely on Notices, etc.	29
Section 12.06	Trustee Permitted to Resign.	29
Section 12.07	Removal of Trustee.	29
Section 12.08	Appointment of Successor Trustee Upon Resignation or Removal of Trustee.	29
Section 12.09	When Noteholder May Seek Successor Trustee.	30
Section 12.10	Acceptance by Successor Trustee.	30
Section 12.11	Effect of Trustee Merging With Another Bank.	30
Section 12.12	Trustee to Secure Funds and Securities Held in Trust.	30

TABLE OF CONTENTS
(continued)

	Page
Section 12.13	Disposition of Paid Series 2020 Notes 31
ARTICLE XIII DEFEASANCE	
Section 13.01	Defeasance Generally..... 32
Section 13.02	Money to be Held in Trust – When Returnable to Commission. 32
Section 13.03	Deposits With Trustee Subject to Conditions of Article XIII. 32
ARTICLE XIV CERTAIN TAX MATTERS	
Section 14.01	Tax Exemption. 33
Section 14.02	Rebate..... 34
ARTICLE XV MISCELLANEOUS	
Section 15.01	Purpose of Covenants in 2020 Note Resolution..... 35
Section 15.02	Effect of Remedies Granted by Resolution Not Being Available to Holders of Other Series 2020 Notes..... 35
Section 15.03	Severability..... 35
Section 15.04	Repealing Clause..... 35
Exhibit “A” – Form of Bond Anticipation Note	
Exhibit “B” – Form of Continuing Disclosure Agreement	

**BE IT RESOLVED BY THE LAURENS COUNTY WATER AND SEWER COMMISSION,
SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:**

ARTICLE I

FINDINGS OF FACT

Section 1.01 Recitals and Statement of Purpose.

(1) Pursuant to Ordinance No. 368 adopted November 24, 1992, as amended by Ordinance No. 368-A adopted March 23, 1993, the County Council of Laurens County provided for the consolidation of the Laurens County Water Resources Commission, a political subdivision and special purpose district of the State of South Carolina ("LCWRC"), and Rabon Creek Rural Water District, also a political subdivision and special purpose district of the State of South Carolina ("Rabon Creek"), effective May 1, 1993. Pursuant to Ordinance No. 2440 adopted March 2, 1993, the County Council of Greenville County also approved and made provision for such consolidation. The above-mentioned Ordinances are hereinafter collectively referred to as the "Consolidation Ordinance."

(2) The Consolidation Ordinance provides that the consolidated entity shall be known as the Laurens County Water and Sewer Commission. Pursuant to Section 6-11-620, Code of Laws of South Carolina 1976, as amended, the special purpose district resulting from such a consolidation assumes the properties and liabilities of the antecedent special purpose districts. In accordance with said Section, the provisions of the Consolidation Ordinance and a plan of merger subsequently completed in accordance therewith, the Commission presently operates the Lake Rabon water supply system (herein, the "Water Supply System"), the sewer system (the "Sewer System") heretofore operated by LCWRC, and the waterworks distribution system heretofore operated by Rabon Creek (the "Waterworks System"). The Water Supply System, the Sewer System and the Waterworks System are operated as three separate and distinct systems, with separate books of account. The Waterworks System is hereinafter referred to in this 2020 Note Resolution as the "System", inasmuch as this 2020 Note Resolution only concerns the Waterworks System and bond anticipation notes issued to fund improvements thereto.

(3) The System is currently operated on a July 1 through June 30 fiscal year basis.

(4) On November 22, 2016, the Commission adopted a resolution entitled "A Resolution Providing for the Issuance and Sale of Waterworks System Revenue Bonds of the Laurens County Water and Sewer Commission, South Carolina, and Other Matters Relating Thereto" (the "Bond Resolution"). The Bond Resolution authorizes the issuance of Waterworks System Revenue Bonds of the Commission, payable solely from and secured by a pledge of that portion of the Gross Revenues (as defined in the Bond Resolution) which remain after paying the cost of the operation and maintenance of the System.

(5) The Gross Revenues are not currently pledged to the payment of any indebtedness of the Commission except the following:

(6) the \$9,600,000 original principal amount Waterworks System Refunding Revenue Bond, Series 2016 (the "Series 2016 Bond"); and

(7) the \$6,115,000 original principal amount Waterworks System Refunding Revenue Bond, Series 2017 (the "Series 2017 Bond").

(8) The Commission has determined that it is necessary to improve the System through the designing, constructing and equipping a new water intake and treatment plant at Lake Greenwood, a transmission line to connect such plant to the System, and appurtenances thereto (the "Project").

(9) The United States Department of Agriculture, Rural Development (“USDARD”) has provided to the Commission a letter, dated September 6, 2016, and subsequently amended on September 14, 2018 and on July 19, 2020, (collectively, the “Letter of Conditions”) pursuant to which it has agreed, under certain conditions, to provide its loan, to be evidenced by the issuance of the Commission’s Waterworks System Revenue Bonds (the “Bonds”), in the aggregate principal amount of \$42,607,930, and to provide its grant in an amount not to exceed \$5,013,070 (the “Grant”) to defray the costs of construction of the Project. In addition, the Commission has to date expended approximately \$2,020,000 of its available funds to defray the cost of the Project and costs associated therewith.

(10) Accordingly, the Commission has determined to raise a portion of the required sums to construct and provide permanent financing for the Project through the issuance of the Bonds pursuant to the provisions of Title 6, Chapter 21, Code of Laws of South Carolina, 1976, as amended (the “Bond Act”).

(11) The Commission expects that the Bonds will be purchased by USDARD pursuant to the terms set forth in the Letter of Conditions. In the event USDARD determines for any reason not to purchase the Bonds, the Commission has determined that it will attempt to secure an alternative lender in order to raise the funds necessary to defray the cost of the Project.

(12) The procedures of USDARD require that, pending disbursement by USDARD of proceeds of the Bonds and the Grant, the Commission shall provide for interim financing of construction of the Project through the issuance of bond anticipation notes of the Commission. Upon the issuance of such bond anticipation notes, USDARD will provide to the owners of such notes, or a trustee acting in their behalf, a letter agreeing to purchase the Bonds upon (near completion/completion) of the Project (the “Take-Out Letter”).

Section 1.02 Determination to Issue Bond Anticipation Notes.

The Commission has determined to authorize the execution and delivery of bond anticipation notes pursuant to the provisions of Title 11, Chapter 17, Code of Laws of South Carolina, 1976, as amended (the “BAN Act”), for the above-described purposes and to make provision for the payment of the principal and interest thereon. Further, the Commission has determined to sell the bond anticipation notes authorized hereby upon the terms and conditions more fully set forth in this resolution.

[End of Article I]

ARTICLE II

DEFINITIONS, CONSTRUCTION AND INTERPRETATIONS

Section 2.01 Definition of Resolution.

This Resolution may be hereafter cited and is hereafter sometimes referred to as this 2020 Note Resolution. Such term shall include all resolutions supplemental to, or amendatory of, this 2020 Note Resolution.

Section 2.02 Defined Terms.

Terms defined in Article I shall have the meanings there assigned to them throughout the remainder of this 2020 Note Resolution. Additionally, unless a different meaning clearly appears from the context, the following terms shall have the following respective meanings:

“2020 Capitalized Interest Fund” shall mean the Capitalized Interest Fund established pursuant to Section 4.03 hereof.

“2020 Construction Fund” shall mean the Construction Fund established pursuant to Section 4.02 hereof.

“2020 Note Resolution” means this 2020 Note Resolution of the Commission authorizing the issuance of the Series 2020 Notes.

“Accountants” shall mean an independent firm of certified public accountants of suitable standing who audit the books, records, and accounts of the System.

“Authorized Investments” shall mean the following investments, but only to the extent that such investments are also permitted under Section 6-5-10 of the South Carolina Code, or any successor statute:

(a) Obligations of the United States, the principal and interest of which is fully guaranteed by the United States;

(b) Obligations issued by the United States Treasury and agencies of the United States, the principal and interest of which is fully guaranteed by the United States;

(c) Obligations issued by the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;

(d) US Treasury STRIPS;

(e) Money market funds with the highest eligible rating; and

(f) Deposits in banks (not holding companies or related entities) with a short-term rating of P-1.

“Bond Resolution” shall have the meaning given thereto in Section 1.01 of this 2020 Note Resolution.

“Chairman” means the Chairman of the Commission, or, in his absence or disability, the Vice Chairman of the Commission.

“Construction Manager” means, at the time of taking action as required by this 2020 Note Resolution, the firm contracted to the Commission to oversee the construction of the Project.

“Continuing Disclosure Certificate” means Continuing Disclosure Certificate relating to the Series 2020 Notes, the form of which is attached hereto as Exhibit “B” hereby authorized to be executed by the Executive Director on behalf of the Commission and dated the date of issuance and delivery of the Series 2020 Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“County” means Laurens County, South Carolina.

“Dated Date” means the date of issuance and delivery of Series 2020 Notes to the Underwriter.

“Defeasance Obligations” means 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.

“Executive Director” means the Executive Director of the Commission.

“Financial Advisor” means First Tryon Advisors, Charlotte, North Carolina.

“Note Payment Date” shall mean such date or dates determined by the Executive Director upon advice of the Commission’s Financial Advisor and set forth in the Purchase Contract upon which interest of and principal of the 2020 Notes shall be due and payable.

“Noteholder” or **“Holder,”** or any similar term, when used with reference to a Series 2020 Note or Notes, shall mean any person who shall be the registered owner of any Outstanding Note.

“Outstanding” shall mean when used with reference to the Series 2020 Notes, all such Series 2020 Notes theretofore or then being authenticated and delivered except:

- (a) Series 2020 Notes cancelled at or prior to such date;
- (b) Series 2020 Notes in lieu of or in substitution for which other Series 2020 Notes shall have been executed and delivered;
- (c) Series 2020 Notes deemed to have been paid as provided in Article XIII hereof; and
- (d) for purposes of any consent or other action to be taken by the holders of a specified percentage of Series 2020 Notes, Series 2020 Notes held by, or for the account of the Commission, or by any person controlling, controlled by, or under common control with the Commission.

“Project” shall have the meaning set forth in Section 1.01 above.

“Purchase Contract” shall mean one or more contracts between the Commission and the Underwriter relating to the purchase by the Underwriter of Series 2020 Notes.

“Record Date” shall mean the fifteenth day of the month immediately preceding each Interest Note Payment Date.

“Secretary” means the Secretary of the Commission.

“Series 2020 Notes” or **“Notes”** shall mean the Commission’s Waterworks Distribution System Revenue Bond Anticipation Notes, Series 2020, in the aggregate principal amount of not exceeding \$42,605,000 authorized to be issued hereunder in one or more Series.

“Trustee” shall mean U.S. Bank National Association, its successors or assigns.

“Underwriter” shall mean Stephens Inc.

Section 2.03 Interpretations.

In this 2020 Note Resolution, unless the context otherwise requires:

(1) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs of this 2020 Note Resolution.

(2) 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.

(3) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder”, and any similar terms, as used in this 2020 Note Resolution refer to this 2020 Note Resolution or Sections or paragraphs of this 2020 Note Resolution and the term “hereafter” shall mean any date after the date of adoption of this 2020 Note Resolution.

(4) The Trustee shall be deemed to hold an Authorized Investment in which money is invested pursuant to the provisions of this 2020 Note Resolution, even though such Authorized Investment is evidenced only by a book entry or similar record of investment.

[End of Article II]

ARTICLE III

THE SERIES 2020 NOTES

Section 3.01 Authorization of Issuance of Notes.

Pursuant to the BAN Act, and for the purpose of raising the moneys necessary to construct and equip the Project, to fund capitalized interest, and to pay related costs of issuance, the Commission directs that there shall be issued one or more Series of Notes designated “Waterworks Distribution System Revenue Bond Anticipation Notes, Series 2020” (the “Series 2020 Notes”). The Series 2020 Notes shall be issued as fully registered Notes in denominations of \$5,000 and integral multiples thereof. The Series 2020 Notes shall be dated as of their Dated Date, and shall mature on such date and in the principal amount as approved by the Executive Director, upon advice of the Commission’s Financial Advisor. The aggregate principal amount of Series 2020 Notes may not exceed \$42,605,000 and the final maturity date thereof must not be later than April 1, 2022.

The Series 2020 Notes shall be sold to the Underwriter at such price, bear interest at such rate, and be payable on such Note Payment Dates as may be set forth in the Purchase Contract. The true interest cost of the Series 2020 Notes shall not exceed 5.0% nor shall the purchase price of Series 2020 Notes of a Series be less than 100% of the par amount thereof unless approved by resolution of the Commission supplemental hereto. The Series 2020 Notes shall be numbered beginning with R-1. In the event more than one Series of Series 2020 Notes is issued hereunder, the first Series issued shall be labeled as Series 2020 Notes, the second Series 2020A Notes, and likewise. All references herein to Series 2020 Notes shall mean all Series 2020 Notes, regardless of their respective Dated Dates.

Section 3.02 Selection of Underwriter; Note Purchase Contract.

The Commission has determined to sell the Series 2020 Notes to the Underwriter pursuant to the Note Purchase Contract, the form of which has been presented to this meeting. The final form of the Note Purchase Contract, with such additions, deletions and other amendments thereto as are deemed necessary by the Executive Director to accomplish the purposes of this 2020 Note Resolution, may be executed and delivered to the Underwriter by the Executive Director. The execution and delivery of the Note Purchase Contract by the Executive Director shall constitute conclusive proof of his approval of the terms thereof.

Section 3.03 Execution and Form of Series 2020 Notes.

The Series 2020 Notes shall be executed in the name of the Commission by the Chairman, under the Seal of the Commission, which shall be impressed or reproduced thereon, and attested by the Secretary or Executive Director of the Commission. The Series 2020 Notes shall be executed by the persons holding office when the Series 2020 Notes are ready for delivery or are presented for transfer.

The Series 2020 Notes shall be issued in substantially the form set forth in Exhibit “A” attached hereto, with such variations, omissions, and insertions as may be required to complete the Series 2020 Notes properly and as may be approved by the officers executing the Series 2020 Notes, which approval shall be conclusively evidenced by such execution.

Section 3.04 Authentication.

Only such Series 2020 Notes as shall have endorsed thereon a certificate of authentication duly executed by the Trustee shall be entitled to any right or benefit under this 2020 Note Resolution. No Series 2020 Note shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee

upon any such Series 2020 Note shall be conclusive evidence that such Series 2020 Note has been authenticated and delivered under this 2020 Note Resolution. The Trustee's certificate of authentication on any Series 2020 Note shall be deemed to have been duly executed if signed by any authorized signatory of the Trustee.

Section 3.05 Medium of Payment.

The Series 2020 Notes shall be payable with respect to principal and interest in lawful money of the United States of America.

Section 3.06 Mutilated, Lost, Stolen or Destroyed Series 2020 Notes.

In the event any Series 2020 Note is mutilated, lost, stolen or destroyed, the Commission may execute and the Trustee may authenticate a new Series 2020 Note of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Series 2020 Note, such mutilated Series 2020 Note shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Series 2020 Note, there shall be first furnished to the Commission and to the Trustee evidence of such loss, theft or destruction satisfactory to the Commission and the Trustee together with indemnity satisfactory to them. In the event any such Series 2020 Note shall have matured, instead of issuing a duplicate Series 2020 Note, the Commission may pay the same. The Commission and the Trustee may charge the Holder or owner of such Series 2020 Note with their reasonable fees and expenses in this connection.

Section 3.07 Transfer and Registry; Persons Treated as Owners.

(1) As long as any Series 2020 Notes shall be Outstanding, the Commission shall cause books for the registration and for the transfer of Series 2020 Notes to be kept. Such books shall be kept by the Trustee. The transfer of each Series 2020 Note may be registered only upon the registration books of the Commission kept for that purpose by the Holder 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 duly executed by the Holder or his duly authorized attorney and signature guaranteed. Upon the registration or transfer of any Series 2020 Note, the Commission shall cause to be issued, subject to the provisions of Section 3.10 hereof, in the name of the transferee a new Series 2020 Note or Series 2020 Notes of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2020 Note.

(2) The Commission and the Trustee may deem and treat the person in whose name any Series 2020 Note shall be registered upon the registration books of the Commission as the absolute owner of such Series 2020 Note, whether such Series 2020 Note 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 Series 2020 Note and for all other purposes, and all such payments so made to any such Holder or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Series 2020 Note to the extent of the sum or sums so paid; and neither the Commission nor the Trustee shall be affected by any notice to the contrary.

Section 3.08 Date and Payment Provisions.

The Series 2020 Notes shall be dated as of and authenticated on such dates as they shall be delivered. Each Series 2020 Note shall bear interest from its Dated Date 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 Series 2020 Note's authentication.

Principal of the Series 2020 Notes when due shall be payable at the corporate trust office of the Trustee, in the City of St. Paul, Minnesota. Interest on the Series 2020 Notes shall be payable from the Dated Date thereof. Interest on the Series 2020 Notes (calculated on the basis of a 360 day year of twelve 30 day months) shall be payable on each Note Payment Date, in each case to the Noteholders as of the immediately preceding Record Date, interest to be paid by the Trustee by check or draft mailed to each Noteholder at his address as it appears on the Books of Registry maintained at the corporate trust office of the Trustee, in the City of St. Paul, Minnesota; provided that payment to a Noteholder of \$1,000,000 or more may be made by wire transfer to an account within the continental United States in accordance with written instructions filed with the Trustee no later than the Record Date.

Section 3.09 Interchangeability of Series 2020 Notes.

Series 2020 Notes of a Series, upon surrender thereof at the office of the Trustee for the Series 2020 Notes of such Series with a written instrument of transfer satisfactory to the Trustee, duly executed by the Holder or his duly authorized attorney and signature guaranteed, may, at the option of the Holder and upon payment by such Holder of any charges made pursuant to Section 3.10 hereof, be exchanged for an equal aggregate principal amount of Series 2020 Notes of such Series of like maturity and interest rate of any other authorized denominations.

Section 3.10 Regulations With Respect to Exchanges and Transfer.

In all cases in which the privilege of exchanging or transferring Series 2020 Notes is exercised, the Commission shall execute and the Trustee shall authenticate and deliver Series 2020 Notes in accordance with the provisions of this 2020 Note Resolution. All Series 2020 Notes 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 to the Commission. All Series 2020 Notes so destroyed shall thereafter no longer be considered Outstanding for any purposes of this 2020 Note Resolution. There shall be no charge to the Holder for such exchange or transfer of Series 2020 Notes except that the Trustee 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 Commission nor the Trustee shall be required to register, transfer or exchange Series 2020 Notes after the Record Date until the next succeeding Note Payment Date or to register, transfer or exchange any Series 2020 Notes called for redemption after the mailing of any notice of redemption of such Series 2020 Note.

Section 3.11 Cancellation and Destruction of Mutilated, Paid or Surrendered Series 2020 Notes.

Upon the surrender of mutilated Series 2020 Notes pursuant to Section 4.07 hereof, or Series 2020 Notes 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, upon request, be furnished by the Trustee, as the case may be, to the Commission. All Series 2020 Notes so destroyed shall thereafter no longer be considered Outstanding for any purposes of this 2020 Note Resolution.

Section 3.12 Redemption; Notice to Noteholder.

The Series 2020 Notes shall be subject to redemption upon the terms directed by the Executive Director, upon advice of the Commission's Financial Advisor, and such terms shall be included in the Purchase Contract, provided that such redemption shall be at a price equal to 100% of the principal amount to be redeemed, plus interest accrued to the date of redemption. In the event that the Commission shall hereafter determine to issue the Bonds at a date which would result in delivery thereof prior to the first permissible redemption date of the Series 2020 Notes, then in such event the Commission shall deposit into an escrow account held by the Trustee in accordance with Article XIII of this 2020 Note Resolution such amount of the proceeds of the Bonds that is necessary for the payment of the principal sum due thereon, plus accrued interest to the maturity date, on the occasion of the delivery of the Bonds.

The Series 2020 Notes shall also be subject to redemption at the option of the Commission upon the revocation of USDARD's commitment to purchase the Bonds.

If the Series 2020 Notes are called for redemption, the Trustee shall give notice to the Holders of the Series 2020 Notes, in the name of the Commission, of the redemption of the Series 2020 Notes. Notice of redemption of the Series 2020 Notes is required to be mailed by the Trustee by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered owners of Series 2020 Notes, at the address of such owners recorded on the Series 2020 Note 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 Series 2020 Notes, CUSIP number, redemption date, Trustee's name and address, date of the Series 2020 Notes, 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 state that the payment of the redemption price on the redemption date is dependent upon the delivery by the Commission to the Trustee of funds sufficient therefor;

(3) notices must be sent to Noteholders of \$1,000,000 or more and any Securities Depository by certified mail, return receipt requested;

(4) a second notice to Noteholders must be mailed by the means specified above to any Noteholder who has not presented Series 2020 Notes for redemption 60 days after the 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.

(6) The failure of the Trustee to give notice to a Noteholder or any defect in such notice shall not affect the validity of the redemption of any other Series 2020 Notes for which notice is properly given. Any Noteholder may waive notice of redemption by delivery of a written waiver to the Trustee.

Provided sufficient funds for such redemption are on deposit with the Trustee as of the redemption date, all Series 2020 Notes shall cease to bear interest on the redemption date and shall no longer be deemed to be Outstanding hereunder. If said money shall not be so available on the redemption date, the Series 2020 Notes shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 3.13 Cancellation of Series 2020 Notes Which Have Been Redeemed.

All Series 2020 Notes 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, upon request, by the Trustee to the Commission. All Series 2020 Notes so destroyed shall thereafter no longer be considered Outstanding for any purposes of this 2020 Note Resolution.

Section 3.14 Security for Payment of Series 2020 Notes; Covenant to Issue Bonds.

For the payment of the principal of and interest on the Series 2020 Notes there shall be, and there is hereby irrevocably pledged, a sufficient amount of the proceeds of the Bonds to effect the payment thereof. The Commission irrevocably covenants and agrees, and is hereby obligated:

(1) to effect the issuance of the Bonds or refunding bond anticipation notes on such occasion and in such aggregate amount that the proceeds from the sale and issue thereof shall be available to effect the payment of the principal of and interest on the Series 2020 Notes on or prior to the date of their stated maturity; and

(2) if the Bonds shall be issued on an occasion earlier than presently anticipated, the delivery of the Bonds shall occur on the date prescribed by the Commission and the proceeds of the Bonds will be held by the Trustee in an escrow account in accordance with Section 13.01 of this 2020 Note Resolution to effect the payment of the principal and interest of the Series 2020 Notes on the date of their stated maturity or earlier permissible redemption date.

The Series 2020 Notes shall not constitute an indebtedness of the Commission within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, and the faith, credit and taxing power of the Commission are expressly not pledged therefor.

Section 3.15 Series 2020 Notes in Book-Entry Form.

Unless and until the book-entry-only system described in this Section 3.15 has been discontinued, the Series 2020 Notes will be available only in book-entry form in principal amounts of \$5,000 and integral multiples thereof. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2020 Notes, and the ownership of one fully registered Series 2020 Note for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC.

(1) Notwithstanding any provision of this Series 2020 Resolution to the contrary, the Series 2020 Notes will initially be issued under the DTC Book-Entry-Only System in fully registered form, registered in the name of Cede & Co. as the registered owner and securities depository nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as initial securities depository for the Series 2020 Notes. Notwithstanding anything to the contrary herein, so long as the Series 2020 Notes are being held under a book-entry system of a securities depository, transfers of beneficial ownership of the Series 2020 Notes will be effected pursuant to rules and procedures established by such securities depository. DTC and any successor securities depositories are hereinafter referred to as the "Securities Depository." Cede & Co. and successor securities depository nominees are hereinafter referred to as the "Securities Depository Nominee."

(2) While the book-entry system is used for the Series 2020 Notes, the Trustee will give any notice of redemption or any other notice required to be given to holders of the Series 2020 Notes only to DTC.

(3) Neither the Commission nor the Trustee shall not have any responsibility or obligation to any participant, any beneficial owner or any other person claiming a beneficial ownership in Series 2020 Notes which are registered to a Securities Depository Nominee under or through the Securities Depository with respect to any action taken by the Securities Depository as Holder of such Bonds.

(4) For every transfer and exchange of a beneficial ownership interest in the Series 2020 Notes, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. If for any such reason the system of book-entry-only transfers through DTC or other securities depository, as provided below, is discontinued, Series 2020 Note certificates will be executed delivered by the Commission in fully registered form in denominations of \$100,000 and integral multiples of \$5,000 above \$100,000 in the names of Beneficial Owners or DTC Participants; provided, however, that in the case of any such discontinuance the Commission may within 90 days thereafter appoint a substitute securities depository which, in the Commission's opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms.

(5) In the event the book-entry system is discontinued, the persons to whom Series 2020 Note certificates are delivered will be treated as "Noteholders" for all purposes of this 2020 Note Resolution, including the giving to the Commission or the Trustee of any notice, consent, request or demand pursuant to this 2020 Note Resolution for any purpose whatsoever. In such event, interest on the Series 2020 Notes will be payable as provided in Section 3.08 hereof.

Section 3.16 Series 2020 Notes Exempt from State Taxes.

The Series 2020 Notes and the interest thereon shall be exempt from all State, county, municipal, school district, and all other taxes or assessments of the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest thereon may be included in certain franchise fees or taxes. This provision shall be deemed a part of the contract inuring to the benefit of the Holders of the Series 2020 Notes.

Section 3.17 Additional Bond Anticipation Notes.

The Commission reserves the right to issue not exceeding \$2,000,000 in additional bond anticipation notes in addition to those authorized by this 2020 Note Resolution in order to provide funds required to meet costs of the Project, provided that prior to the issuance of such additional bond anticipation notes the Commission shall provide to the Trustee:

(1) a written statement of the Construction Manager to the effect that the proceeds of such additional bond anticipation notes are required to defray costs of the Project, along with costs of issuance and, if directed by the Commission, capitalized interest, and will be, in combination with the proceeds of the Notes, the Grant and the Commission Contribution, sufficient to pay all remaining unpaid costs of the Project; and

(2) an amended Take-Out Letter reflecting the intention of USDARD to purchase bonds issued by the Commission in amount sufficient to pay the principal of and interest on the additional bond anticipation notes.

In all other cases, additional bond anticipation notes may only be issued with the consent of a majority of the Holders of the Series 2020 Notes. All additional bond anticipation notes issued pursuant to the provisions of this Section 3.17 shall mature on the same date, shall bear identical redemption provisions, and shall otherwise be on a parity in all respects with the 2020 Notes.

ARTICLE IV

ESTABLISHMENT OF FUNDS

Section 4.01 Requirement for Special Funds.

For so long a time as any sum remains due and payable by way of principal or interest on the Series 2020 Notes, the following funds or accounts shall be established and maintained, and deposits shall be made therein in the manner herein required.

Section 4.02 The 2020 Construction Fund.

There is hereby created and established the 2020 Construction Fund to be held by the Trustee, as the custodian of the 2020 Construction Fund. A portion of the proceeds of the Series 2020 Notes, in such amount as determined by the Executive Director, must be paid to the Trustee for deposit in the 2020 Construction Fund in order to pay costs of issuance and costs of the Project. Any proceeds remaining in the 2020 Construction Fund after paying all costs of issuance and costs of the Project shall be used to pay principal of the Series 2020 Notes at maturity or earlier redemption thereof.

As construction of the Project progresses, the Chairman or the Executive Director of the Commission, in combination with the Secretary of the Commission, are authorized to withdraw from the 2020 Construction Fund such moneys applicable to progress payments on aspects of the Project. Each such withdrawal shall be in writing and shall be accompanied with a certificate of the Chairman or the Executive Director and the Secretary of the Commission certifying that the sums about to be obtained are to pay costs incident to the construction of the Project, that such costs have been duly incurred by reason of work performed or material furnished, and that no part of the items to be paid have been previously paid. Notwithstanding the foregoing, all construction withdrawals must first be approved by a representative of the construction manager of the Project and by a representative of USDARD, which approval may be evidenced by signatures of both parties on the certification of the Commission presented to the Trustee. The Trustee may conclusively rely on such certification of the Commission and shall be fully protected in releasing moneys from the 2020 Construction Fund based upon such certification.

All invoices for payment of costs of issuance shall be approved by the Executive Director of the Commission and a representative of USDARD prior to payment thereof by the Trustee.

Section 4.03 The Capitalized Interest Fund.

There is hereby created and established the 2020 Capitalized Interest Fund to be held by the Trustee. A portion of the proceeds of the Series 2020 Notes in such amount as directed by the Executive Director, shall be paid to the Trustee for deposit in the 2020 Capitalized Interest Fund to pay accrued interest on the Note Payment Dates during the construction of the Project, to and including the date of maturity or earlier redemption. At or prior to the delivery of the Series 2020 Notes the Executive Director shall provide the Trustee with a written schedule showing the dates and amounts of withdrawals from the 2020 Capitalized Interest Fund.

Section 4.04 Investments of Funds.

Whenever, in the opinion of the Executive Director, it becomes desirable to invest money in the Construction Fund or the Capitalized Interest Fund, the Executive Director may make Authorized Investments. In the event the Executive Director directs the Trustee in writing to so invest, the Trustee shall act in compliance with such directions. The Trustee will not be liable for any consequences resulting from any investments made pursuant to this Section. The Trustee will be entitled to rely conclusively upon the

Executive Director's specific written investment directions as to the fact that each such investment meets the criteria of this Resolution. All earnings shall be credited to the fund from which such earnings were derived. The Trustee shall not be held accountable or liable for any depreciation in the value of Authorized Investments or for any losses incurred upon any disposition thereof.

The Trustee may elect, but shall not be obligated, to credit the funds held by it with moneys representing income or principal payments due on, or sales proceeds due in respect of, Authorized Investments in such funds and accounts, or to credit to Authorized Investments intended to be purchased with such moneys, in each case before actually receiving the requisite moneys from the payment source, or to otherwise advance funds for account transactions. The Commission acknowledges that the legal obligation to pay the purchase price of any Authorized Investments arises immediately at the time of the purchase. Notwithstanding anything else in this Resolution, (i) any such crediting of funds or assets shall be provisional in nature, and the Trustee shall be authorized to reverse any such transactions or advances of funds in the event that it does not receive good funds with respect thereto, and (ii) nothing in this Resolution shall constitute a waiver of any of trustee's rights as a securities intermediary under Uniform Commercial Code §9-206.

The Commission acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower the right to receive brokerage confirmations of security transactions from the Trustee as they occur, the Borrower specifically waives receipt of such confirmations to the extent permitted by law.

[End of Article IV]

ARTICLE V
CERTAIN SECURITIES LAW MATTERS

Section 5.01 Preliminary and Final Official Statement.

The Commission hereby authorizes the Preliminary Official Statement of the Commission relating to the Series 2020 Notes, the form of which has been presented to this meeting. The final form of the Preliminary Official Statement, with such additions, deletions and other amendments thereto as are deemed necessary by the Executive Director to accomplish the purposes of this 2020 Note Resolution may be deemed final, within the meaning of U.S. Securities and Exchange Commission Rule 15(c)(2)-12, by the Executive Director, and delivered by him to the Underwriter.

The Commission authorizes the distribution of the deemed final Preliminary Official Statement in electronic or printed form in connection with the sale of the Series 2020 Notes. The Commission further authorizes the preparation and distribution of the final Official Statement in electronic or printed form following the sale of the Series 2020 Notes. The Executive Director and the Chairman are each hereby authorized, and either one of them (or both, upon request of the Underwriter) shall execute copies of the Official Statement and deliver them to the Underwriter; and the Commission hereby authorizes the use of the Preliminary Official Statement and the Official Statement and the information contained therein in connection with the public offering and sale of the Series 2020 Notes by the Underwriter.

Section 5.02 Continuing Disclosure.

(1) In accordance with Act No. 442 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1994, the Commission hereby covenants to file with a central repository for availability in the secondary bond market when requested (1) an annual independent audit, within thirty days of the Commission's receipt of the audit; and (2) event specific information, within thirty days of an event adversely affecting more than five percent of the Commission's revenue or tax base. The only remedy for failure by the Commission to comply with the covenant in this Section 10.05 shall be an action for specific performance of this covenant. The Commission specifically reserves the right to amend this covenant to reflect any change in Act 442 without the consent of any Bondholder.

(2) The Commission hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Resolution, failure of the Commission to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Commission to comply with its obligations under this Section 5.02(2). The Continuing Disclosure Certificate shall be executed by the Executive Director prior to the delivery of the Bonds and shall be in such form as is set forth in Exhibit "B" hereto, together with such modifications and amendments thereto as shall be deemed necessary by the Executive Director, upon advice of counsel. The execution of the Continuing Disclosure Certificate shall constitute conclusive evidence of the approval by the person executing the same of any and all modifications and amendments thereto.

[End of Article V]

ARTICLE VI

AGREEMENT TO FURNISH INFORMATION WITH RESPECT TO SYSTEM

Section 6.01 Keeping Records.

The Commission recognizes that those who may from time to time hereafter be Noteholders will, throughout the life of the Series 2020 Notes, require full information with respect to the System, the fiscal affairs of the System, and all matters incident to each. To that end the Commission 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:

- (1) The number of customers who may from time to time make use of the System;
 - (2) The revenues of the System and the source from whence derived;
 - (3) All expenses incurred in the operation of the System suitably identified as to purpose;
 - (4) All expenditures made from the several funds established by this 2020 Note Resolution;
- and
- (5) The rate schedules that may from time to time be in force.

Section 6.02 Audit Required.

The Commission further covenants and agrees that so long as any Series 2020 Notes are Outstanding, it will, not later than two hundred forty (240) 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, and that it will furnish a copy of such audit to the Trustee. The Trustee has no duty or obligation to review any such audits provided to it and shall hold such audits solely as a repository for Noteholders. If a Noteholder requests a copy of any such audit the Trustee shall be fully protected in releasing such audit to all Noteholders.

[End of Article VI]

ARTICLE VII

INSURANCE

Section 7.01 Insurance.

(1) The Commission covenants and agrees that so long as the Series 2020 Notes are Outstanding:

(a) 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;

(b) That it will secure adequate fidelity bonds (blanket or individual) of a surety company doing business in the State, indemnifying the Commission 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, in lieu thereof, an insurance policy applicable to all employees and officers covering 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;

(c) That all premiums on all bonds or insurance policies shall be deemed a part of the cost of operating and maintaining the System;

(d) That all insurance policies shall be open to the inspection of any Noteholder at any reasonable time; and

(e) That all money received by the Commission 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 Commission 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.

(2) Insurance required by this Section 7.01 may be provided through the insurance pool operated by the Special Purpose District Association of South Carolina. The Commission 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 Commission. If the Commission shall be self-insured for any coverage, the Commission 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 annually. Any self-insurance program shall be subject to annual review by the Insurance Consultant who shall provide a written report to the Commission which shall include recommendations relating to such self-insurance program. The Commission shall provide to the Trustee annual certification within 15 days of the last day

of the Fiscal Year evidencing compliance with the Insurance Consultant's recommendations. The Trustee has no duty or obligation to make any determination as to the sufficiency of the insurance required to be maintained hereunder nor is it under any duty to monitor the Commission's compliance with any recommendations of the Insurance Consultant.

(3) All costs and expenses of providing the insurance required by this Section 7.01 shall be payable solely from the revenues of the System.

[End of Article VII]

ARTICLE VIII

ADDITIONAL COVENANTS

Section 8.01 Additional Covenants.

The Commission further covenants and agrees:

(1) 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;

(2) 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 Commission, the reasonable cost and value of such services and facilities shall be paid as such services accrue. The revenue so received from the Commission 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;

(3) That 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;

(4) That it will permit, so long as there are any Series 2020 Notes Outstanding, any Noteholder to inspect the System and all records and accounts thereof under reasonable terms and conditions and after reasonable notice has been given;

(5) That so long as there are any Series 2020 Notes Outstanding, it will perform all duties with reference to the System required by the Constitution and statutes of the State; and

(6) 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 (except to the extent permitted by the Bond Resolution) or dispose of any portion of the System, necessary or useful (as determined by the Commission) in the operation of the System, until all Series 2020 Notes shall be paid in full, or unless and until provision shall have been made for the payment of all Series 2020 Notes 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 Commission 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 Commission in the manner permitted by the Bond Resolution.

[End of Article VIII]

ARTICLE IX

MODIFICATION OF RESOLUTION

Section 9.01 Modification Without Noteholder Approval.

(1) Provided always that the security of the Series 2020 Notes shall not be lessened, or in any manner impaired, the Commission may for any one or more of the following purposes at any time, or from time to time, without consent of any of the Noteholders adopt a Resolution, supplementing this 2020 Note Resolution, which Resolution shall be fully effective in accordance with its terms:

(a) To add to the covenants and agreements of the Commission in this 2020 Note Resolution, other covenants and agreements thereafter to be observed;

(b) To surrender any right, power or privilege reserved to or conferred upon the Commission by this 2020 Note Resolution; and

(c) To cure, correct and remove any ambiguity or inconsistent provisions contained in this 2020 Note Resolution.

(2) Such supplemental Resolution shall not become effective until a copy thereof, duly certified, shall have been filed in the office of the Clerk of Court of the County.

Section 9.02 Modification with Noteholder Approval.

The rights and duties of the Commission and the Noteholders and the terms and provisions of this 2020 Note Resolution may be modified or altered in any respect by a Resolution adopted by Commission with the consent of the Holders of sixty-six and two-thirds percent (66 2/3%) in principal amount of all Series 2020 Notes would be affected by such modification or alteration then Outstanding, such consent to be evidenced in such manner as may be acceptable to the Trustee, but no such modification or alteration shall without the consent of the Holders of all Series 2020 Notes affected by such change or modification:

(1) Extend the maturity of any payment of principal or interest due upon any Series 2020 Note;

(2) Effect a reduction in the amount which the Commission is required to pay by way of principal, interest or redemption premium on any Series 2020 Notes;

(3) Effect a change as to the type of currency in which the Commission is obligated to effect payment of the principal, interest and redemption premium of any Series 2020 Note;

(4) Permit preference or priority of any Series 2020 Notes to others; or

(5) Reduce the percentage required for the written consent to the modification or alteration of the provisions of this 2020 Note Resolution.

In addition, no modification or alteration shall, without the consent of the Trustee, affect the rights of the Trustee hereunder.

Section 9.03 Procedure for Procuring Noteholder Approval.

The Commission and the Trustee may rely upon the registry books maintained by the Trustee to determine who are the Holders of the Series 2020 Notes. 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 of the County and the Trustee a copy of such amendatory Resolution hereinabove provided for, duly certified, as well as proof of consent to such modification by the Holders of sixty-six and two-thirds percent (66 2/3%) in principal amount of the Series 2020 Notes.

Section 9.04 Consolidation of System With Other Commission Enterprises.

Notwithstanding anything in this 2020 Note Resolution to the contrary, upon compliance with the applicable provisions of the Bond Resolution, the Commission may from time to time by resolution modify the term "System" as defined in the Bond Resolution to include, in addition to the System as presently defined in this 2020 Note Resolution, the Water Supply System and/or the Sewer System, as the case may be.

Section 9.05 Sale, Exchange or Disposal of Component or Enterprise of System.

(1) The Commission may from time to time sell, exchange or otherwise 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 resolution:

(a) that the sale, exchange or other disposition thereof would not materially adversely affect the operating efficiency of the System and would not materially reduce Net Earnings; or

(b) that the sale, exchange or other disposition thereof (1) would not materially adversely affect the ability of the Commission to comply with the rate covenant, set forth in Section 5.01 of the Bond Resolution, for the current and next succeeding Fiscal Year, and (2) would be for a consideration of not less than fair market value.

(2) If the Commission sells or otherwise disposes of an enterprise or component of the System, the proceeds, if any, of such sale or other disposition may be applied, at the discretion of the Commission, as follows:

(a) to the payment or satisfaction, in whole or in part, of (a) Bonds associated with or related to such component or enterprise and (b) any other type of indebtedness of the Commission associated with or related to such component or enterprise; or

(b) to the payment or satisfaction, in whole or in part, of the amount due under any type of contractual obligations of the Commission associated with or related to such enterprise or component; or

(c) to the payment of the construction or purchase of additional improvements or expansions to the System.

[End of Article IX]

ARTICLE X

EVENTS OF DEFAULT

Section 10.01 Events of Default.

(1) Each of the following events is hereby declared an “Event of Default”:

(a) default by the Commission in the payment of any principal of the Series 2020 Notes when due whether at maturity or upon call for redemption or otherwise;

(b) default by the Commission in the payment of any installment of interest on the Series 2020 Notes when due;

(c) default by the Commission in the performance or observance of any other covenants, agreements or conditions on its part contained herein or in the Series 2020 Notes and such failure, refusal or default will continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than a majority in principal amount of the outstanding Series 2020 Notes; or

(d) an order or decree shall be entered with the consent or acquiescence of the Commission 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 Commission for the purpose of effecting a composition between the Commission 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 Commission, 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 Commission, 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.

(2) If by reason of force majeure the Commission is unable in whole or in part to carry out its agreements herein contained (other than the obligation of the Commission to pay principal of and interest on the Series 2020 Notes as the same shall become due and payable), the Commission 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 Commission, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Commission, and the Commission 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 Commission unfavorable to the Commission.

ARTICLE XI

REMEDIES

Section 11.01 Acceleration; Annulment of Acceleration.

(1) Upon the occurrence of an Event of Default described in either Section 10.01(1)(a) or Section 10.01(1)(b), the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Series 2020 Notes Outstanding shall, by notice in writing to the Commission, declare all Series 2020 Notes Outstanding immediately due and payable; and such Series 2020 Notes shall become and be immediately due and payable, anything in the Series 2020 Notes or in this 2020 Note Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Series 2020 Notes an amount equal to the total principal amount of all such Series 2020 Notes, plus all interest accrued thereon and which will accrue thereon to the date of payment.

(2) At any time after the principal of the Series 2020 Notes 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 2020 Note Resolution, the Trustee may annul such declaration and its consequences with respect to the Series 2020 Notes upon request of the Holders of not less than a majority in aggregate principal amount of Series 2020 Notes Outstanding.

Section 11.02 Additional Remedies and Enforcement of Remedies.

(1) Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2020 Notes 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 Noteholders under this 2020 Note Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(a) Requiring the Commission to carry out its duties and obligations under the terms of this 2020 Note Resolution and under the Enabling Act;

(b) Suit upon all or any part of the Series 2020 Notes;

(c) Civil action to require the Commission to account as if it were the trustee of an express trust for the Holders of Series 2020 Notes;

(d) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Series 2020 Notes; and

(e) Enforcement of any other right of the Noteholders conferred by law or by this 2020 Note Resolution.

(2) 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 Series 2020 Notes 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:

(a) To prevent any impairment of the security under this 2020 Note Resolution by any acts which may be unlawful or in violation of this 2020 Note Resolution; or

(b) To preserve or protect the interests of the Noteholders, provided that such request is in accordance with law and the provisions of this 2020 Note Resolution and, in the sole

judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Series 2020 Notes not making such request.

Section 11.03 Remedies Not Exclusive.

No remedy by the terms of this 2020 Note Resolution conferred upon or reserved to the Trustee or the Noteholders 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 2020 Note Resolution or existing at law or in equity or by statute (including the Enabling Act) on or after the date hereof.

Section 11.04 Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this 2020 Note Resolution or under any of the Series 2020 Notes may be enforced by the Trustee without the possession of any of the Series 2020 Notes 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 Series 2020 Notes. Any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Series 2020 Notes.

Section 11.05 Noteholders Control of Proceedings.

If an Event of Default shall have occurred and be continuing, notwithstanding anything in this 2020 Note Resolution to the contrary, the Holders of at least a majority in aggregate principal amount of Series 2020 Notes 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 2020 Note Resolution 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 2020 Note Resolution (including indemnity to the Trustee) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Noteholders not joining in such direction and provided further that nothing in this Section 11.05 shall impair the right of the Trustee in its discretion to take any other action under this 2020 Note Resolution which it may deem proper and which is not inconsistent with such direction by Noteholders.

Section 11.06 Individual Noteholder Action Restricted.

(1) No Noteholder shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of this 2020 Note Resolution or for the execution of any trust hereunder or for any remedy under this 2020 Note Resolution unless:

(a) An Event of Default has occurred:

(i) under paragraph (a) or (b) of subsection (1) of Section 13.01 hereof;

(ii) as to which the Trustee has actual notice; or

(iii) as to which the Trustee has been notified in writing by the Commission or by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Series 2020 Notes; and

(b) The Holders of at least twenty-five percent (25%) in aggregate principal amount of Series 2020 Notes shall have made written request to the Trustee to proceed to exercise the

powers granted in this 2020 Note Resolution or to institute such action, suit or proceeding in its own name; and

(c) Such Noteholders shall have offered the Trustee reasonable indemnity; and

(d) 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.

(2) No one or more Holders of Series 2020 Notes shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this 2020 Note Resolution or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Series 2020 Notes.

(3) Nothing contained in this 2020 Note Resolution shall affect or impair, or be construed to affect or impair, the right of the Holder of any Series 2020 Note:

(a) to receive payment of the principal of or interest on Series 2020 Note on the due date thereof; or

(b) to institute suit for the enforcement of any such payment on or after such due date.

Section 11.07 Termination of Proceedings.

In case any proceeding taken by the Trustee or any Noteholder 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 Noteholders, the Commission, the Trustee and the Noteholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Noteholders shall continue as if no such proceeding had been taken.

Section 11.08 Waiver and Non-waiver of Event of Default.

(1) No delay or omission of the Trustee or of any Holder of the Series 2020 Notes to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article XI to the Trustee and the Holders of the Series 2020 Notes, respectively, may be exercised from time to time and as often as may be deemed expedient.

(2) 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 2020 Note Resolution, or before the completion of the enforcement of any other remedy under this 2020 Note Resolution.

(3) Notwithstanding anything contained in this 2020 Note Resolution to the contrary, the Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Series 2020 Notes Outstanding, shall waive any Event of Default hereunder and its consequences; provided, however, a default in the payment of the Series 2020 Notes 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 Series 2020 Notes Outstanding.

(4) In case of any waiver by the Trustee of an Event of Default hereunder, the Commission, the Trustee and the Noteholders shall be restored to their former positions and rights under this 2020 Note Resolution, 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 11.08.

Section 11.09 Notice of Defaults.

(1) Within thirty (30) days after:

(a) The receipt of notice of an Event of Default as provided in Section 14.07(1)(a)(ii) or (iii) hereof; or

(b) The occurrence of an Event of Default under Paragraph (a) or (b) of subsection (1) of Section 11.01 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 Holder of Series 2020 Notes, provided that, except in the case of a default in the payment of principal of and interest on any of the Series 2020 Notes, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Noteholders.

(2) The Trustee shall notify the Commission of any Event of Default known to the Trustee without delay.

[End of Article XI]

ARTICLE XII

TRUSTEE AND ITS FUNCTIONS; OTHER FIDUCIARIES

Section 12.01 Appointment and Vesting of Powers in Trustee; Limitation of Rights of Noteholders to Appoint Trustee.

U.S. Bank National Association is hereby appointed as the Trustee of the Series 2020 Notes. The Series 2020 Notes shall be presented for registration of transfers and exchanges, and notices and demands in respect of the Series 2020 Notes may be served upon the Trustee. 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 Noteholders to appoint a trustee hereunder is limited to the circumstances contemplated by Section 12.10 hereof.

Section 12.02 Functions of Trustee.

The Trustee shall have the following additional functions:

- (1) To authenticate the Series 2020 Notes and act as registrar therefor;
- (2) To act as custodian of the Construction Fund;
- (3) To act as custodian of the Capitalized Interest Fund;
- (4) To act as paying agent for the Bonds; and
- (5) To make reports to the Commission on a monthly or such other basis as may be requested by the Commission, but not less often than semi-annually:
 - (a) Establishing balances on hand; and
 - (b) Listing investments made for any fund handled by the Trustee.

Section 12.03 Acceptance by Trustee Required.

Prior to the delivery of the Series 2020 Notes, the Trustee appointed pursuant to Section 12.01 hereof shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this 2020 Note Resolution, by executing and delivering to the Commission a written acceptance thereof.

Section 12.04 Liability as to Recitals in Resolution and Series 2020 Notes; Duties, Rights and Responsibilities of Trustee.

(1) The recitals of fact made in this 2020 Note Resolution and in the Series 2020 Notes shall be taken as statements of the Commission, 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 2020 Note Resolution or of the Series 2020 Notes issued hereunder except with respect to the authentication of any Series 2020 Notes. Nor shall the Trustee be deemed to have made any representation as to the value, condition, or sufficiency of any assets pledged or assigned as security for the Series 2020 Notes, the right, title, or interest of the Commission therein, the technical feasibility of the System, the compliance of the System with the Enabling Act, or the tax-exempt status of any of the Series 2020 Notes. Nor shall the Trustee be under

responsibility or duty with respect to the issuance of said Series 2020 Notes, 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 default.

(2) Prior to the occurrence of an Event of Default of which the Trustee has or is deemed to have notice hereunder, and after the curing of any Event of Default which may have occurred:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this 2020 Note Resolution, and no implied covenants or obligations shall be read into this 2020 Note Resolution against the Trustee; and

(b) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this 2020 Note Resolution but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine the same to determine whether or not they conform to the requirements of this 2020 Note Resolution.

(3) In case an Event of Default of which the Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this 2020 Note Resolution and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(4) No provision of this 2020 Note Resolution shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) this subsection shall not be construed to limit the effect of subsection (2) of this Section;

(b) the Trustee is not liable for any error of judgment made in good faith by an authorized agent or officer of the Trustee, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts;

(c) the Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Noteholders under any provision of this 2020 Note Resolution relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this 2020 Note Resolution; and

(d) no provision of this 2020 Note Resolution shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(5) The Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(6) Any request, direction, order or demand of the Commission under this 2020 Note Resolution shall be sufficiently evidenced by a written certificate of the Chairman (unless other evidence thereof is specifically prescribed).

(7) Whenever in the administration of this 2020 Note Resolution the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a written certificate of the Chairman.

(8) The Trustee may consult with legal counsel and the written advice of such legal counsel or an opinion of legal counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion.

(9) The Trustee is under no obligation to exercise any of the rights or powers vested in it by this 2020 Note Resolution at the request or direction of any of the Noteholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the holders of 25% in aggregate principal amount of the Series 2020 Notes.

(10) The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Commission, in person or by agent or attorney.

(11) The Trustee may execute any of its trusts or powers or perform any duties under this 2020 Note Resolution either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement by the Commission, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it.

(12) The Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except Events of Default under Sections 10.01(1)(a) and 10.01(1)(b), unless an authorized agent of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the Commission or from the holders of at least 25% in aggregate principal amount of the Series 2020 Notes Outstanding, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists.

(13) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this 2020 Note Resolution.

(14) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders of Series 2020 Notes, each representing less than a majority in aggregate principal amount of the Series 2020 Notes, pursuant to the provisions of this 2020 Note Resolution the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(15) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this 2020 Note Resolution shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right

to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this 2020 Note Resolution and final payment of the Series 2020 Notes.

(16) The permissive right of the Trustee to take the actions permitted by this 2020 Note Resolution shall not be construed as an obligation or duty to do so.

(17) The Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Series 2020 Notes, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Series 2020 Notes.

(18) The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Series 2020 Notes and may join in any action which any Noteholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the Commission and may act as depository, trustee or agent for any committee of Noteholders secured hereby or other obligations of the Commission as freely as if it were not Trustee. The provisions of this Section shall extend to affiliates of the Trustee.

(19) Whether or not expressly so provided, every provision of this 2020 Note Resolution relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section.

Section 12.05 Trustee May Rely on Notices, etc.

The Trustee shall at all times be 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 12.06 Trustee Permitted to Resign.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving to the Commission and the Noteholders 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 such successor.

Section 12.07 Removal of Trustee.

(1) The Trustee may be removed at any time by the Holders of not less than a majority of the principal amount of Series 2020 Notes Outstanding.

(2) The Trustee may likewise be removed at any time by the Commission with the consent and approval of the Holders of not less than a majority of the principal amount of the Series 2020 Notes.

(3) Any such removal shall take effect immediately upon but not before the appointment and qualification of such successor.

Section 12.08 Appointment of Successor Trustee Upon Resignation or Removal of Trustee.

(1) In case at any time the Trustee shall resign, or be removed or become incapable of acting, or be adjudged a 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 a Resolution of the Commission duly adopted. Such successor shall in all instances be a bank or trust company 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 \$100,000,000.

(2) Immediately following such appointment the Commission shall give written notice of such appointment to the Noteholders.

Section 12.09 When Noteholder May Seek Successor Trustee.

If, in a proper case, no appointment of a successor Trustee shall be made promptly pursuant to Section 12.09, any Noteholder 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 12.10 Acceptance by Successor Trustee.

Any successor Trustee appointed hereunder shall execute and deliver to its predecessor and to the Commission 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 written request of the Commission, 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 12.11 Effect of Trustee Merging With Another Bank.

Any bank into which the Trustee may be merged, or with which it may be consolidated, or any bank resulting from any merger or consolidation to which it shall be a party, or any bank to which the Trustee may sell or transfer all or substantially all of its 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 Commission shall be dissatisfied with the institution resulting from the merger, consolidation or other action spoken of above, then the Commission 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 12.12 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 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.

Section 12.13 Disposition of Paid Series 2020 Notes.

It shall be the duty of the Trustee to cancel all Series 2020 Notes 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 Series 2020 Notes incapable of further negotiation or hypothecation. In any event it shall furnish appropriate certificates to the Commission indicating the disposition of such Series 2020 Notes. Upon effecting such cancellation, the Trustee shall furnish appropriate certificates to the Commission setting forth the disposition made of the Series 2020 Notes so cancelled.

[End of Article XII]

ARTICLE XIII

DEFEASANCE

Section 13.01 Defeasance Generally.

If all Series 2020 Notes have been paid and discharged, then the obligations of the Commission under this 2020 Note Resolution, and all other rights granted hereby shall cease and determine. The Series 2020 Notes shall be deemed to have been paid and discharged within the meaning of this Article under each of the following circumstances:

(1) The Trustee shall hold, at the stated maturities of such Series 2020 Notes, in trust and irrevocably appropriated thereto, sufficient money for the payment thereof.

(2) If default in the payment of the principal of such Series 2020 Notes or the interest thereon shall have occurred on the stated maturities of such Series 2020 Notes, 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.

(3) If the Commission shall have deposited with the Trustee, or, at the direction of the Commission, any other bank or trust company which would otherwise meet the chartering and capital and surplus requirements contained in Section 12.08(1) hereof, in an irrevocable trust money or Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof) will 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 Commission has irrevocably elected to redeem Series 2020 Notes, on and prior to the redemption date of, such Series 2020 Notes.

Section 13.02 Money to be Held in Trust – When Returnable to Commission.

Any money which at any time shall be deposited with the Trustee, by or on behalf of the Commission, for the purpose of paying and discharging any Series 2020 Notes or the interest thereon, shall be and is hereby assigned, transferred and set over to the Trustee in trust for the respective Holders of the Series 2020 Notes, 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 Series 2020 Notes shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Trustee to forthwith return said funds to the Commission.

Section 13.03 Deposits With Trustee Subject to Conditions of Article XIII.

The Commission 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 Series 2020 Notes it will irrevocably bind and obligate itself to give notice of redemption thereof, and will further authorize and empower the Trustee to cause the giving of such notice of redemption in its name and on its behalf.

[End of Article XIII]

ARTICLE XIV
CERTAIN TAX MATTERS

Section 14.01 Tax Exemption.

The Commission hereby represents and covenants that it will comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and that it will not take any action which will, or fail to take any action (including, without limitation, filing the required information report 8038-G with the Internal Revenue Service) which failure will, cause interest on the Series 2020 Notes to become includable in the gross income of the holder thereof for federal income tax purposes pursuant to the provisions of the Code and the Treasury Regulations promulgated thereunder in effect on the date of original issuance of the Series 2020 Notes.

Without limiting the generality of the foregoing, the Commission represents and covenants that:

(1) All property provided by the net proceeds of the Series 2020 Notes will be owned by the Commission in accordance with the rules governing the ownership of property for federal income tax purposes.

(2) The Commission shall not permit the proceeds of the Series 2020 Notes or any facility financed with the proceeds thereof to be used in any manner that would result in (a) ten percent (10%) or more of such proceeds being considered as having been used directly or indirectly in any trade or business carried on by any natural person or in any activity carried on by a person other than a natural person other than a governmental unit as provided in Section 141(b) of the Code as construed pursuant to Section 1.148-3 of the Treasury Regulations, or (b) five percent (5%) or more of such proceeds being considered as having been used directly or indirectly to make or finance loans to any person other than a governmental unit as provided in Section 141(c) of the Code.

(3) The Commission is not a party to nor will it enter into any contracts with any person for the use or management of any facility provided with the proceeds of the Series 2020 Notes that do not conform to the guidelines set forth in Rev. Proc. 2017-13.

(4) The Commission will not sell or lease the facilities to be improved by the Project or any property provided by the notes to any person unless it obtains the opinion of nationally recognized bond counsel that such lease or sale will not affect the tax exemption of the Series 2020 Notes.

(5) The Series 2020 Notes will not be federally guaranteed within the meaning of Section 149(b) of the Code. The Commission is not a party to any leases or sales or service contracts with any federal government agency with respect to the System’s facilities 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 exemption of the Series 2020 Notes.

Careful consideration has been given to the time in which the expenditures for the purposes cited herein will be made, and it has been ascertained that all of the money received from the proceeds for the Series 2020 Notes applicable therefor will be expended within the limitations imposed by Section 148 of the Code and applicable Treasury Regulations. Accordingly, the Commission will be able to certify upon reasonable grounds that the Series 2020 Notes are not “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 14.02 Rebate.

In addition to the covenants contained in Section 4.01 hereof, the Commission covenants that:

(1) It will comply with the provisions of Section 148(f) of the Code and applicable Treasury Regulations pertaining to the rebate of certain investment earnings on the proceeds of the Series 2020 Notes to the United States Government. In this connection, the Commission covenants to compute, on or before the dates required of it in Section 148(f) of the Code and the applicable Treasury Regulations, the rebateable amounts, if any, pertaining to the Series 2020 Notes and to pay to the United States Government in a timely fashion all amounts required to be so paid under said Section 148(f) of the Code and applicable Treasury Regulations with respect to the Series 2020 Notes. In this respect, the Commission will pay to the United States Government in the manner described in subparagraph (2) below an amount equal to the sum of:

(a) the excess of:

(i) The amount earned on all non-purpose investments (as defined in the Treasury Regulations) with respect to the Series 2020 Notes over

(ii) The amount which would have been earned if such non purpose investments were invested at a rate equal to the yield (as defined in the Treasury Regulations) on the Series 2020 Notes, plus

(b) any income attributable to such excess.

(2) Such payments shall be made to the United States Government, at the address prescribed in Section 148(f) of the Code and applicable Treasury Regulations not later than sixty (60) days after the date on which all of the Series 2020 Notes have been paid in full, all of the amount due as of the date of payment.

In connection with the above, the Executive Director is hereby authorized to make the necessary findings and elections to enable the Commission to elect to proceed with any spend down exemptions to rebate as may be permitted under said Section 148(f) of the Code and applicable Treasury Regulations as she shall determine in her discretion to be in the best interests of the Commission.

[End of Article XIV]

ARTICLE XV

MISCELLANEOUS

Section 15.01 Purpose of Covenants in 2020 Note Resolution.

Every covenant, undertaking and agreement made on behalf of the Commission, as set forth in this 2020 Note Resolution is made, undertaken and agreed to, for the proper securing of the payment of the principal of and interest on the Series 2020 Notes. Each shall be deemed to partake of the obligation of the contract between the Commission and the Noteholders and shall be enforceable accordingly. Nothing in this 2020 Note Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Commission, the Trustee, and the registered owners of the Series 2020 Notes, any right, remedy or claim under or by reason of this 2020 Note Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this 2020 Note Resolution contained by and on behalf of the Commission shall be for the sole and exclusive benefit of the Commission, the Trustee, and the registered owners of the Series 2020 Notes.

Section 15.02 Effect of Remedies Granted by Resolution Not Being Available to Holders of Other Series 2020 Notes.

If it shall be held by any court of competent jurisdiction that any right or remedy granted by this 2020 Note Resolution to the Holders of any Series 2020 Note is not available to the Holders of all other Series 2020 Notes, then such rights and remedies are herewith conferred upon the Holders of such other Series 2020 Notes.

Section 15.03 Severability.

If any Section, paragraph, clause or provision of this 2020 Note Resolution shall be held invalid, the invalidity of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this 2020 Note Resolution.

Section 15.04 Repealing Clause.

All Resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistencies. The resolution adopted by the Commission on August 27, 2019 authorizing the issuance of bond anticipation notes to defray the cost of the Project is repealed in its entirety.

[End of Article XV]

DONE, RATIFIED AND ADOPTED THIS ____ day of November, 2019.

[SEAL]

Chairman,
Laurens County Water and Sewer Commission

Attest:

Commission Secretary, Laurens County
Water and Sewer Commission

FORM OF BOND ANTICIPATION NOTE

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
LAURENS COUNTY WATER AND SEWER COMMISSION
WATERWORKS DISTRIBUTION SYSTEM
REVENUE BOND ANTICIPATION NOTE
SERIES 2020

NO. R-1 \$ _____

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE CUSIP

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL SUM: _____ AND NO/100 DOLLARS

LAURENS COUNTY WATER AND SEWER COMMISSION, SOUTH CAROLINA (the "**Commission**"), a body corporate and politic and a political subdivision of the State of South Carolina (the "**State**"), hereby acknowledges itself indebted, and, for value received, promises to pay to the Registered Holder set forth above, or registered assigns, hereof on the Maturity Date set forth above, the Principal Sum set forth above, and to pay interest on the Principal Sum from the date hereof to the Maturity Date on _____ 1 and _____ 1, commencing _____ 1, 20__ (the "**Note Payment Date**"), at the rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months), until payment of the Principal Sum.

The interest so payable and to be punctually paid or duly provided for on any Note Payment Date will be paid to the person in whose name this bond anticipation note (this "**Note**") is registered at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the Note Payment Date (the "**Regular Record Date**"), mailed to the Registered Holder hereof by U.S. Bank National Association (the "**Trustee**") at his address as it appears on the registration books (the "**Books of Registry**") of the Trustee or at any other address as is furnished in writing by the Registered Holder to the Trustee; provided that payment to any Registered Holder of \$1,000,000 or more of the Notes may be made by wire transfer to an account in the continental United States in accordance with written instructions filed thereto no later than the Record Date. The principal of this Note, when due, shall be payable upon presentation and surrender of the Notes at the corporate trust office of the Trustee in the City of St. Paul, State of Minnesota. Both the principal of and interest on this Note is 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 subject to redemption at the option of the Commission prior to maturity
_____.]

This Note shall also be subject to redemption at the option of the Commission upon the revocation of the commitment letter of United States Department of Agriculture—Rural Development to purchase the Bonds, as defined herein.

Both the principal of and interest on this Note is 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 Commission pursuant to the authorization of Title 11, Chapter 17, Code of Laws of South Carolina, 1976, as amended, and a resolution (the “**2020 Note Resolution**”) duly enacted on November __, 2019 by the Commission in anticipation of the issuance of waterworks system revenue bonds of the Commission (the “**Bonds**”), to be issued by the Commission pursuant to the authority of Title 6, Chapter 21, Code of Laws of South Carolina, 1976, as amended, and a Resolution to be enacted by the Commission. For the payment of this Note, both principal and interest, the proceeds of the Bonds are hereby irrevocably pledged, and the Commission has irrevocably covenanted and agreed to effect the issuance of the Bonds on or prior to the stated maturity of this Note.

THIS NOTE HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 11, CHAPTER 17 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED (THE “**ENABLING STATUTE**”), AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COMMISSION WITHIN ANY STATE CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE COMMISSION OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWER. THE FULL FAITH, CREDIT, AND TAXING POWERS OF NEITHER THE STATE NOR THE COMMISSION ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THIS NOTE.

This Note is being issued by means of a book-entry system with no physical distribution of certificates to be made. This Note, registered in the name of the Securities Depository Nominee, is being issued and required to be deposited with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the Note by the Securities Depository’s Participants, beneficial ownership of the Note in the principal amount of not less than \$100,000 and any multiple of \$5,000 in addition thereto, thereof being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The Commission and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Note, as the owner of this Note for all purposes, including payments of principal of and interest on this Note, notices and voting. Transfer of principal and interest payments to Participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal and interest payments to beneficial owners of this Note by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such beneficial owners. The Commission will not be responsible or liable for such transfers of payments or for maintaining, supervision or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the owner of this Note, notwithstanding the provision hereinabove contained, payments of principal of and interest on this Note shall be made in accordance with existing arrangements between the Trustee or its successors under the Resolution and the Securities Depository..

Neither the Commission nor the Trustee, as registrar of this Note, shall be required (a) to exchange or transfer this Note from the Regular Record Date to the next succeeding Note Payment Date.

Whenever the terms of this Note require any action be taken on a Saturday, Sunday, or legal holiday or bank holiday in the State or in any state where the corporate trust office of the Trustee is located, the action shall be taken on the first business day occurring thereafter.

The 2020 Note Resolution contains provisions defining terms; sets forth the terms and conditions upon which the covenants, agreements, and other obligations of the Commission made therein may be discharged at or prior to the maturity of this Note with provisions for the payment thereof in the manner set forth in the 2020 Note Resolution. Reference is hereby made to the 2020 Note Resolution, to all the provisions of which any Registered Holder of this Note by the acceptance hereof thereby assents.

This Note and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments of the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate and transfer taxes, but the interest hereon may be included in certain franchise fees or taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and Laws of the State to exist, to happen, or to be performed precedent to or in the issuance of the Series 2020 Notes, do exist, have happened and have been performed in regular and due time, form and manner, and that the Commission 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 issued.

IN WITNESS WHEREOF, THE LAURENS COUNTY WATER AND SEWER COMMISSION, SOUTH CAROLINA, pursuant to the authorization of Title 11, Chapter 17, Code of Laws of South Carolina, 1976, as amended, and the 2020 Note Resolution, has caused these presents to be signed in its name by the Chairman of the Commission, attested by the Secretary of the Commission, the Seal of the Commission to be impressed hereon, and this Note to be dated as of the ____ day of _____, 2020.

**LAURENS COUNTY WATER AND SEWER
COMMISSION, SOUTH CAROLINA**

(SEAL)

Chairman, Laurens County Water and
Sewer Commission, South Carolina

Attest:

Secretary, Laurens County Water and
Sewer Commission, South Carolina

FORM OF ASSIGNMENT

(A form similar to this but not attached to the within Series 2020 Notes may also be used)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers
the within Note of the Laurens County Water and Sewer Commission, South Carolina and hereby
irrevocably constitutes and appoints _____ to transfer the same on books of the
Trustee, as registrar of the Series 2020 Notes, with full power of substitution in the premises.

Signature Guaranteed: _____

Dated _____

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants in entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____
(Cust)

Custodian _____
(Minor)

under Uniform Gifts to Minors Act _____
(State)

Additional abbreviations may also be used, though not in the above list.

NOTICE: Signature must be guaranteed by an institution who is a participant in the Securities Transfer Agent Medallion Program ("**STAMP**") or similar program.

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Laurens County Water and Sewer Commission, South Carolina (the “Issuer”) acting through its Executive Director in connection with the issuance of its \$_____ Bond Anticipation Notes, Series 2020, (the “Notes”). The Notes are being issued pursuant to a Resolution adopted November __, 2019 (the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

“Bondholder” or “Holder” shall mean the registered holder of any of the Notes and any Beneficial Owner of the Notes.

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

“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.

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

“National Repository” shall mean the Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, commencing February 1, 2020, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, if other than the Issuer. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Appendix I.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the National Repository and each State Depository, if any; and,

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain the Issuer’s complete audited financial statements, which shall be prepared in accordance with generally accepted accounting principles and Government Auditing Standards issued by the Comptroller General of the United States. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(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. In addition thereto, the Annual Report shall contain or incorporate by reference the following:

A. A brief description of the progress of the Project, including the total amount of proceeds of the Notes expended as of the December 31 immediately preceding the deadline for filing of the Annual Report.

B. The expected completion date of the Project as of the date of filing of the Annual Report.

C. The total number of residential and commercial/industrial customers as of June 30 of the most recently completed fiscal year of the Issuer.

D. The ten largest customers of the System as of June 30 of the most recently completed fiscal year of the Issuer.

E. Average Daily Flow and Peak Daily Flow of the System as of June 30 of the most recently completed fiscal year of the Issuer.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Certain Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

- (i) Delinquency in payment when due of any principal of or interest on the Notes;
- (ii) Defeasance of the Notes or any portion thereof;
- (iii) Any change in any rating on the Notes;
- (iv) The issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
- (v) Tender offers;
- (vi) Any unscheduled draw, reflecting financial difficulties, on any reserve fund established by the Issuer to secure further the timely repayment of the Notes;
- (vii) Any unscheduled draw reflecting financial difficulties on any credit enhancement device obtained by the Issuer to secure further the timely repayment of the Notes;
- (viii) Any change in the provider of any credit enhancement device described in item (vii) above, or any failure by the provider to perform under such a credit enhancement device;
- (ix) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (x) Revocation of the commitment by the United States Department of Agriculture—Rural Development to purchase the waterworks distribution system revenues bonds of the Issuer intended for repayment of the Notes.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) Occurrence of any event of default under the Resolution (other than as described in clause (a)(i) above);
- (ii) Material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (iii) Amendment to the Resolution or this Disclosure Undertaking modifying the rights of the Beneficial Owners of the Notes;
- (iv) Giving of a notice of optional or unscheduled redemption of any Notes;

(v) The release, substitution or sale of any property hereafter leased, mortgaged or pledged by the Issuer securing repayment of the Notes;

(vi) Consummation of a merger, consolidation or acquisition involving an obligate 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 action, other than pursuant to its terms; or

(vii) Appointment of a successor or additional trustee, or the change of name of a trustee;

(viii) 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

(ix) 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.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event in subsection (b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that a Listed Event in subsection (b) above would be material under applicable federal securities law, or upon the occurrence of any Listed Event in subsection (a) above, the Issuer shall file a notice of the Listed Event in a timely manner, not in excess of ten business days of such occurrence, with the National Repository and the Issuer Repository, if any.

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

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

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

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person, or type of business conducted;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment, in the opinion of said counsel, does not materially impair the interests of Holders of the Notes.

In the event of an amendment hereto, any Annual Report provided pursuant to Section 4 herein which contains amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

LAURENS COUNTY WATER AND SEWER
COMMISSION, SOUTH CAROLINA

By: _____
Executive Director

Date: _____

APPENDIX I

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORTS

Name of Issuer: Laurens County Water and Sewer Commission, South Carolina

Name of Bond Issue: \$_____ Bond Anticipation Notes, Series 2020

Date of Issuance: _____, 2020

CUSIP Prefix: _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-referenced Notes as required by Section 3 of the Continuing Disclosure Certificate dated _____, _____. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

LAURENS COUNTY WATER AND SEWER
COMMISSION, SOUTH CAROLINA

By: _____
Executive Director

Dated: _____

APPENDIX C
THE USDA LETTER OF CONDITIONS, AS AMENDED

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Rural Development

State Office

Strom Thurmond
Federal Building
1835 Assembly
Street, Suite 1007,
Columbia, SC 29201

Voice: 803.765.5163
Fax: 855.565.9479
TDD: 803.765.5697

September 6, 2016

Laurens County Water & Sewer Commission
Attn: Ted Davenport, Chairman
P O Box 1006
Laurens, SC 29360

SUBJECT: Recipient Name: Laurens County Water & Sewer Commission
Project Name: Lake Greenwood WTP
Water Application
CFDA NUMBER - 10.760

Loan:	\$8,702,500
Loan:	\$8,702,500
Loan:	\$8,702,500
Loan:	\$8,702,500
Grant:	\$1,184,400
Applicant:	\$ 529,000
Connections	\$ 20,000

Dear Mr. Davenport:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan(s) and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development, both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of project, or any other significant changes in the project or applicant must be reported to and concurred with by the Agency by written amendment to this letter. If significant changes are made without obtaining such concurrence, the Agency may discontinue processing of the application.

All conditions set forth under Section III – Requirements Prior to Advertising for Bids must be met within 6 months of the date of this letter. If you have not met these conditions, the Agency reserves the right to discontinue the processing of your application.

- a. RD Instruction 1780
- b. RUS Bulletin 1780-13, "Agreement Between Owner and Contractor"
- c. RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance"

"USDA is an equal opportunity provider and employer."

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U S Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

- d. RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
- e. RUS Bulletin 1780-31, "Water Programs Compliance Supplement For OMB Circular A-133 Audits"

The enclosures listed below are attached to your copy of this letter as noted. Enclosed are the following:

Form RD 1942-46, "Letter of Intent to Meet Conditions"
 Form RD 1940-1, "Request for Obligation of Funds"
 Form RD 442-7 - "Operating Budget"
 Government Auditing Standards (Revision 2007) available on line at
<http://www.gao.gov/govaud/ybk01.htm>
 Form RD 442-3, "Balance Sheet"
 Form RD 442-2, "Statement of Budget, Income and Equity" (Accountant
 Copy for all three of these attachments)
 Water Users Agreement (Applicant and Attorney Copies)
 Declination Statement (Applicant and Attorney Copies)
 Labor Standards Provisions (Non-RD funding involved only)

The loan and grant will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is signed by the approving official. Thus, this letter in itself does not constitute loan and/or grant approval, nor does it ensure that funds are or will be available for the project.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. All parties may access information and regulations referenced in this letter at our website located at www.rd.usda.gov.

Processing Forms - At a properly called meeting, you must adopt and properly Execute, (signed, attested, and sealed), the following forms, and minutes showing the adoption must be provided:

Mitigation Resolution
 Form RD 400-1 - "Equal Opportunity Agreement"
 Form RD 400-4 - "Assurance Agreement"
 Form AD 1047 - "Certification Regarding Debarment, Suspension and other
 Responsibility Matters"
 Form AD 1049 - "Certification Regarding Drug-Free Workplace Requirements"
 Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"
 RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and
 Loans"
 Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)
 RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"
 RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"
 Form RD 1940-1 - "Request for Obligation of Funds"

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

The conditions are as follows:

SECTION I - PROJECT DETAIL

1. **Project Description** – Funds will be used in two (2) phases: Phase One will consist of the construct of a water treatment plant on Lake Greenwood, raw water intake, 10,300 ft raw water line alignment along State Roads 30-152 between the intake and WTP, 132,400 ft of finished water line and three (3) booster pump stations to be located at Waterloo Tank Site, Cross Hill Tank Site and Maddens Tank Site. Phase Two will consist of: Approximately 388,000 ft of new or enlarged distribution line improvements and one (1) 250,000 gallon elevated tank along Poole Town Road.

Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies. The proposed facility design must be based on the Preliminary Engineering Report (PER) as concurred with by the Agency.

2. **Project Funding** – The Agency is offering the following funding for your project:

Agency Loan -	\$ 8,702,500
Agency Loan -	\$ 8,702,500
Agency Loan -	\$ 8,702,500
Agency Loan -	\$ 8,702,500
Agency Grant -	\$ 1,184,400

This offer is based upon the following additional funding being obtained.

Applicant Contribution -	\$529,000
Connection Fees -	\$ 20,000

TOTAL PROJECT COST - \$ 36,543,400

This funding is offered based on the amounts stated above. Prior to loan closing, any increase in non-Agency funding will be applied first as a reduction to Agency grant funds, up to the total amount of the grant, and then as a reduction to Agency loan funds.

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. Prior to advertisement for construction bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

3. **Project Budget** – Funding from all sources has been budgeted for the estimated expenditures as follows:

<u>Project Costs:</u>	<u>Total Budgeted:</u>
Construction (raw water intake)	4,591,000
Construction (raw water line)	1,639,000
Construction (4 MGD WTP)	14,110,800
Construction (Finished water lines & BPS)	9,363,400
Contingency (10%)	2,970,400
Engineering Fees Included:	3,220,600
Design	
	2,175,000
Resident Project Representation (Inspection) & Additional Services	1,045,600
Interest - Interim	548,200
Legal Fees	100,000
 TOTAL	 \$36,543,400

Obligated loan or grant funds not needed to complete the proposed project will be deobligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

SECTION II – LOAN AND GRANT TERMS

4. **Repayment** – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

Your loans will be scheduled for repayment over a period of 40 years. Due to the amount of your loan (\$34,810,000) it will be four loan obligations each in the amount of \$8,702,500 with payments of \$27,587 on each loan. Payments will be 4 equal monthly amortized installments, beginning one month after closing date. For planning purposes, use a 2.2500% interest rate and an amortization factor of 3.17. The precise payment amounts will be based on the interest rate at which time the loans are closed, and may be different than the payments above. Each Obligation will require a separate bond.

The payments due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

5. Security – The loan will be evidenced by a Water System Improvement Bond secured by a pledge of revenue and a statutory lien on the water system. The pledge of water revenue and the statutory lien on the water system will be on 1st lien.

Due to the amount of the Loan funds there will be 4 loans in the amounts of \$8,702,500 for each of the loans. The 4 bonds will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)." A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The bond resolution and Loan Resolution must be duly adopted and executed prior to loan closing. The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

6. Electronic Payments – Payments will be made on the day your payment is due through an electronic preauthorized debit system. You will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing. It will allow for your payment to be electronically debited from your account on the day your payment is due.

7. Construction Completion Timeframe - All projects must be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit to the Agency a written request for extension of time with adequate justification of circumstances beyond your control. Requests for waivers beyond the initial extension will be submitted to the Assistant Administrator for concurrence decision.

8. Disbursement of Agency Funds - Agency funds will be disbursed into the borrower's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant Agreement

must not be closed and funds must not be disbursed prior to loan funds except as specified in RUS Instruction 1780.45(d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

Grant funds are to be deposited in an interest-bearing account (exception provided below) in accordance with 2 CFR Part 200 and interest in excess of \$500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing accounts, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

9. **Reserves** – Reserves must be properly budgeted to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs, and assist with debt service should the need arise. The following reserves are required to be established as a condition of this loan:

- a. **Debt Service Reserve** – As a part of this Agency loan proposal, you must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of each of the 4 proposed loan installments would equal \$2759 per month each; this amount should be deposited monthly until a total of \$331,044 has accumulated on each of the four loans for a total of \$1,324,176. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully-funded amount is reached.
- b. **Short-Lived Asset Reserve** – In addition to the debt service reserve fund, you must establish a short-lived asset reserve fund. Based on the preliminary engineering report, you must deposit at least \$762,148 into the short-lived asset reserve fund annually for the life of the loan to pay for repairs and/or replacement of major system assets. It is your responsibility to assess your facility's short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

Current assets can also be used to establish and maintain reserves for expected expenses, including but not limited to operation and maintenance, deferred interest during the construction period, and an asset management program.

SECTION III – REQUIREMENTS PRIOR TO ADVERTISING FOR BIDS

10. Environmental Requirements – At the conclusion of the proposal’s environmental review process, specific action(s) were determined necessary to avoid or minimize adverse environmental impacts. As outlined in the Environmental Report the following actions are required for successful completion of the project and must be adhered to during project design and construction:

1. Proper permits will need to be obtained including the following:
 - Land Disturbance Permit issued by SCDHEC. This permit addresses sediment and erosion control, and storm water runoff control. SCDHEC will be responsible for monitoring the permit.
 - Final Concurrence that a wetlands permit is not required, issued by U. S. Army Corps of Engineers.
2. Any major changes to the plans will have prior approval of USDA-Rural Development and other applicable regulatory agencies.
3. Work will be stopped in the event that a culturally significant or historical artifact is discovered. Work will not resume until the agencies having jurisdiction have issued their approval.
4. The contractor will be required to comply with the Endangered Species Act.
5. Applicable road encroachment permits will be obtained for work done on road rights-of-way.

Adequate public notification will be provided so that concerned citizens and agencies can provide feedback on the project. Any pertinent issues will be addressed so that Environmental Justice is served without regard to race or national origin

The project as proposed has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal, and local laws, regulations and or permits may apply or be required. If the project or any project element deviates from or is modified from the originally-approved project, additional environmental review may be required.

11. Engineering Services – You have been required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, “Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance,” or other approved form of agreement. The Agency will provide concurrence prior to advertising for bids, and must approve any modifications to this agreement.

12. Contract Documents, Final Plans, and Specifications

- a. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- b. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- c. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

13. Legal Services – You have been required to execute a legal services agreement with your attorney and bond counsel, if applicable, for any legal work needed in connection with this project. The agreement should stipulate an hourly rate for the work, with a “not to exceed” amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, “Legal Services Agreement,” or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

14. Property Rights - Prior to advertising for bids, you and your legal counsel must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

- a. **Right-of-Way Map** – Your engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. **Form RD 442-20, “Right-of-Way Easement”** – This form may be used to obtain any necessary easements for the proposed project.
- c. **Form RD 442-21, “Right-of-Way Certificate”** – You will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.
- d. **Form RD 442-22, “Opinion of Counsel Relative to Rights-of-Way”** – Your attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.
- e. **Preliminary Title Work (Title Opinion)** – When applicable, your attorney will provide a preliminary title opinion for any property related to the facility, currently owned and to be acquired, along with copies of deeds, contracts or options for purchasing said property. Form RD 1927-9, “Preliminary Title Opinion,” may be used.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the

facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

You are responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

15. System Policies, Procedures, Contracts, and Agreements – The facility must be operated on a sound business plan. You must adopt policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

- a. **Conflict of Interest Policy** – Prior to obligation of funds, you must certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict or potential conflict to disclose the conflict/potential conflict; (2) a clause that prohibits interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure in the same format is required if no conflicts are anticipated.

Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

Add the following paragraphs as applicable, itemized starting with "b."

- b. **Water Purchase Contract** – You propose to purchase water services from Greenville Water. This purchase arrangement must be evidenced by a water purchase contract. A draft of the proposed contract must be submitted to the Agency for review and concurrence prior to advertising for bids. The draft contract must meet the requirements of RUS Instruction 1780.62.

- c. **Water User Agreement** – Projects not involving mandatory connection require users to execute a Water Users Agreement. The draft agreement must receive RD concurrence prior to advertising for bids. RUS Bulletin 1780-9, “Water Users Agreement,” or similar format may be used.
- d. **Contracts for Other Services/Lease Agreement** – Drafts of any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements covering real property essential to the successful operation of the facility, must be submitted to the Agency for review and concurrence prior to advertising for bids.
- e. **Parity/Intercreditor Agreement** – Projects with parity liens must have in place a written agreement between the parity lenders. The draft agreement must receive Agency concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements must be submitted prior to loan closing, with the exception of the conflict of interest policy, which must be in place prior to obligation of funds.

16. Closing Instructions – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Closing instructions must be obtained prior to advertising for bids.

17. Interim Financing – For all loans exceeding \$500,000, where loan funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be used to preclude the necessity for multiple advances of Agency loan funds. You must provide the Agency with a copy of the interim loan financing agreement for review prior to advertising for bids. The Agency approving official may make an exception when interim financing is cost prohibitive or unavailable. Grant funds from the Agency will be disbursed by multiple advances through electronic transfer of funds after interim financing or Agency loan funds are expended, in accordance with RUS Instruction 1780.45.

18. Construction Account – You must establish a construction account for all funds related to the project. Construction funds will be deposited with an acceptable financial institution or depository that meets the requirements of 31 CFR Part 202. A separate account will not be required for Federal funds and other funds; however, the recipient must be able to separately identify, report, and account for all Federal funds, including the receipt, obligation and expenditure of funds. Financial institutions or depositories accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral, in accordance with 31 CFR Part 202. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the construction account at any one time. Your financial institution can provide additional guidance on collateral pledge requirements.

Agency funds will be disbursed into the borrower’s depository account through an electronic transfer system. SF 3881, “ACH Vendor/Miscellaneous Payment Enrollment Form,” must be completed and submitted to the Agency prior to advertising for bids.

19. System Users – This letter of conditions is based upon your indication at application that there will be at least 13,440 residential users, 148 industrial/commercial users, 248 small commercial and 1 bulk /wholesale users on the existing system when construction is completed.

Before the Agency can agree to the project being advertised for construction bids, you must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, you must provide the Agency with a written plan on how you will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

- a. **Positive Program to Encourage Connections** – You must provide a positive program to encourage connection by all users as soon as service is available. The program will be reviewed by the Agency prior to advertising for bids. A guide for developing your positive program is available from the Agency.
- b. **Water User Agreements** – Users will be required to execute a Water Users Agreement prior to advertising for construction bids. The amount of cash contributions required will be set by you and concurred with by the Agency. Contributions should be an amount high enough to indicate sincere interest on the part of the potential user, but not so high as to preclude service to low income families, and have a deadline for the contribution to be used or forfeited. RUS Bulletin 1780-9, “Water Users Agreement,” or similar agreement may be used.
- c. **Service Declination Statement** – Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a “Service Declination Statement.”

20. Other Funding – Prior to advertising for bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter from each source.

21. Proposed Operating Budget – You must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O&M), debt service, and reserves. Prior to advertising for bids, you must submit a proposed annual operating budget to the Agency which supports the operation, maintenance, debt service, and reserves, as well as your proposed rate schedule. The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of your organization. Form RD 442-7, “Operating Budget,” or similar format may be utilized for this purpose. It is expected that O&M will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system. This assistance is available free to your organization. If you are interested please contact our office for information.

22. Permits –The owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

23. Vulnerability Assessment/Emergency Response Plan (VA/ERP) – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The VA/ERP documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

For new systems, see Section V of this letter of conditions. For VA/ERP requirements throughout the life of the loan, see Section VII. Technical assistance at no cost is available in preparing these documents.

24. Bid Authorization - Once all the conditions outlined in Section III of this letter have been met, the Agency will authorize you to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

SECTION IV - REQUIREMENTS PRIOR TO START OF CONSTRUCTION

25. Bid Tabulation – Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of Section III of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- a. **Cost Overruns**. If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds. Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.
- b. **Excess Funds**. If bids are lower than anticipated at time of obligation, excess funds must be deobligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully

utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be deobligated, with grant funds being deobligated first. Excess funds do not include contingency funds as described in this letter.

26. Contract Review – Your attorney will certify that the executed contract documents, including performance and payment, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61(b).

Once your attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for its concurrence. The Notice to Proceed cannot be issued until the Agency has concurred with the construction contracts.

27. Final Rights-of-Way – If any of the rights-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed. For projects involving the acquisition of land, you must provide evidence that you have clear title to the land prior to the issuance of the Notice to Proceed.

Final Title Work - Your attorney must furnish a separate final title opinion on all existing real property related to the facility, now owned and to be acquired for this project, as of the day of loan closing or start of construction, whichever occurs first. Form RD 1927-10, "Final Title Opinion" may be used.

28. Insurance and Bonding Requirements - Prior to the start of construction or loan closing, whichever occurs first, you must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing you have the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of the Agency to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

- a. **General Liability Insurance** – Include vehicular coverage.
- b. **Workers' Compensation** – In accordance with appropriate State laws.
- c. **Fidelity or Employee Dishonesty Bonds** – Include coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through blanket coverage providing protection for all appropriate workers. During construction, each position should be bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The coverage may be increased during construction based on the anticipated monthly advances. After construction and throughout the life of the loan, the amount of coverage must be for at least the total

annual debt service of all outstanding Agency loans. The Agency will be identified in the fidelity bond for receipt of notices. Form RD 440-24, "Position Fidelity Schedule Bond," or similar format may be used.

- d. **National Flood Insurance** - If the project involves acquisition or construction in designated special flood or mudslide prone areas, you must purchase a flood insurance policy at the time of loan closing.
- e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all facilities identified above.

Insurance types described above are required to be continued throughout the life of the loan. See Section VII.

29. Initial Compliance Review – The Agency will conduct an initial compliance review of the borrower prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E.

SECTION V – REQUIREMENTS PRIOR TO LOAN CLOSING

30. Interim Financing is being used. Loan closing will occur near the end of construction when interim funds are about to be completely disbursed. Documents detailed above from Sections II and III regarding security, electronic payments (Form 3550-28), and system policies, procedures, contracts, and agreements must be adopted and/or executed and submitted to the Agency prior to loan closing. In addition, the following items are required prior to closing:

31. Vulnerability Assessment/Emergency Response Plan (VA/ERP) – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operation, and a certification that a VA is complete must be submitted within one year of the start of operation. Borrowers with existing systems must provide a certification that a VA and ERP are completed prior to authorization to advertise for bids. The VA/ERP documents are not submitted to the Agency. Technical assistance is available in preparing these documents at no cost to you. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

32. Other Requirements – All requirements contained in the Agency's closing instructions, as well as any requirements of your bond counsel and/or attorney, must be met prior to loan closing.

- a. **System for Award Management**. You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active

registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>. This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended. See Appendix A.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the “Help” section at <http://sam.gov>).

- b. **Litigation.** You are required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.
- c. **Certified Operator.** Evidence must be provided that your system has or will have, as defined by applicable State or Federal requirements, a certified operator available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

SECTION VI – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION

33. **Resident Inspector(s)** – Full-time inspection is required unless you request an exception. Such requests must be made in writing and the Agency must concur with the request. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the pre-construction conference.

34. **Preconstruction Conference** – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

35. **Inspections** - The Agency requires a pre-construction conference, pre-final and final inspections, and a warranty inspection. Your engineer will schedule a warranty inspection with the contractor and the Agency before the end of the one-year warranty period to address and/or resolve any warranty issues. The Agency will conduct an inspection with you of your records management system at the same time, and will continue to inspect the facility and your records system every three years for the life of the loan. See Section VII of this letter.

36. Change Orders – Prior Agency concurrence is required for all Change Orders.

37. Payments – Prior Agency concurrence is required for all Invoices and Partial Payment Estimates before Agency funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

38. Use of Remaining Funds – Applicant contribution and connection or tap fees will be the first funds expended in the project, followed by non-Agency sources of funds. Remaining funds may be considered in direct proportion to the amounts obtained from each source and handled as follows:

- a. Remaining funds may be used for eligible loan and grant purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan and grant remains the same.
- b. Grant funds not expended for authorized purposes will be cancelled (de-obligated) within 180 days of final completion of project. Prior to actual cancellation, you and your attorney and engineer will be notified of the Agency's intent to cancel the remaining funds and given appropriate appeal rights.
- c. Loan funds that are not needed will be cancelled (de-obligated) prior to loan closing.

39. Technical, Managerial and Financial Capacity - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the particular individual and the utility system. Technical assistance providers are available to provide this training for your organization, often at no cost. Contact the Agency for information.

40. Reporting Requirements Related to Expenditure of Funds

- a. **Financial Audit**– An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

- b. **Reporting Subawards and Executive Compensation** – You as a recipient of Federal funds and your first-tier contractors are required by 2 CFR Part 170 to report disbursements to subrecipients in accordance with Appendix B of this letter and www.fsrs.gov. Your Agency processing office can provide more information.

SECTION VII – SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN

- 41. **Prepayment and Extra Payments** - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

- 42. **Graduation** - By accepting this loan, you are also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines you are able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, you will be requested to refinance. Your ability to refinance will be assessed every other year for those loans that are five years old or older.

- 43. **Security/Operational Inspections** – The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

- 44. **Annual Financial Reporting/Audit Requirements** – You are required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information and a rate schedule. Financial statements must be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), and must include at a minimum a balance sheet and income and expense statement. The annual report will include separate reporting for

each water and waste disposal facility, and itemize cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available at no cost with preparing financial reports.

The type of financial information that must be submitted is specified below:

Audits – An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit or financial statements to be completed, the time frame in which the audit or financial statements will be completed, what type of reports will be generated from the services provided, and how irregularities will be reported.

For borrowers with fiscal years **beginning on or after 12/26/14** (which is the effective date of 2 CFR Part 200):

- Single or program-specific audit will be required in accordance with Subpart F of Part 200
- Audit is based on federal expenditures of \$750,000 or more
- Audits are no longer based on OMB Circular A-133

Audit Requirements: The following management data will be required from you on an annual basis and be submitted to RD as specified below:

1. A borrower that expends \$750,000 or more in Federal financial assistance per fiscal year shall submit an audit annually. All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. As described above, the total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Projects financed with interim financing are considered federal expenditures. Audits shall be submitted no later than 9 months after the end of the fiscal

year. In addition to submitting two (2) copies of the audit report to RD, the borrower is also required to submit copies of audits, accompanying audit letters (the “reporting package”), and the Data Collection Form to the Federal clearinghouse designated by OMB to retain as an archival copy. The Federal clearinghouse address is: Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, Indiana 47132.

2. A borrower that expends less than \$750,000 in Federal financial assistance per fiscal year and is required by the State of South Carolina to submit an Audit may submit that Audit to RD In lieu of the documents of the management report. RD requires 2 copies of that audit performed in accordance with Water and Waste audit requirements (i.e., a GAGAS audit). These must may be submitted to RD no later than 150 days after the end of the fiscal year. An audit performed in accordance with Water and Waste audit requirements should not be submitted to the Federal clearinghouse. RUS Bulletin 1780-30, outlines the requirements for Water Programs Audits.

3. A borrower that expends less than \$750,000 in Federal financial assistance per fiscal year may submit a management report in lieu of an audit report unless notified by RD otherwise. Management reports shall be submitted to RD no later than 60 days after the end of the fiscal year. A year-end management report shall consist of : Form RD 442-3, “Balance Sheet”, and Form RD 442-2,

For borrowers with fiscal years **beginning prior to 12/26/14**

- o Audit will be required in accordance with OMB Circular A-133
- o Audit is based on federal expenditures of \$500,000 or more
- o Should only be a few more of these straggling in, then all will be under Part 200

Audit Agreement: You must enter into a written audit agreement with the auditor and submit a copy to RD prior to advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the following:

1. A statement that the auditor will perform and document the audit work in accordance with Generally Accepted Government Auditing Standards, (GAGAS), as outlined in the attached booklet, “Government Auditing Standards (Revised 1994)”, and the professional standards of the AICPA;
2. A statement that the auditor will submit the completed audit and accompanying letters to your governing body 30 days prior to the date the audit is due to RD;
3. A statement that the auditor will make all audit-related documents, including work papers, available to RD or its representatives, upon request; and
4. A statement that the auditor will immediately report, in writing, all irregularities and illegal acts to your governing body and the Agency.

Prior to the advertisement for bids, your accountant must certify to you and RD that the accounts and records as required by your bond ordinance have been established and are operational.

Quality Review Requirement: As required by GAGAS, the auditor must belong to and participate in an external quality review program and provide you with a copy of the most

recent quality review report. These reviews are performed every 3 years by an independent organization to determine if the auditor is following established audit procedures and applicable auditing standards.

Audit Requirements: The following management data will be required from you on an annual basis and be submitted to RD as specified below:

1. A borrower that expends \$500,000 or more in Federal financial assistance per fiscal year shall submit an audit performed in accordance with the requirements of OMB Circular A-133. As described above, the total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Projects financed with interim financing are considered federal expenditures. OMB Circular A-133 audits shall be submitted no later than 9 months after the end of the fiscal year. In addition to submitting two (2) copies of the audit report to RD, the borrower is also required to submit copies of OMB Circular A-133 audits, accompanying audit letters (the "reporting package"), and the Data Collection Form to the Federal clearinghouse designated by OMB to retain as an archival copy. The Federal clearinghouse address is: Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, Indiana 47132. RUS Bulletin 1780-31, outlines the requirements of OMB Circular A-133 audits.
2. A borrower that expends less than \$500,000 in Federal financial assistance per fiscal year and an outstanding RUS loan balance of \$1,000,000 or more, shall submit an audit performed in accordance with Water and Waste audit requirements (i.e., a GAGAS audit). These audits shall be submitted to RD no later than 150 days after the end of the fiscal year. Two (2) copies of the audit report are required by RD. An audit performed in accordance with Water and Waste audit requirements should not be submitted to the Federal clearinghouse. RUS Bulletin 1780-30, outlines the requirements for Water Programs Audits.
3. A borrower that expends less than \$500,000 in Federal financial assistance per fiscal year and has an outstanding RD loan balance of less than \$1,000,000 may submit a management report in lieu of an audit report unless notified by RD otherwise. Management reports shall be submitted to RD no later than 60 days after the end of the fiscal year. A year-end management report shall consist of: Form RD 442-3, "Balance Sheet", and Form RD 442-2, "Statement of Budget, Income and Equity", or forms that provide the information in a similar format. Form RD 442-2 should have Schedule 1, all Columns completed on page 1, and page 2. Schedule 2 is not required for year-end reports. An annual audit report must be submitted in lieu of Forms RD 442-2 and 442-3. The audit report must be submitted no later than 150 days after the end of the borrower's fiscal year.

Compensation for preparation of the A-133 audit or your annual audit is not included in project funds and should be paid from the operational revenues generated from your system operation.

- a. **Quarterly Reports** – Quarterly Income and Expense Statements will be required until the processing office waives this requirement. You may use Form RD 442-2 or similar format to provide this information, and the reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end. The Agency will notify you in writing when the quarterly reports are no longer required.

45. Annual Budget and Projected Cash Flow - Thirty days prior to the beginning of each fiscal year, you will be required to submit an annual budget and projected cash flow to this office. With the submission of the annual budget, you will be required to provide a current rate schedule, and a current listing of the Board or Council members and their terms. The budget must be signed by the appropriate borrower official. Form RD 442-2 or similar format may be used.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system, as well as completing the annual budget. If you are interested, please contact our office for information.

46. Vulnerability Assessment/Emergency Response Plan (VA/ERP) – You will be required to submit a certification to the servicing office every three years that the VA/ERP is current and covers all sites related to the facility. The documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

47. Insurance. You will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

48. Statutory and National Policy Requirements – As a recipient of Federal funding, you are required to comply with U.S. statutory and public policy requirements, including but not limited to:

- a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.
- b. **Civil Rights Act of 1964** – All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.
- c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local

government services, public transportation, public accommodations, facilities, and telecommunications.

- d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, “Improving Access to Services by Persons with Limited English Proficiency” and further affirmed in the USDA Departmental Regulation 4330-005, “Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.”

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during regular compliance reviews.

49. Compliance Reviews and Data Collection – The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter. If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that you provide, you must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

SECTION VIII – REMEDIES FOR NON-COMPLIANCE

Non-compliance with the conditions in this letter or requirements of your security documents will be addressed under the provisions of 7 CFR 1782 and other applicable regulations, statutes, and policies.

We look forward to working with you to complete this project. If you have any questions, please contact Debra J Green at (864) 224-2126 ext. 115 or by e-mail at debra.green@sc.usda.gov

Sincerely,


MICHELE J. CARDWELL
Community Program Director

Attachments

cc: Community Programs Director
Accountant
Attorney
Bond Counsel
Engineer

ACRONYMS:

ABA - Architectural Barriers Act
ACH – Automated Clearing House
AD – Agriculture Department
ADA – Age Discrimination Act
CFDA – Catalog of Federal Domestic Assistance
CFR – Code of Federal Regulations
CPAP – Commercial Programs Application Processing
DUNS – Dun and Bradstreet Data Universal Numbering System
EJCDC – Engineers Joint Contract Documents Committee
ERP – Emergency Response Plan
GAAP – Generally Accepted Accounting Principles
LEP – Limited English Proficiency
OC – Owner Construction
OPS – Owner-Performed Services
O&M – Operation and Maintenance
PER – Preliminary Engineering Report
RD – Rural Development
RUS – Rural Utilities Service
SAM – System for Award Management
SF – Standard Form
UCC – Uniform Commercial Code

USC – United States Code

USDA – United States Department of Agriculture

VA – Vulnerability Assessment



**United States Department of Agriculture
Rural Development**
State Office
Columbia, South Carolina

September 14, 2018

Ted Davenport, Chairman
Laurens County Water and Sewer Commission
P O Box 1006
Laurens, SC 29360

SUBJECT: Recipient Name: Laurens County Water & Sewer Commission
Project Name: Lake Greenwood WTP
Water Application
CFDA NUMBER - 10.760

Loan: \$6,041,930 – Cost Overrun

Dear Mr. Davenport:

This letter is written in response to a request on April 18, 2018, whereby it was requested that additional funds be provided to cover the cost overrun in connection with the Rural Utilities Service (RUS) financed project administered by the United States Department of Agriculture (USDA), Rural Development (RD). Our Area Office in Anderson has reviewed the request. Necessary revisions have been made to the application docket and we are favorably responding to this request by herein amending the Letter of Conditions (LOC) that was initially dated September 06, 2016.

Any changes in project cost, source of funds, scope of services, or any other significant changes in the project must be submitted to RD for review and approval. A written amendment to this letter will be prepared for any approved changes. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The Commission is required to identify and report to this Agency any known relationship or association with a RD employee.

If we make the subsequent loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you choose otherwise. The loan will be considered approved on the date a signed copy of the Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

The revised docket may be completed on the basis of an additional RUS loan not to exceed \$6,041,930 in loan funds as a cost overrun loan to the original loan of \$34,810,000 and original grant of \$1,184,400 administered by Rural Development.

Strom Thurmond Federal Building • 1835 Assembly Street • Suite 1007 • Columbia, SC 29201
Phone: (803) 765-5183 • Fax: (803) 765-5633 • TDD: (803) 765-5697 • Web: <http://www.rurdev.usda.gov/sc>

Committed to the future of rural communities

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

It will be necessary that a meeting of the Commission be held to consider this subsequent request. At that time, the Commission will need to adopt and execute RUS Bulletin 1780-27, "Loan Resolution". It will also be necessary that forms RD 442-7, "Operating Budget (revised), 400-1, "Equal Opportunity Agreement," 400-4, "Assurance Agreement," and 1940-1, "Request for obligation of Funds" be executed. All documents will be executed by the Chairman and attested by the Secretary/Treasurer and the impression of the Commission's Seal affixed thereon. Once that has been completed, all copies of the forms should be returned to the Area Office in Anderson, SC.

The changes to the LOC that was initially issued on September 06, 2016 are as follows:

1. **Project Budget** – Funding from all sources has been budgeted for the estimated expenditures as follows:

Project Costs:

Development – finished waterlines & booster station	\$12,426,300
Development - water treatment plant	\$17,599,000
Development - raw water main	\$ 1,639,000
Development - raw water intake	\$ 4,550,000
Contingencies	\$ 3,621,430
Engineering Fees:	\$ \$3,520,600
Design: \$2,376,400	
Inspections: \$1,144,200	
Legal Services	\$ 100,000
Interest	\$ <u>600,000</u>
Total Project Costs	\$44,056,330
Deducting Applicant Contribution	-\$2,020,000
Total RD Funds	\$42,036,330

2. **Project Funds** – The project funding is planned in the form of a loan and grant from the following sources and amounts:

<u>Project Funding Source:</u>	<u>Funding Amount:</u>
RD Loan (Initial)	\$8,702,500
RD Loan (Initial)	\$8,702,500
RD Loan (Initial)	\$8,702,500
RD Loan (Initial)	\$8,702,500
RD Loan (COR)	\$6,041,930
Grant	\$1,184,400
Applicant Contribution	\$2,020,000
TOTAL	\$44,056,330

3. **Security** – (Revenue Bonds – Public Body) the loan will be evidenced by a Water Systems Improvement Bond secured by a pledge of revenue and statutory lien on the water system. The pledge of water revenue and the statutory lien on the water system will be 1st lien on the system.
4. **Loan Repayment** – (Monthly Installments) the loans will be scheduled for repayment over a period of 40 years. For planning purposed use a 2.250% interest rate and a monthly amortization factor of 3.17 for the original (4) loan(s) which will provide for a monthly payments of \$27,587 on each (4 = \$110,348) \$8,702,500 and for the \$6,041,930 subsequent loan use a 3.125% interest rate and monthly amortization of 3.66 which will provide for a monthly installment of \$22,114.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, whichever is less, unless you choose otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount. The payment due date will be established as the day that the loan closes, but no later than the 28th of each month.

You will be required to complete SF-5510, Authorization Agreement for Preauthorized Payments, if you participate for all new and existing indebtedness to RD. It will allow for your payment to be electronically debited from your account on the day your payment is due.

9. **Reserves** – Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs and assist with debt service should the need arise. Reserves can also be established and maintained for the anticipated and expected expenses including but not limited to operation and maintenance, customer deposits, and depreciation of short-lived assets.

As a part of this RD loan proposal you must establish and fund monthly a debt service reserve fund equal to 10% of the monthly payment each month over the life of the loan until the accumulate one annual installment. This reserve is required to establish an emergency fund for maintenance and repairs and debt repayment should the need arise. Ten percent of each of the proposed loan installments for the original 4 loan(s) is \$2,759 each and \$2,212 for the subsequent loan. In addition, you are to establish a short-lived asset fund and this account is to be funded in the amount of \$762,148 annually or \$63,512.33 monthly.

Ted Davenport, Chairman
Laurens County Water and Sewer Commission

4

The Letter of Conditions dated September 06, 2016 remains as issued except for the changes noted above. If you should have any questions, please feel free to contact the RD Area Office.

Sincerely,

MICHELE J. CARDWELL
Community Programs Director



Rural Development

July 29, 2019

State Office

Laurens County Water & Sewer Commission

Attn: Ted Davenport, Chairman

P O Box 1006

Laurens, SC 29360

Strom Thurmond

Federal Building

1835 Assembly

Street, Suite 1007,

Columbia, SC 29201

SUBJECT: Recipient Name: Laurens County Water & Sewer Commission

Project Name: Lake Greenwood WTP

Water Application

CFDA NUMBER - 10.760

Voice: 803.765.5163

Fax: 855.565.9482

TDD: 803.765.5697

Loan: \$1,756,000

Grant: \$3,828,670

Dear Mr. Davenport:

This letter is written in response to a request on February 25, 2019, whereby it was requested that additional funds be provided to cover the cost overrun in connection with the Rural Utilities Service (RUS) financed project administered by the United States Department of Agriculture (USDA), Rural Development (RD). Our Area Office in Anderson has reviewed the request. Necessary revisions have been made to the application docket and we are favorably responding to this request by herein amending the Letter of Conditions (LOC) that was initially dated September 06, 2016.

Any changes in project cost, source of funds, scope of services, or any other significant changes in the project must be submitted to RD for review and approval. A written amendment to this letter will be prepared for any approved changes. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The Commission is required to identify and report to this Agency any known relationship or association with a RD employee.

If we make the subsequent loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you choose otherwise. The loan will be considered approved on the date a signed copy of the Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

The revised docket may be completed on the basis of an additional RUS loan in the amount of \$1,756,000 and grant in the amount of \$3,828,670 not to exceed \$5,584,670 in funds as a cost overrun loan & grant to the original loan of \$34,810,000 and original grant of \$1,184,400 and a cost overrun loan in the amount of \$6,041,930 administered by Rural Development.

It will be necessary that a meeting of the Commission be held to consider this subsequent request. At that time, the Commission will need to adopt and execute RUS Bulletin 1780-27, "Loan Resolution". It will also be necessary that forms RD 442-7, "Operating Budget (revised), 400-1, "Equal Opportunity Agreement," 400-4, "Assurance Agreement," and 1940-1, "Request for obligation of Funds" be executed. All documents will be executed by the Chairman and attested by the Secretary/Treasurer and the impression of the Commission's Seal affixed thereon. Once that has been completed, all copies of the forms should be returned to the Area Office in Anderson, SC.

The changes to the LOC that was initially issued on September 06, 2016 are as follows:

1. **Project Budget** – Funding from all sources has been budgeted for the estimated expenditures as follows:

Project Costs:

WTP/Raw Water Intake	\$27,554,522
Distribution Water Lines (w/raw water line)	\$14,065,300
Total Construction Cost	\$41,619,822

CMAR Preconstruction Phase Fee	\$100,000
Design Engineering	\$2,246,518
Construction Observation	\$1,440,982
Legal	\$354,644
Interest	\$1,153,836
Contingency	
WTP/Raw Water Intake (5%)	\$1,318,398
Distribution Water Lines (10%)	\$1,406,800

Total Project Costs	\$49,641,000
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2. **Project Funds** – The project funding is planned in the form of a loan and grant from the following sources and amounts:

<u>Project Funding Source:</u>	<u>Funding Amount:</u>
RD Loan (Initial)	\$8,702,500
RD Loan (Initial)	\$8,702,500
RD Loan (Initial)	\$8,702,500
RD Loan (Initial)	\$8,702,500
RD Loan (COR)	\$6,041,930
RD Loan (COR)	\$1,756,000
RD Grant (COR)	\$3,828,670
Grant	\$1,184,400
Applicant Contribution	\$2,020,000
TOTAL	\$49,641,000

3. **Security** – (Revenue Bonds – Public Body) this loan will be evidenced by a Water Systems Improvement Bond secured by a pledge of revenue and statutory lien on the water system. The pledge of water revenue and the statutory lien on the water system will be parity with the previous loans.

4. **Loan Repayment** – (Monthly Installments) the loans will be scheduled for repayment over a period of 40 years. For planning purposed use a 2.250% interest rate and a monthly amortization factor of 3.17 for the original loan(s) which will provide for a monthly payment of \$27,587 each, the first cost overrun loan in the amount of \$6,041,930 use a 3.125% interest rate and monthly amortization of 3.66 which will provide for a monthly installment of \$22,114 and for this cost overrun loan in the amount of \$1,756,000 use a 2.750% interest rate with a monthly amortization of 3.44 which will provide for a monthly installment of \$6,041.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, whichever is less, unless you choose otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount. The payment due date will be established as the day that the loan closes, but no later than the 28th of each month.

You will be required to complete SF-5510, Authorization Agreement for Preauthorized Payments, if you participate for all new and existing indebtedness to RD. It will allow for your payment to be electronically debited from your account on the day your payment is due.

5. **Reserves** – Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs and assist with debt service should the need arise. Reserves can also be established and maintained for the anticipated and expected expenses including but not limited to operation and maintenance, customer deposits, and depreciation of short-lived assets.

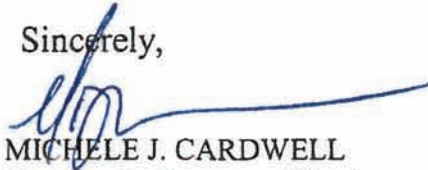
- a. **Debt Service Reserve** - As a part of this RD loan proposal you must establish and fund monthly a debt service reserve fund equal to 10% of the monthly payment each month over the life of the loan until the accumulate one annual installment. This reserve is required to establish an emergency fund for maintenance and repairs and debt repayment should the need arise. Ten percent of each of the proposed loan installments for the original loan(s) is \$2,759 each, \$2,212 for the first cost overrun subsequent loan and an additional \$605 for this cost overrun subsequent loan for a total amount of \$13,853/monthly.
- b. **Short -Lived Asset Reserve** – In addition to the debt service reserve fund, you must establish a short-lived asset reserve fund. Based on the addendum to the preliminary engineering report dated August 2018 you must deposit \$886,315 into the short-lived asset reserve fund annually for the life of the loan to pay for repairs and/or replacement of major system assets. It is your responsibility to assess your facility's short -lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

Current assets can also be used to establish and maintain reserves for expected expenses, including but not limited to operations and maintenance, deferred interest during the construction period, and an asset management program.

In addition, you are to establish a short-lived asset fund and this account is to be funded in the amount of \$762,148 annually or \$63,512.33 monthly.

The Letter of Conditions dated September 06, 2016 remains as issued except for the changes noted above. If you should have any questions, please feel free to contact the RD Area Office.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michele J. Cardwell', with a long horizontal flourish extending to the right.

MICHELE J. CARDWELL
Community Programs Director



United States Department of Agriculture

Rural Development

State Office

Strom Thurmond
Federal Building
1835 Assembly
Street, Suite 1007,
Columbia, SC 29201

Voice: 803.765.5163
Fax: 855.565.9482
TDD: 803.765.5697

September 16th, 2019

Laurens County Water & Sewer Commission
Attn: Ted Davenport, Chairman
P O Box 1006
Laurens, SC 29360

SUBJECT: Recipient Name: Laurens County Water & Sewer Commission
Project Name: Lake Greenwood WTP
Water Application
CFDA NUMBER - 10.760

Dear Mr. Davenport:

This letter is written in response to a request on August 22, 2019, whereby it was requested that additional time be provided to the construction timeframe in connection with the Rural Utilities Service (RUS) financed project administered by the United States Department of Agriculture (USDA), Rural Development (RD). Our Area Office in Anderson has reviewed the request. Necessary revisions have been made to the application docket and we are favorably responding to this request by herein amending the Letter of Conditions (LOC) that was initially dated September 06, 2016. **The extension of the deadline in the Letter of Conditions from September 20, 2021 to February 28, 2022 has been approved.**

The Environmental Mitigation Measures are also being revised to include the following:

- Floodplain – The installation of the majority of the raw water and/or finished water lines will not affect floodplain areas. However, it is estimated that approximately 1.5 acres of floodplains will be disturbed temporarily with the installation of the raw water and/or finished water lines that cross a Zone A or Zone AE. Each crossing will be open cut, the line installed, and the area back filled and stabilized with vegetation within the same day. The temporary disturbance at each crossing will be a few hours during the day of installation and the area will be restored to their preconstruction contours.

The proposed construction associated with the new treatment facility, new tank, and new intake housing will not affect floodplain areas. However, in order to withdraw the necessary water, the new water intake pipe and screens must extend into Lake Greenwood (classified as Zone AE). The intake site was chosen because it provides access to a portion of Lake Greenwood that provides an excellent water source and is

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If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

in close proximity to the proposed WTP, minimizing the distance for raw water conveyance.

The physical intake screen will be located approximately 826 feet offshore in the deepest portion of the lake at an elevation of 413 feet and will not change existing floodplain elevations. It is anticipated that trenchless technology will be used to install the new intake pipe in order to avoid temporary impacts to the floodplain due to construction. A Federal Energy Regulatory Commission (FERC) permit and a permit from the local floodplain manager from the County will be required to be obtained prior advertisement of bids. Also, a No-Rise Certification would be obtained to document that the intake pipe and screen would not create a change in flood elevations.

The Contract Documents will include the following: "When disposing of excess, spoil, or other construction materials on public or private property, the Contractor shall not fill in or otherwise convert 100-year floodplain areas (Standard Flood Hazard Area) delineated on the latest Federal Emergency Management Agency Floodplain Maps, or other appropriate maps, e.g., alluvial soils on NRCS Soil Survey Maps.

- Wetlands - The installation of the majority of the raw water and/or finished water lines will not affect wetland areas. However, it is estimated that there are approximately 27 stream crossings that will be avoided by utilizing horizontal directional drill method and/or temporarily disturbing the areas. If temporary impacts to "waters of the U.S." are required for the installation of the raw water and/or finished water lines, then a Nationwide Permit will be required before advertisement of bids. The installation of the new intake structure into Lake Greenwood will require a Nationwide Permit 12 to be obtained prior to advertisement of bids.

The Contract Documents will include the following: "When disposing of excess, spoil, or other construction materials on public or private property, the Contractor shall not fill in or otherwise convert wetlands."

- Cultural Resources – No significantly adverse impacts on cultural resources are expected due to activities of the proposed project. The Contract Documents will include the following: "Any excavation by the Contractor that uncovers an historical or archaeological artifact or human remains shall be immediately reported to the Owner and USDA/Rural Development. Construction shall be temporarily halted pending the notification process and further directions issued by USDA/Rural Development after consultation with the SHPO."
- Biological Resources – The majority of the proposed project area has been significantly impacted with the exception of the new intake and WTP sites. The probability of any of the species listed in the EA existing in the project area is highly unlikely for the majority of the project. USFWS did express some concerns

regarding the forested portions of the new intake and WTP sites. These sites could contain potentially suitable roosting habitat for the northern long-eared bat (NLEB). USFWS recommendations were taken into consideration and the following mitigation measures will be included in the Letter of Conditions and Contract Documents for the project. "Tree Removal activities should occur between November 15th and March 31st.

Contractor shall comply with the Endangered Species Act, which provides for the protection of endangered and/or threatened species and critical habitat. Should any evidence of the presence of endangered and/or threatened species or their critical habitat be brought to the attention of Contractor, Contractor will immediately report this evidence to Owner and a representative of Agency. Construction shall be temporarily halted pending the notification process and further directions issued by Agency after consultation with the U.S. Fish and Wildlife Service."

- Water Quality – In accordance with federal regulations and South Carolina Department of Health & Environmental Control (SCDHEC) regulations regarding discharges of stormwater, an Operator/Owner is required to apply for and obtain a National Pollutant Discharge Elimination System (NPDES) permit prior to conducting construction or land disturbance that exceeds one acre or is part of a plan for development or sale that might eventually exceed one acre. The Contractor performing the work will be required to post a copy of the permit authorization at the job site and follow standard Best Management Practices (BMPs).

A Stormwater Pollution Prevention Plan (SWPPP) shall be prepared and certified by a "qualified credentialed professional," according to SCDHEC's definition, describing structural and non-structural practices that will be implemented and maintained to prevent/minimize the discharge of all sources of pollution to State waters in stormwater runoff. The BMPs, including silt fences, and standard construction erosion control measures, shall be implemented and the construction sites in order to minimize sedimentation and runoff. Monthly monitoring of construction sites during periods of construction activity is required by SCDHEC to insure that the BMPs are properly implemented and maintained at the site. No long-term or significant adverse impacts on surface water are expected to occur.

In addition to the Stormwater Permit, a SCDHEC Construction Permit, and SCDHEC Surface Withdrawal Permit will be required to be obtained prior to advertisement of bids.

- Air Quality – The Contract Documents will include the following: "During construction, if dust becomes a problem as determined by the Project Inspector, the Contractor will be required to dampen the construction area. Equipment with proper exhaust should be used to minimize air impacts due to emissions from construction equipment."

- Transportation – Prior to advertisement of bids the proper permits (SCDOT, County, etc.) and or easements should be obtained. The traffic control outlined in the permits should be followed.

Any changes in project cost, source of funds, scope of services, or any other significant changes in the project must be submitted to RD for review and approval. A written amendment to this letter will be prepared for any approved changes. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The Commission is required to identify and report to this Agency any known relationship or association with a RD employee.

The Letter of Conditions dated September 06, 2016 remains as issued except for the changes noted above. If you should have any questions, please feel free to contact the RD Area Office.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Cardwell', with a long horizontal flourish extending to the right.

Michele J. Cardwell
Community Programs Director

APPENDIX D
THE USDA TAKE-OUT LETTER

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United States Department of Agriculture

Rural Development

January 16, 2020

State Office

Strom Thurmond
Federal Building
1835 Assembly
Street, Suite 1007,
Columbia, SC 29201

Stephens Inc.
Atlanta, Georgia

U.S. Bank, National Association
Columbia, South Carolina

Voice: 803.765.5163
Fax: 855.565.9482
TDD: 803.765.5697

Dear Sirs:

Reference is made to a request from the Laurens County Water and Sewer Commission for interim financing through the sale of a bond anticipation note of the Commission to Stephens Inc. to construct a water treatment plant.

This letter is to confirm certain understandings on behalf of USDA Rural Development.

Final plans and specifications have been prepared and approved, bids have been taken and the Commission is prepared to award the construction contracts to the qualified low bidders. It has been determined by the Commission and Rural Development that the condition of loan closing can be met.

The loan has been approved and funds have been obligated for the project. The Commission is authorized through this letter to incur interim financing not to exceed \$42,607,930.00 of the obligated loan funds. It is noted that the bond anticipation note to be purchased by Stephens Inc. is listed at \$42,605,000.00 but should not exceed the RD obligated loan funds. The bond anticipation note will have an expected maturity of February 1, 2022 with an optional redemption date beginning on or around July 1, 2021.

It is proposed by the Commission with the approval of Rural Development, that U.S. Bank, as Trustee, disburse funds as needed to pay for construction and other authorized and legally eligible expenses incurred by the Commission for this project, upon presentation of proper statements or work estimates approved by the Commission's authorized representatives and the authorized official of Rural Development. Payment of interest on the bond anticipation note from the proceeds thereof (capitalized interest) is authorized and does not require further approvals.

We have scheduled the Rural Development administered loan to be closed when the project to be financed with loan funds is 85-90% substantially complete, or when the bond anticipation note matures, or funds borrowed through the bond anticipation note have been expended --- whichever occurs first --- so that funds will be available to pay

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If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

off the total amount of the bond anticipation note expended for authorized approved purposes, including accrued interest to the date of closing.

We appreciate your assistance to the Laurens County Water and Sewer Commission and look forward to working with you on this project.

Sincerely,

Bre L. Slaughter  Digitally signed by Bre L.
Slaughter for
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MICHELE J. CARDWELL
Community Programs Director

Attachment

cc: Rural Development – Anderson, SC
Laurens County Water and Sewer Commission

APPENDIX E

ECONOMIC AND DEMOGRAPHIC DATA FOR LAURENS COUNTY

Description of Laurens County, South Carolina

Laurens County, South Carolina (the “County”), formed in 1785, is located in the Central Piedmont section of the State of South Carolina (the “State”). It is the 16th largest county in the State based on of land mass (715 square miles) and is supported by both agriculture and industry. Principal farm products in the County include hay, grains, wheat, poultry, eggs, cattle, milk, and broilers. The total value of agricultural products sold in 2012, the latest data available, was \$40,912,000 according to the U.S. Department of Agriculture 2012 Census of Agriculture.

In addition to the multi-million dollar agriculture/farming industry, manufacturing is also a major contributor impacting the local economy. The County’s location, outstanding incentives for new and existing businesses, and economic growth potential attract a diversified base of industries in addition to local training and educational opportunities. The County is home to many automotive industries such as Alupress, Continental Automotive, Fukoku and Michelin; advanced materials facilities such as CeramTec North America, D&W Fine Pack, Teknor Apex and Sterilite; distribution centers such as Milliken, Renfro, Richloom and Walmart; and international industries such as Bodycote, Kimura, Norbord and Yanfeng. Six quality industrial parks are also located in the County: Hunter Industrial Park, Clinton Corporate Park I, Laurens County Professional Park, Owings Industrial Park, Woodfield Industrial Park and Clinton I-26 Corporate Center. The County’s newest park, The Connexial Center, will be located in Gray Court to boost capital investment in the northern part of the County.

Piedmont Technical College’s (“PTC”) 24,300-square foot Center for Advanced Manufacturing (“CAM”) opened in May 2012 with classes in industrial equipment training, soft skills training, resume writing and interview skills through partnerships among PTC, the PTC Foundation, county and city governments, Laurens County Development Corporation and local industries who saw the Center’s potential to benefit their operations. The CAM houses CNC labs, CMM labs, a welding lab and classrooms will benefit industry and residents of the County for many years by providing the local workforce with a means for upgrading their work skills with relevant technology-based training.

Commerce and Industry

In April 2019, The Muffin Mam, Inc. announced plans to launch a new production headquarters in Simpsonville. Located in the Hunter Industrial Park, the new 100,000 square foot facility will further increase production and complement the company’s existing production facility in Greenville County. The Muffin Mam, Inc. is a Global Food Safety Initiative-certified wholesale bakery with customers that include some of the world’s largest retailers and food service outlets. The company specializes in a variety of innovative baked goods and features a research and development department constantly testing new recipes. The company’s \$18.8 million investment is expected to create 114 new jobs.

CeramTec North America announced in March 2019 a \$20 million investment to expand its existing facility in the County with an expected creation of 14 new jobs. Over the past 25 years, CeramTec has invested over \$79 million and created over 210 jobs at their County facility. CeramTec was the first ceramic-to-metal seal manufacturer in the world and is a global organization with over a century of experience of producing advanced ceramic products and ceramic materials. CeramTec produces over 10,000 products to serve a variety of applications around the globe including automotive, military/aerospace, electronics, structural, hermetic, functional, medical and mechanical industries.

In January 2019, BDS Technologies, LLC announced plans to develop its first manufacturing facility in the County. The company broke ground on its new facility at a 12-acre site in Hunter Industrial Park and is scheduled to be in production by the end of 2019. The company is investing over \$17 million and is expected to generate 44 new jobs.

Flame Spray North America announced expansion of its existing County facility in August 2018 by purchasing a neighboring property to its existing facility in Woodfield Industrial Park. This acquisition will broaden its capabilities to service the aerospace market in the U.S by dedicating this facility to treating aircraft engine components with thermal spray coatings. Flame Spray North America is a wholly-owned subsidiary of Italian firm Flame Spray S.p.A. and produces thermal spray coating mainly for industrial gas turbines and aircraft components. The County facility is the

company's only presence outside of Europe. The company is investing approximately \$4 million with the expectation to hire 20 new employees within the next three years.

Fukoku America recently expanded its operations in the County by investing \$13.9 million and creating 65 new jobs. Located in Hunter Industrial Park, the company increased its manufacturing capacity for producing constant-velocity joint boots and rack and pinion boots for the automotive industry. Fukoku is the largest producer of wiper blade rubber in the world which is used in a variety of applications, from automobiles and trains to ships and aircraft, and also develops seals for industrial applications such as pneumatic tools and industrial machinery.

Capital Investment

The following table sets forth the total investments and resulting employment in the County for the past five years for which information is available:

<u>Year</u>	<u>Total Investment</u>	<u>Jobs Created</u>
2018	\$12,661,920	44
2017	65,653,000	152
2016	79,100,000	103
2015	112,600,000	655
2014	53,500,000	193

Source: South Carolina Department of Commerce.

Largest Employers

Ten of the largest industries and commercial entities located within the County, their products or service and their approximate number of employees are listed below. There can be no assurance that any employer listed below will continue to be located in the County. No independent investigation has been made of, and no representation can be made as to the stability or financial condition of the employers listed below:

<u>Name</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
ZF Transmissions Gray Court, LLC	Motor Vehicle Transmission/Power Train Parts/Manufacturing	2,500
Yanfeng Automotive Interiors	Motor Vehicle Parts/Manufacturing	951
Walmart Distribution Center	General warehousing & storage	858
Sterilite Corporation	Plastic products	675
Country Fresh	Food preparation	430
D&W Fine Pack	Disposable paper items	400
Renfro Distribution Center	Nightwear Knitting Mills	382
Rich Products	Commercial Bakeries	250
Teknor Apex Carolina Company	Custom Compounding of Resins, Rubber, Plastic Hoses and Belting	231
Asten Johnson, Inc. - Clinton		225

Source: Laurens County Development Corporation Industrial Directory.

Population

The following table shows the population of the County and the State for the last five decades, and an estimate for the most recent population figure available:

<u>Year</u>	<u>Laurens County</u>	<u>South Carolina</u>
2017 ⁽¹⁾	66,915	5,021,219
2010	66,537	4,625,364
2000	69,567	4,012,012
1990	58,092	3,486,703
1980	52,214	3,121,820
1970	49,713	2,590,713

⁽¹⁾ July 1 population estimate.

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

The following table shows the 2000 and 2010 Census population figures for all municipalities located within the County, and an estimate for the most recent population figure available:

<u>Municipality</u>	<u>2000 Population</u>	<u>2010 Population</u>	<u>2017 Population⁽¹⁾</u>
Clinton	8,091	8,490	8,503
Fountain Inn	6,017	7,799	8,688
Gray Court	1,021	795	806
Laurens	9,916	9,139	8,887
Waterloo	203	166	147

⁽¹⁾ July 1 population estimate.

Source: U.S. Census Bureau, Population Division.

Per Capita Personal Income

The following table shows the per capita personal income for the County, the State and the United States for the last five years for which information is available.

<u>Year</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2017	\$33,390	\$41,633	\$51,640
2016	32,326	40,312	49,831
2015	31,806	39,424	48,940
2014	30,637	37,537	47,025
2013	29,313	35,665	44,826

Sources: Board of Economic Advisors and Office of Economic Research of the State Revenue and Fiscal Affairs Office, U.S. Department of Commerce, Bureau of Economic Analysis, November, 2018.

Retail Sales

The following table shows retail sales for businesses located in the County for the last five calendar years for which information is available.

<u>Year</u>	<u>Gross Retail Sales</u>
2018	\$1,646,426,482
2017	1,539,587,930
2016	1,437,396,326
2015	1,684,434,257
2014	967,021,632

Source: South Carolina Department of Revenue, Administrative Division.

Unemployment Rates

The estimated unemployment rate for the County for November, 2019 was 2.3%. The following table shows County, State and national unemployment rates for the years shown:

<u>Year</u>	<u>Laurens County</u>	<u>South Carolina</u>	<u>United States</u>
2018	3.6%	3.4%	3.9%
2017	4.4	4.3	4.4
2016	5.2	5.0	4.9
2015	6.6	6.0	5.3
2014	7.1	6.5	6.2

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

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

<u>Date</u>	<u>Unemployment Rate</u>
November 2019	2.3%
October 2019	2.3
September 2019	2.0
August 2019	3.1
July 2019	3.4
June 2019	3.7
May 2019	3.5
April 2019	3.1
March 2019	3.5
February 2019	3.3
January 2019	3.5
December 2018	3.4

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

Labor Force and Employment

Laurens County Labor Force Estimate⁽¹⁾

	<u>2015</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Civilian Labor Force	29,883	30,264	30,003	29,802	29,857
Employment	27,760	28,275	28,434	28,493	28,786
Unemployment	2,123	1,989	1,569	1,309	1,071
Percent of Labor Force	7.1%	6.6%	5.2%	4.4%	3.6%

⁽¹⁾ Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households and unpaid family workers.

Facilities Serving the County

Transportation. The County is served by three U.S. highways, four South Carolina highways and Interstate Highways 26 and 385 which connect the County to Spartanburg, Greenville, Columbia, and Charlotte, N.C. Charleston, approximately 175 miles south on I-26, is the nearest port city.

Air. The County is served by the Greenville-Spartanburg International Airport (“GSP”), a commercial airport facility located approximately 40 miles from the County. GSP is one of the State’s largest airports and serves the Upstate with four air cargo carriers and six passenger airlines offering numerous daily flights to more than a dozen non-stop destinations. The Laurens County airport is a general aviation airport for use by private and corporate aircraft on the 4,400-foot paved runway. The airport offers service to turbo props and business jets as well as hangar rental spots, maintenance and fuel service.

Rail. Rail service is provided by CSX Transportation with the company’s main line passing directly through the City of Clinton. The Carolina Piedmont division of South Carolina Central Railroad operates a 34.4 mile rail system between Laurens and Greenville that runs parallel to I-385.

Recreation. The County offers many opportunities for recreation with rivers, lakes, hiking trails, golf courses, hunting areas and more. Lake Greenwood, with more than 200 miles of shoreline, and Lake Rabon, as well as the Enoree and Saluda rivers, provide excellent fishing and boating. Well-maintained parks offer baseball and softball fields, playground equipment, walking tracks and nature trails, picnic areas, swimming pools and basketball and tennis courts. The County has two private 18-hole golf courses: Lakeside Country Club which also has swimming and tennis available, and Musgrove Mill, an Arnold Palmer World Class Championship Course that was chosen as one of the top modern courses in the U.S. by *Golfweek* magazine, and hosted the ACC Men’s Golf Championship in 2017. Three YMCA’s are nearby and coordinate adult and youth recreational leagues in the County. Laurens County Speedway offers auto racing from April to September. Darlington International Raceway and Charlotte Motor Speedway are less than a two-hour drive from the County. Many athletic events are available at Presbyterian College as well as local high schools. Greenville County offers minor league hockey and baseball.

The Ridge at Laurens, which opened in 2016, is a state-of-the-art multipurpose community and recreation center which also houses the offices of the County Parks and Recreation Department. The civic center accommodates sporting events and tournaments, weddings and receptions, parties and community meetings.

Presbyterian College and the local school districts offer year-round lectures, plays, films, art shows, concerts and more. The Artist’s Coop, a local arts organization, encourages art and art education in the community by hosting art shows, workshops and art form classes throughout the year. Additional arts and entertainment resources include the Laurens County Chorale, the Laurens County Civic Ballet Company and the Laurens County Community Theater. The Clinton and Laurens county museums feature various exhibits, collections and programs highlighting the history of the area.

Library: The Laurens County Library System operates two libraries and one bookmobile: the 8,200-square foot Clinton Library and the 23,000-square foot headquarters in Laurens. Both libraries have computers available for public use, offer children's programs throughout the year and reference services. The headquarters has an extensive local history genealogy collection, a large public meeting room, a computer classroom and several study and tutoring rooms. In addition to more than 110,000 books, the library's collection contains books on tape, magazines, DVDs and large-type books.

Higher Education. Presbyterian College ("PC") is a four-year, private, coeducational liberal arts college accredited by the Southern Association of Colleges and Schools to award baccalaureate and doctoral degrees. Founded in 1880 as Clinton College, PC is located on 240 acres in Clinton and offers approximately 107 majors, minors and programs. Undergraduate student/faculty ratio is 12:1 with average class size of 14-17 students taught by dedicated faculty most of whom hold terminal degrees. Six faculty members have been honored as South Carolina's Professors of the Year – the most of any college or university in the State. PC had a Fall 2018 enrollment of 1,330. Presbyterian College School of Pharmacy opened in August 2010 with an inaugural class of nearly 80 students. The four-year PharmD program now serves approximately 300 students. The School of Pharmacy is housed in a modern wireless facility near PC which includes an operational pharmacy for teaching and assessment in a practice environment; a Family Health Care Clinic; multiple auditorium-style classrooms; and laboratories for skills development.

Piedmont Technical College ("PTC") is a public, two-year technical college accredited by the Southern Association of Colleges and Schools Commission which offers university-level education and hands-on career training. PTC contributes to the economic growth and development of the largest and most diverse region of the technical college system – Abbeville, Edgefield, Greenwood, Laurens, McCormick, Newberry and Saluda counties. PTC provides quality educational opportunities for students to acquire associate degrees, diplomas and certificates in vocational, technical and occupational areas in over 80 academic programs. PTC also offers a wide variety of career study programs that prepare students directly for the workforce, continuing education courses for personal and professional development, and a university transfer curriculum designed to fulfill the first two years of a bachelor's degree at four-year colleges and universities. PTC had a Fall 2018 enrollment of 4,491 students.

Healthcare. The County is served by two hospital systems: Prisma Health Laurens County Memorial Hospital ("Prisma Laurens") and Self Medical Group. Laurens County Memorial Hospital opened in 1989 and merged with Prisma in 2013 (formerly Greenville Health System). Prisma Laurens currently operates at a capacity of 76 acute-care beds, 14 skilled nursing beds, retains more than 460 full- and part-time employees, and has an active medical staff of 55 physicians and 35 consulting physicians. The medical campus of Prisma Laurens houses the Women's Life Center, Emergency Services, and an outpatient building for radiology, labs, pulmonary rehabilitation, physical therapy, vascular services and outpatient surgery.

Self Medical Group is a network of primary care, specialists and hospital-based physicians who work together to provide patients comprehensive health care. As an affiliate of Self Regional Healthcare, Self Medical Group has access to the resources, diagnostics and technology of a nationally recognized regional referral center serving the Lakelands of South Carolina. The Lakelands region is comprised of Greenwood, Abbeville, Edgefield, Laurens, McCormick, Newberry and Saluda counties

The Whitten Center, located in Clinton, is the largest residential services facility of the South Carolina Department of Disabilities and Special Needs for approximately 240 individuals with developmental disabilities and special needs.

The County has a fine selection of nursing homes, retirement homes and assisted-living facilities including Bailey Manor, Langston House, Martha Franks Baptist Retirement Center, NHC Healthcare, Carolina Gardens, Clinton Presbyterian Community and the Hospice of Laurens County.

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APPENDIX F
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Laurens County Water and Sewer Commission, South Carolina (the “Issuer”) acting through its Executive Director in connection with the issuance of its \$42,605,000 Bond Anticipation Notes, Series 2020 (the “Notes”). The Notes are being issued pursuant to a Resolution adopted November 26, 2019 (the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

“Bondholder” or “Holder” shall mean the registered holder of any of the Notes and any Beneficial Owner of the Notes.

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

“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.

“Listed Events” shall mean any of the events listed in Section 6(a) of this Disclosure Certificate.

“National Repository” shall mean the Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board, or any successor thereto.

“Participating Underwriter” shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

“Quarterly Report” shall mean a summary of the status of the construction of the Project (as defined in the Resolution), setting forth an estimate of the percentage of construction completed and a summary of any changes in the scheduled substantial completion date of the Project.

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, commencing February 1, 2021, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, if other than the Issuer. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Appendix I.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the National Repository and each State Depository, if any; and,

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain the Issuer’s complete audited financial statements, which shall be prepared in accordance with generally accepted accounting principles and Government Auditing Standards issued by the Comptroller General of the United States. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(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. In addition thereto, the Annual Report shall contain or incorporate by reference the following:

A. A brief description of the progress of the Project, including the total amount of proceeds of the Notes expended as of the December 31 immediately preceding the deadline for filing of the Annual Report.

B. The expected completion date of the Project as of the date of filing of the Annual Report.

C. The total number of residential and commercial/industrial customers as of June 30 of the most recently completed fiscal year of the Issuer.

D. The ten largest customers of the System as of June 30 of the most recently completed fiscal year of the Issuer.

E. Average Daily Flow and Peak Daily Flow of the System as of June 30 of the most recently completed fiscal year of the Issuer.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Quarterly Reporting. The Issuer shall, or shall cause the Dissemination Agent to, not later than each January 1, April 1, July 1, and October 1 of each year, commencing April 1, 2020, provide to the National Repository a Quarterly Report. Not later than fifteen (15) business days prior to said dates, the Issuer shall provide the Quarterly Report to the Dissemination Agent, if other than the Issuer. The Quarterly Report may be submitted as a single document or as separate documents comprising a package.

SECTION 6. Reporting of Certain Events.

(a) Pursuant to the provisions of this Section 6, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

- (i) Delinquency in payment when due of any principal of or interest on the Notes;
- (ii) Defeasance of the Notes or any portion thereof;
- (iii) Any change in any rating on the Notes;
- (iv) The issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
- (v) Tender offers;
- (vi) Any unscheduled draw, reflecting financial difficulties, on any reserve fund established by the Issuer to secure further the timely repayment of the Notes;
- (vii) Any unscheduled draw reflecting financial difficulties on any credit enhancement device obtained by the Issuer to secure further the timely repayment of the Notes;
- (viii) Any change in the provider of any credit enhancement device described in item (vii) above, or any failure by the provider to perform under such a credit enhancement device;
- (ix) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (x) Revocation of the commitment by the United States Department of Agriculture—Rural Development to purchase the waterworks distribution system revenues bonds of the Issuer intended for repayment of the Notes.

(b) Pursuant to the provisions of this Section 6, the Issuer shall give or cause to be given notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) Occurrence of any event of default under the Resolution (other than as described in clause (a)(i) above);
- (ii) Material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (iii) Amendment to the Resolution or this Disclosure Undertaking modifying the rights of the Beneficial Owners of the Notes;

- (iv) Giving of a notice of optional or unscheduled redemption of any Notes;
 - (v) The release, substitution or sale of any property hereafter leased, mortgaged or pledged by the Issuer securing repayment of the Notes;
 - (vi) Consummation of a merger, consolidation or acquisition involving an obligate 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 action, other than pursuant to its terms; or
 - (vii) Appointment of a successor or additional trustee, or the change of name of a trustee;
 - (viii) 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
 - (ix) 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.
- (c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event in subsection (b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.
- (d) If the Issuer determines that a Listed Event in subsection (b) above would be material under applicable federal securities law, or upon the occurrence of any Listed Event in subsection (a) above, the Issuer shall file a notice of the Listed Event in a timely manner, not in excess of ten business days of such occurrence, with the National Repository and the Issuer Repository, if any.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule. With respect to any amendment to this Disclosure Certificate:

- (a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person, or type of business conducted;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment, in the opinion of said counsel, does not materially impair the interests of Holders of the Notes.

In the event of an amendment hereto, any Annual Report provided pursuant to Section 4 herein which contains amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

LAURENS COUNTY WATER AND SEWER
COMMISSION, SOUTH CAROLINA

By: _____
Executive Director

Date: _____

APPENDIX I

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORTS

Name of Issuer: Laurens County Water and Sewer Commission, South Carolina

Name of Bond Issue: \$42,605,000 Bond Anticipation Notes, Series 2020

Date of Issuance: _____, 2020

CUSIP Prefix: 519108

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-referenced Notes as required by Section 3 of the Continuing Disclosure Certificate dated _____, _____. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

LAURENS COUNTY WATER AND SEWER
COMMISSION, SOUTH CAROLINA

By: _____
Executive Director

Dated: _____

APPENDIX G
FORM OF BOND COUNSEL OPINION

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February 18, 2020

Laurens County Water and Sewer Commission
Laurens, South Carolina

Stephens Inc.
Atlanta, Georgia

U.S. Bank National Association
Columbia, South Carolina

Re: \$42,605,000 Waterworks Distribution System Bond Anticipation Notes,
Series 2020, of the Laurens County Water and Sewer Commission, South Carolina

Ladies and Gentlemen:

As Bond Counsel to the Laurens County Water and Sewer Commission, South Carolina (the “Commission”), we have examined a certified copy of the Record of Proceedings and other proofs submitted to us, including the Constitution and statutes of the State of South Carolina, in relation to the issuance by the Commission of its \$42,605,000 Waterworks Distribution System Bond Anticipation Notes, Series 2020 (the “Series 2020 Notes”). The Series 2020 Notes are issued by the Commission pursuant to a resolution adopted by the Commission on November 26, 2019 (the “Resolution”), and under and in full compliance with the Constitution and statutes of the State of South Carolina, including particularly Chapter 17 of Title 11, South Carolina Code of Laws of 1976, as amended, in order to obtain funds to defray the cost of certain improvements to the Commission’s Waterworks Distribution System (the “System”), to pay capitalized interest on the Series 2020 Notes, and to pay certain costs and expenses relating to the issuance of the Series 2020 Notes.

The Series 2020 Notes bear interest from February 18, 2020, the date of delivery thereof, and are payable as to principal and interest and are subject to optional redemption prior to their stated maturity all as provided therein. The Series 2020 Notes are issued in fully registered form in the principal amount thereof.

In our opinion:

1. The Commission is a duly created and validly existing political subdivision of the State of South Carolina.
2. The Resolution has been duly and lawfully enacted and is in full force and effect and is valid, binding, and enforceable against the Commission in accordance with its terms, except to the

Laurens County Water and Sewer Commission
Stephens Inc.
U.S. Bank National Association
February 18, 2020
Page 2

extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. In and by the Resolution, the Commission has covenanted and agreed to effect the issuance of its Waterworks Distribution System Revenue Bonds (the "Bonds") prior to the maturity of the Notes such that the proceeds of the Bonds shall be available to pay the Notes.

3. The Series 2020 Notes have been duly and lawfully authorized, executed, and delivered in accordance with the terms of the Resolution, and constitute valid and binding special obligations of the Commission, enforceable against the Commission in accordance with their terms, except to the extent that the enforceability of the Series 2020 Notes may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. The Series 2020 Notes are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements set forth in the Resolution.

4. Neither the principal of nor interest on the Series 2020 Notes constitutes an indebtedness of the Commission within the meaning of any provision, limitation, or restriction of the Constitution or Laws of the State of South Carolina, nor a charge, lien, or encumbrance, legal or equitable, upon any property of the Commission or upon any income, receipts, or revenues of the Commission, and neither the credit nor the taxing power of the Commission is pledged therefor.

5. We have been advised that there is no litigation pending or threatened contesting the creation, organization, or existence of the Commission or the System or that seeks to restrain or enjoin the issuance or delivery of the Series 2020 Notes or the proceedings or authority under which the Series 2020 Notes are to be issued or delivered, or that in any manner questions the authority of the Commission to issue the Bonds for the payment of the Series 2020 Notes or the use of the proceeds of the Series 2020 Notes.

6. Interest on the Series 2020 Notes (including any original issue discount properly allocable to an owner thereof) is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the Commission comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2020 Notes in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Series 2020 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020 Notes. The Commission has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2020 Notes.

Laurens County Water and Sewer Commission
Stephens Inc.
U.S. Bank National Association
February 18, 2020
Page 3

7. The Series 2020 Notes and the interest thereon are exempt from all state, county, school district, municipal, and all other taxes or assessments of the State of South Carolina, except inheritance, estate, transfer, or certain franchise taxes.

8. We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated January 28, 2020 relating to the Series 2020 Notes.

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.

We have examined an executed Series 2020 Note and, in our opinion, its form and execution are in due form of law.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted, or otherwise referred to for any other purpose.

Very truly yours,

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