

OFFICIAL STATEMENT

NEW ISSUE

BOOK-ENTRY-ONLY

RATINGS:
Moody's: Aa2
Standard & Poor's: AA+
(see "RATINGS")

In the opinion of McNair Law Firm, P.A., Co-Bond Counsel, assuming continued compliance by the City with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the 2018 Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the 2018 Bonds is not an item of tax preference for purposes of an individual's federal alternative minimum tax. The 2018 Bonds and the interest thereon will also be exempt from all State, county, municipal, school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes. See "TAX EXEMPTION AND OTHER TAX MATTERS" herein.



\$37,900,000
CITY OF COLUMBIA, SOUTH CAROLINA
STORMWATER SYSTEM REVENUE BONDS
(CITY STORMWATER IMPROVEMENTS)
SERIES 2018
(GREEN BONDS)



Dated: Delivery Date

Due: February 1, as shown on inside cover

The City of Columbia, South Carolina ("City"), Stormwater System Revenue Bonds (City Stormwater Improvements), Series 2018 (Green Bonds) ("2018 Bonds"), are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal, redemption premium, if any, and interest on the 2018 Bonds will be made. Individual purchases will be made in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof. So long as Cede & Co., as partnership nominee of DTC, is the registered owner of the 2018 Bonds, references herein to holders or registered owners of the 2018 Bonds means Cede & Co., and shall not mean the beneficial owners of the 2018 Bonds. Interest on the 2018 Bonds shall be payable on each February 1 and August 1 commencing August 1, 2019, until maturity or prior redemption. Principal on the 2018 Bonds will be payable in the years and amounts shown on the inside cover hereof. All capitalized terms used on this cover page, and not otherwise defined, are defined herein.

The 2018 Bonds are being issued under the authority of the Constitution and laws of the State, including Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended, and the General Bond Ordinance No. 2018-13, enacted by the City Council, the governing body of the City ("City Council"), on May 15, 2018, as supplemented by the First Supplemental Ordinance No. 2018-14, enacted by the City Council on May 15, 2018 (as supplemented, collectively, "Ordinance").

The 2018 Bonds are being issued for the purposes of (i) funding certain improvements, extensions and enlargements to the stormwater system of the City ("System"); and (ii) paying the costs incurred in connection with the issuance of the 2018 Bonds.

The 2018 Bonds, including the interest thereon, are payable solely from the Net Revenues of the System and are secured by a pledge of and lien on the Net Revenues thereof, and are further secured by a statutory lien on the System. **THERE WILL BE NO DEBT SERVICE RESERVE FUND ESTABLISHED FOR OR FUNDED WITH THE PROCEEDS OF THE 2018 BONDS.**

THE 2018 BONDS WILL BE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION PRIOR TO MATURITY AS DESCRIBED HEREIN.

THE 2018 BONDS DO NOT CONSTITUTE INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATION. THE 2018 BONDS SHALL NOT CONSTITUTE DEBT OF THE CITY, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, ON ANY PROPERTY OF THE CITY OR ON ANY INCOME, RECEIPTS OR REVENUES THEREOF, OTHER THAN THE NET REVENUES OF THE SYSTEM PLEDGED THERETO. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE 2018 BONDS OR THE INTEREST THEREON AGAINST THE GENERAL FUND OF THE CITY AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED TO BE PLEDGED THERETO. THE FULL FAITH, CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2018 BONDS.

The 2018 Bonds are offered when, as and if issued and delivered by the City, subject to the final approving opinions of McNair Law Firm, P.A., Columbia, South Carolina, and Johnson, Toal & Battiste, P.A., Columbia, South Carolina, Co-Bond Counsel. Certain legal matters will be passed on for the City by the City Attorney, Teresa A. Knox, Esquire, and for the Underwriters by their co-counsel, Parker Poe Adams & Bernstein LLP, Columbia, South Carolina, and Starkes Law Firm, P.A., Columbia, South Carolina. Stifel, Nicolaus & Company, Incorporated, Columbia, South Carolina, has served as Financial Advisor to the City in connection with the issuance of the 2018 Bonds. It is expected that the 2018 Bonds will be available for delivery through the facilities of DTC, on or about December 19, 2018.

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

SIEBERT CISNEROS SHANK & CO., L.L.C.

LOOP CAPITAL MARKETS

This Official Statement is dated December 6, 2018.

2018 BONDS MATURITY SCHEDULE

\$20,200,000 Serial Bonds

MATURITY (FEBRUARY 1)	AMOUNT(\$)	INTEREST RATE (%)	YIELD (%)	PRICE (%)	CUSIP¹
2020	\$430,000	4.000%	1.860%	102.352%	198502 AA4
2021	660,000	4.000	1.940	104.250	198502 AB2
2022	685,000	5.000	2.020	108.955	198502 AC0
2023	720,000	5.000	2.060	111.544	198502 AD8
2024	760,000	5.000	2.140	113.788	198502 AE6
2025	795,000	5.000	2.230	115.754	198502 AF3
2026	835,000	5.000	2.340	117.342	198502 AG1
2027	875,000	5.000	2.420	118.906	198502 AH9
2028	920,000	5.000	2.500	120.265	198502 AJ5
2029	965,000	5.000	2.590	119.455 ^c	198502 AK2
2030	1,015,000	5.000	2.650	118.919 ^c	198502 AL0
2031	1,065,000	5.000	2.710	118.385 ^c	198502 AM8
2032	1,120,000	5.000	2.790	117.678 ^c	198502 AN6
2033	1,175,000	4.000	3.200	106.279 ^c	198502 AP1
2034	1,220,000	4.000	3.260	105.792 ^c	198502 AQ9
2035	1,270,000	4.000	3.330	105.227 ^c	198502 AR7
2036	1,320,000	5.000	3.040	115.500 ^c	198502 AS5
2037	1,385,000	5.000	3.090	115.071 ^c	198502 AT3
2038	1,455,000	5.000	3.130	114.728 ^c	198502 AU0
2039	1,530,000	5.000	3.160	114.472 ^c	198502 AV8

\$17,700,000 Term Bonds

\$6,920,000 5.000% Term Bond, due February 1, 2043; Yield: 3.240%; Price 113.793%^c; CUSIP¹: 198502 AW6
\$10,780,000 5.000% Term Bond, due February 1, 2048; Yield: 3.310%; Price 113.202%^c; CUSIP¹: 198502 AX4

^c Priced to the call date of February 1, 2028

¹Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This information is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP identification number ("CUSIP") have been assigned by an independent company not affiliated with the City or the Underwriter and are included solely for the convenience of the registered owners of the 2018 Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2018 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2018 Bonds as a result of various subsequent actions including, but not limited to, a prepayment in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2018 Bonds. It is anticipated that a CUSIP number will be printed on each 2018 Bond, but neither the failure to print this number on any 2018 Bond nor any error with respect to that CUSIP constitutes cause for failure or refusal by the purchaser of that 2018 Bond to accept delivery of and pay for that 2018 Bond according to the terms of the purchaser's proposal. All expenses regarding printing CUSIPs on the 2018 Bonds shall be paid for by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of CUSIPs shall be the responsibility of and shall be paid for by the Underwriters. Further, the City is not responsible for obtaining the CUSIPs.

This Official Statement does not constitute an offering of any security other than the original offering of the 2018 Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied on as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2018 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. 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 CITY OR THE SYSTEM.

Information in this Official Statement has been obtained by Siebert Cisneros Shank & Co., L.L.C., on behalf of themselves and as representative of Loop Capital Markets, as underwriters ("Underwriters"), from the City and other sources believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibility to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Regions Bank, as Custodian, Registrar and Paying Agent, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the 2018 Bonds, or (iii) the tax-exempt status of the interest on the 2018 Bonds.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements," within the meaning of the Securities Act of 1933, as amended ("1933 Act"), or the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "may," "will," "could," "should," "expect," "forecast," "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget," "potential," "continue," or the negative of these terms or other similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO EXPECTATIONS, OR EVENTS, CONDITIONS, OR CIRCUMSTANCES, ON WHICH THE FORWARD-LOOKING STATEMENTS ARE BASED, OCCUR OR FAIL TO OCCUR.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018 BONDS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING MAY BE DISCONTINUED AT ANY TIME.

THE 2018 BONDS WILL NOT BE REGISTERED UNDER THE 1933 ACT, AND THE ORDINANCE HAS NOT BEEN REGISTERED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2018 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2018 BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED ON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE 2018 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CITY OF COLUMBIA, SOUTH CAROLINA
1737 Main Street
Columbia, South Carolina 29201
803-545-3050



CITY COUNCIL

Stephen K. Benjamin, Mayor

COUNCIL MEMBERS

Tameika Isaac Devine, Mayor Pro Tem
Moe Baddourah
Sam Davis
Howard E. Duvall, Jr.
Edward H. McDowell, Jr.
Daniel J. Rickenmann

CITY MANAGER

Teresa B. Wilson

**ASSISTANT CITY MANAGER
FOR FINANCE AND ECONOMIC SERVICES**

Jeffery M. Palen

CITY ATTORNEY

Teresa A. Knox, Esquire

FINANCIAL ADVISOR

Stifel, Nicolaus and Company, Incorporated
Columbia, South Carolina

RATE AND FEASIBILITY CONSULTANTS

Black & Veatch Management Consulting, LLC
Columbia, South Carolina

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OFFICIAL STATEMENT

\$37,900,000

**CITY OF COLUMBIA, SOUTH CAROLINA
STORMWATER SYSTEM REVENUE BONDS
(CITY STORMWATER IMPROVEMENTS)
SERIES 2018 (GREEN BONDS)**

INTRODUCTION

This Official Statement of the City of Columbia, South Carolina (“City”), which includes the cover page hereof and the appendices hereto, provides information relating to the City and its Stormwater System Revenue Bonds (City Stormwater Improvements), Series 2018 (Green Bonds) (“2018 Bonds”). The information furnished herein includes a brief description of the 2018 Bonds, and the security therefor, the City, and its indebtedness, tax information, economic data, financial information and other matters. Also included are certain information and data pertaining to Richland County, South Carolina (“County”), Lexington County, South Carolina (“Lexington County”), and the State of South Carolina (“State”).

The 2018 Bonds and any Additional Bonds (as defined herein) are referred to herein as the “Bonds.” Included in this Official Statement is a brief description of the Stormwater System of the City (“System”) and the ordinances pursuant to which the 2018 Bonds are authorized and issued by the City. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. Capitalized terms used herein without specific definition are used as defined in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE.”

Authorization

The 2018 Bonds are being issued under the Constitution and laws of the State, including (i) Title 6, Chapter 21, of the Code of Laws of South Carolina 1976, as amended (“Enabling Act”); (ii) the General Bond Ordinance No. 2018-13 enacted by the City Council, the governing body of the City (“City Council”), on May 15, 2018 (“Bond Ordinance”), as supplemented by the First Supplemental Ordinance No. 2018-14, enacted by the City Council on May 15, 2018 (“Supplemental Ordinance,” together with the Bond Ordinance, “Ordinance”).

Purpose

The 2018 Bonds are being issued for the purposes of (i) funding certain improvements, extensions and enlargements to the System; and (ii) paying the costs incurred in connection with the issuance of the 2018 Bonds. See “SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE.”

THE 2018 BONDS

General

The 2018 Bonds will be dated their date of delivery, will mature on February 1 in the years and in the principal amounts set forth on the inside cover page hereto, and will bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months) set forth on the inside cover page hereto, payable on August 1, 2019, and semiannually thereafter on February 1 and August 1 of each year. The 2018 Bonds are issuable initially in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof. So long as the 2018 Bonds are in book-entry-only form and are registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“DTC”), payments on the 2018 Bonds will be made as set forth under “Book-Entry System” below. Should the 2018 Bonds no longer be held in book-entry-only form, principal of the 2018 Bonds, whether due on maturity or redemption, will be payable on the respective maturity dates or redemption dates on presentation and surrender thereof at the corporate trust office of Regions Bank, as custodian, registrar and paying agent (collectively, the “Custodian”), and interest on the 2018 Bonds will be payable by check or draft of the Custodian mailed to the person in whose name each 2018 Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such payment. Interest payments to a person who is a holder of \$1,000,000 or more in aggregate principal amount of the 2018 Bonds not held in book-entry-only form may be made by wire transfer to an account within the continental United States on timely receipt of a written request of such holder.

Optional Redemption

The 2018 Bonds maturing on or after February 1, 2029, are subject to redemption prior to maturity on or after February 1, 2028, at the option of the City, as a whole or in part at any time in such order of their maturities as the City shall determine at the redemption price equal to 100% of the principal amount of the 2018 Bonds being redeemed together with accrued interest to the date fixed for redemption.

Mandatory Redemption

The 2018 Bonds maturing on February 1, 2043 (“Term Bond 2043”), are subject to mandatory sinking fund redemption commencing February 1, 2040, and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount thereof to be redeemed, plus interest accrued to the redemption date, on February 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
2040	\$1,605,000
2041	1,685,000
2042	1,770,000
2043 [†]	1,860,000

[†]Final Maturity for Term Bond 2043

The 2018 Bonds maturing on February 1, 2048 (“Term Bond 2048” and, together with Term Bond 2043, “2018 Term Bonds”), are subject to mandatory sinking fund redemption commencing February 1, 2044, and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount thereof to be redeemed, plus interest accrued to the redemption date, on February 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
2044	\$1,950,000
2045	2,050,000
2046	2,150,000
2047	2,260,000
2048 [†]	2,370,000

[†]Final Maturity for Term Bond 2048

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the City may (i) deliver to the Custodian for cancellation 2018 Term Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such 2018 Term Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the City and cancelled by the Custodian and not theretofore applied as a credit against any mandatory redemption obligation. Each 2018 Term Bond so delivered or previously purchased or redeemed shall be credited by the Custodian, at one hundred percent (100%) of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in such order as the City may direct the Custodian in writing, and the principal amount of the 2018 Term Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

General Redemption Provisions; Notice

In the event the 2018 Bonds or any portion thereof shall be called for redemption, notice of the redemption, describing (among other things) the 2018 Bonds to be redeemed, specifying the redemption date and the redemption price payable on such redemption, shall be mailed by first-class mail, postage prepaid, to the registered owner thereof as shown on the Books of Registry (as defined herein) not less than 30 days and not more than 60 days prior to the redemption date. So long as the 2018 Bonds are in book-entry-only form and are registered in the name of Cede & Co., as the nominee of DTC, notices of redemption with respect to the 2018 Bonds will be given to Cede & Co., and will be distributed by Cede & Co. as set forth under “Book-Entry System” below.

If less than all of the 2018 Bonds of any series and maturity are called for redemption, the 2018 Bonds of such series and maturity to be redeemed shall be selected by lot within such maturity, subject to the rules of procedure of DTC while the 2018 Bonds are held in book-entry-only form.

If a 2018 Bond is subject by its terms to redemption prior to its stated maturity and has been duly called for redemption and notice of the redemption thereof has been duly given as in the Ordinance provided and if moneys for the payment of such 2018 Bond at the then applicable redemption price and the interest to accrue to the redemption date on such 2018 Bond are held for the purpose of such payment by the Custodian, then such 2018 Bond so called for redemption shall, on the redemption date designated in such notice, become due and payable, and interest on the 2018 Bond, as appropriate, so called for redemption shall cease to accrue. The City is entitled to provide for, and give notice of, the redemption of a 2018 Bond based on certain conditions being met at or prior to redemption, including, but not limited to, the availability of amounts for such purposes.

Book-Entry System

THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORDKEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2018 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE 2018 BONDS TO DIRECT AND INDIRECT PARTICIPANTS (AS DEFINED BELOW) OR BENEFICIAL OWNERS (AS DEFINED BELOW) OF THE 2018 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2018 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT AND INDIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE 2018 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC TO THE CITY FOR INCLUSION IN THIS OFFICIAL STATEMENT. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

Beneficial ownership interests in the 2018 Bonds will be available only in book-entry form. Each beneficial owner of the 2018 Bonds (“Beneficial Owner”) will not receive a physical bond certificate representing their interests in the 2018 Bonds purchased. So long as Cede & Co. (“Nominee”), as nominee for DTC or its nominee is the registered owner of the 2018 Bonds, references in this Official Statement to the owners of the 2018 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry-only system has been discontinued, the 2018 Bonds will be available only in book-entry-only form in principal amounts of \$5,000 or any integral multiple thereof.

DTC will initially act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued 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 bond will be issued for each maturity of the 2018 Bonds, as set forth on the front cover page hereof, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2018 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2018 Bonds, as applicable (other than under the caption “TAX EXEMPTION AND OTHER TAX MATTERS” herein), means Cede & Co., as aforesaid, and does not mean the Beneficial Owners of such 2018 Bonds.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the 2018 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for

DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission (“SEC”). More information about DTC can be found at www.dtcc.com.

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, the 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Ordinance. For example, Beneficial Owners of the 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Custodian and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC is treated as the Owner of the 2018 Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of the Beneficial Owners is unknown to the Issuer, to DTC or to the Custodian, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the 2018 Bonds that may be transmitted by or through DTC.

Principal, redemption premium, if any, and interest payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts on DTC’s receipt of funds and corresponding detail information from the City or the Custodian, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Custodian, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Custodian, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the City or Custodian. Under such circumstances, in the event that a successor depository is not obtained, 2018 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2018 Bond certificates will be printed and delivered to DTC.

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT NEITHER THE CITY NOR THE UNDERWRITERS TAKE RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOREGOING INFORMATION WITH DTC OR THE DIRECT OR INDIRECT PARTICIPANTS.

Each person for whom a Participant acquires an interest in the 2018 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Custodian to DTC only.

For every transfer and exchange of 2018 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE CITY, THE UNDERWRITERS OR THE CUSTODIAN WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2018 BONDS UNDER THE ORDINANCE; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2018 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2018 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2018 BONDS; OR (VI) ANY OTHER MATTER.

The Supplemental Ordinance provides that if (a) DTC determines not to continue to act as securities depository for the 2018 Bonds and gives reasonable notice to the Custodian or the City or (b) the City has advised DTC of the City's determination that DTC is incapable of discharging its duties, then the City will attempt to retain another qualified securities depository to replace DTC. On receipt by the City or the Custodian of the 2018 Bonds, together with an assignment duly executed by DTC, the City will execute and deliver to the successor depository, the 2018 Bonds of the same principal amount, interest rate, and maturity. If the City is unable to retain a qualified successor to DTC, or the City has determined that it is in its best interest not to continue the book-entry-only system of transfer or that interests of the Beneficial Owners of the 2018 Bonds might be adversely affected if the book-entry-only system of transfer is continued (the City 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 2018 Bonds by mailing an appropriate notice to DTC, on receipt by the City of the 2018 Bonds together with an assignment duly executed by DTC, the City will execute, authenticate and deliver to the Direct Participants the 2018 Bonds in fully registered form, in authorized denominations; provided, however, that the discontinuation of the book-entry-only system of registration and transfer or the replacement of DTC or any successor depository is subject to the applicable rules of DTC or such successor depository on file or otherwise approved by the SEC.

Registration, Transfers and Exchanges

2018 Bonds Held in Book-Entry-Only Form

So long as the 2018 Bonds are in book-entry-only form and are registered in the name of Cede & Co., as the nominee of DTC, the 2018 Bonds may be registered, transferred and exchanged as set forth under "Book-Entry System" herein.

2018 Bonds Not Held in Book-Entry-Only Form

Each 2018 Bond not held in book-entry-only form shall be transferable only on the books of registry ("Books of Registry") of the City, which shall be kept for such purpose at the corporate trust office of the Custodian, by the registered owner thereof in person or by his duly authorized attorney on surrender thereof together with a written instrument of transfer satisfactory to the Custodian duly executed by the registered owner or his duly authorized attorney. On the transfer of any such 2018 Bond, the Custodian shall cause to be issued in the name of the transferee a new fully registered 2018 Bond, of the same aggregate principal amount, interest rate, series and maturity as the surrendered 2018 Bond. Any registered owner requesting a transfer shall pay any tax or other governmental charge required to be paid with respect thereto. Any 2018 Bond surrendered in exchange for a new registered 2018 Bond, respectively, shall be cancelled by the Custodian.

The City and the Custodian may deem and treat the person in whose name any 2018 Bond not held in book-entry-only form shall be registered as the absolute owner of such 2018 Bond for all purposes including the payment of or on account of the principal, premium, if any, or interest thereon and any such payment made to a registered owner shall be effectual to satisfy and discharge the liability on such 2018 Bond with respect thereto.

In the event any 2018 Bond not held in book-entry-only form becomes mutilated in whole or in part, or is lost, stolen or destroyed, or becomes so defaced as to impair the value thereof to the holder thereof, the City shall execute and the Custodian shall authenticate and deliver a new 2018 Bond, respectively, of the same interest rate and denomination and like tenor and effect in exchange or in substitution for such mutilated, lost, stolen or destroyed 2018 Bond; provided that, in the case of any mutilated 2018 Bond, such 2018 Bond shall be surrendered to the Custodian, and in the case of any lost, stolen or destroyed 2018 Bond there shall be furnished to the City and the Custodian evidence of such loss, theft or destruction satisfactory to the City and the Custodian together with such indemnity as they shall require. In the event any such mutilated, lost, stolen or destroyed 2018 Bond shall have matured, instead of issuing a duplicate 2018 Bond, the City may pay the same. The City and the Custodian may charge the holder or owner of such mutilated, lost, stolen or destroyed 2018 Bond with their reasonable fees and expenses in connection therewith.

SECURITY FOR THE 2018 BONDS

Pledged Revenues and Statutory Lien

The 2018 Bonds are payable solely from and are secured equally and ratably with all bonds hereafter issued on a parity therewith (with respect to the pledge of and lien on the Net Revenues) under the Ordinance ("Additional Bonds") by a pledge of and lien on Net Revenues (defined herein) of the System, and are further secured by a statutory lien on the System as provided in the Enabling Act.

The term "Net Revenues" means the Revenues of the System after deducting Expenses of Operating and Maintaining the System (defined herein). The term "Revenues" means all receipts, income, revenues, fees and other charges to be imposed and collected in connection with, and all other income and receipts of whatever kind or character derived by the City from the establishment and operation of the System, including, but not limited to, stormwater utility fees and charges, interest earnings and other earnings or investments, as such earnings or investments are computed in accordance with generally accepted accounting practices, but excluding the proceeds of any grants or debt, contributions in aid of construction, gains or losses on extinguishment of debt, and the receipts, income, revenues, fees and other charges derived from the operation of Special Facilities. The term "Expenses of Operating and Maintaining the System" means the current expenses, paid or accrued, of operation, administration, maintenance and current repair of the System, as calculated in accordance with generally accepted accounting practices, and shall include, without limiting the generality of the foregoing, administrative charges, salaries, wages, employee benefits, costs of materials and supplies, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, properly allocable share of City administrative and overhead expenses, costs of billings and collections, costs of any audit of the System, the premiums for all insurance required with respect to the System, taxes, if any, and amounts payable by way of arbitrage rebate, but does not include (i) the payment of interest on Bonds or other System-related indebtedness, (ii) capital outlay or any renewals or replacements of capital assets of the System, (iii) any allowance for depreciation, (iv) any amounts deemed to be payments in lieu of taxes or other equity transfers, (v) any pension-related and other post-employment benefit-related expenses (other than such amounts actually paid) of the System, (vi) any payment or amortization of financing expenses, underwriting discounts, call premiums, losses on the extinguishment of debt due to refinancing of the same, and other related and non-recurring expenses resulting from the issuance or refinancing of long term indebtedness, or (vii) any losses on the sale or other disposition of investments or fixed or capital assets. For more information, see "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE," herein.

Outstanding Indebtedness

The City does not presently have any outstanding debt related to the System or Revenues of the System.

Limited Obligations

THE 2018 BONDS DO NOT CONSTITUTE INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATION. THE 2018 BONDS SHALL NOT CONSTITUTE DEBT OF THE CITY, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, ON ANY PROPERTY OF THE CITY OR ON ANY INCOME, RECEIPTS OR REVENUES THEREOF, OTHER THAN THE NET REVENUES OF THE SYSTEM PLEDGED THERETO. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE 2018 BONDS OR THE INTEREST THEREON AGAINST THE GENERAL FUND OF THE CITY AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED TO BE PLEDGED THERETO. THE FULL FAITH, CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2018 BONDS.

Rate Covenant

The City has covenanted in the Ordinance to operate the System in an efficient and economical manner and establish, levy, maintain, revise and collect such fees, rates and other charges for the use of the services and facilities furnished by the System as may be necessary or proper, which fees, rates and other charges, together with other revenues and other available moneys, will at all times be sufficient after making due and reasonable allowance for contingencies and for a margin of error in estimates, to provide in each July 1 through June 30 fiscal year of the City, an amount equal to (collectively, the "Rate Covenant"):

- (a) 100 percent of the amounts required to be deposited into the Operation and Maintenance Fund for the then current fiscal year
- (b) 120 percent of the amounts required to be deposited into each Bond and Interest Redemption Fund for the then current fiscal year;
- (c) 100 percent of the amounts required to be deposited into each Debt Service Reserve Fund for the then current fiscal year;
- (d) 100 percent of the amounts required to be deposited into the Depreciation Fund for the then current fiscal year;
- (e) 100 percent of the amounts required to be deposited into the Contingent Fund for the then current fiscal year;
- (f) 100 percent of the amounts required to provide for payment of any Junior Bonds for the then current fiscal year; and
- (g) the amounts necessary to comply in all respects with the terms of the Ordinance or any other contract or agreement with the Holder of a Bond.

Disposition of Revenues and Funds Established by the Ordinance

The following are the funds and accounts created and established by the Ordinance:

- (a) Revenue Fund to be held by the City;
- (b) Operation and Maintenance Fund to be held by the City;
- (c) Bond and Interest Redemption Fund for each Series of Bonds to be held by the Custodian, except as provided in any supplemental ordinance, including an Interest Account, a Principal Account and a Bond Redemption Account;
- (d) Debt Service Reserve Fund for each Series of Bonds, if any, to be held by the Custodian;
- (e) Depreciation Fund to be held by the City;

(f) Contingent Fund to be held by the City; and

(g) Construction Fund, if applicable, for each Series of Bonds to be held by a Bank designated by the City.

So long as any Bonds are Outstanding, the Revenues of the System shall be applied at the times, in the amounts and for the purposes as provided or permitted by the Ordinance, and in the following order of priority:

First, provision shall be made for the payment of Expenses of Operating and Maintaining the System;

Second, there shall be transferred into the respective Bond and Interest Redemption Funds, the amounts required by the Ordinance;

Third, there shall be transferred into the respective Debt Service Reserve Funds, if established, the amounts (including any payments required under the terms of any surety bond, insurance policy or letter of credit applicable thereto) required by the Ordinance or any supplemental ordinance for any Bond issued thereunder;

Fourth, provisions shall be made for payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit as contemplated in the Ordinance;

Fifth, provision shall be made for the payment of any Junior Bonds;

Sixth, there shall be transferred into the Depreciation Fund the amounts required by the Ordinance; and

Seventh, there shall be transferred into the Contingent Fund the amounts required by the Ordinance.

If, after applying Revenues of the System as set forth above, there are Revenues remaining, such Revenues shall be disposed of as the City shall determine from time to time to be for the best interest of the City; provided, a transfer of any surplus Revenues to the City's general fund or similar fund shall only be made at the end of each fiscal year and the amount of such transfer shall not cause the Revenues of the System to be less than the respective amounts required to comply with the Rate Covenant.

Debt Service Reserve Funds

The Ordinance provides that the City, pursuant to an ordinance authorizing the issuance of a Series of Bonds, may provide for the establishment of a Debt Service Reserve Fund to be used solely for the purpose of preventing a default in the payment of principal of or interest or premium, if any, on the Bonds of such series.

Whenever the aggregate value of cash and securities in a Debt Service Reserve Fund shall be less than the reserve fund requirement, if any, established with respect to such fund pursuant to a supplemental ordinance authorizing a Series of Bonds ("Reserve Fund Requirement"), there shall be deposited in such Debt Service Reserve Fund that amount which, together with equal, successive, monthly deposits in the same amount, will restore the value of the cash and securities in such Debt Service Reserve Fund to the applicable Reserve Fund Requirement during the succeeding 12 months. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE" under the heading "SUMMARY OF ORDINANCE – Funds Created Under General Bond Ordinance – *Debt Service Reserve Funds*."

THERE WILL BE NO DEBT SERVICE RESERVE FUND ESTABLISHED FOR OR FUNDED WITH THE PROCEEDS OF THE 2018 BONDS.

Additional and Refunding Bonds

The City may issue Additional Bonds on a parity (with respect to the pledge of and lien on Net Revenues) with the 2018 Bonds subject to certain conditions set forth in the Ordinance, including, in the case of Additional Bonds issued other than for the purpose of refunding outstanding Bonds, the requirement that there shall be delivered (i) a certificate or a report, which is not required to be based on the audited financial statements of the City, from the City Manager, any Assistant City Manager serving as the chief financial officer of the City, an Accountant or a Consulting Engineer stating that the amount of the Net Revenues of the System for a consecutive 12-month period ending during the last 18 months is not less than 120% of the Maximum Debt Service on Bonds then Outstanding and the Bonds then proposed to be issued, or (ii) a certificate or report from an Accountant or Consulting Engineer, or a certificate or report from the City Manager or any Assistant City Manager serving as the chief financial officer of the City which is based upon a certificate or report from an Accountant or Consulting Engineer, stating that the amount of the Net Revenues of the System, as shall have been forecasted, is not less than 120% of the actual Debt Service on all Bonds then Outstanding and the Bonds then proposed to be issued for each of the three fiscal years following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for

which interest is funded from the proceeds of such Bonds; provided the amount of Net Revenues for the periods referred to above may be adjusted by adding the following:

- (1) in case the rates and charges for the services furnished by the System shall have been revised and such revised rates and charges shall have gone into effect or will be effective on a future date or dates prior to the delivery of the Bonds proposed to be issued, the additional amount of Net Revenues which would have been realized during the periods referred to above if such rates and charges had been in effect during the periods referred to above; and
- (2) in case an existing stormwater and drainage system or any other public utility system is to be acquired and combined or made a part of the System from the proceeds of the Bonds proposed to be issued, the additional amount of Net Revenues which would have been realized during the periods referred to above if such existing system or systems to be acquired had been a part of the System during the periods referred to above (which computation of the additional amount of Net Revenues shall be based upon the method of computing Net Revenues under the Ordinance).

Without complying with the foregoing debt service coverage provisions, Additional Bonds may be issued for the purpose of refunding (including by purchase) bonds provided that the aggregate Debt Service on all Bonds to be outstanding after the issuance of the proposed series of refunding bonds shall not be greater than would have been the Debt Service on all Bonds not then refunded and the Bonds to be refunded. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” under the heading “SUMMARY OF ORDINANCE – Additional Bonds – *Parity Obligations.*” The term “Debt Service” means, with respect to each Series of Bonds and any particular fiscal year, the aggregate of the amounts to be paid or set aside (or estimated to be required to be paid or set aside) in the applicable Bond and Interest Redemption Fund in such fiscal year for the payment of the principal of, redemption premium, if any, and interest (to the extent not payable from the proceeds of Bonds or investment earnings thereon) on such Series of Bonds; provided that the interest on Variable Rate Indebtedness then Outstanding shall be calculated at the actual average rate of interest on the Variable Rate Indebtedness during the 12 months immediately preceding the date of calculation (or such lesser period during which the Variable Rate Indebtedness has been Outstanding); provided further, that for purposes of satisfying the requirements, described above, of issuing Additional Bonds, (1) interest on Variable Rate Indebtedness then proposed to be issued shall be calculated at the initial interest rate on such Variable Rate Indebtedness and (2) interest on Variable Rate Indebtedness then Outstanding shall be calculated at the current interest rate on such Variable Rate Indebtedness, in each case of which such interest rate may be based on an index rate determined no more than two weeks prior to such calculation.

Junior Bonds and Special Facilities Bonds

The City may issue bonds secured by a pledge of Net Revenues junior and subordinate in all respects to the pledge securing the 2018 Bonds or any other obligation or form of indebtedness, including lease purchase obligations secured by a pledge of Net Revenues, after provision has been made for all payments required to be made with respect to the 2018 Bonds (“Junior Bonds”), in such amount as it may from time to time determine. The pledge of Net Revenues shall at all times be and remain subordinate and inferior in all respects to the pledge of Net Revenues securing the 2018 Bonds. Junior Bonds may be issued to secure funds to defray the cost of improving, extending, enlarging or repairing the System, including the acquisition of a system to be combined with or consolidated into the System, or to refund the 2018 Bonds or any other Bonds, Junior Bonds, or any notes, bonds, or other obligations issued to finance or to aid in financing the acquisition, construction or improvement of the System, and provided further that the pledge of and lien on Net Revenues securing Junior Bonds shall at all times be subordinate and inferior to the pledges of and lien on Net Revenues securing the Bonds. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” under the heading “SUMMARY OF ORDINANCE – Additional Bonds – *Junior Bonds.*”

The City may also enter contracts, leases or other agreements pursuant to which it will agree to construct, operate and pay the costs of Special Facilities which may or may not be discrete and separate units of the System. These Special Facilities may be financed through the issuance of Special Facilities Bonds, subject to certain conditions with respect to the ability of the Special Facilities to generate sufficient revenues to pay for such Special Facilities Bonds. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” under the heading “SUMMARY OF ORDINANCE – Additional Bonds – *Special Facilities Bonds.*”

PLAN OF FINANCE

The proceeds of the 2018 Bonds will be deposited into the Construction Fund of 2018 established pursuant to the Supplemental Ordinance. Moneys on deposit in the Construction Fund of 2018 will be used, as needed, to finance the costs of the 2018 Projects (defined herein), including without limitation payment of engineering, legal and all other expenses incidental to the 2018 Projects and issuance costs of the 2018 Bonds.

The 2018 Projects (“2018 Projects”) involve ongoing capital improvements to the System. These capital improvements include: (i) replacements and improvements necessary to maintain current service levels and address prioritized flooding and water quality issues, retention and impervious surface projects, collection and conveyance improvements, stream restoration, and watershed planning, and (ii) such other improvements as the City may deem necessary or incidental to the System. Construction is expected to begin during the fiscal year ending June 30, 2019 (“Fiscal Year 2019”), and estimated to be substantially completed by or before the end of fiscal year ending June 30, 2021 (“Fiscal Year 2021”).

SOURCES AND USES OF FUNDS

The proceeds of the sale of the 2018 Bonds are expected to be used substantially as follows:

<i>Estimated Sources of Funds</i>	
Principal Amount of 2018 Bonds	\$37,900,000
Original Issue Premium	5,120,411
TOTAL SOURCES OF FUNDS	\$43,020,411
 <i>Estimated Uses of Funds</i>	
2018 Projects	\$42,000,000
Cost of Issuance ⁽¹⁾	1,020,411
TOTAL USES OF FUNDS	\$43,020,411

⁽¹⁾Includes Underwriters’ Discount and certain legal, accounting and other financing expenses incurred by the City, and rounding amount of (\$1,621.35).

GREEN BONDS DESIGNATION AND CLIMATE BOND CERTIFICATION

On August 31, 2018, the Climate Bonds Standard Board of the Climate Bonds Initiative approved certification of the 2018 Bonds as Climate Bond Certified. With such certification, the 2018 Bonds are being designated as green bonds (“Green Bonds”) by the City. The purpose of designating the 2018 Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial projects (“Green Projects”). For purposes of such determination, the City considers the projects included in the Plan of Finance to be Green Projects. See “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS,” “THE SYSTEM,” and “APPENDIX F – FINANCIAL FEASIBILITY REPORT.”

The Climate Bonds Initiative (“CBI”) is an international, investor-focused non-profit organization working to focus the global bond market on climate change solutions through the development and promotion of an efficient green bond market. The CBI has established and manages the Climate Bonds Standard (the “Climate Bonds Standard”) under which the 2018 Bonds have been designated as Climate Bond Certified in accordance with the Water Infrastructure Criteria. The certification of the 2018 Bonds reflects only the views of the CBI. The explanation of the significance of this certification may be obtained from the CBI. Additional information relating to the CBI can be found at www.climatebonds.net. The website is not intended to be an active hyperlink and is not incorporated by reference in this Official Statement. As part of the certification process, the City retained Sustainalytics US Inc., to provide verification that the 2018 Bonds are aligned with the Climate Bonds Standard. Additional information relating to Sustainalytics US Inc. and the certification report can be found at www.Sustainalytics.com. The website is not intended to be an active hyperlink and is not incorporated by reference in this Official Statement.

The certification of the 2018 Bonds as climate bonds by the CBI is based solely on the Climate Bonds Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the 2018 Bonds or the projects financed from the proceeds thereof, including but not limited to this Official Statement, the Ordinance, the City or the management of the City.

The certification of the 2018 Bonds by the CBI was addressed solely to the City and is not a recommendation to any person to purchase, hold, or sell the 2018 Bonds and such certification does not address the market price or suitability of the

2018 Bonds for a particular investor. The certification also does not address the merits of the decision by the City or any third party to participate in this transaction and does not express and should not be deemed to be an expression of an opinion as to the City or any aspect of the 2018 Projects (including but not limited to the financial viability of any of the 2018 Projects) other than with respect to conformance with the Climate Bonds Standard.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of the 2018 Projects or the City. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of the 2018 Projects. The certification may only be used with the 2018 Bonds and may not be used for any other purpose without the CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2018 Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the CBI's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

The CBI is not a licensed broker-dealer or a nationally recognized statistical ratings organization. Certification by the CBI is not a recommendation to buy, sell or hold securities, and such certification may be subject to revision or withdrawal, including, without limitation, in the event that the City's future capital expenditures from the proceeds of the 2018 Bonds vary from the anticipated expenditures reviewed by the CBI. The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2018 Bonds will not result in revision or withdrawal of the CBI's certification; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification.

The Ordinance does not restrict the use of proceeds of future issuances of Bonds to the financing of Green Projects and in the future the City may issue Additional Bonds which are not designated as Green Bonds or certified by the CBI.

The repayment obligations of the City with respect to the 2018 Bonds are not conditioned on the completion of any particular project or the satisfaction of any condition relating to the status of the 2018 Bonds or the certification of such bonds by the CBI.

THE CITY

General Description

The City, located at the geographic center of the State, was formed in 1786. It is the county seat of the County and the capital of the State. In addition to being the governmental center of the State, the City is also the business, finance, education and transportation center of the State.

For further information regarding the City and the Columbia MSA, see Appendix B attached hereto.

Administration of the City

The City is governed by a council-manager form of government. The Mayor and City Council, who are elected for four-year staggered terms, are vested with the legislative and policy-making powers of the City. Day-to-day activities are administered by a council-appointed City Manager who serves as the chief executive officer of the City and is responsible to the City Council for proper administration of all affairs of the City. The City Manager serves an indefinite term and is subject to removal by a majority vote of the City Council. Financial affairs are under the supervision of the Assistant City Manager for Finance and Economic Services who is appointed by the City Manager. The Finance Director reports to the Assistant City Manager for Finance and Economic Services and is responsible for debt administration, investments and appropriation expenditures and is custodian of all City funds.

The present members of the City Council, their occupations, and the dates which their current terms end are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Ends</u>
Stephen K. Benjamin, Mayor	Attorney	December 31, 2021
Tameika Isaac Devine, Mayor Pro Tem	Attorney	December 31, 2021
Moe Baddourah	Business Owner	December 31, 2019
Sam Davis	Chief Executive Officer [†]	December 31, 2021
Howard E. Duvall, Jr.	Retired	December 31, 2019
Edward H. McDowell, Jr.	Retired	December 31, 2019
Daniel J. Rickenmann	Business Consultant	December 31, 2021

[†]City Councilman Sam Davis is the Chief Executive Officer of BEKOTU and Associates, Inc.

Teresa B. Wilson has served as City Manager since January 2013. Ms. Wilson has served as the City's Director of Governmental Affairs and Assistant City Manager for Community Programs, Economic Development and Government Services. Ms. Wilson graduated from the University of South Carolina's Honors College and the University of South Carolina School of Law. Prior to joining the City, Ms. Wilson served as Government and Community Relations Coordinator for the University of South Carolina's Office of the President, and also served as a liaison for the University of South Carolina and the City of Columbia, as well as a number of community organizations.

Jeffery M. Palen has served as the Assistant City Manager for Finance and Economic Services and Chief Financial Officer since January 2013. Mr. Palen oversees the financial operation of the System. Prior to his current position, Mr. Palen served as the City's Treasurer beginning in November 2008, and as hospital chief financial officer with Health Management Associates from 2005 to 2008. Mr. Palen graduated with a Bachelor of Science in Business and a Master's Degree in Business Administration from the University of South Carolina. Mr. Palen has held various positions in both the private and public sectors, including serving as the Deputy Treasurer and the Deputy Auditor for Lexington County.

Janice L. Alonso has served as the Finance Director of the City since July 2013. She has been employed with the City since December 2008, first as the Accounting Manager and, in August 2010, as the Deputy Finance Director. Ms. Alonso has held various positions in both private and public sectors, including Deputy Treasurer for Lexington County and Assistant Controller for Thermo Scientific. Ms. Alonso graduated from the University of South Carolina with a Bachelor of Science in Business. Ms. Alonso is also a Certified Government Finance Officer in South Carolina.

Clint Shealy, P.E., has served as the Assistant City Manager of Columbia Water since July 2017. Mr. Shealy is a licensed Water Treatment Plant Operator and Professional Engineer. Prior to being named Assistant City Manager of Columbia Water, Mr. Shealy served as the City's Director of Utilities and Water Works Superintendent. Prior to coming to Columbia Water, Mr. Shealy worked for the South Carolina Department of Health and Environmental Control and engineering firms BP Barber & Associates, Inc. and Black and Veatch Corporation. Mr. Shealy is a registered Professional Engineer in the State. He earned his Bachelor of Science degree in Engineering from Clemson University.

Dana Higgins, P.E., was named Director of Engineering in July 2017, prior to this, Ms. Higgins served as the City Engineer since September 2010. She has worked in all facets of water resources and environmental engineering since she started her career in 1995. Before becoming City Engineer, Ms. Higgins served as the Assistant City Engineer for Construction for the City, managing the construction management staff and overseeing the development and construction of projects within the City limits. Prior to her work with the City, Ms. Higgins worked for Site Development Engineering, Inc. as the Principal Engineer in Charge. Ms. Higgins is a registered Professional Engineer in the State of South Carolina and a Leadership in Energy and Environmental Design Accredited Professional (LEED AP). She earned her Bachelor of Science in Civil Engineering and her Master of Science in Engineering from the University of South Carolina.

THE SYSTEM

Background

The City owns and operates the water, wastewater and stormwater systems, these systems are operated by Columbia Water. In June 2002, the City established the System as a separate self-supporting enterprise fund utility, including the establishment of separate budgeting and accounting systems. The System has operational control over the existing stormwater management programs, support systems, and facilities owned and operated by the City. The System provides stormwater collection and distribution services throughout the City and collected stormwater fees from approximately 32,588 billed stormwater accounts/properties in the City as of the last day of the fiscal year ended June 30, 2018 ("Fiscal Year 2018").

The System is administered by Columbia Water, under the leadership of the Assistant City Manager, Clint Shealy. The financial operations of the System are administered by the Assistant City Manager for Finance and Economic Services. Columbia Water consists of five divisions: (a) the Engineering Division is responsible for the administration and management of the System; (b) the Utility Operations Division is responsible for the developing and administering the overall planning framework of the System; (c) the Customer Care Division is responsible for the billing and collection of revenue; (d) the Public Works Division is responsible for the overall operation and maintenance of the System; and (e) the Utility Communications Division is responsible for overall public outreach and communications for Columbia Water and the System. Initial recommendations for improvements of the System are made by the Assistant City Manager. The recommendations are then reviewed by the City Manager and submitted to the City Council for review and approval as part of the budget process. Increases in rates for the System must be reviewed and adopted by the City Council prior to going into effect.

Service Area

The System's service area spans four major watersheds, both natural and man-made channels, drainage ways, inlets, catch basins, pipes, head walls, storm sewers, detention facilities and other physical works, properties, and improvements which transfer, control, convey or otherwise influence the movement of stormwater runoff. Currently there are over 15,000 inlets and intake structures; more than 350 miles of storm sewers; approximately 3,600 storm sewer junctions and manholes; 136 miles of open channels; and four stormwater management facilities (including detention and retention basins). See "APPENDIX F – FINANCIAL FEASIBILITY REPORT" for a map depicting the System service area and watersheds.

Fee Structure of Stormwater Fees

The City's Stormwater Fee came into effect on July 1, 2002, and was last updated effective July 1, 2017 and July 1, 2018. All monies collected from this utility fee fund are used to provide for and/or finance the costs of: (a) design and construction of capital improvement drainage projects, (b) routine maintenance of the System, (c) developing an inventory of the System, (d) master planning for capital improvements, and (e) complying with the City's National Pollutant Discharge Elimination System Stormwater quality requirements.

A property's Stormwater Fee is based on the amount of impervious area. Impervious areas can include: sidewalks, walkways, patios, driveways, parking lots, storage areas, compacted gravel and soil, rooftops, and awnings. The City has established an Equivalent Residential Unit ("ERU") for stormwater billing purposes. One ERU is equal to 2,454 square feet, which is the average amount of impervious area found on a typical single-family residence. Each customer is assigned a measure of impervious area which outlines that customer's stormwater drainage requirement.

All properties in the City have been placed into one of three major stormwater billing categories. Those categories are:

(1) *Undeveloped or No-Bill Properties.* All properties which are undeveloped or have no impervious surfaces are not billed. In addition, any non-single-family residential properties which have less than 600 square feet of impervious surfaces on them are not billed.

(2) *Single-Family Residential.* All properties which only have a single-family house, duplex, patio home, or mobile home are classified as single-family residential. These properties have been assigned one ERU and are charged a flat rate of \$12.54 per month.

(3) *Non-Single-Family-Residential.* All properties which are multiple-dwelling unit residential properties, commercial and office buildings, public buildings and structures, industrial and manufacturing buildings, storage buildings, parking lots, parks, recreation properties, public and private schools and universities, research facilities and stations, hospitals and convalescent centers, airports, water and wastewater treatment plants, and others are classified as non-single-family-residential. The Stormwater Fee for these properties is assessed based on the square footage of their impervious area.

Stormwater Fee

In June 2017, the City Council enacted Ordinance No. 2017-049, amending its monthly Stormwater Fee rate[†] per ERU as follows:

<u>Fiscal Year</u>	<u>Effective Date</u>	<u>Unit</u>	<u>Amount</u>
2018	July 1, 2017	per ERU	\$11.80
2019	July 1, 2018	per ERU	\$12.54
2020	July 1, 2019	per ERU	\$13.32
2021	July 1, 2020	per ERU	\$14.15
2022	July 1, 2021	per ERU	\$15.03

Source: City of Columbia

[†]No other fee increases have been approved by the City Council.

Collection of Stormwater Fees

Stormwater Fees are collected on in-City water customers. Bills are mailed to water customers on a periodic basis throughout the month and are payable on receipt. Water service accounts that are two months or more in arrears are terminated for non-payment. Advance notice of 10 days is given prior to such termination action.

Historical Stormwater Fee Collections

Fiscal Year	Amount Collected [†]
2005	\$3,679,426
2006	3,921,119
2007	3,982,151
2008	3,980,323
2009 ^{††}	4,652,409
2010	4,796,246
2011	4,767,099
2012	4,836,653
2013 ^{††}	6,646,978
2014	6,912,118
2015	7,183,749
2016	7,265,351
2017	7,385,286
2018 ^{†††}	12,667,731

[†]Amount Collected does not contain any additional fees

^{††}The increase in collections during the fiscal year ended June 30, 2009 (“Fiscal Year 2009”) represents the impact of an \$0.85/ERU (21.5%) fee increase by the City effective July 1, 2008. The increase in collections during fiscal year ended June 30, 2013 (“Fiscal Year 2013”) represents the impact of a \$2.00/ERU (41.7%) fee increase by the City effective July 1, 2012. See “APPENDIX F – FINANCIAL FEASIBILITY REPORT”

^{†††}Unaudited. In anticipation of issuance of the 2018 Bonds and Future Bonds (as defined herein) presently planned to be issued in Fiscal Year 2021, the City made effective a five-year rate schedule that includes annual increases to the Stormwater Fee per ERU beginning in the fiscal year ended June 30, 2017 (“Fiscal Year 2017”) and continuing through Fiscal Year 2021. See “APPENDIX F – FINANCIAL FEASIBILITY REPORT”

Source: City of Columbia Finance Department

Number of Customers

Set forth below is a table showing the System’s average number of customers and ERUs for the fiscal year ended June 30, 2014 (“Fiscal Year 2014”) through Fiscal Year 2018:

Fiscal Year	Number of Customers	Equivalent Residential Units
2014	31,055	85,662
2015	32,223	88,884
2016	32,823	90,540
2017	32,564	90,707
2018 [†]	32,588	90,327

Source: City of Columbia

[†]Unaudited

The System provides service for two sets of customers: (1) residential; and (2) all other developed properties, including multi-family parcels. Set forth below is a table showing the System's billing information for Fiscal Year 2018 for each customer type and the ERU's:

<u>Customer Type</u>	<u>Number of Customers</u>	<u>Equivalent Residential Units</u>
Residential	28,591	28,753
All Other Developed	3,997	61,574
	32,588	90,327

Source: City of Columbia

Ten Largest Customers

Set forth below is a table showing the ten largest customers of the System for Fiscal Year 2018 based upon unaudited results of operations:

<u>Customer</u>	<u>Revenues</u>	<u>Percentage of Total System Revenues</u>
University of South Carolina Facilities Management	\$494,042	3.89%
City of Columbia	367,877	2.90
Richland School District One	308,971	2.43
South Carolina Department of Corrections	151,654	1.19
State Fiscal Accountability Authority	140,892	1.11
South Carolina Department of Mental Health	120,926	0.95
Winbrook Management LLC	105,917	0.83
Columbia International University	100,536	0.79
William Jennings Bryan Dorn Veterans Hospital	98,978	0.78
Palmetto Health Richland (Prisma Health)	81,703	0.64
	<u>\$1,971,497</u>	<u>15.53%</u>

Source: City of Columbia

Capital Expenditures

The City historically expanded and improved the System only with revenues generated by the System. During Fiscal Years 2014 through 2018, the City expended approximately \$17,758,482 for System expansion and improvement. The following table shows the amounts expended from System revenues for capital improvements to the System, undertaken during Fiscal Years 2014 through 2018.

Capital Improvements Undertaken

<u>Fiscal Year Ended June 30</u>	<u>Capital Improvements Financed with System Revenues</u>
2014	\$1,585,166
2015	3,970,074
2016	4,111,254
2017	2,701,966
<u>2018[†]</u>	<u>5,390,022</u>
TOTAL	\$17,758,482

Source: City of Columbia Finance Department

[†] Unaudited

Capital Improvement Program

Future capital expenditures to expand and improve the System are managed by the City through a rolling five-year Capital Improvements Program ("CIP"), which is approved annually by City Council as part of the adoption of the City's Budget Ordinance. The five-year CIP is reviewed and updated annually to address the needs of the System. The City will continue to evaluate and revise the CIP if necessary, while complying with the Rate Covenant set forth in the Ordinance.

The current CIP covers Fiscal Year 2019, through fiscal year ending June 30, 2023 (“Fiscal Year 2023”), and includes major improvements to the stormwater conveyance system (including storm sewer, channels and ditches), detention facilities, stream restoration, culverts, outfall stabilization and green stormwater infrastructure. Planned capital improvements are intended to address the management of stormwater within the City and its four major watersheds. For a discussion of future capital improvements and sources of funding see “APPENDIX F – FINANCIAL FEASIBILITY REPORT.”

Anticipated Capital Funding Needs

A portion of the approved capital improvements for the System will be funded with proceeds of the 2018 Bonds.

To the extent revenues permit, additional capital improvements to the System may be funded by future bonds issued on a parity with the 2018 Bonds (the “Future Bonds”). The Future Bonds are expected to be issued in Fiscal Year 2021 to fund estimated capital project needs of \$37,000,000.

Environmental Matters

Operation of the System is regulated by the South Carolina Department of Health and Environmental Control (“DHEC”). The City was issued an MS4 permit by DHEC in January 2010. The permit expired on January 24, 2015, but the City continues to operate under its terms in anticipation of DHEC’s issuance of a new MS4 permit after the passage of the public comment period and negotiations with the City. In the interim, the City continues to lawfully operate the System, in accordance with DHEC regulation.

The Stormwater Management and Sediment Reduction Act (Section 48-14-10 *et seq.*, Code of Laws of South Carolina, 1976, as amended) authorizes the establishment by a municipality of a stormwater management utility. Ordinance No. 2002-029, enacted by City Council on June 19, 2002, as may be amended from time to time, created the City’s stormwater utility and authorized the collection of a stormwater service charge. Prior to the creation of a stormwater utility, the City maintained a system of stormwater management facilities, including but not limited to, inlets, conduits, manholes, channels, ditches, drainage facilities, easements, retention and detention basins, infiltration facilities, and other components as well as natural waterways.

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FINANCIAL FACTORS

Five-Year Summary

The following table sets forth a summary of the operating revenues, operating expenses, non-operating revenues and non-operating expenses and changes in net position of the System for Fiscal Year 2013 through Fiscal Year 2017 and unaudited figures for Fiscal Year 2018. This summary should be read in conjunction with (a) the audited financial statements of the City for the applicable fiscal years (other than Fiscal Year 2018, for which audited financial statements are not yet available), and (b) the information set forth under “Management’s Discussion and Analysis” herein. Included as Appendix A to this Official Statement is a portion of the Comprehensive Annual Financial Report of the City for Fiscal Year 2017. Copies of the City’s Comprehensive Annual Financial Reports for prior fiscal years are available on the City’s website. The City’s independent public accountant did not review this Official Statement, nor did it perform any procedures related to any of the information contained in this Official Statement.

	Fiscal Year Ended June 30,					Unaudited
	2013	2014	2015	2016	2017	2018
Operating Revenues						
Charges for Services [†]	\$6,685,838	\$6,945,593	\$7,222,413	\$7,297,315	\$7,413,183	\$12,696,494
Other Operating Revenues	-	12,688	300,000	18,886	-	-
Total Operating Revenues	<u>6,685,838</u>	<u>6,958,281</u>	<u>7,522,413</u>	<u>7,316,201</u>	<u>7,413,183</u>	<u>12,696,494</u>
Operating Expenses						
Personnel Services	2,655,485	3,296,864	2,573,024	2,718,428	2,992,953	3,227,417
Materials and Supplies	231,732	249,194	223,099	199,095	308,882	215,875
Other Services and Charges	999,157	1,321,894	1,044,520	1,639,079	2,022,470	1,114,623
Heat, Light, and Power	-	-	-	-	1,203	567
Depreciation	681,750	700,430	790,049	1,031,602	1,175,554	1,130,886
Bad Debt Expense	-	1,465	-	-	-	-
Total Operating Expenses	<u>4,568,124</u>	<u>5,569,847</u>	<u>4,630,692</u>	<u>5,588,204</u>	<u>6,501,062</u>	<u>5,689,367</u>
Operating Income	2,117,714	1,388,434	2,891,721	1,727,997	912,121	7,007,127
Non-Operating Revenues / (Expenses)						
Investment Income (Loss)	33,940	88,531	90,231	164,995	73,652	155,930
Other Non-Operating Revenue	1,669	-	-	175,000	18,920	273,979
Gain (Loss) from Sale of Assets	16,111	18,305	11,205	450	-	10,494
Total Non-Operating Revenues / (Expenses)	<u>51,720</u>	<u>106,836</u>	<u>101,436</u>	<u>340,445</u>	<u>92,572</u>	<u>440,403</u>
Income (Loss) Before Contributions and Transfers						
	2,169,434	1,495,270	2,993,157	2,068,442	1,004,693	7,447,530
Capital Contributions and Transfers						
Transfers In	1,013,321	750,000	500,000	-	-	-
Transfers Out	(950,922)	(19,848)	(84,076)	(167,443)	(436,141)	(560,000)
Total Capital Contributions and Transfers	<u>62,399</u>	<u>730,152</u>	<u>415,924</u>	<u>(167,443)</u>	<u>(436,141)</u>	<u>(560,000)</u>
Change in Net Position	<u>\$2,231,833</u>	<u>\$2,225,422</u>	<u>\$3,409,081</u>	<u>\$1,900,999</u>	<u>\$568,552</u>	<u>\$6,887,530</u>

[†]Charges For Services contains additional fee revenue, including stormwater plan review fees and stormwater inspection fees

Source: City of Columbia Finance Department

Note: Totals may not sum due to rounding.

Management's Discussion and Analysis

The System's financial condition has benefited from the increase in monthly stormwater service charges approved by City Council, which increases became effective on July 1, 2017 (and more recently on July 1, 2018), and contemplated additional annual increases of 6.2% through July 1, 2021.

For the Fiscal Year 2018, Operating Revenues increased by 71%. Operating Expenses for the same period showed a slight decrease compared to Fiscal Year 2017. The decrease is due in large measure to a reduction in Other Services and Charges in Fiscal Year 2018. In Fiscal Year 2017, the City incurred clean-up costs from damage caused by Hurricane Matthew. Notwithstanding those decreases, Personnel Services expense increased in Fiscal Year 2018 due to cost of living adjustments and additional healthcare costs for employees. The amount of Other Non-Operating Revenue is substantially higher than Fiscal Year 2017 because the City received a contribution toward a project from a neighboring local government. Finally, the increase in Transfers Out reflects a cost allocation from the System to other City departments for services utilized to support the System.

For Fiscal Year 2017, Operating Revenues remained stable. The System experienced a 16% increase in Operating Expenses largely due to clean-up costs resulting from damage caused by Hurricane Matthew. Personnel Services expense increased in Fiscal Year 2017 due to cost of living adjustments and additional healthcare costs for employees. Finally, the increase in Transfers Out reflects a cost allocation from the System to other City departments for services utilized to support the System.

For Fiscal Year 2016, Operating Revenues remained stable. The System experienced a 20% increase in Operating Expenses largely due to clean-up and reconstruction costs resulting from damage caused by the October 2015 historic flooding that occurred in the City. Personnel Services expense increased in Fiscal Year 2016 due to cost of living adjustments and additional healthcare costs for employees.

The System's annual Change in Net Position from Fiscal Year 2013 through Fiscal Year 2018 reflects a favorable trend in System operations.

Historical Debt Service Coverage of the System

Because the City has not previously issued debt payable from or secured by the Net Revenues of the System, no historical information exists regarding debt service requirements and debt service coverage of the System.

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Debt Service Requirements of the System

The following table sets forth the debt service requirements for the 2018 Bonds, beginning with the Fiscal Year 2020.

Fiscal Year	2018 Bonds		
	Principal	Interest	Total
2020	\$430,000	\$2,062,986	\$2,492,986
2021	660,000	1,830,250	2,490,250
2022	685,000	1,803,850	2,488,850
2023	720,000	1,769,600	2,489,600
2024	760,000	1,733,600	2,493,600
2025	795,000	1,695,600	2,490,600
2026	835,000	1,655,850	2,490,850
2027	875,000	1,614,100	2,489,100
2028	920,000	1,570,350	2,490,350
2029	965,000	1,524,350	2,489,350
2030	1,015,000	1,476,100	2,491,100
2031	1,065,000	1,425,350	2,490,350
2032	1,120,000	1,372,100	2,492,100
2033	1,175,000	1,316,100	2,491,100
2034	1,220,000	1,269,100	2,489,100
2035	1,270,000	1,220,300	2,490,300
2036	1,320,000	1,169,500	2,489,500
2037	1,385,000	1,103,500	2,488,500
2038	1,455,000	1,034,250	2,489,250
2039	1,530,000	961,500	2,491,500
2040	1,605,000	885,000	2,490,000
2041	1,685,000	804,750	2,489,750
2042	1,770,000	720,500	2,490,500
2043	1,860,000	632,000	2,492,000
2044	1,950,000	539,000	2,489,000
2045	2,050,000	441,500	2,491,500
2046	2,150,000	339,000	2,489,000
2047	2,260,000	231,500	2,491,500
2048	2,370,000	118,500	2,488,500
	<u>\$37,900,000</u>	<u>\$34,320,086</u>	<u>\$72,220,086</u>

Projected Debt Service Coverage of the System

Debt service coverage as projected and prepared by the City for the Fiscal Years 2019 through 2023, is as set forth below.

Fiscal Year	Net Revenues (a)	2018 Bonds	Future Bonds	Total	Debt Service	Total
		Debt Service	Debt Service (b)	Debt Service	Coverage	Debt Service
				Requirements	2018 Bonds Only	Coverage
2019	\$7,023,300	-	-	-	-	-
2020	7,535,699	\$2,492,986	-	\$2,492,986	3.02x	3.02x
2021	8,068,496	2,490,250	-	2,490,250	3.24x	3.24x
2022	8,649,292	2,488,850	\$2,450,500	4,939,350	3.48x	1.75x
2023	9,084,587	2,489,600	2,522,800	5,012,400	3.65x	1.81x

(a) As defined in the Ordinance. See "APPENDIX F – FINANCIAL FEASIBILITY REPORT"

(b) Debt service on the Future Bonds assumes (i) project fund deposit of \$37,000,000, (ii) 30-year level annual debt service structure, and (iii) a true interest cost of 5.04% per annum.

The figures set forth in the table above are projections. The actual results of operations of the System will be dependent on the amounts by which revenues and expenses increase or decrease. Revenues and expenses will be dependent on the actual number of System customers, the rates per ERU charged by the City and other factors, including future operation and maintenance requirements, financing needs, health care, retirement and post-employment requirements. Further, debt service takes into account solely the bonds described above, and does not take into account other future indebtedness or future stormwater fee increases that may be approved by City Council. No assurance can be given that the projections set forth above will be realized. For a discussion of assumptions see "APPENDIX F – FINANCIAL FEASIBILITY REPORT."

RETIREMENT PLAN, PLAN CONTRIBUTIONS, OTHER POST-EMPLOYMENT BENEFITS, AND LIABILITY INSURANCE

Retirement Plan

The South Carolina Retirement Systems (“Systems”), as administered by the South Carolina Public Employees Benefit Authority (“Authority”), maintains five independent cost sharing, multi-employer defined benefit plans. The City is a participating employer in the Systems and, generally, the City’s employees are covered by the Systems’ South Carolina Retirement System (“SCRS”) or the Police Officers Retirement System (“PORS”) plans, unless the employee has elected to participate in the Optional Retirement Program (“ORP”).

The SCRS plan offers retirement and other benefits, including disability, survivor and death benefits, to eligible state employees. Both employees and employers are required to contribute to the SCRS a percentage of the participating employee’s earnable compensation at a rate set by State law. The PORS plan offers retirement and other benefits for police officers employed by the City. Like the SCRS, both employees and employers are required to contribute to the PORS a percentage of the participating employee’s earnable compensation at a rate set by State law.

For the Fiscal Year 2017, the City made contributions to the SCRS of \$6,888,470 and to the PORS of \$5,784,601, which amounts equaled the statutorily required contributions to SCRS and PORS.

City employees eligible for participation in the SCRS may choose to participate in the ORP, which is a defined contribution plan in which participants direct the investments of their funds in a plan administered by one of four investment providers. The Systems assume no liability for the ORP benefits and for this reason the ORP is not considered part of the retirement systems for financial statement purposes. Contributions to the ORP are set at the same rates as the SCRS. To participate in the ORP, participants must irrevocably waive participation in the SCRS.

Additionally, the Authority issues its own Comprehensive Annual Financial Report for the Systems (“Report”). A copy of the Report for Fiscal Year 2017, may be found at <http://www.peba.sc.gov/assets/cafr.pdf> (which is not intended to be an active hyperlink and is not incorporated by reference herein). Information for the Systems is included in the Comprehensive Annual Financial Report for the State (“State Report”). A copy of the State Report may be found at <http://www.cg.sc.gov/publicationsandreports/Pages/CAFRFY20162017.aspx> (which is not intended to be an active hyperlink and is not incorporated by reference herein).

Plan Contributions

Contribution Rates to Plans Prior to July 1, 2017: For fiscal years prior to July 1, 2017, the Board of Directors of the Authority (“Authority Board”) set the rate of contribution required by participating employers and employees based on the actuarial valuation of the plans. For the prior fiscal year, the Authority Board set contribution rates for the SCRS and PORS plans at 8.16% and 8.74%, respectively, for employees and for employers set the contribution rates for the SCRS and PORS plans at 11.06% (which includes a contribution for group-life insurance benefits) and 13.74% (which includes a contribution of 0.20% for group life insurance benefits and 0.20% for accidental death program benefits), respectively.

Contribution Rates to Plans Beginning July 1, 2017: Act No. 13 of 2017 (“Plan Legislation”) was signed into law on April 25, 2017, and is effective commencing with the fiscal year beginning July 1, 2017. The Plan Legislation removes the power from the Authority Board to set the rate of contributions to the plans and instead statutorily sets the contribution rates to the SCRS and PORS for both employers and employees through the fiscal year ending June 30, 2027 (“Fiscal Year 2027”). Additionally, the Plan Legislation shortens the amortization schedule for the unfunded actuarial accrued liability of the SCRS and PORS. Additionally, the Plan Legislation shifts the burden of funding the unfunded actuarial accrued liability of the SCRS and PORS entirely to participating employers.

The Plan Legislation increases and sets the contribution rates through the Fiscal Year 2027, as follows:

<u>Fiscal Year</u>	SCRS		PORS	
	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2017-2018	13.56%	9.00%	16.24%	9.75%
2018-2019	14.56	9.00	17.24	9.75
2019-2020	15.56	9.00	18.24	9.75
2020-2021	16.56	9.00	19.24	9.75
2021-2022	17.56	9.00	20.24	9.75
2022-2027	18.56	9.00	21.24	9.75

Following the Fiscal Year 2027, the Plan Legislation reverts the authority to set the contribution rates of participating employers back to the Authority Board; employee contributions are capped at 9.00% of earnable compensation for the SCRS and 9.75% of earnable compensation for the PORS. The Authority Board is authorized pursuant to the Plan Legislation to set employer contributions based on the actuarial value of the plans; however, the Plan Legislation prohibits the Authority Board from increasing a participating employer's rate of contribution by more than 0.5% in any fiscal year. The Authority Board may decrease contribution rates of both employers and employees under the Plan Legislation if an actuarial valuation of the SCRS and PORS shows a funded ratio of at least 85% and any decrease would not decrease the funded ratio below 85%. Any decrease by the Authority Board to employer and employee contributions must be made in equal amounts.

The Plan Legislation also shortens the amortization schedule for the unfunded actuarial accrued liabilities of the SCRS and PORS. The unfunded actuarial accrued liability of the SCRS and PORS, as determined by an annual actuarial valuation, must be amortized over a funding period that does not exceed the following schedule:

<u>Fiscal Year</u>	<u>Funding Period</u>
2017-2018	30 years
2018-2019	29 years
2019-2020	28 years
2020-2021	27 years
2021-2022	26 years
2022-2023	25 years
2023-2024	24 years
2024-2025	23 years
2025-2026	22 years
2026-2027	21 years
2027 and after	20 years

The Plan Legislation permits employer contribution rates to be increased above those as set forth in the table above or as set by the Authority Board after the Fiscal Year 2027, if the contribution rates are insufficient to meet the funding periods as set forth above. Increases to employer contribution rates to meet the funding period set forth above may be made without limitation.

The City expects the Plan Legislation to require a \$1,947,888 increase in its SCRS budget, and a \$509,341 increase in its PORS budget for Fiscal Year 2017-2018 to fund the increased employer contribution as set forth in the Plan Legislation.

Reporting Plan Liability: In accordance with the Governmental Accounting Standards Board's Statement ("GASB") No. 68, the City reported its proportionate share of the overall Net Pension Liability of the Systems – which represents the difference between the total cost of the Systems' expected future benefits to be paid and the value of assets on hand to cover the benefits – in the City's financial statements for the Fiscal Year 2017. The City reported its proportionate share of SCRS and PORS Net Pension Liability for the Fiscal Year 2017, as \$122,912,706 and \$80,547,962, respectively, or 0.575438% and 3.17559% of the total net pension liability.

Other Post-Employment Benefits

The City is a participant in the State Other Retirement Benefits Employer Trust for medical, dental, and vision coverage, and eligible retirees are allowed to continue coverage in according with the City Other Postemployment Benefits ("OPEB") Substantive Plan, a single-employer defined benefit plan. It is the City's policy to periodically review its medical and dental coverage to provide the most favorable benefits and premiums for the City employees and retirees.

In accordance with the newly-implemented GASB Statement No. 75, the City's other postemployment benefit liability is now calculated based on the City's total unfunded OPEB liability. As of July 1, 2018, the most recent measurement date, the estimated total unfunded OPEB liability of the City was \$164,820,581. The City anticipates the unfunded OPEB liability to increase, but is unable to provide an estimated increase.

Liability Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act, the City, like other local governments, is liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate for torts. There are no limits in actual damages for recoveries under 42 U.S.C. § 1983. No punitive or exemplary damages are permitted under the South Carolina Tort Claims Act or the Federal Civil Rights Act. The City currently self-insures against tort liability under the South Carolina Tort Claims Act.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the 2018 Bonds on an event of default under the Ordinance are in many respects dependent on 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 and the Ordinance, the 2018 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2018 Bonds (including Co-Bond Counsel's approving opinions) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits enacted before or after such delivery.

LEGAL MATTERS

Litigation

No litigation is pending or, to the knowledge of the City, threatened in writing in any court to restrain or enjoin the issuance or delivery of the 2018 Bonds or the collection, payment or receipt of the moneys pledged or to be pledged to pay the principal of, premium, if any, and interest on the 2018 Bonds or, in any way contesting or affecting the validity of the 2018 Bonds, the General Ordinance or the Supplemental Ordinance, the power to collect, pay or receive the moneys with which to pay the 2018 Bonds or the organization or the powers of the City, including the power to operate the System and to collect revenues therefrom.

United States Bankruptcy Code

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

Other Legal Matters

Certain legal matters incident to the authorization, issuance and sale of the 2018 Bonds are subject to the approval of the legality of issuance thereof by McNair Law Firm, P.A., Columbia, South Carolina, and Johnson, Toal & Battiste, P.A., Columbia, South Carolina, as Co-Bond Counsel. The proposed forms of the opinions of Co-Bond Counsel to be delivered when the 2018 Bonds are issued are set forth in Appendix D hereto. Certain matters will be passed on for the Underwriters by Parker Poe Adams & Bernstein LLP, Columbia, South Carolina, and Starkes Law Firm, P.A., Columbia, South Carolina,

as Co-Underwriters' Counsel. Certain legal matters will be passed on behalf of the City by the City Attorney, Teresa A. Knox, Esquire.

From time to time, Parker Poe Adams & Bernstein LLP serves as Bond Counsel to the City and, from time to time, one or both Parker Poe Adams & Bernstein LLP, Starkes Law Firm, P.A. and McNair Law Firm, P.A. have represented one or more of the Underwriters as counsel in financing transactions unrelated to the sale of the 2018 Bonds. Neither the City nor Underwriter has conditioned the future employment of any of these firms in connection with any proposed financing issues for the City or either Underwriter on the successful execution and delivery of the 2018 Bonds.

TAX EXEMPTION AND OTHER TAX MATTERS

Internal Revenue Code of 1986

In the opinion of McNair Law Firm, P.A. ("McNair"), to be delivered on the date of issuance of the 2018 Bonds, under existing laws, regulations, rulings and judicial decisions and assuming the City's continued compliance with certain covenants described below, interest on the 2018 Bonds is excludable from gross income of the recipients thereof for federal income tax purposes.

The Internal Revenue Code of 1986, as amended ("Code"), including the Treasury Regulations promulgated thereunder, includes provisions that relate to tax-exempt obligations, such as the 2018 Bonds, including, among other things, permitted uses and investment of the proceeds of the 2018 Bonds and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury. Noncompliance with these requirements may result in interest on the 2018 Bonds becoming subject to federal income taxation retroactive to the respective issuance dates thereof. The City has covenanted to comply with the requirements of the Code to the extent required to maintain the exclusion of interest on the 2018 Bonds from gross income for federal tax purposes. Failure of the City to comply with the covenant could cause the interest on the 2018 Bonds to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on a taxpayer's alternative minimum taxable income. Interest on the 2018 Bonds is not an item of tax preference for purposes of an individual's federal alternative minimum tax.

Although McNair is of the opinion that interest on the 2018 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the 2018 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. Prospective purchasers of the 2018 Bonds should be aware that ownership of the 2018 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, banks, thrifts and other financial institutions, property and casualty insurance companies, certain recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2018 Bonds. McNair will not express any opinion as to such collateral tax consequences. Prospective purchasers of the 2018 Bonds should consult their tax advisors as to collateral federal income tax consequences.

McNair has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the issuance date of the 2018 Bonds may affect the tax status of interest on the 2018 Bonds. In rendering its opinion, McNair will rely on certificates and representations of the City with respect to certain material facts solely within the City's knowledge relating to the investment and use of the proceeds of the 2018 Bonds and compliance by the City with certain covenants.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2018 Bonds to be subject, directly or indirectly, to federal or State income taxation, or otherwise prevent the holders thereof from realizing the full current benefit of the tax-exempt status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2018 Bonds and could also affect, perhaps significantly, the market price for, or marketability of, the 2018 Bonds. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which McNair expresses no opinion.

Original Issue Premium

Certain of the 2018 Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity ("Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2018 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2018 Bonds.

State Tax Law Matters

McNair is of the opinion that under present laws of the State, interest on the 2018 Bonds will be excluded from South Carolina taxation, except estate, transfer and certain franchise taxes. Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes on every bank engaged in business in the State a fee or franchise tax computed at the rate of 4½% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term "entire net income" include income derived from any source whatsoever, including interest on obligations of any state and any political subdivision thereof. Interest on the 2018 Bonds will be included in such computations.

FINANCIAL ADVISOR

Stifel, Nicolaus and Company, Incorporated, Columbia, South Carolina, has served as Financial Advisor to the City in connection with the offer and sale of the 2018 Bonds. As such, it has participated in the preparation of and review of the various financing documents related to the 2018 Bonds. The Financial Advisor will be paid from the proceeds of the 2018 Bonds.

FEASIBILITY CONSULTANT

Any references herein to Black & Veatch Management Consulting, LLC, as Feasibility Consultant, have been approved by such firm. In issuing this Official Statement, the City has relied upon the advice of the Feasibility Consultant as described in the Financial Feasibility Report included herein as "APPENDIX F – FINANCIAL FEASIBILITY REPORT" attached to this Official Statement.

CONTINUING DISCLOSURE

To the extent required by the Rule, the City, through a written agreement or contract for the benefit of registered owners and the Beneficial Owners of the 2018 Bonds, will provide notice, in a format as required by the Rule, either directly or indirectly through a designated agent, in a timely manner not in excess of ten business days after its occurrence, of any of the events enumerated in section (b)(5)(i)(C) of the Rule and will provide certain financial information and operating data relating to the City by no later than February 1 after the end of each of the City's Fiscal Years, commencing with the report for Fiscal Year 2018 ("Annual Report"). The form of that written agreement, the Disclosure Dissemination Agent Agreement, entered into by the City with Digital Assurance Certification, L.L.C. ("DAC") in connection with the issuance of the 2018 Bonds ("Continuing Disclosure Agreement"), is attached as Appendix E. The Annual Report will be filed on behalf of the City by DAC, as dissemination agent, with the Municipal Securities Rulemaking Board ("MSRB"). The notices of any events enumerated in section (b)(5)(i)(C) of the Rule will be filed on behalf of the City by DAC with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in the Continuing Disclosure Agreement, the form of which is attached as Appendix E. These covenants have been made in order to assist the original purchasers of the 2018 Bonds in complying with the Rule.

As provided in the Continuing Disclosure Agreement, if the City fails to comply with any provision of the Continuing Disclosure Agreement, any registered owner or "Holder" of the Bonds may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the City to comply with its continuing disclosure obligations under the Continuing Disclosure Agreement. "Beneficial Owner" is defined in the Continuing Disclosure Agreement 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 2018 Bonds (including persons holding 2018 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2018 Bonds for federal income tax purposes. If any person seeks to cause the City to comply with its continuing disclosure obligations under the Continuing Disclosure

Agreement, it is the responsibility of such person to demonstrate that it is a “Holder” within the meaning of the Continuing Disclosure Agreement.

For Fiscal Year 2013, the City filed its annual report, due on or before January 26, 2014 (Sunday), on January 27, 2014. For Fiscal Year 2013, the City filed a Notice of Late Filing on June 24, 2016, which filing was linked to such of the City’s bonds (and individual CUSIPs) as were outstanding and subject to continuing disclosure at the time of such filing and for which an annual report is required to be filed with the MSRB no later than 210 days subsequent to the last day of the City’s fiscal year. For Fiscal Year 2014, the City timely filed its annual report on January 23, 2015. For fiscal year ended June 30, 2015 (“Fiscal Year 2015”), the City timely filed its annual report on January 22, 2016. For Fiscal Year 2016, the City timely filed its annual report on January 25, 2017. For Fiscal Year 2017, the City timely filed its annual report on January 26, 2018.

In recent years there have been numerous rating actions reported by Moody’s Investors Service (“Moody’s”) and S&P Global Ratings (“S&P”) affecting several municipal bond insurance companies, some of which had insured or insure certain of the City’s bonds. Due to widespread knowledge of these rating actions, material event notices have not previously been filed by the City in each instance. The City filed notice on July 11, 2016, of S&P’s change of Assured Guaranty Corp’s rating from “AA-” to “AA” in March 2014.

The City’s policy when it learns of incomplete or late filings is to take remedial action and provide this information immediately. In addition, the City has taken and is continuing to take certain steps to help identify and report events which may trigger continuing disclosure obligations pursuant to the Rule, including but not limited to, (1) increased education (including periodic training) and awareness by the City’s finance staff of the importance of the Rule and continuing disclosure requirements provided thereby; (2) adoption of written policies and procedures related to continuing disclosure and the assignment by the City of its most senior finance staff member with responsibility for continuing disclosure; and (3) the City’s review of potential market changes that might relate to the City’s continuing disclosure requirements and engagement of advisors to help alert the City and its disclosure dissemination agent, DAC, to the same.

The City may modify from time to time, consistent with the Rule, the information provided to the extent necessary or appropriate in the judgment of the City, but: (1) any such modification 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 the City; (2) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the Holders or the beneficial owners, as determined by the nationally recognized bond counsel or by the approving vote of the Holders of a majority in principal amount of the Bonds then Outstanding at the time of the amendment. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The City’s continuing disclosure undertakings under the Continuing Disclosure Agreement will terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the 2018 Bonds.

So long as required, pursuant to Section 11-1-85, Code of Laws of South Carolina 1976, as amended, the City shall file with a South Carolina-based, central repository, if any, for availability in the secondary bond market, 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 of the City or the City’s tax base. At present, there is no South Carolina-based, central repository.

MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE

In March 2014, the SEC announced the Municipalities Continuing Disclosure Cooperation Initiative (“MCDCI”), pursuant to which municipal bond underwriters, issuers, and obligated persons were permitted to self-report possible violations involving materially inaccurate statements or omissions relating to prior compliance with the continuing disclosure obligations specified in the Rule. The SEC further announced that, to the extent an issuer meets the requirements of MCDCI and the enforcement division of the SEC (“Division”) decided to recommend enforcement action against the issuer, the Division would recommend that the SEC accept a settlement from the issuer on favorable settlement terms, including the issuer’s undertakings to establish appropriate policies, procedures and training regarding continuing disclosure obligations, comply with existing continuing disclosure undertakings, including updating past delinquent filings, disclose the settlement in future offering documents and cooperate with any subsequent investigations by the Division.

In April 2016, the City executed and submitted to the SEC an Offer of Settlement under MCDCI, in which the City neither admitted nor denied the findings but agreed to cease and desist from future violations and proposed settlement terms consistent with those originally announced by the SEC in March 2014. By order dated August 24, 2016 (SEC Release No. 33-10143) (“Order”), a copy of which may be obtained from the SEC’s website, the SEC accepted the City’s Offer of

Settlement and ordered the City to cease and desist from committing or causing any future violations of Section 17(a)(2) of the 1933 Act and comply with the following undertakings, which undertakings are consistent with those originally announced by the SEC in March 2014:

(1) within 180 days of the date of the Order, the City will establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to comply with the federal securities laws, including the designation of an individual or officer at the City responsible for ensuring the City's compliance with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training;

(2) within 180 days of the date of the Order, the City will comply with existing continuing disclosure undertakings, including updating past delinquent filings;

(3) the City will disclose in a clear and conspicuous fashion the terms of the settlement described in the Order in any final official statement for an offering by the City within five years of the date of the Order;

(4) the City will certify, in writing, compliance with the undertakings set forth above, including certification no later than the one-year anniversary of the date of the Order and certifications made from time to time upon reasonable requests by the SEC staff for further evidence of compliance; and

(5) the City will cooperate with any subsequent investigation by the Division regarding the false statements and/or material omissions that were the subject of the Order, including the roles of individuals and/or other parties involved.

Consistent with the original announcement of MCDCI by the SEC, the City is not subject to any civil or criminal penalty or fine arising from MCDCI or the violations that were the subject of the Order. The City has been and remains fully committed to cooperating with the SEC's efforts to ensure continuing disclosure in an appropriate and timely manner in connection with its publicly traded bond issues.

MISCELLANEOUS

Ratings

Moody's and S&P have assigned the 2018 Bonds their municipal bond ratings of "Aa2" and "AA+," respectively. Such ratings reflect only the views of Moody's and S&P and an explanation of the significance of such ratings may be obtained from Moody's at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and from S&P at: Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10041. The City has furnished to Moody's and S&P certain information and materials respecting the City and the 2018 Bonds. Generally, Moody's and S&P base their ratings on information, materials, investigations, studies and assumptions furnished to or obtained or made by them. There is no assurance that such ratings will remain unchanged for any period of time or that it may not be revised downward or withdrawn entirely by Moody's or S&P, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2018 Bonds.

Underwriting

The City has engaged Siebert Cisneros Shank & Co., L.L.C., to act as senior managing underwriter for the 2018 Bonds. Loop Capital Markets serves as co-manager on the 2018 Bonds.

The 2018 Bonds are being purchased for reoffering by the Underwriters. The Underwriters have agreed, subject to certain conditions, to purchase the 2018 Bonds at a purchase price of \$42,846,621.35 (representing the par amount of the 2018 Bonds less an underwriters' discount of \$173,789.65, plus original issue premium of \$5,120,411.00).

The Underwriters may offer and sell the 2018 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

Concluding Statement

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2018 Bonds and the determinations of the City Council relating thereto are qualified in their entirety by reference to the definitive forms of the 2018 Bonds and the Ordinance and to such determinations. All such summaries, explanations and references are further qualified in their entirety by reference to the exercise of sovereign police powers of the State and the

constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

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

The agreement between the City and the holders of the 2018 Bonds is fully set forth in the Ordinance and neither any advertisement for the 2018 Bonds nor this Official Statement is to be construed as constituting an agreement with the holders of the 2018 Bonds.

Anyone having questions should direct them to Jeffery M. Palen, Assistant City Manager for Finance and Economic Services and Chief Financial Officer, City of Columbia, 1737 Main Street, Columbia, South Carolina 29201, or telephone 803.545.4308.

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The delivery of this Official Statement and its use in connection with the sale of the 2018 Bonds has been duly authorized by the City.

CITY OF COLUMBIA, SOUTH CAROLINA

/s/ Stephen K. Benjamin
Stephen K. Benjamin, Mayor

APPENDIX A

**PORTION OF COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2017**

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CITY OF COLUMBIA, SOUTH CAROLINA
Management's Discussion and Analysis (Unaudited)
JUNE 30, 2017

As management of the City of Columbia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2017, as part of the overall Comprehensive Annual Financial Report (CAFR). This overview compares the year ended June 30, 2017, with the year ended June 30, 2016. The Management's Discussion and Analysis is intended to highlight significant transactions, events, and conditions, and readers are encouraged to consider the information presented here, in conjunction with the letter of transmittal, which can be found on the pages indicated in the table of contents of this report. This discussion and analysis is intended to provide a broad overview using a short-term and long-term analysis of the City's activities based on information presented in the financial report and fiscal policies that have been adopted by City Council (the "Council"). The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activities, (c) identify changes in the City's financial position, (d) identify significant deviations from the approved general fund budget, and (e) highlight significant issues in the individual funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of 2017 by \$740,699,911. This amount represents the City's net position. Of this amount, \$99,524,299 in unrestricted net position may be used to meet the City's ongoing obligations.
- The City's total net position increased by \$13,858,627 (\$6,007,492 from governmental activities and \$7,851,135 from business-type activities) as total revenues of \$359,284,193 exceeded total expenses of \$345,425,566. This increase in net position for the current year is approximately \$3,499,500 less than the prior year. This \$3,499,500 decrease is the net of an increase of approximately \$5,021,000 increase in the governmental activities and an offsetting decrease of approximately \$8,520,500 in business-type activities. While water and sewer fees increased approximately \$3,715,900 due to a rate increase, this increase was offset by a \$5,895,112 decrease in grant revenue and an increase in expenses of approximately \$5,203,400. The decrease in grant revenue is due to a decrease in the amount of approved project worksheets by the Federal Emergency Management Agency (FEMA) during fiscal year 2017. The increase in operating expenses is due to the continued spending on costs to bring the City's water and sewer system to the standards of the Clean Water 2020 program and spending on costs to repair the damages incurred to the water and sewer system by Hurricane Matthew as well as the heavy rains. Parking revenues increased approximately \$885,000 as the economy overall and the development of the downtown area specifically continued to improve during fiscal year 2017. Parking expenses increased only slightly during the fiscal year due to installing upgraded technology in an effort to improve operating efficiency. As a result of the damages caused by Hurricane Matthew and the heavy rains, City management, based on the criteria in GASBS 42, made the determination the Hydro-electric plant had been impaired. As a result of the impairment, the City recorded an impairment loss of approximately \$1,500,000 to the facility. Stormwater revenue increased approximately \$115,900 due to a slight increase in usage during fiscal year 2017. However, like the water and sewer system, this increase in revenue was negated by an increase in operating costs of approximately \$969,100 due primarily to increased costs to repair the damage caused by Hurricane Matthew and the heavy rains. The main sources of increased revenue from the governmental activities came from an increase of approximately \$2,794,100 in Local Option Sales Tax revenue due to City Council granting additional property tax relief to the citizens of Columbia, an increase of approximately \$1,071,400 in business privilege license revenue as downtown businesses continued to improve during the current fiscal year, approximately \$450,000 in promotional revenue related to the multi-purpose entertainment venue, and \$2,592,856 lump sum payment from the University of South Carolina's Foundation in settlement of a future revenue obligation. The City also incurred an \$8,100,000 capital lease obligation during fiscal

CITY OF COLUMBIA, SOUTH CAROLINA
Management's Discussion and Analysis (Unaudited)
JUNE 30, 2017

year 2017. The proceeds from this lease will be used to fund capital asset purchases. The increase in revenues is offset by the increased costs incurred by the City related to increased wage expense, health care costs, retirement costs, and other personnel costs in an effort to attract and retain the best possible talent. Public safety and public works costs increased during the fiscal year as the City replaced a significant portion of its patrol cars, trash and recycling vehicles, firefighting vehicles and equipment, and upgraded related technology equipment in an effort to make Columbia a cleaner and safer place for its citizens.

- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$64,812,800. The unrestricted General Fund balance (i.e., committed, assigned, and unassigned) of \$24,337,769 is available for spending at the City's discretion and represents approximately 15.60% of the General Fund's actual expenditures and transfers out for the year ended June 30, 2017.
- The City's total capital assets were \$1,202,689,381 as of June 30, 2017, increasing \$69,888,522 (6.17%). This increase was the result of additions of \$18,843,417 in governmental activities and \$109,660,756 in business-type activities offset by depreciation expense and net disposals of \$16,089,380 in governmental activities and \$42,526,272 in business-type activities.
- The City's long-term debt at June 30, 2017, totaled \$648,518,596, a net increase of \$50,828,628 or 8.50% from the balance at June 30, 2016, of \$597,689,968. This net increase was the result of \$181,194,830 in principal payments, \$4,551,011 in premium amortization, and the issuance of \$1,460,000 in Hospitality Fee Pledge Revenue Bonds, and \$8,100,000 in capital lease obligations in the general fund. The water and sewer facilities fund issued \$227,014,470 (including premiums of \$16,979,470) of revenue bonds.
- As of June 30, 2017, the City's General Obligation bonds were rated AA+ by Standard and Poor's and AA1 by Moody's. The City's Water and Sewer Facilities revenue bonds were rated AA+ by Standard and Poor's and AA1 by Moody's. The City's Parking Facilities revenue bonds were rated BBB+ by Standard and Poor's and A2 by Moody's.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the City of Columbia's financial statements. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on the pages identified in the table of contents) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 33. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City of Columbia.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The government-wide financial statements provide both short-term and long-term information regarding the overall financial position of the City.

The Statement of Net Position presents information on all of the City's assets, liabilities, deferred outflows, and deferred inflows with the difference between all of the items reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the

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change occurs regardless of the related timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused annual leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, finance, community development and planning, public safety, parks and recreation, public services, general services, and community promotions. Governmental activities are financed primarily through property taxes, business licenses and permits, intergovernmental revenues, and federal and state grants.

The business-type activities of the City include Water and Sewer, Parking, Stormwater, Hydro-electric, Redevelopment Programs, and Parks and Recreation Camps. These activities are financed in whole or in part primarily through fees charged to external parties for goods and services.

The government-wide statements include not only the City itself (known as the primary government), but also the legally separate Public Facilities Corporation; Columbia Parking Facilities Corporation; Columbia Development Corporation; Columbia Housing Development Corporation; Eau Claire Development Corporation; Midlands Authority for Conventions, Sports and Tourism; TN Development Corporation; and the Columbia Empowerment Zone, Inc., for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself, except for the Public Facilities Corporation and the Columbia Parking Facilities Corporation, whose statements are blended with the primary government.

The government-wide financial statements can be found following this section of the report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the City's major funds begins on page 25. The fund financial statements beginning on page 33 provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council established many other funds to help it control and manage for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds – governmental, proprietary, and fiduciary – use different accounting approaches.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of these funds and the balances that are left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the City's fund balances by law, creditors, and City Council. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental funds present a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. We describe the relationship (or differences) between governmental activities (reported in the statement of net

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position and the statement of activities) and governmental funds in reconciliations following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances.

The City utilizes five generic governmental fund types (see Section I Note B in the Notes to the Financial Statements). The City maintains 17 individual governmental funds within these generic fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the county services fund which are considered to be major funds. Data from the 15 other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these 15 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information for the general fund to demonstrate compliance with this budget. The governmental funds financial statements immediately follow the government-wide financial statements.

The City has a formal fund balance policy applicable to governmental funds. The policy defines fund balance categories consistent with Governmental Accounting Standards Board Statement 54, sets spending priority within the categories, and established the authority to commit or assign balances. For a full discussion of the City's fund balance policy, please refer to the Notes to the Financial Statements, Section I. F. Fund Balances.

Proprietary Funds – The City maintains two different types of proprietary funds - Enterprise Funds and Internal Service Funds.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the business-type activities of the Water and Sewer system, the Parking system, the Stormwater system, the Hydro-electric plant, the Redevelopment Programs, and the Parks and Recreation camps.

An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance and operation of its fleet of vehicles, its risk management function, and its support services. Because these services benefit both governmental activities and business-type functions, the net position and change in net position have been allocated between governmental activities and business-type activities in the government-wide financial statements.

Enterprise funds provide the same type of information as the business type activities in the government-wide financial statements. The City maintains six enterprise type funds. The proprietary fund financial statements provide separate information for the water and sewer facilities system and the parking facilities system which are considered to be major funds of the City. Data from the other four funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor business-type funds is provided in the form of combining statements elsewhere in this report. Conversely, all three internal service funds are combined into a single aggregated position in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. Because the internal service funds predominately benefit governmental rather than business-type activities, the internal service funds have been included within the governmental activities in the government-wide statements. The proprietary fund financial statements follow the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Trust funds are used to account for resources received and held by the City as trustee. The accounting for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements follow the proprietary funds statements.

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Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the basic financial statements.

Other Information - In addition to the basic financial statements, this report also contains certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment benefits to its retired employees, a general fund budgetary comparison schedule to demonstrate compliance with the budget, the City's contributions to the state retirement system, and the City's proportionate share of the net pension liability of the state retirement system. Required supplementary information can be found following the notes in this report. The combining and individual fund statements, referred to earlier in connection with the nonmajor governmental and proprietary funds, are presented immediately following the required supplementary information.

Financial Analysis – Government-wide Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceed liabilities and deferred inflows by \$740,699,911 as of June 30, 2017. The City's overall financial position improved, and net position increased by \$13,858,627 during the year ended June 30, 2017. This overall increase of \$13,858,627 is a decrease from the prior year. This overall decrease is the net result of a \$5,020,969 increase in governmental activities and an \$8,520,485 decrease in the business activities. The increase in the governmental activities is primarily a result of a decrease in property tax revenues, an increase in Local Option Sales Tax revenue, business license revenue, franchise fees, and a one-time settlement of a future revenue obligation, along with increases in salaries, health care costs, retirement costs, and clean-up costs related to Hurricane Matthew.

The decrease in overall business activities change in net position is due primarily to the Water and Sewer Facilities fund. The change in net position for the Water and Sewer Facilities Fund decreased approximately \$3,529,000 during the current fiscal year when compared to the prior year. This year to year decrease was the result of approximately \$5,296,200 in increased water and sewer fees due to a rate increase that went into effect during the current fiscal year, offset by approximately \$852,000 decrease in sewer plant expansion fees due to a one-time payment received in the prior fiscal year, capital contributions decreased by approximately \$2,461,500 due to a settlement received from West Columbia in the prior year, and unrealized gain on investments decreased by approximately \$1,701,202. This overall decrease in revenues of approximately \$2,481,100 in conjunction with increased personnel costs, hurricane related repair costs, and increased depreciation expense of approximately \$2,000,000 on completed water and sewer projects related to the consent decree resulted in a change in net position decrease of approximately \$3,529,000 from the prior year. The consent decree requires the City to make significant repairs and upgrades to the sewer system to prevent sanitary sewer overflows. The decrease in hydro-electric plant change in net position resulted from management's determination that the plant was impaired during the current fiscal year and recording an impairment cost in accordance with the criteria in GASBS 42. The results of the Parking Facilities Fund reported an increase in parking fees of approximately \$1,000,000 due to the continued development of the downtown and Vista areas. This increase in fees was offset by a decrease in investment income. The expenses were similar to the prior year as there was no significant change in operations. The Stormwater Facilities fund reported a decrease in the change in net position from the prior year, even with the slight increase in consumption during the current year. The increase in revenues from the rate increase was offset by the increased costs due to the disruption of normal operations and clean-up costs resulting from the damages to the system caused by Hurricane Matthew and heavy rains.

In the governmental activities, the decrease in collections from property taxes resulted primarily from the increased local option sales tax credit property owners were given on their property tax bills. This action was the primary reason for the increase in Local Option Sales Tax revenue increasing and property tax revenue decreasing. Economic conditions continued to improve which resulted in an increase in the collection of accommodation taxes and hospitality taxes. More revenue was reported in the County Services Fund due to

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the City renegotiating the fire services contract with Richland County during the current year. Expenditures decreased approximately 3.5% due mainly to a decrease in health insurance costs and transfers out.

Table 1 summarizes the major categories of assets, deferred outflows, liabilities, deferred inflows, and net position for governmental activities, business type activities, and the City as a whole.

Table 1
City of Columbia
Statement of Net Position
As of June 30, 2017 and June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	As of June 30, 2017	As of June 30, 2016	As of June 30, 2017	As of June 30, 2016	As of June 30, 2017	As of June 30, 2016
Current and other assets	\$ 175,846,735	\$ 179,641,940	\$ 288,953,889	\$ 302,926,961	\$ 464,800,624	\$ 482,568,901
Capital assets, net of depreciation	258,619,176	255,865,137	944,070,205	876,935,722	1,202,689,381	1,132,800,859
Total assets	434,465,911	435,507,077	1,233,024,094	1,179,862,683	1,667,490,005	1,615,369,760
Deferred outflows of resources	29,772,326	14,647,638	62,431,360	49,736,752	92,203,686	64,384,390
Total assets and deferred outflows of resources	464,238,237	450,154,715	1,295,455,454	1,229,599,435	1,759,693,691	1,679,754,150
Long-term liabilities outstanding	312,116,153	305,168,329	630,342,375	568,628,250	942,458,528	873,796,579
Other liabilities	33,850,264	30,785,030	37,237,556	40,687,029	71,087,820	71,472,059
Total liabilities	345,966,417	335,953,359	667,579,931	609,315,279	1,013,546,348	945,268,638
Deferred inflow of resources	4,862,300	6,799,328	585,132	844,912	5,447,432	7,644,240
Net position						
Net investment in capital assets	172,110,861	163,832,021	443,267,179	401,468,909	615,378,040	565,300,930
Restricted	24,545,435	25,024,625	1,252,137	9,404,442	25,797,572	34,429,067
Unrestricted	(83,246,776)	(81,454,618)	182,771,075	208,565,893	99,524,299	127,111,275
Total net position	\$ 113,409,520	\$ 107,402,028	\$ 627,290,391	\$ 619,439,244	\$ 740,699,911	\$ 726,841,272

As of June 30, 2017, the City is able to report positive balances for the government as a whole as well as for its governmental activities and business-type activities, respectively.

The largest portion of the City's net position, \$615,378,040 (83.08%), reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$25,797,572 (3.48%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$99,524,299 (13.44%) in unrestricted net position may be used to meet the ongoing obligations of the City.

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For governmental activities, the City reported a deficit balance in unrestricted net position of \$(83,246,776). This deficit resulted from the adoption of GASBS 68. GASBS 68 required the City to record its proportionate share of the net pension liability of the cost-sharing retirement plans it participates in. For business-type activities, the City reported a positive balance in unrestricted net position of \$182,771,075. The adoption of GASBS 68 also had a negative impact on this balance.

The City reported a positive balance of \$24,337,769 in unrestricted fund balance (committed plus assigned plus unassigned fund balance) for the general fund as of June 30, 2017. Unrestricted fund balance represents the spendable resources available for governmental activities without externally enforceable limitation. The major contributing factors to the difference between unrestricted fund balance and unrestricted net position are changes in accrued receivables or payables, operating losses in the internal service fund operations, charges related to post-employment benefits, capital assets, debt, and expenses related to compensated absences and pension benefits.

Revenue for the City for the year ended June 30, 2017, which totaled approximately \$359,284,200, increased from the year ended June 30, 2016. The increase for the City as a whole was approximately \$8,297,700 which was an increase of 2.36%. Revenues for the business-type activities decreased approximately \$3,123,100 (1.82%). Water and sewer operating revenues decreased approximately \$2,481,100 (-1.58%). While there was an increase in water and sewer rates that generated approximately \$5,296,200 in additional revenues during the year, this increase was offset by a decrease of approximately \$6,145,000 decrease in capital contributions as there was a one-time settlement payment received in 2016. The Hydro-electric Facilities Fund reported a decrease in revenue during the current fiscal year. The hydro-electric plant is a "run of the river" hydro plant. As such, the amount of flow in the canal has a significant impact on the plant's ability to generate electricity. During fiscal year 2017, the plant was closed due to a low flow in the canal resulting from the breach in the canal wall. This closure impacted the ability to generate electricity which resulted in City management conducting an impairment assessment on the facility. Total stormwater revenues decreased during the fiscal year. Operating revenues increased approximately \$115,900 (1.58%) due to a slight increase in consumption, though this increase was tempered somewhat by the impact from the flooding in October 2016. This increase was more than offset by a \$175,000 decrease in grant revenue. Parking revenues increased approximately \$848,500 (11.36%) during the fiscal year primarily due to activity in the downtown and Vista areas continuing to increase due to continued commercial development in these areas. Revenue from governmental activities for the year ended June 30, 2017, which totaled approximately \$187,958,900, represented an increase from the year ended June 30, 2016, of approximately \$11,420,800 (6.47%). The majority of the increase resulted from increased collection of local option sales tax revenues as the Columbia economy continued to improve. Business license revenue increased as the downtown and Vista area revitalization continued to attract additional business and the overall general economy continued to show improvement. The City also received a one-time payment of approximately \$2,592,900 from a one-time settlement related to future rental revenues. These increases were offset by decreases in property tax revenue due to an increase in the amount of credit given to property owners on their property tax bill and a decrease in grant revenue due to less federal and state grants being received.

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Table 2
City of Columbia
Changes in Net Position
Years Ended June 30, 2017 and June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016
Revenues:						
Program revenues						
Charges for services						
General government	\$ 2,594,500	\$ 810,592	\$ -	\$ -	\$ 2,594,500	\$ 810,592
Finance	-	1,275,117	-	-	-	1,275,117
Public safety	47,392,478	23,078,568	-	-	47,392,478	23,078,568
Parks and recreation	833,501	779,008	-	-	833,501	779,008
Public services	615,441	169,512	-	-	615,441	169,512
General services	888,200	-	-	-	888,200	-
Tourism and community development	619,541	908,359	-	-	619,541	908,359
Water/sewer facilities	-	-	137,198,161	133,482,271	137,198,161	133,482,271
Hydro-electric plant	-	-	151,890	54,435	151,890	54,435
Stormwater facilities	-	-	7,432,103	7,316,201	7,432,103	7,316,201
Parking facilities	-	-	8,250,439	7,365,470	8,250,439	7,365,470
Redevelopment programs	-	-	574,908	543,626	574,908	543,626
Parks and recreation camps	-	-	335,505	320,265	335,505	320,265
Operating grants and contributions						
General government	252,365	2,398,640	-	-	252,365	2,398,640
Public safety	1,857,360	24,277,614	-	-	1,857,360	24,277,614
General services	180,334	-	-	-	180,334	-
Tourism and community development	7,390,589	738,879	-	-	7,390,589	738,879
Public services	-	220,262	-	-	-	220,262
Community promotion	-	4,371,731	-	-	-	4,371,731
Water/sewer facilities	-	-	5,880,676	6,227,736	5,880,676	6,227,736
Redevelopment programs	-	-	148,763	20,379	148,763	20,379
Capital grants and contributions						
General government	10,004,812	4,504,284	-	-	10,004,812	4,504,284
Public services	-	1,895,338	-	-	-	1,895,338
Water/sewer facilities	-	-	10,159,405	16,054,517	10,159,405	16,054,517
Stormwater facilities	-	-	-	175,000	-	175,000
General revenues						
General property taxes	31,793,590	32,871,757	-	-	31,793,590	32,871,757
Local Option Sales Tax	20,946,748	18,152,618	-	-	20,946,748	18,152,618
Hospitality and admission taxes	11,990,432	13,398,593	-	-	11,990,432	13,398,593
Accommodations tax	2,496,308	2,324,105	-	-	2,496,308	2,324,105
Tourism development Fee	3,911,428	3,672,810	-	-	3,911,428	3,672,810
Liquor permit fee	478,973	348,990	-	-	478,973	348,990
Utility franchise fee	13,133,923	13,120,067	-	-	13,133,923	13,120,067
Business privilege license fee	24,986,525	23,915,125	-	-	24,986,525	23,915,125
State shared revenue	3,019,209	2,856,404	-	-	3,019,209	2,856,404
Unrestricted investment earnings	(20,184)	227,683	1,193,414	2,511,346	1,173,230	2,739,029
Special item	2,592,856	-	-	-	2,592,856	-
Gain on disposal of capital assets	-	222,106	-	377,079	-	599,185
Total revenues	187,958,929	176,538,162	171,325,264	174,448,325	359,284,193	350,986,487

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Table 2
City of Columbia
Changes in Net Position (Continued)
Years Ended June 30, 2017 and June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016
Expenses:						
General government	\$ 21,967,466	\$ 16,584,496	\$ -	\$ -	\$ 21,967,466	\$ 16,584,496
Judicial	3,515,045	2,821,703	-	-	3,515,045	2,821,703
Finance	1,857,440	1,872,071	-	-	1,857,440	1,872,071
Community promotion	8,847,034	14,374,726	-	-	8,847,034	14,374,726
Planning and development	4,267,580	-	-	-	4,267,580	-
Public safety	92,143,229	93,500,619	-	-	92,143,229	93,500,619
Parks and recreation	13,884,956	13,936,365	-	-	13,884,956	13,936,365
Public services	16,558,862	23,134,424	-	-	16,558,862	23,134,424
General services	2,539,388	5,423,712	-	-	2,539,388	5,423,712
Tourism and community development	14,411,919	5,523,831	-	-	14,411,919	5,523,831
Interest on long-term debt	3,732,649	4,289,910	-	-	3,732,649	4,289,910
Non-departmental	4,984,358	3,656,099	-	-	4,984,358	3,656,099
Water/sewer facilities	-	-	138,965,008	133,761,655	138,965,008	133,761,655
Hydro-electric plant	-	-	2,116,008	525,056	2,116,008	525,056
Stormwater facilities	-	-	6,755,544	5,786,420	6,755,544	5,786,420
Parking facilities	-	-	7,424,017	7,300,521	7,424,017	7,300,521
Redevelopment programs	-	-	1,092,578	811,683	1,092,578	811,683
Parks and recreation camps	-	-	362,485	325,053	362,485	325,053
Total expenses	<u>188,709,926</u>	<u>185,117,956</u>	<u>156,715,640</u>	<u>148,510,388</u>	<u>345,425,566</u>	<u>333,628,344</u>
Increase (decrease) in net position before transfers	(750,997)	(8,579,794)	14,609,624	25,937,937	13,858,627	17,358,143
Transfers	<u>6,758,489</u>	<u>9,566,317</u>	<u>(6,758,489)</u>	<u>(9,566,317)</u>	<u>-</u>	<u>-</u>
Change in net position	6,007,492	986,523	7,851,135	16,371,620	13,858,627	17,358,143
Net position, beginning of period	<u>107,402,028</u>	<u>106,415,505</u>	<u>619,439,256</u>	<u>603,067,636</u>	<u>726,841,284</u>	<u>709,483,141</u>
Net position, end of period	<u>\$ 113,409,520</u>	<u>\$ 107,402,028</u>	<u>\$ 627,290,391</u>	<u>\$ 619,439,256</u>	<u>\$ 740,699,911</u>	<u>\$ 726,841,284</u>

Total expenses for the City were approximately \$345,425,600 for the year ended June 30, 2017. This represents an increase of approximately \$11,797,200 (3.54%) when compared to the year ended June 30, 2016. This overall increase in expenses resulted from an increase of approximately \$3,592,000 in governmental activities and an increase of approximately \$8,205,300 in business-type activities. Most of the increase in governmental activities is related to the City's investment in its personnel. The City gave an across the board cost of living increase to all of its employees. In addition, the City granted special pay increases to select public safety personnel in an effort to recruit and retain public safety personnel. While not impacting expenses, the City also paid off approximately \$14,000,000 in debt early during March 2017. This debt was related to the parking facilities the City was leasing to the University of South Carolina under a capital lease. Expenses for business-type activities increased by approximately \$8,205,300, or 5.24%, compared to the year ended June 30, 2016. The overall increase in expenses was primarily in the Water and Sewer Facilities Fund, the Hydro-electric Facilities Fund, and the Stormwater Facilities Fund. Both the Water and Sewer Facilities Fund and the Stormwater Facilities Fund experienced a significant increase in maintenance costs due to the damage to each fund's infrastructure related to the damage caused by Hurricane Matthew in October 2016. This was the second significant weather event in approximately one years' time. The Water and Sewer Facilities Fund also incurred additional expenses for continuing compliance work related to the consent decree and the Clean Water 2020 initiative undertaken by the City. Due to damages caused by Hurricane Matthew to the hydro-electric plant and the unreliability of water flow in the Columbia Canal City, management performed an impairment assessment on the hydro-electric plant. As a result of this assessment, City management concluded the hydro-electric plant had been impaired and reduced its carrying value by approximately \$1,500,000. The preceding factors were primary reasons for an increase of approximately \$5,203,400 (3.74%)

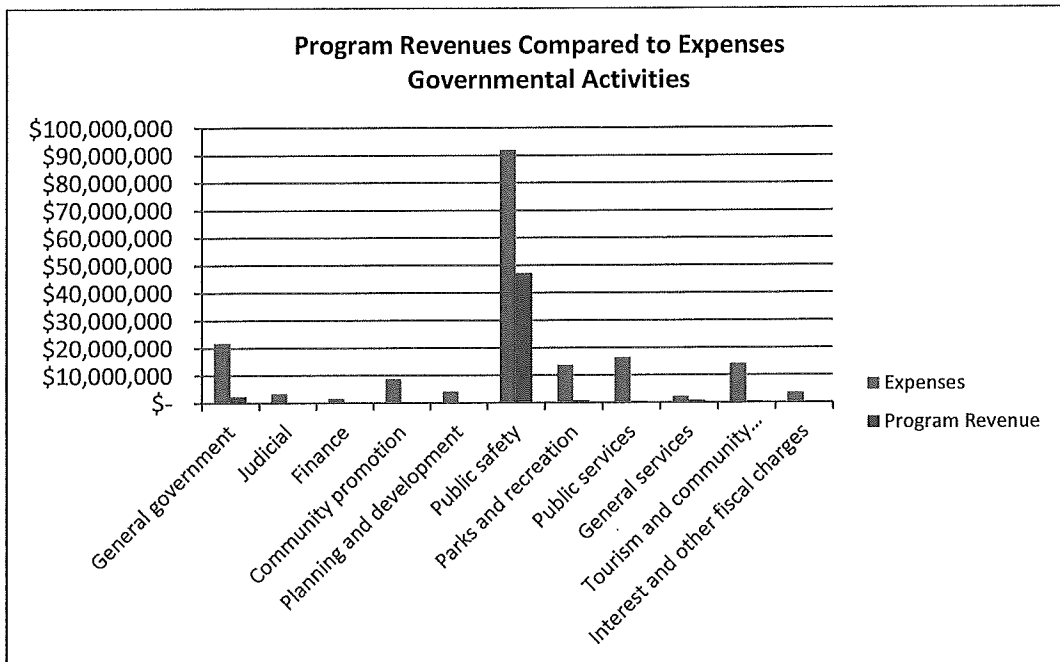
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in expenses in the Water and Sewer Facilities Fund, approximately \$1,591,000 (75.19) in the Hydro-electric Facilities Fund, and approximately \$969,100 (14.35%) in the Stormwater Facilities Fund. The expenses in the Redevelopment Programs Fund increased approximately \$280,900 (25.71%) due to the introduction of a forgivable loan program to help downtown businesses renovate their building façade. The expenses for the Parking Facilities Fund and the Parks and Recreation Camps Fund remained virtually unchanged compared to the year ended June 30, 2016.

The City's net position increased by \$13,858,627 during the year ended June 30, 2017. The net position for governmental activities increased by \$6,007,492, while the change in net position of business-type activities increased by \$7,851,135. The overall net position increase of the City was approximately \$3,499,500 less when compared to the prior fiscal year. This overall decrease was the combination of an approximately \$5,021,000 increase in the governmental activities and an approximately \$8,520,500 decrease in business-type activities. The main factors contributing to the overall decrease was the fact there was little, if any, increase in revenues in the majority of the funds and for the funds that did have revenue growth, this growth was offset by increased expenses. This lack of revenue growth, along with another significant weather event (Hurricane Matthew), which caused a significant disruption in the City's normal operations, caused the City to incur clean-up costs throughout the City as well as additional salary costs for emergency personnel and repair costs to the City's infrastructure.

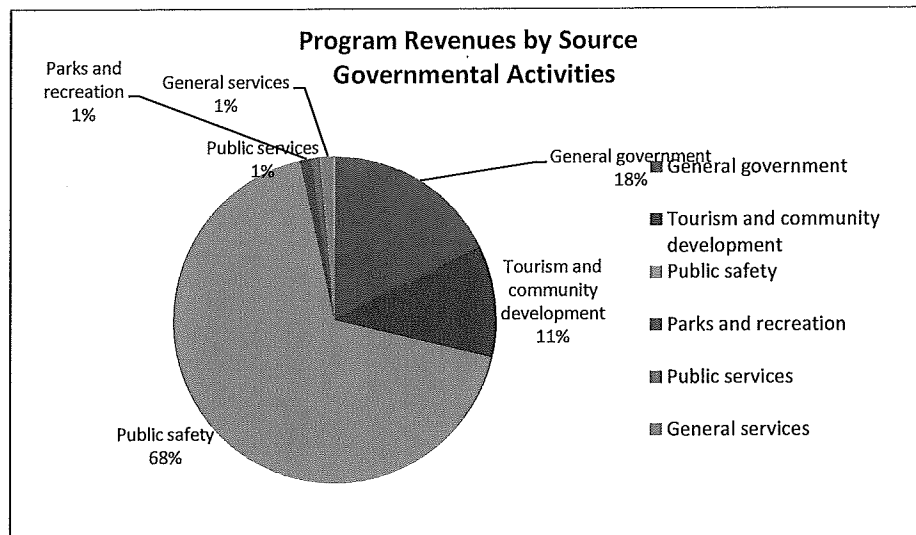
Governmental Activities – A comparative analysis of the governmental activities expenses and program revenues is presented below.

Figure 1
Program Revenues Compared to Expenses
Governmental Activities
Year Ended June 30, 2017



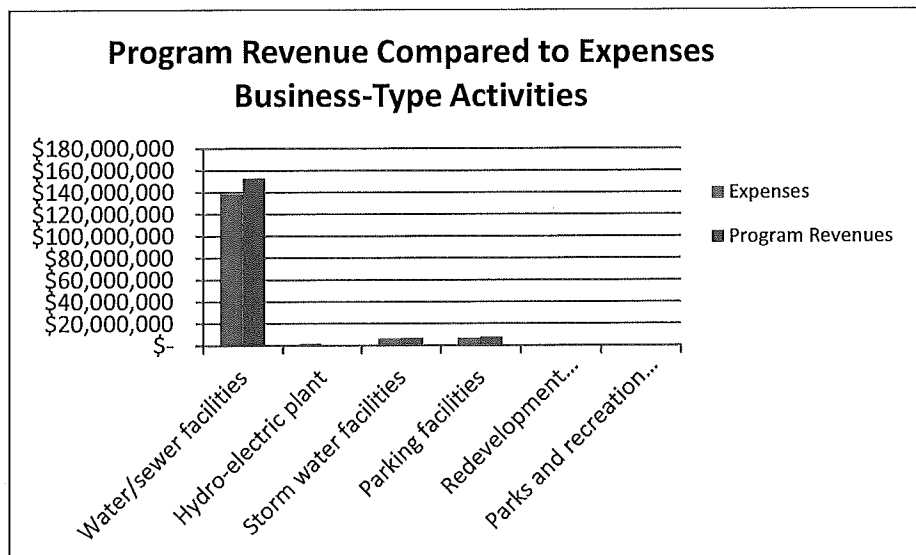
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Figure 2
Program Revenues by Source
Governmental Activities
Year Ended June 30, 2017



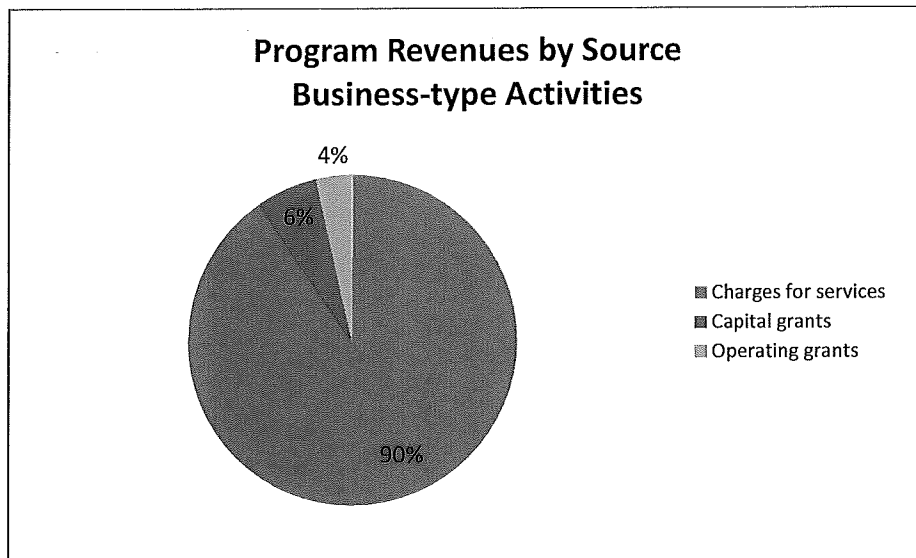
Business-type Activities – The net position of the City's business-type activities increased by approximately \$7,851,100 for the year ended June 30, 2017. This growth is primarily attributable to the operations of the water and sewer and parking departments. A comparative analysis and discussion of expenses and program revenues for these enterprise operations is presented below.

Figure 3
Program Revenue Compared to
Expenses for Business-type Activities
Year Ended June 30, 2017



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Figure 4
Program Revenues by Source
for Business-type Activities
Year Ended June 30, 2017



Water and Sewer Facilities Fund – The net position for the water and sewer facilities fund for the year ended June 30, 2017, decreased by approximately \$3,529,000.

Table 3
Water and Sewer Facilities Fund Revenues and Expenses
Years Ended June 30, 2017 and June 30, 2016

	Year Ended June 30,	
	2017	2016
Revenues		
Total operating revenues	\$ 136,946,280	\$ 131,731,707
Non-operating revenues	7,194,839	8,995,388
Development contributions and capital grants	10,159,405	16,054,517
Total revenues	<u>154,300,524</u>	<u>156,781,612</u>
Expenses		
Total operating expenses	120,710,352	115,903,516
Interest and amortization expense	13,027,389	14,189,123
Transfers, net	6,069,520	8,666,713
Total expenses	<u>139,807,261</u>	<u>138,759,352</u>
Change in net position	<u>\$ 14,493,263</u>	<u>\$ 18,022,260</u>

Total operating revenues, which primarily consist of water and sewer fees, increased by approximately \$5,296,200, or 4.02%, to \$137,027,910. The increase in operating revenues was due to an approximately five percent increase in water and sewer rates. The decrease in non-operating revenues was due to less investment income received in fiscal year 2017. Development contribution revenue decreased approximately \$6,145,100 from the year ended June 30, 2016, due to a one-time \$8.6 million capital contribution from West

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Columbia occurring in fiscal year 2016. Total revenues for the year ended June 30, 2017, decreased approximately \$2,481,100, or 1.58%, to \$154,300,524.

Total operating expenses increased by approximately \$4,806,800, or 4.15%, to \$120,710,352 when compared to the year ended June 30, 2016. This increase was primarily the result of increase in maintenance and repair projects to the system in fiscal 2017 as part of the City's compliance with the consent decree, additional costs incurred as the result of the damage Hurricane Matthew caused to the system, and increased personnel related costs. The increase in operating revenues exceeded the increase in operating expenses resulting in an operating margin increase of approximately \$489,400 compared to the year ended June 30, 2016.

Interest expense decreased by approximately \$3,682,700 as the City was able to refinance debt outstanding at a lower interest rate and continued to pay down debt. Net transfers in fiscal year 2017 decreased by approximately \$2,481,100 from fiscal year 2016 due to the elimination of a portion of the transfer to the general fund which was offset partially by the increased transfer to the internal service funds to cover health care costs and other claims. Total expenses increased by approximately \$1,047,100, or 0.76%, to approximately \$139,807,300. The increase in water and sewer rates, offset by the increase in employee related costs and maintenance costs, along with the decrease in development contribution and investments revenues were the primary reasons change in net position decreased by \$3,528,997 for the year ended June 30, 2017.

The restricted portion of the water and sewer facilities fund's net position represents debt service reserve funds that are restricted under various bond ordinances.

Parking Facilities Fund – The net position of the Parking Facilities Fund for the year ended June 30, 2017, increased by approximately \$794,500.

Table 4
Parking Facilities Fund Revenue and Expenses
Years Ended June 30, 2017 and June 30, 2016

	Year Ended June 30,	
	2017	2016
Revenues		
Total operating revenues	\$ 8,134,306	\$ 7,058,394
Non-operating revenues	181,805	411,528
Gain (loss) on sale of assets	2,295	-
Total revenues	<u>8,318,406</u>	<u>7,469,922</u>
Expenses		
Total operating expenses	5,442,216	5,344,690
Interest and amortization expense	1,704,260	1,743,100
Transfers, net	925,785	930,469
Total expenses	<u>8,072,261</u>	<u>8,018,259</u>
Change in net position	<u>\$ 246,145</u>	<u>\$ (548,337)</u>

Total operating revenues, which primarily consist of parking fees and fines, increased by approximately \$1,075,900, or 15.24%, to \$8,134,306. The increase in operating revenues was due primarily to the continued interest and development in the downtown and Vista areas. Non-operating revenue decreased by approximately \$229,700 due primarily to a one-time grant received from a local developer to make improvements to one of the City's downtown garages in fiscal year 2016 and less investment income received during the current fiscal year. Total revenues for the year ended June 30, 2017, increased approximately \$848,500, or 11.36%, to \$8,318,406 primarily as a result of the continued interest by the general public and

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increased commercial development in the downtown and Vista areas of Columbia. This continued interest resulted in more traffic in these areas thereby increasing parking revenues.

Total operating expenses increased slightly by approximately \$97,500, or 1.82%, to \$5,442,216 when compared to the year ended June 30, 2016. This was primarily the result of normal cost of living increases in compensation costs and related employee benefit costs. The increase in operating expenses, being less than the increase in operating revenues, resulted in an operating margin increase of approximately \$978,400 compared to the year ended June 30, 2016.

Interest and amortization expense decreased in fiscal year 2017 by approximately \$38,800, or 2.23%, when compared to fiscal year 2016 due to a reduction in the debt outstanding. Net transfers in fiscal year 2017 were similar to the amount of transfers for fiscal year 2016. Total expenses increased by approximately \$54,000, or 0.67%, to \$8,072,261. Normal cost of living increases was the primary reason for the increase in total expenses.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of approximately \$64,812,800, an increase of approximately \$1,395,000. Unassigned fund balance is available for spending at the City's discretion. As of June 30, 2017, the City had an unassigned fund balance of approximately \$12,514,600, a decrease of approximately \$3,700,600 compared to the year ended June 30, 2016.

The general fund is the chief operating fund of the City. During the year ended June 30, 2017, the fund balance of the general fund decreased by approximately \$284,100 to approximately \$29,620,800. The decrease in fund balance was due primarily to a less than two percent increase in revenues offset by a similar increase in normal budgeted operating expenditures. There was an increase in debt principal payments from the general fund of approximately \$14,388,600. This increase was due to paying off the notes payable related to the two parking garages leased to the University of South Carolina under a capital lease. The increase in debt payments was largely offset by the settlement of the lease in 2017. The net effect of the transactions was that the debt payments exceeded the lease collections by approximately \$1,107,800. As part of that transaction, the City received \$2,592,856 in rental payments in 2017 as settlement of a future revenue obligation. Capital expenditures in the general fund increased approximately \$5,878,700 from the prior year and were funded by the proceeds from the capital lease obligation incurred in 2017. The unassigned fund balance, which is available for use without restriction, decreased by approximately \$4,336,000 to approximately \$15,076,700. Unrestricted fund balance is the combination of unassigned fund balance (\$15,076,700), assigned fund balance (\$4,054,000), and committed fund balance (\$5,207,100), and totals approximately \$24,337,800. The remainder of the fund balance in the general fund is comprised of approximately \$4,837,200 in restricted fund balance and \$445,780 in nonspendable fund balance. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The County Services fund is used to report funds received from Richland County, South Carolina to offset costs incurred by the City of Columbia in providing fire services and 911 emergency communications services to Richland County citizens living outside the incorporated area of the City of Columbia. Collections for the year ended June 30, 2017, increased by approximately \$1,193,100, or 5.23%, due to the City renegotiating the service agreement with Richland County. Expenditures for the year ended June 30, 2017, decreased by approximately \$395,500 primarily due to the inability to retain personnel. Transfers to the risk management fund

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for health care costs decreased by approximately \$501,800 due to a reduction in employee benefits provided by the City.

Proprietary funds – The statements of the City's proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements but in more detail. Factors concerning the finances of these funds were previously addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The general fund is the principal operating fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund. It is also the largest of the City's funds and is mostly comprised of general tax revenues and license and permit fees. Over the course of the fiscal year, the City revises its budget to address unanticipated changes in revenues and expenditures. The City provides basic city services such as police, fire, parks and recreation, and other public services. Each department budget must be developed and justified annually during the legally required budget adoption process. Total general fund revenues and special items for the year ended June 30, 2017, were approximately \$137,388,800, approximately \$430,700, or 0.31%, less than the final budget of approximately \$137,819,500. The increase in total revenue was the result of an increase in license fees, permit fees, and Local Option Sales Tax revenues due to the economy continuing to improve and increased development in the downtown and Vista areas. These increases were offset by a slight decrease in general property taxes due to additional credits given to taxpayers on their property tax bills. The increase in special items was the result of the early payoff of a capital lease receivable held by the City. This event resulted in a budget amendment of approximately \$13,864,142. The City used the proceeds from the settlement of this lease to pay off related debt, resulting in a significant increase in debt service expenditures.

Total general fund expenditures were approximately \$140,681,000 for the year ended June 30, 2017, approximately \$9,981,500, or 7.64%, more than the final budgeted expenditures of approximately \$130,699,500. Closely monitoring of expenditures resulted in most city departments being under budget. The primary exceptions were expenditures related to debt principal payments which exceeded budget by approximately \$13,969,000 due to paying off the debt related to the leased parking garages off early and tourism and community development expenditures which exceeded budget by approximately \$1,200,900 due to an increased allotment to the Edventure Museum.

Capital Assets and Debt Administration

Capital assets – The City's investment in capital assets (before reductions for debt service) for its governmental and business-type activities as of June 30, 2017, totaled \$1,202,689,381 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, construction in progress, machinery, and equipment. The net increase in the City's investment in capital assets for the year ended June 30, 2017, was approximately \$69,888,500, or 6.17%.

Major capital asset events during the year ended June 30, 2017, included the following:

- Construction in progress (CIP) increased by a net \$72,589,949. This increase was the result of several significant uncompleted projects as of June 30, 2017. The most significant of which included the Lake Murray Water Treatment Plant pump improvement project budgeted at approximately \$23,977,500, the Canal Water Treatment Plant clear well and high service rooms improvement project budgeted at approximately \$51,309,000, phase one of the Lower Crane Creek improvement project budgeted at approximately \$13,255,800, and the aeration system improvement project budgeted at approximately \$24,317,700. Major completed projects included a \$2,311,672 upgrade to the Lakecrest water line, a \$782,471 water main upgrade at Rose and Hibiscus Roads, \$946,355 in water line improvements along Elmwood Avenue, a \$1,179,528 water line upgrade along Mountain Drive and Clements Road, \$635,168 in water line improvements along Morninghill Road, as well as the Smith Branch Outfall Replacement at a cost of \$1,406,176. Major completed projects in the governmental projects included the completion of a \$1,448,820 renovation project at Owens Field and the completion of \$363,364 in improvements to the Bellfield Cultural Center. There was an approximate increase of \$2,802,600 in the

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governmental CIP balance. There was an increase of approximately \$69,787,400 in the business-type activities CIP balance as the City embarked on several significant projects under the Clean Water 2020 Program.

- Buildings and improvements additions totaled approximately \$40,184,100 during the year ended June 30, 2017. Most of these were the result of completed construction projects started in prior years. Significant additions included renovation of the Smith Branch Outfall, the Lincoln Tunnel, improvements to the Bellfield Cultural Center, improvements to Owens Field, as well as various sewer improvements. There were no significant disposals of buildings and improvements during the current fiscal year.
- Machinery and equipment additions totaled approximately \$12,048,600 during the year ended June 30, 2017. These additions consisted mainly of police vehicles, side loaders, rear loading garbage trucks, other items of rolling stock, mini excavators, pumps, actuators, and other water treatment equipment. Disposals consisted mainly of fully depreciated items, a recycling truck, and a 2009 Freightliner.
- Depreciation expense totaled approximately \$55,395,700 for the City as a whole.

Capital assets, net of depreciation, for the governmental and business-type activities are as follows:

Table 5
Capital Assets (Net of Depreciation)
As of June 30, 2017 and June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	As of June 30, 2017	As of June 30, 2016	As of June 30, 2017	As of June 30, 2016	As of June 30, 2017	As of June 30, 2016
Land	\$ 36,845,828	\$ 36,845,828	\$ 30,834,259	\$ 30,833,759	\$ 67,680,087	\$ 67,679,587
Construction in progress	12,198,323	9,395,744	194,676,870	124,889,500	206,875,193	134,285,244
Buildings and improvements	164,926,624	169,135,232	689,132,717	684,615,188	854,059,341	853,750,420
Infrastructure	22,963,793	22,360,765	-	-	22,963,793	22,360,765
Machinery and equipment	21,684,608	18,127,568	29,426,359	36,597,275	51,110,967	54,724,843
Total	\$ 258,619,176	\$ 255,865,137	\$ 944,070,205	\$ 876,935,722	\$ 1,202,689,381	\$ 1,132,800,859

Additional information on the City's capital assets can be found in Note III. F. in the Notes to the Financial Statements.

Long-term debt – The City's long-term debt, including capital leases payable, reflected a net increase of approximately \$50,828,600, or 8.50%, as shown in Table 6. This net increase was the result of \$181,194,830 in principal payments and \$4,551,011 in amortization of bond premiums. The City also received proceeds of \$1,460,000 from the issuance of a hospitality fee pledge revenue bond. This bond is backed by the hospitality tax revenues received by the City. Principal payments of \$155,755,000 were made on business-type activity revenue bonds. The greater than normal amount of principal payments is due to refunding a portion of bonds issued in prior years. Principal payments of \$1,898,756 were made on governmental activities capital lease obligations. Principal payments of \$21,589,142 were made on governmental activities bonds and notes payable. Total governmental activities debt had a net decrease of approximately \$15,849,800, while business-type activities debt had a net increase of approximately \$66,678,500. The governmental decrease was greater than normal due to paying off two notes early. The Series 2017 Special Obligation Refunding Bond (Hospitality Fee Pledge) was issued to provide funds for the Edventure Museum. The capital lease was issued to fund the purchase of various capital asset items. The Series 2016 Water and Sewer Revenue Bonds were issued for the purposes of (i) funding certain improvements, extensions and enlargements to the Waterworks and Sewer System of the City ("System"); (ii) refunding certain maturities of the City's \$105,000,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2010, and \$100,000,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2011A; and (iii) paying the costs incurred in connection with the issuance of the 2016 Bonds. The 2016 Bonds, including interest thereon, are payable solely from the net revenues of the System and are secured by a pledge and lien on the net revenues thereof.

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Table 6
Outstanding Indebtedness
As of June 30, 2017 and June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	As of June 30, 2017	As of June 30, 2016	As of June 30, 2017	As of June 30, 2016	As of June 30, 2016	As of June 30, 2016
Notes payable	\$ 675,000	\$ 4,804,142	\$ -	\$ -	\$ 675,000	\$ 4,804,142
General obligation bonds	30,710,000	36,025,000	-	-	30,710,000	36,025,000
Bond premiums	2,663,934	2,996,630	-	-	2,663,934	2,996,630
Revenue bonds	50,035,000	62,180,000	-	-	50,035,000	62,180,000
Bond premiums	3,403,210	3,532,446	-	-	3,403,210	3,532,446
Parking Facilities revenue bonds	-	-	39,500,000	40,625,000	39,500,000	40,625,000
Bond premiums	-	-	38,216	40,158	38,216	40,158
Waterworks and Sewer System revenue bonds	-	-	471,095,000	415,720,000	471,095,000	415,720,000
Bond premiums	-	-	38,566,350	26,135,950	38,566,350	26,135,950
Capital leases payable	11,831,886	5,630,642	-	-	11,831,886	5,630,642
Total	\$ 99,319,030	\$ 115,168,860	\$ 549,199,566	\$ 482,521,108	\$ 648,518,596	\$ 597,689,968

As noted earlier, the City's underlying bond rating for its general obligation debt issues was an AA+ by Standard and Poors and AA1 by Moody's. The underlying bond rating for its water and sewer revenue bonds as of June 30, 2016, was an "AA1" by Moody's Investors Service, Inc. and "AA+" by Standard and Poor's Rating Services. The parking system revenue bonds as of June 30, 2016, were rated "BBB+" by Standard and Poor's Rating Service and "A2" by Moody's Investor Service, Inc. In October 2016, Standard and Poor's Rating Service upgraded the City's bond rating to AA+ for its water and sewer revenue bonds.

Article X, Section 14 of the State Constitution limits the amount of general obligation debt a governmental entity may issue to 8% of its assessed property value. The City as of June 30, 2017, had \$33,710,000 in debt subject to this limitation which is less than the \$43,447,573 allowed without approval by the voters in the City.

Additional information regarding the City's long-term obligations can be found in Note III. I in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget

The City's financial condition remained strong as of June 30, 2017. The South Carolina and the Midland's economies continue to experience recovery. The most recent data from the Bureau of Labor Statistics indicates that South Carolina's employment growth has returned to pre-recession levels and is expected to continue to improve. The Bureau of Economic Analysis data reflects an increase of 4.4% in personal income growth in South Carolina. This growth ranks South Carolina third in its twelve state region and eleventh nationally.

In developing the fiscal year 2018 budget the City focused on four main areas:

1. **Public safety and neighborhood improvement** – The fiscal year 2018 budget includes funding for the Public Safety Recruitment and Retention Plan. The City developed this plan in order to attract the best possible police and fire personnel and to continue to support their professional development once hired as an aid in retaining them. The fiscal year 2018 budget includes funds for neighborhood redevelopment projects that are expected to improve the quality of life for the citizens of Columbia.
2. **Infrastructure** – The fiscal year 2018 budget includes increased investment in the water and sewer system, storm drains, and park facilities. City Council realizes capital improvements are a key factor in the economic and social well-being of the City and its citizens. The October 2015 floods and Hurricane Matthew in October 2016 increased the awareness of the need for a comprehensive capital improvement program. City Council feels continued investment in the capital program is critical to the future development of the City.

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3. Employee compensation – Council realizes competent and capable employees are a critical part of providing quality city services. As a result of this, the fiscal year 2018 budget includes funding for employee cost of living adjustments and step based pay to support the public safety retention program. City Council is committed to attracting and retaining competent and capable employees, and the fiscal year 2018 budget demonstrates that commitment.
4. Revenue growth – The fiscal year 2018 budget includes a two mill property tax increase. This increase is budgeted to generate approximately \$1,120,000 in additional revenues for the general fund. Due to the expected continued growth in the economy and development in the downtown and Vista areas, business license and permit revenues are expected to provide an additional \$1,000,000 in revenues for the general fund. These additional revenues will enable the City to move forward on the Envision Columbia Work Plan initiatives, which are presented in greater detail in the letter of transmittal included in the introductory section of this CAFR, as well as fund anticipated increase in health care costs and state retirement system rate increases. The fiscal year 2018 water and sewer budget includes a 4.75% rate increase. This rate increase is expected to generate approximately \$6.3 million in additional water revenues. These additional revenues are expected to provide debt service capacity to enable the City to issue additional water and sewer debt during fiscal year 2018 in support of its \$120,000,000 capital improvement program. The fiscal year 2018 stormwater budget increases the equivalent residential unit (ERU) rate from \$6.80 per ERU to \$11.80 per ERU. This rate increase is expected to generate an additional \$5,395,100 for the stormwater fund in fiscal year 2018. These additional funds are expected to allow the stormwater department to implement an aggressive and comprehensive capital improvement program to address city-wide flooding and stormwater drainage.

City management will continue to monitor economic developments as they occur and make adjustments as needed to insure the City's overall financial position remains sound.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City's Chief Financial Officer, P.O. Box 147, 1737 Main Street, Columbia, South Carolina 29217.

Thank you for your interest in the City, in general, and its finances specifically.

BASIC FINANCIAL STATEMENTS

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and equivalents	\$ 129,017,139	\$ 145,679,415	\$ 274,696,554	\$ 11,409,388
Certificates of deposit	-	-	-	500,000
Investments	14,292,212	80,634,062	94,926,274	-
Receivables				
Property taxes, net of allowance	1,602,426	-	1,602,426	-
Federal government	2,451,351	5,053,924	7,505,275	-
State government	3,492,601	1,025,115	4,517,716	-
County government	1,445,425	-	1,445,425	-
Accounts, net of allowance	1,269,878	8,595,912	9,865,790	854,313
Accrued interest	43,122	224,419	267,541	-
Mortgage notes, net of allowance	-	563,343	563,343	1,215,583
Due from component units	21,164	671,044	692,208	-
Internal balances	16,204,159	(16,204,159)	-	-
Prepaid expenses	645,746	150,638	796,384	501,658
Inventory	688,203	2,781,367	3,469,570	-
Real estate held for sale and development	-	99,036	99,036	-
Restricted assets				
Real estate held for sale and development	-	-	-	67,045
Total current assets	171,173,426	229,274,116	400,447,542	14,547,987
Noncurrent Assets				
Cash on deposit with escrow agent	304,000	-	304,000	10,740,936
Investments	4,290,564	37,053,060	41,343,624	-
Mortgage notes receivable, net of current portion	-	22,278,571	22,278,571	1,339,774
Deposits	78,745	-	78,745	-
Other assets				
Prepaid bond insurance costs	-	348,142	348,142	-
Organizational costs	-	-	-	3,855
Real estate held for sale or development	-	-	-	2,613,282
Security deposits	-	-	-	2,500
Capital assets not being depreciated				
Land	36,845,828	30,834,259	67,680,087	2,900,115
Construction in progress	12,198,323	194,676,870	206,875,193	-
Capital assets net of accumulated depreciation				
Buildings, improvements and utility plant	164,926,624	689,132,717	854,059,341	8,709,968
Infrastructure	22,963,793	-	22,963,793	-
Machinery and equipment	21,684,608	29,426,359	51,110,967	-
Total noncurrent assets	263,292,485	1,003,749,978	1,267,042,463	26,310,430
TOTAL ASSETS	434,465,911	1,233,024,094	1,667,490,005	40,858,417
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,645,098	25,218,399	26,863,497	-
Deferred outflows related to net pension liability	28,127,228	9,547,936	37,675,164	-
Accumulated decrease in fair value of hedging derivatives	-	27,665,025	27,665,025	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	29,772,326	62,431,360	92,203,686	-

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 9,095,484	\$ 18,769,465	\$ 27,864,949	\$ 1,874,268
Accrued salaries and benefits	3,228,420	659,413	3,887,833	-
Accrued liability for claims	17,405,626	23,600	17,429,226	-
Accrued interest	753,162	9,491,331	10,244,493	-
Retainage payable	185,586	8,173,695	8,359,281	-
Unearned revenue	-	2,400	2,400	1,017,887
Due to primary government	-	-	-	522,137
Refundable advances	134,352	-	134,352	-
Compensated absences	1,419,070	366,967	1,786,037	-
Bond anticipation note payable	3,000,000	-	3,000,000	204,568
Deposits payable	47,634	117,652	165,286	67,102
Current notes payable	75,000	-	75,000	764,829
General obligation bonds, current portion	5,365,000	-	5,365,000	-
Revenue bonds, current portion	3,590,000	11,705,000	15,295,000	-
Obligation under capital lease - current portion	1,945,919	-	1,945,919	-
Liabilities payable from restricted assets				
Due to primary government	-	-	-	170,071
Total current liabilities	46,245,253	49,309,523	95,554,776	4,620,862
Noncurrent liabilities				
Compensated absences	5,676,278	1,555,728	7,232,006	73,134
Net pension liability	151,905,579	51,555,089	203,460,668	-
Net OPEB obligation	53,796,196	-	53,796,196	-
Notes payable, net of current portion	600,000	-	600,000	4,303,421
General obligation bonds, net of current portion	28,008,934	-	28,008,934	-
Revenue bonds, net of current portion	49,848,210	537,494,566	587,342,776	-
Obligation under capital lease - net of current portion	9,885,967	-	9,885,967	-
Derivative instrument liability, interest rate swap	-	27,665,025	27,665,025	-
Total noncurrent liabilities	299,721,164	618,270,408	917,991,572	4,376,555
TOTAL LIABILITIES	345,966,417	667,579,931	1,013,546,348	8,997,417
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to net pension liability	1,724,982	585,132	2,310,114	-
Deferred inflow - property sale	309,000	-	309,000	-
Deferred inflow - property tax credit	2,828,318	-	2,828,318	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,862,300	585,132	5,447,432	-
NET POSITION				
Net investment in capital assets	172,110,861	443,267,179	615,378,040	7,364,690
Restricted for				
Capital projects	11,246,571	-	11,246,571	-
Debt service	3,965,407	1,252,137	5,217,544	-
Tourism	7,646,425	-	7,646,425	9,475,862
Public safety	617,492	-	617,492	-
Community development				
Expendable	1,064,540	-	1,064,540	412,012
Nonexpendable	5,000	-	5,000	-
Unrestricted	(83,246,776)	182,771,075	99,524,299	14,608,436
TOTAL NET POSITION	\$ 113,409,520	\$ 627,290,391	\$ 740,699,911	\$ 31,861,000

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

FUNCTIONS/PROGRAMS Primary Government	Net (Expense) Revenue and Changes in Net Position				
	Primary Government				Component Units
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 21,967,466	\$ 2,594,500	\$ 252,365	\$ 10,004,812	\$
Judicial	3,515,045	-	-	-	(9,115,789)
Finance department	1,857,440	-	-	-	(3,515,045)
Community promotions	8,847,034	-	-	-	(1,857,440)
Planning and development	4,267,580	-	-	-	(8,847,034)
Public safety	92,143,229	47,392,478	1,857,360	-	(4,267,580)
Parks and recreation	13,884,956	833,501	-	-	(42,893,391)
Public services	16,558,862	615,441	-	-	(13,051,455)
General services	2,539,388	888,200	180,334	-	(15,943,421)
Tourism and community development	14,411,919	619,541	7,390,589	-	(1,470,854)
Interest and other fiscal charges	3,732,849	-	-	-	(6,401,789)
Nondepartmental	4,984,358	-	-	-	(3,732,649)
Total governmental activities	188,709,926	52,943,661	9,680,648	10,004,812	(4,984,358)
Business-type activities					
Water/sewer facilities	138,965,008	137,186,161	5,880,676	10,159,405	(116,080,805)
Hydro-electric plant	2,116,008	151,890	-	-	-
Stormwater facilities	6,755,544	7,432,103	-	-	14,273,234
Parking facilities	7,424,017	8,250,439	-	-	(1,964,118)
Redevelopment programs	1,092,578	574,908	148,763	-	676,559
Parks and recreation camps	362,485	335,505	-	-	826,422
Total business-type activities	156,715,640	153,943,006	6,029,439	10,159,405	(368,907)
Total Primary Government	\$ 345,425,566	\$ 206,886,667	\$ 15,710,087	\$ 20,164,217	(26,980)
COMPONENT UNITS	\$ 13,241,020	\$ 13,040,117	\$ 617,868	\$ -	13,416,210
General revenues:					13,416,210
General property taxes					(102,664,595)
Local Option Sales Tax					-
Hospitality and admission taxes					-
Accommodations tax					31,793,590
Tourism development fee					20,946,748
Liquor permit fees					11,990,432
Utility franchise fees					2,496,308
Business privilege license fees					3,911,428
State shared revenue					476,973
Appropriations - City of Columbia					13,133,923
Unrestricted investment earnings					24,986,525
Special item					3,019,209
Gain (loss) on disposal of capital assets					-
Transfers					1,193,414
Total general revenues and transfers					(20,184)
Change in net position					2,592,856
Net position - beginning of period					-
Net position - end of period					(19,203)
					1,477,601
					73,752
					2,592,856
					-
					1,532,150
					13,858,627
					1,949,115
					726,841,284
					29,911,885
					\$ 31,861,000

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	County Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 24,036,289	\$ 26,505	\$ 33,817,643	\$ 57,880,437
Investments	11,431,084	-	7,151,692	18,582,776
Receivables				
Property taxes, net	1,602,426	-	-	1,602,426
Federal government	90,010	-	2,361,341	2,451,351
State government	2,534,404	-	958,197	3,492,601
County	-	-	1,445,425	1,445,425
Accounts, net	932,066	-	5,257	937,323
Accrued interest receivable	32,031	-	1,185	33,216
Due from other funds	-	-	614,134	614,134
Due from component units	-	-	21,164	21,164
Cash on deposit with escrow agent	304,000	-	-	304,000
Prepaid charges	445,780	74,580	-	520,360
TOTAL ASSETS	\$ 41,408,090	\$ 101,085	\$ 46,376,038	\$ 87,885,213
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 4,142,706	\$ 439,945	\$ 2,645,633	\$ 7,228,284
Accrued salaries and benefits	2,408,940	689,258	57,674	3,155,872
Retainage payable	-	-	185,586	185,586
Bond anticipation notes payable	-	-	3,000,000	3,000,000
Refundable advances	-	-	134,352	134,352
Due to other funds	-	1,459,377	2,673,290	4,132,667
Due to others	26,212	-	-	26,212
Customer deposits	21,422	-	-	21,422
Advances from other funds	1,150,042	-	-	1,150,042
Total liabilities	7,749,322	2,588,580	8,696,535	19,034,437
Deferred inflows of resources				
Unearned revenue - deferred property tax credit	2,828,318	-	-	2,828,318
Unearned revenue - property sale	309,000	-	-	309,000
Unavailable revenue - property taxes	900,658	-	-	900,658
Total deferred inflows of resources	4,037,976	-	-	4,037,976
Fund balances				
Nonspendable	445,780	74,580	5,000	525,360
Restricted	4,837,243	-	19,703,192	24,540,435
Committed	5,207,060	-	-	5,207,060
Assigned	4,054,048	-	17,971,311	22,025,359
Unassigned	15,076,661	(2,562,075)	-	12,514,586
Total fund balances (deficits)	29,620,792	(2,487,495)	37,679,503	64,812,800
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 41,408,090	\$ 101,085	\$ 46,376,038	\$ 87,885,213

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balance, governmental funds \$ 64,812,800

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.

Land	\$ 36,845,828	
Construction in progress	12,198,323	
Buildings and improvements, net	164,666,891	
Infrastructure, net	22,963,793	
Machinery and equipment, net	<u>21,290,936</u>	257,965,771

Certain other long-term deferred outflows are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.

Unamortized deferred loss on refunding	\$ 1,645,098	
Pension contributions made subsequent to the measurement date	9,460,448	
Differences between expected and actual experience	<u>17,683,459</u>	28,789,005

Certain property tax revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

910,564

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

(5,168,418)

Eliminations relating to the consolidation of internal service funds resulted in an amount due to governmental activities from business-type activities in the statement of net position.

21,278,114

Some liabilities (such as notes payable, capital leases, contracts payable, compensated absences, and bonds payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.

Accrued compensated absences	\$ (6,846,181)	
Accrued interest payable	(753,162)	
Net pension liability	(146,595,255)	
Bonds and notes payable	(81,419,997)	
Capital lease payable	(11,831,886)	
Unamortized premium	<u>(6,067,147)</u>	(253,513,628)

Other long term deferred inflows related to pension expense do not consume current financial resources and are, therefore, not reported in the fund financial statements:

Investment earnings on retirement plan fiduciary held assets		<u>(1,664,688)</u>
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Net position of governmental activities in the statement of net position

\$ 113,409,520

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General Fund	County Services	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 30,808,092	\$ -	\$ 881,067	\$ 31,689,159
Local option sales tax	20,946,748	-	-	20,946,748
Hospitality and admission taxes	433,481	-	11,556,951	11,990,432
Accommodations tax	-	-	2,496,308	2,496,308
Tourism development fee	-	-	3,911,428	3,911,428
Liquor permit fee	-	-	478,973	478,973
Licenses and permits	26,580,332	-	-	26,580,332
Franchise fees	13,133,923	-	-	13,133,923
Intergovernmental revenue	14,822,853	-	4,706,292	19,529,145
Charges for services	13,025,426	29,491	79,912	13,134,829
Fines and forfeitures	887,354	-	375,001	1,262,355
Federal government	120,013	-	6,859,402	6,979,415
State government	-	-	35,593	35,593
County government	-	23,997,476	2,790,931	26,788,407
Promotions	521,108	-	212,247	733,355
Private grants	89,496	-	-	89,496
Interest	(38,203)	-	18,019	(20,184)
Rental income	103,343	-	-	103,343
Other revenues	81,123	-	1,955,786	2,036,909
Total revenues	121,515,089	24,026,967	36,357,910	181,899,966
EXPENDITURES				
Current				
General government	11,043,684	-	1,262,694	12,306,378
Judicial	3,334,061	-	-	3,334,061
Finance department	1,787,470	-	-	1,787,470
Planning and development	4,106,820	-	-	4,106,820
Public safety	60,968,586	22,941,649	1,796,870	85,707,105
Parks and recreation	11,620,323	-	11,604	11,631,927
Public services	14,638,292	-	774,897	15,413,189
General services	2,416,883	-	-	2,416,883
Tourism and community development	5,110,680	-	15,043,632	20,154,312
Community promotions	748,739	-	-	748,739
Debt service				
Principal payment on bonds	16,092,898	-	8,855,000	24,947,898
Interest on bonds	748,800	-	3,045,016	3,793,816
Fiscal agent charges	-	-	15,499	15,499
Debt issuance costs	61,000	-	68,500	129,500
Capital outlay				
Capital outlay	8,002,763	223,576	7,200,521	15,426,860
Total expenditures	140,680,999	23,165,225	38,074,233	201,920,457
Excess (deficiency) of revenues over (under) expenditures	(19,165,910)	861,742	(1,716,323)	(20,020,491)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,311,923	732,424	18,570,916	27,615,263
Transfers (out)	(15,123,708)	(950,648)	(15,819,030)	(31,893,386)
Sale of general capital assets	167,063	-	-	167,063
Issuance of capital leases	8,100,000	-	-	8,100,000
Issuance of debt	1,460,000	-	-	1,460,000
Insurance recoveries	92,831	-	-	92,831
Total other financing sources (uses)	3,008,109	(218,224)	2,751,886	5,541,771
SPECIAL ITEMS				
Collections on capital leases	13,280,875	-	-	13,280,875
Rental income	2,592,856	-	-	2,592,856
Total special items	15,873,731	-	-	15,873,731
Excess (deficiency) of revenues and other financing sources over (under) expenditures, and other financing sources (uses) and special items	(284,070)	643,518	1,035,563	1,395,011
Beginning fund balances (deficits)	29,904,862	(3,131,013)	36,643,940	63,417,789
Ending fund balances (deficits)	\$ 29,620,792	\$ (2,487,495)	\$ 37,679,503	\$ 64,812,800

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 1,395,011

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	\$ 15,426,860	
Depreciation expense	<u>(14,713,391)</u>	713,469

In the Statement of Activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds do not report gain or loss on the disposal of capital assets

Net book value of disposed capital assets		(265,810)
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Internal service funds are used by management to charge costs of certain activities to individual funds. The change in net income of the internal service funds is included in governmental activities in the statement of activities.

(631,267)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental fund statements because they are not financial resources.

3,416,556

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.

Property taxes		104,431
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Governmental funds report bond proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the statement of activities treats such repayment as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

Proceeds from bonds payable issued	\$ (1,460,000)	
Collections on capital leases	(13,280,875)	
Proceeds from capital lease issued	(8,100,000)	
Principal retirement of long-term debt	24,947,898	
Amortization of premium	(461,933)	
Amortization of bond refunding deferred charge	<u>(264,854)</u>	1,380,236

Some expenses reported in the statement of activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds:

Accrued compensated absences	\$ (53,615)	
Capital lease receivable	(913,267)	
Pension expense	(4,930,743)	
Accrued interest payable	<u>9,087</u>	(5,888,538)

Eliminations in the consolidation of internal service funds resulted in a net increase in expenses for the business-type activities in the statement of activities.

5,783,404

Change in net position of governmental activities

\$ 6,007,492

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities				Governmental Activities
	Water/Sewer Facilities Fund	Parking Facilities Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 121,508,103	\$ 8,117,807	\$ 16,053,505	\$ 145,679,415	\$ 71,136,702
Investments	69,614,658	4,640,448	6,378,956	80,634,062	-
Accounts receivable, net	8,388,658	206,829	425	8,595,912	332,555
Mortgage notes receivable, net	42,250	-	521,093	563,343	-
Accrued interest receivable	190,188	16,169	18,062	224,419	-
Due from federal government	5,053,924	-	-	5,053,924	-
Due from state government	1,025,115	-	-	1,025,115	-
Due from other funds	3,923,913	-	-	3,923,913	-
Due from component units	500,973	-	170,071	671,044	-
Inventory	2,718,558	62,809	-	2,781,367	688,203
Prepaid expenses	116,508	24,516	9,614	150,638	125,386
Real estate held for resale	-	-	99,036	99,036	-
Total current assets	213,082,848	13,068,578	23,250,762	249,402,188	72,282,846
Noncurrent Assets					
Mortgage notes receivable, net	152,794	-	22,125,777	22,278,571	-
Investments	36,740,688	312,372	-	37,053,060	-
Deposits	-	-	-	-	78,745
Prepaid bond insurance costs	-	348,142	-	348,142	-
Advances to other funds	1,150,042	-	-	1,150,042	-
Capital assets					
Land	14,255,003	16,032,002	547,254	30,834,259	-
Buildings, improvements and utility plant	1,029,564,961	57,850,251	32,627,423	1,120,042,635	914,576
Machinery and equipment	74,277,551	1,784,452	3,953,547	80,015,550	1,725,949
Less accumulated depreciation	(450,471,688)	(19,733,618)	(11,293,803)	(481,499,109)	(1,987,120)
Construction in progress	189,083,848	108,401	5,484,621	194,676,870	-
Net capital assets	856,709,675	56,041,488	31,319,042	944,070,205	653,405
Total noncurrent assets	894,753,199	56,702,002	53,444,819	1,004,900,020	732,150
TOTAL ASSETS	1,107,836,047	69,770,580	76,695,581	1,254,302,208	73,014,996
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	25,218,399	-	-	25,218,399	-
Deferred outflows related to net pension liability	8,213,186	617,873	716,877	9,547,936	983,321
Accumulated decrease in fair value of hedging derivatives	27,665,025	-	-	27,665,025	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	61,096,610	617,873	716,877	62,431,360	983,321

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS (CONTINUED)
June 30, 2017**

	Business-type Activities				Governmental Activities
	Water/Sewer Facilities Fund	Parking Facilities Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 17,777,342	\$ 209,495	\$ 782,628	\$ 18,769,465	\$ 1,867,200
Accrued salaries and benefits	535,977	35,081	88,355	659,413	72,548
Compensated absences	346,680	20,279	8	366,967	49,834
Retainage payable	8,161,193	10,002	2,500	8,173,695	-
Accrued interest payable	8,804,650	686,681	-	9,491,331	-
Revenue bonds payable	10,545,000	1,160,000	-	11,705,000	-
Due to other funds	-	-	-	-	405,380
Deposits payable	117,652	-	-	117,652	-
Unearned revenue	2,400	-	-	2,400	-
Accrued liability for claims	23,600	-	-	23,600	17,405,626
Total current liabilities	46,314,494	2,121,538	873,491	49,309,523	19,800,588
Noncurrent Liabilities					
Compensated absences	1,386,718	81,114	87,896	1,555,728	199,333
Net pension liability	44,354,430	3,336,755	3,863,904	51,555,089	5,310,324
Net OPEB obligation	-	-	-	-	53,796,196
Revenue bonds payable - net	499,116,350	38,378,216	-	537,494,566	-
Derivative instrument liability - interest rate swap	27,665,025	-	-	27,665,025	-
Total noncurrent liabilities	572,522,523	41,796,085	3,951,800	618,270,408	59,305,853
TOTAL LIABILITIES	618,837,017	43,917,623	4,825,291	667,579,931	79,106,441
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to net pension liability	503,605	37,886	43,641	585,132	60,294
FUND NET POSITION					
Net investment in capital assets	395,212,070	16,738,567	31,316,542	443,267,179	653,405
Restricted for debt service	1,252,137	-	-	1,252,137	-
Unrestricted	153,127,828	9,694,377	41,226,984	204,049,189	(5,821,823)
TOTAL FUND NET POSITION	\$ 549,592,035	\$ 26,432,944	\$ 72,543,526	\$ 648,568,505	\$ (5,168,418)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				(21,278,114)	
Net position of business-type activities				<u>\$ 627,290,391</u>	

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-type Activities			Governmental Activities
	Water/Sewer Facilities Fund	Parking Facilities Fund	Nonmajor Proprietary Funds	Internal Service Funds
Operating revenues				
Charges for service	\$ 136,932,319	\$ 6,134,730	\$ 8,312,232	\$ 151,379,281
Other operating revenue	13,961	1,999,576	11,364	2,024,901
Total operating revenues	136,946,280	8,134,306	8,323,596	153,404,182
Operating expenses				
Personnel services	35,687,995	2,564,132	3,438,371	41,690,498
Materials and supplies	11,022,382	266,520	355,988	11,644,890
Other services and charges	29,614,236	710,503	3,217,518	33,542,257
Heat, light and power	7,082,144	252,775	1,203	7,336,122
Depreciation	37,303,595	1,648,286	1,499,020	40,450,901
Claims and premiums	-	-	-	-
Bad debt expense	-	-	127,621	127,621
Total operating expenses	120,710,352	5,442,216	8,639,721	134,792,289
Operating income (loss)	16,235,928	2,692,090	(316,125)	18,611,893
Nonoperating revenues (expenses)				
Investment income (loss)	1,054,117	65,672	73,625	1,193,414
Rental income	170,251	114,273	18,920	303,444
Other nonoperating revenue	81,630	1,860	10,000	93,490
Federal grant revenue	5,880,676	-	138,763	6,019,439
Gain (loss) from sale of assets	8,165	2,295	90,477	100,937
Interest expense	(9,691,698)	(1,675,557)	-	(11,367,255)
Bond related costs	(2,280,758)	(6,200)	-	(2,286,958)
Insurance recoveries	-	-	151,890	151,890
Amortization of deferred charges	(1,054,933)	(22,503)	-	(1,077,436)
Total nonoperating revenues (expenses)	(5,832,550)	(1,520,160)	483,675	(6,869,035)
Income (loss) before contributions and transfers	10,403,378	1,171,930	167,550	11,742,858
Capital contributions and transfers				
Transfers in	-	-	1,095,370	1,095,370
Transfers out	(6,069,520)	(925,785)	(858,554)	(7,853,859)
Capital grants	250,000	-	-	250,000
Development contributions	9,909,405	-	-	9,909,405
Total capital contributions and transfers	4,089,885	(925,785)	236,816	3,400,916
Extraordinary item				
Asset impairment cost	-	-	(1,509,235)	(1,509,235)
Change in net position	14,493,263	246,145	(1,104,869)	13,634,539
Net position - beginning	535,098,772	26,186,799	73,648,395	(4,537,151)
Net position - ending	\$ 549,592,035	\$ 26,432,944	\$ 72,543,526	\$ (5,168,418)
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(5,783,404)
Change in net position of business-type activities				\$ 7,851,135

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-type Activities				Governmental Activities
	Water/Sewer Facilities Fund	Parking Facilities Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 133,784,762	\$ 8,071,882	\$ 8,332,698	\$ 150,189,342	\$ 287,945
Internal activity - receipts from other funds	-	-	-	-	48,075,659
Internal activity - payments to other funds	(7,513,465)	(544,083)	(969,531)	(9,027,079)	(923,544)
Payments to suppliers	(43,339,757)	(572,580)	(2,821,348)	(46,733,685)	(12,770,269)
Claims paid	-	-	-	-	(39,917,489)
Payments to employees	(37,673,063)	(2,535,342)	(3,509,930)	(43,718,335)	(4,449,856)
Net cash provided by (used in) operating activities	45,258,477	4,419,877	1,031,889	50,710,243	(9,697,554)
Cash Flows From Noncapital Financing Activities					
Advances to other funds	(754,619)	-	-	(754,619)	-
Advances from other funds	-	-	-	-	405,380
Operating grants	1,947,739	-	-	1,947,739	-
Other nonoperating revenues	81,630	1,860	300,653	384,143	-
Transfers in	-	-	1,095,370	1,095,370	13,798,968
Transfers out	(6,069,520)	(925,785)	(858,554)	(7,853,859)	(1,901,421)
Net cash provided by (used in) noncapital financing activities	(4,794,770)	(923,925)	537,469	(5,181,226)	12,302,927
Cash Flows From Capital And Related Financing Activities					
Principal paid on bonds and notes	(154,670,000)	(1,115,000)	-	(155,785,000)	-
Proceeds from revenue bonds	227,014,471	-	-	227,014,471	-
Interest paid on debt	(17,455,216)	(1,698,547)	-	(19,153,763)	-
Proceeds from capital contributions	250,000	-	-	250,000	-
Purchase of capital assets	(107,787,347)	(203,068)	(2,936,643)	(110,927,058)	-
Bond related costs	(2,280,758)	(6,200)	-	(2,286,958)	-
Proceeds from sale of capital assets	83,680	2,295	-	85,975	-
Net cash used in capital and related financing activities	(54,845,170)	(3,020,520)	(2,936,643)	(60,802,333)	-
Cash Flows From Investing Activities					
Purchase of investments	(27,687,011)	(519,559)	(1,066,246)	(29,272,816)	-
Receipts from property rentals	170,251	114,273	18,920	303,444	-
Advances of mortgage notes receivable	(184,375)	-	(3,471,360)	(3,655,735)	-
Collections of mortgage notes receivable	135,650	-	2,473,793	2,609,443	-
Interest received	2,056,829	67,327	68,581	2,192,737	-
Sale of real estate held for resale	-	-	90,477	90,477	-
Net cash used in investing activities	(25,508,656)	(337,959)	(1,885,835)	(27,732,450)	-
Net increase (decrease) in cash and cash equivalents	(39,890,119)	137,473	(3,253,120)	(43,005,766)	2,605,373
Cash and cash equivalents, July 1, 2016	161,398,222	7,980,334	19,306,625	188,685,181	68,531,329
Cash and cash equivalents, June 30, 2017	\$ 121,508,103	\$ 8,117,807	\$ 16,053,505	\$ 145,679,415	\$ 71,136,702

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2017

	Business-type Activities			Governmental Activities
	Water/Sewer Facilities Fund	Parking Facilities Fund	Nonmajor Proprietary Funds	Internal Service Funds
			Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	<u>\$ 16,235,928</u>	<u>\$ 2,692,090</u>	<u>\$ (316,125)</u>	<u>\$ 18,611,893</u>
Adjustments to reconcile operating income to net cash (loss) provided by (used in) operating activities:				
Depreciation	37,303,595	1,648,286	1,499,020	40,450,901
Accrued benefits related to net pension liability	1,492,115	112,251	130,811	1,735,177
Bad debt expense	-	-	127,621	127,621
Change in operating assets and liabilities				
Accounts receivable	(3,140,025)	(72,396)	9,102	(3,203,319)
Inventory	(322,023)	41,054	-	(280,969)
Prepaid expenses	4,380	(6,472)	(1,571)	(3,663)
Accounts payable	(4,821,902)	89,598	(347,910)	(5,080,214)
Accrued salaries	(882,377)	(69,523)	(72,896)	(1,024,796)
Accrued compensated absences	389,424	(13,938)	1,337	376,823
OPEB liability	-	-	-	-
Accrued expenses	-	(1,073)	2,500	1,427
Unearned revenue	(1,000,638)	-	-	(1,000,638)
Accrued liability for claims	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,740,912</u>
Total adjustments	<u>29,022,549</u>	<u>1,727,787</u>	<u>1,348,014</u>	<u>32,098,350</u>
Net cash provided by (used in) operating activities	<u><u>\$ 45,258,477</u></u>	<u><u>\$ 4,419,877</u></u>	<u><u>\$ 1,031,889</u></u>	<u><u>\$ 50,710,243</u></u>
Noncash Investing, Capital and Financing Activities				
Water and sewer contributed assets	<u><u>\$ 9,909,405</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,909,405</u></u>
				<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 22,165	\$ 35,385
Total assets	<u>22,165</u>	<u>\$ 35,385</u>
LIABILITIES		
Accounts payable	-	\$ 35,385
Total liabilities	<u>-</u>	<u>\$ 35,385</u>
NET POSITION		
Held in trust - other purposes	<u>\$ 22,165</u>	

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2017

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations	\$ 15,314
Total additions	<u>15,314</u>
DEDUCTIONS	
Program expenses	10,865
Total deductions	<u>10,865</u>
 Change in net position	 4,449
Net position - beginning	<u>17,716</u>
Net position - ending	<u><u>\$ 22,165</u></u>

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITY DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2017

	Midlands						
	Columbia Development Corporation	Columbia Housing Development Corporation	Eau Claire Development Corporation	Authority for Conventions, Sports, and Tourism	TN Development Corporation	Columbia Empowerment Zone, Inc.	Total
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 1,211,003	\$ 908,070	\$ 376,295	\$ 6,433,387	\$ 947,794	\$ 1,532,839	\$ 11,409,388
Certificates of deposit	200,000	100,000	100,000	-	100,000	-	500,000
Cash on deposit with escrow agent	-	-	-	4,958,107	-	19,316	4,977,423
Accounts receivable, net	200	47,111	1,628	733,146	60,527	11,701	854,313
Mortgage notes receivable, current portion	203,280	42,889	5,625	-	-	963,789	1,215,583
Prepaid expenses	5,901	5,027	4,850	459,307	21,680	4,893	501,658
Restricted Assets							
Real estate held for sale and development	-	28,800	38,245	-	-	-	67,045
Total current assets	1,620,384	1,131,897	526,643	12,583,947	1,130,001	2,532,538	19,525,410
Capital Assets							
Capital assets, not being depreciated	158,909	77,398	58,000	-	710,731	1,895,077	2,900,115
Capital assets, net of accumulated depreciation	5,002	557,745	250,664	2,971,698	2,899,519	2,025,340	8,709,968
Net capital assets	163,911	635,143	308,664	2,971,698	3,610,250	3,920,417	11,610,083
Other Assets							
Mortgage note receivable, net of allowance	-	538,623	-	-	-	801,151	1,339,774
Real estate held for sale and development	917,555	449,306	489,661	-	756,760	-	2,613,282
Organizational costs	-	-	-	-	-	3,855	3,855
Security deposits	-	-	-	2,500	-	-	2,500
Cash on deposit with escrow agent	-	-	-	5,763,513	-	-	5,763,513
Total other assets	917,555	987,929	489,661	5,766,013	756,760	805,006	9,722,924
TOTAL ASSETS	2,701,850	2,754,969	1,324,968	21,321,658	5,497,011	7,257,961	40,858,417

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITY DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
June 30, 2017

		Midlands					
	Columbia Development Corporation	Columbia Housing Corporation	Eau Claire Development Corporation	Authority for Conventions, Sports, and Tourism	TN Development Corporation	Columbia Empowerment Zone, Inc.	Total
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 5,962	\$ 4,200	\$ 11,531	\$ 1,539,048	\$ 39,258	\$ 3,602	\$ 1,603,601
Accrued expenses	16,886	14,220	4,062	215,497	16,458	3,544	270,667
Customer deposits	-	4,600	1,900	-	41,286	19,316	67,102
Due to primary government	200,000	121,164	100,973	-	100,000	-	522,137
Compensated absences	7,698	2,864	1,683	186,286	2,116	3,921	204,568
Mortgage/bonds/notes payable/ lines of credit - current portion	-	-	595,760	-	169,069	-	764,829
Unearned revenue	-	172,739	-	803,711	41,437	-	1,017,887
Liabilities payable from restricted assets							
Due to primary government	-	164,076	5,995	-	-	-	170,071
Total current liabilities	230,546	483,863	721,904	2,744,542	409,624	30,383	4,620,862
Noncurrent Liabilities							
Compensated absences	30,793	11,458	6,733	-	8,465	15,685	73,134
Mortgage/bonds/lines of credit payable	-	566,920	-	-	3,736,501	-	4,303,421
Total noncurrent liabilities	30,793	578,378	6,733	-	3,744,966	15,685	4,376,555
TOTAL LIABILITIES	261,339	1,062,241	728,637	2,744,542	4,154,590	46,068	8,997,417
NET POSITION							
Net investment in capital assets	163,911	-	308,664	2,971,698	-	3,920,417	7,364,690
Restricted							
Community development	-	412,012	-	-	-	-	412,012
Tourism	-	-	-	9,475,862	-	-	9,475,862
Unrestricted	2,276,600	1,280,716	287,667	6,129,556	1,342,421	3,291,476	14,608,436
TOTAL NET POSITION	\$ 2,440,511	\$ 1,692,728	\$ 596,331	\$ 18,577,116	\$ 1,342,421	\$ 7,211,893	\$ 31,861,000

See accompanying Notes to Financial Statements.

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF ACTIVITIES
BUSINESS-TYPE ACTIVITY DISCRETELY PRESENTED COMPONENT UNITS
Year Ended June 30, 2017

	Program Revenue				Net (Expense) Revenues and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Columbia Development Corporation	Columbia Housing Development Corporation	Eau Claire Development Corporation	Midlands Authority for Conventions, Sports, and Tourism	TN Development Corporation	Columbia Empowerment Zone, Inc.	Totals
Columbia Development Corporation											
Community Development	\$ 339,365	\$ 17,177	\$ -	\$ -	\$ (322,188)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (322,188)
Columbia Housing Development Corporation											
Community Development	626,541	53,032	592,097	-	-	18,588	-	-	-	-	18,588
Eau Claire Development Corporation											
Community Development	278,075	34,480	-	-	-	-	(243,595)	-	-	-	(243,595)
Midlands Authority for Convention, Sports, and Tourism											
Community Promotions	9,813,898	11,687,447	-	-	-	-	-	1,873,549	-	-	1,873,549
TN Development Corporation											
Community Development	1,533,809	953,319	25,371	-	-	-	-	-	(555,119)	-	(555,119)
Columbia Empowerment Zone, Inc.											
Community Development	649,332	294,662	400	-	-	-	-	-	-	(354,270)	(354,270)
Total component units	\$ 13,241,020	\$ 13,040,117	\$ 617,868	\$ -	(322,188)	18,588	(243,595)	1,873,549	(555,119)	(354,270)	416,965
General revenues:											
Appropriations - City of Columbia											
Investment earnings											
Gain (loss) from disposal of capital assets											
Total general revenues											
Change in net position											
Net position - beginning											
Net position - ending											

See accompanying Notes to Financial Statements.

INDEX TO NOTES TO FINANCIAL STATEMENTS

CITY OF COLUMBIA, SOUTH CAROLINA
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Year Ended June 30, 2017

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Year Ended June 30, 2017

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CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Columbia (the City), a political subdivision of the State of South Carolina, incorporated in 1854, is located in the central part of South Carolina. Columbia is the state capital as well as the county seat of Richland County. The City has an estimated population of approximately 134,300 living within an area of 134.94 square miles. The Greater Columbia Metropolitan Area consists of Lexington and Richland Counties and has an estimated population of 811,500. The City's economy is driven by education, government, military, finance, and industry. In 1950, the City approved a charter adopting a Council-Manager form of government and is governed by a six member council and Mayor.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below.

A. REPORTING ENTITY

The basic financial statements of the City present the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's financial statements to be misleading or incomplete. As required by GAAP, the financial statements of the City must present the City's financial information along with its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either (1) the City is able to impose its will on the entity or, (2) there is a potential for the entity to provide specific financial benefits to or impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance part of the government's operations, and data from these units are combined with the data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the entity-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has two blended component units and six discretely presented component units.

Blended Component Units

Public Facilities Corporation

This is a single-purpose corporate entity that was formed in 2002 as a non-profit corporation to undertake certain obligations with respect to the acquisition of real and personal property and the design, construction, operation, and financing of a multipurpose conference/convention center and other improvements. Its board is comprised of the City Manager of Columbia, the Assistant City Manager for Development, and the Assistant City Manager for Finance and Economic Services or the equivalent thereof. For details of the outstanding debt see Note III. I. The balances of this entity are reported in the Tourism Development Convention Center fund, a nonmajor special revenue fund. The Corporation does not issue separate financial statements.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Blended Component Units (Continued)

Columbia Parking Facilities Corporation

This is a single-purpose entity whose balances are reported in the general fund. The entity was formed during fiscal year 2007 to undertake certain obligations with the University of South Carolina (the University) to build two parking garages. These garages are part of the University's Innovista project. The Board of Directors is comprised of five members of City Council. For further discussion of this component unit, see Note III. F. The Corporation does not issue separate financial statements.

Discretely Presented Component Units

Columbia Development Corporation (CDC)

Incorporated in 1980, the CDC was formed to assist the City in promoting and monitoring the growth and development of business concerns through the strengthening of the economic and residential base of the community. The nine-member Board of Directors is composed of three members of City Council, the Mayor, the City Manager, and four members that are appointed by City Council. The Executive Director of the CDC serves as an ex-officio Administrative Secretary. Funding for the CDC is derived from property sales, contributions, and appropriations from the City.

Columbia Housing Development Corporation (CHDC)

The CHDC, an eleemosynary organization, was formed in 1980 to assist the City in the development of housing and to promote growth in the residential base of the community. The twelve-member Board of Directors is composed of three members of City Council, the Mayor, the City Manager, and seven members that are appointed by City Council. In an ex-officio capacity, city staff serves as the Secretary/Treasurer and the Executive Director. Funding for CHDC is derived from sale of properties, interest income, mortgage receivables, and appropriations from the City.

Eau Claire Development Corporation (ECDC)

Incorporated in 1993, the ECDC provides assistance in the conservation and redevelopment of neighborhoods located in the Eau Claire area of North Columbia. The nine-member Board of Directors is composed of three City Council members and six members appointed by City Council. Current funding is derived from appropriations from the City of Columbia, grants, sale of properties, and rents.

Midlands Authority for Conventions, Sports, and Tourism (MACST)

The MACST, originally incorporated as the Midlands Regional Convention Center in July 2001, was formed to oversee the development of a regional convention center and operate the convention center under a long-term management arrangement for the mutual benefit of the City and Richland and Lexington Counties of South Carolina (the Governmental Entities). The MACST has a nine member board of directors. The City appoints five of the directors. Lexington County and Richland County each appoint two members. The Governmental Entities have pledged their tourism development fees to support this project. However, outside of this pledge of revenues, the City issued the debt to fund this project and is responsible for the ongoing debt payments. The City is also required to fund any operating deficits incurred. The City owns the building where the MACST is located.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Discretely Presented Component Units (Continued)

TN Development Corporation (TNDC)

Incorporated in 1993 as an eleemosynary organization, the TNDC was organized to promote growth and develop opportunities for affordable rental housing. The ten-member Board of Directors is composed of three members from City Council and seven members appointed by City Council. Funding for the TNDC is derived from rental income, the State of South Carolina Housing Trust Fund, the Federal Home Loan Bank, HOME Program funds received as a subrecipient through the City, other grants, and appropriations from the City.

Columbia Empowerment Zone, Inc. (CEZ)

Incorporated in 2009, the CEZ was formed to carry out the mission of the Columbia Empowerment Zone, Inc., a federally designated area (1999-2009). The purpose of CEZ is to initiate, develop, and maintain projects and programs in economically depressed or blighted areas that encourage the attraction and utilization of both public and private investment capital. The Board of Directors is composed of nine members. New board members are appointed by the existing board. The entity promotes: the fostering of sustainable business; government and community alliances to help lessen the burdens of government; reduction of physical and economic blight; combating community deterioration by fostering business attraction, retention, and expansion in areas in need of permanent job opportunities; workforce advancement and general growth opportunities. Funding for the CEZ is derived from appropriations from the City, loan repayments, rental income, and grant funds. The City provides appropriations to support CEZ when it experiences operating deficits that are not financed by other means. Upon dissolution, any remaining assets of CEZ would revert to the City.

Complete financial statements of the discretely presented individual Component Units can be requested from the City's Chief Financial Officer.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the non-fiduciary activities of the reporting government as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenue, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's internal service funds are a cost allocation of shared services and are combined with the governmental funds to produce the government wide financial statements. These statements include all funds of the reporting entity except for fiduciary funds.

FUND FINANCIAL STATEMENTS

The City uses funds to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary as follows:

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Fund Types:

General Fund

The General Fund is the principal operating fund of the City that accounts for all financial resources not accounted for in other funds.

Special Revenue Funds

These funds are used to account for revenue derived from specific taxes, governmental grants, and other revenue sources that are designated to finance particular functions or activities of the City. Special Revenue Funds include:

- County Services (a major fund) – Revenues received in this fund must be used to provide fire services and 911 emergency communications to Richland County citizens residing outside the City limits.
- Liquor Permit Fee – accounts for receipts from the sale of temporary permits to allow the possession, sale, and consumption of alcoholic liquors for a period not to exceed 24 hours. Expenditures from this fund must be used for the promotion of tourism or youth mentoring programs.
- Business Improvement District – accounts for the Business Improvement District taxes assessed on the businesses in the downtown area of the City to promote downtown beautification.
- Accommodations Tax – accounts for State Hotel Accommodations Tax receipts to promote tourism-related activities of City organizations. Expenditures from this fund must be used for the promotion of tourism.
- Confiscated Drug Program – accounts for the disposition of forfeited property and money seized in Columbia by law enforcement agencies. Expenditures from this fund must be used to enhance public safety.
- Hospitality Tax – accounts for a local 2% gross sales tax on prepared food and beverages sold in establishments to promote tourism-related activities of the City. Expenditures from this fund must be used to promote tourism.
- Community Development – accounts for the Community Development Block Grants and other community development type grants. Expenditures from this fund must be used on activities that enhance the community.
- Federal Grants – accounts for federal grant funds received except for Community Development Block Grants.
- Other Programs – provides for miscellaneous programs for park improvements and special events.
- Tourism Development Convention Center – accounts for the Tourism Development Fee imposed upon the rental of hotels, motels, and other lodging establishments in the City. This fee is dedicated to the attraction of and improving the services provided to tourists. This fund also accounts for the activities of the Public Facilities Corporation, a blended component unit.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Debt Service Fund

This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments financed by proprietary fund types. Transfers, interest earned on the investments of the Debt Service Fund, and if applicable, interest earned on investments of certain Capital Projects Funds are used for the payment of principal, interest, and fiscal agent expenditures on the City's general obligation and revenue bonds and bond anticipation notes.

Capital Projects Funds

The Capital Projects Funds account for all capital improvements, except those accounted for in Proprietary Funds, financed by the City's general obligation bond issues, certain Federal grants, and other specific receipts. These funds include:

- Congaree Vista District – accounts for the construction and development of parks and infrastructure within the Congaree Vista Redevelopment District.
- Streetscaping – accounts for capital improvements to street landscaping.
- General Capital Projects – accounts for various capital projects funded by various funds.
- Miscellaneous Projects – accounts for various capital projects funded by the General Fund.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs. This fund includes:

- Dickson Trust – accounts for trust funds specifically intended for the income to be used for beautification of the parks. The funds are invested in an interest bearing account. The amount invested equals the fair value.

Proprietary Fund Types:

Business-type Funds

The business-type funds are used to account for operations of the City (a) that are financed and operated in a manner similar to private business where the intent is for the cost of providing goods or services to be recovered, in whole or in part, through user charges; or (b) where City Council 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. These funds include:

- Water/Sewer Facilities Fund (a major fund) -- accounts for water and sewer utility activities.
- Parking Facilities Fund (a major fund) -- accounts for parking garage and parking ticket activities.
- Hydro-electric Facilities Fund -- accounts for hydro-electric plant activities.
- Stormwater Facilities Fund -- accounts for stormwater utility activities.
- Redevelopment Programs Fund -- accounts for various home rehabilitation and mortgage lending programs funded from various sources.
- Parks and Recreation Camp Fund -- accounts for parks and recreation camp activities.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Proprietary Fund Types (continued):

Internal Service Funds

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 City, or to other governments, on a user charge basis. These nonmajor funds include:

- Fleet Management -- accounts for the maintenance and repair of movable vehicles.
- Support Services -- accounts for a decentralized business-type inventory system, a central supply facility, procurement functions, and the City's general maintenance functions.
- Risk Management -- accounts for the costs associated with self-funded liability plans for employee health, worker's compensation, and tort liability for all City departments.

Fiduciary Funds Types (Not included in government-wide statements):

Transactions related to assets held by the City as an agent of a private organization are accounted for in Fiduciary Fund types. These are presented separately in the statements. The City's fiduciary fund types are comprised of:

Agency Fund

This fund is used to account for assets held by the City as an agent and does not involve measurement of results of operations.

Private-Purpose Trust Funds

These funds are used to account for assets held by the City as a trustee capacity under which principal and income benefit individuals, private organizations, or other governments.

Major Funds

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The County Services Fund accounts for fire services and 911 emergency communication services provided to citizens outside the City limits and the reimbursement for expenditures from Richland County.

The City reports the following major proprietary funds:

- The Water and Sewer Facilities Fund accounts for the activities of the water and sewer facilities.
- The Parking Facilities Fund accounts for the activities of the parking facilities.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see below for further detail). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government wide statements and the statements for governmental funds.

The City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASBS 68") during the year ended June 30, 2015. GASBS 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit plans, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this statement will improve financial reporting by improving information provided by state and local government employers about financial support for pensions that is provided by other entities.

The governmental fund financial statements are accounted for using a *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets, and the unassigned fund balance is a measure of available spendable resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus*. All governmental fund types use the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the transaction can be identified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are considered available if they are collected within 60 days after year end. The City considers revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Sales taxes, hospitality taxes, admission taxes, grant funds, charges for services, intergovernmental revenue, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Refundable advances arise when resources are received by the City before it has a legal claim to them as when grant monies are received prior to the occurrence of the qualifying expenditures. When the revenue recognition criteria are met and the City has a legal claim to the resources, the liability for the advance is removed from the balance sheet and revenue is recognized.

Proprietary fund types are accounted for using a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The City has implemented GASB Statement No.62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and thus the City applies all applicable GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions restricted to meeting the operational requirements of a particular function or segment; and (3) capital grants and contributions restricted to meeting the capital requirements of a particular function or segment. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts, realizable value of real estate held for sale, impairment of assets, and certain claims and judgment liabilities among other accounts. Actual results could differ from those estimates.

Adoption of Accounting Principle

The City implemented GASB Statement No. 77 *Tax Abatement Disclosure* ("GASB #77") for the year ended June 30, 2017. The primary objective of GASB #77 is to provide tax abatement information to financial statement users so that they can more readily evaluate a government's ability to raise resources. This includes limitations to revenue raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Although many governments offer tax abatements, the information necessary to assess how tax abatements affect their financial position and results of operations, including the ability to raise resources in the future, is lacking. GASB #77 requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The adoption of GASB #77 had no impact on the City's financial statements, but did result in new and expanded note disclosures. See Note III. J. for more information regarding the City's tax abatements.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deposits

City procedures require that all unrestricted cash belonging to the City be placed in a "Pooled Cash" account to maintain the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes, and each fund has equity in the pooled accounts.

The City considers cash and cash equivalents (including restricted cash and cash equivalents) to be: currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts, and liquid investments with an original maturity of three months or less when purchased.

Investments

In accordance with GASB 31, investments in all funds are stated at fair value. State statutes authorize the City to invest in certificates of deposit, United States Treasury and United States Agency obligations, South Carolina and related political subdivision general obligation bonds, and repurchase agreements collateralized by these obligations.

Inventory and Prepaid Assets

In the fund financial statements, all governmental City inventories are recorded in the Internal Service Fund at cost or estimated historical cost on a first-in, first-out (FIFO) basis. All proprietary inventories are recorded in the respective fund at cost or estimated historical cost on a first-in, first-out (FIFO) basis. The related expenditures or expenses are recognized when inventories are consumed. Changes in the year-end inventory are reflected in expenses.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method of accounting to record prepayments. Under the consumption method, prepaid items are recognized proportionately over the period in which the service is provided.

Real Estate

Real estate held for sale and development is recorded at the lower of cost or net realizable value. Real estate held for sale or development is classified as noncurrent if the use of the proceeds is restricted in some way.

Mortgage Notes and Notes Receivable and Allowance for Loan Losses

Mortgage notes receivable, secured by the financed property, and other notes receivable are recorded in various business-type funds and component units and are stated at unpaid principal balances net of an allowance for loan losses. An allowance for loan losses is increased by estimated uncollectible loans, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on past loan loss experiences, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay the loan, estimated value of any underlying collateral, and current economic conditions. Interest is accrued monthly on notes receivable and stops when the notes go into default.

Accounts Receivable and Allowance for Bad Debt

Accounts receivable are recorded in various funds and are stated net of their allowance for uncollectible accounts.

Interfund Balances

Balances between funds that are outstanding at the end of the fiscal year and expected to be repaid within the current period are referred to as "due to/from other funds." Balances between funds not expected to be repaid within the current period are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Capital Assets

In the government-wide financial statements, capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Interest incurred during the construction phase of capital assets of enterprise funds is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds during the same period.

Under the provisions of GASB 34, the City switched from the modified method to the straight-line depreciation method of reporting infrastructure during the year ended June 30, 2006. To determine the historical value of the infrastructure, the City used the information provided by the Department of Utilities and Engineering on streets acquired during fiscal years 2003 through 2006. This information provided the street name and the cost or estimated cost of the street at acquisition. These amounts also included sidewalks, curbs, and gutters adjacent to the street acquired. The City determined the life of the streets to be 20 years using the "Capital Assets of Local Governments Suggested Useful Lives."

Infrastructure assets acquired prior to 1986 would have been fully depreciated and were not considered in this calculation. For those assets acquired between fiscal years 1986 and 2008, the acquisition date is assumed to have been on the last day of the fiscal year. For assets acquired after 2008, the acquisition date is the actual date of purchase. Infrastructure assets acquired during fiscal year 2008 to the present are depreciated from the date of acquisition.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the estimated useful lives as follows:

Improvements	10-50 years
Buildings and Utility Plant	15-50 years
Infrastructure	20 years
Office Furniture and Equipment	5-15 years
Machinery	5-12 years

Capital Lease Receivable

The City leases two parking garages to the University of South Carolina under a capital lease agreement. The City receives lease payments on the garages in installments equal to the corresponding debt service requirements on the debt used to fund the construction of the garages. Revenue related to the lease receivable is classified as a deferred inflow in the funds until available. During March 2017, the lease was paid in full and the lease obligation satisfied.

Restricted Assets

Restricted assets consist of real estate that is held for sale and development.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Compensated Absences

It is the City's policy to allow employees to accumulate unused vacation and sick leave benefits up to certain maximum hours. Once an employee has completed the probationary period, any accumulated unused vacation and 20% of unused sick leave, as restricted below, are payable upon termination of employment with the City. An employee with service of less than 10 years may receive up to a maximum of two weeks of accrued compensated absences. An employee with service of 10 to 20 years may receive up to a maximum of four weeks, and service of over 20 years may receive a maximum of five weeks. Maximum carryover allowed per employee is 10 weeks of accrued compensated absences.

The liability for compensated absences in the government-wide, proprietary, and fiduciary fund financial statements is calculated based upon recorded balances of unused leave for which the City would compensate employees if employment ended June 30, 2017. The change in this calculated amount from the previous year is expensed in current operations. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt is reported net of applicable premiums and discounts on the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method which does not significantly differ from the effective interest method. Deferred refunding costs are reported as deferred inflows or outflows and recognized as a component of interest expense in a systematic and rational manner over the remaining term of the old debt or the term of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue and refunding costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to refunded bonds escrow agents are reported as other financing uses to the extent the proceeds from the bond are used to make the payment. Any payment made from funds on hand is reported as an expenditure.

Deferred Outflows of Resources

In addition to assets, the statement of financial 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/expenditure) until then. The City has three items that qualify for reporting in this category. They are the deferred charge on refunding, the deferred outflows related to the net pension liability, and the accumulated decrease in the fair value of hedging derivatives reported in the entity-wide statement of net position and in the statement of net position of the Water and Sewer Facilities fund financial statements. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the term of the refunded or refunding debt. The change in fair value of hedging derivatives results from changes in cash flows and interest rates over the term of the interest rate swap. The deferred outflows related to the net pension liability result from retirement contributions made to the South Carolina Retirement System subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the subsequent year, and differences between expected and actual experience, which will be amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 City has three types of items that qualify for reporting in this category. One type, unavailable revenue, arises only under a modified accrual basis of accounting. Accordingly this type is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the periods the amounts become available. The second type is revenue received before time requirements are met, but after all other requirements have been met. In 2006, City residents approved a Local Option Sales Tax referendum. This tax is detailed further in Note I. E. Under state law, the City is required to give the taxpayers a credit on their property tax bill once the referendum is passed. The City recognizes revenue, on both the entity-wide statements and the fund financial statements, in the period in which the credit is given on the property tax bills and for the dollar amount of credit taxpayers are given on their property tax bills. Deferred inflows result when funds are received from the State of South Carolina prior to the time requirements being met, but after all other eligibility requirements are met. During the current year, the City also received funds relating to a property sale prior to all time requirements being met. The third type is deferred inflows relating to pension obligations and is the net difference between the projected and actual earnings on pension plan investments and is amortized over a closed five-year period, and differences between expected and actual experience, which will be amortized into pension expense over a closed period equal to the average remaining service lines of all participants.

E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax Revenues

Real property and business personal property taxes, excluding automobile property taxes, become enforceable liens as of January 1. Real property taxes are levied in November and are payable immediately, but can be paid without penalty before January 16. Automobile property taxes are levied throughout the year depending on vehicle tag expiration dates. Business personal property taxes are levied in September and are payable by January 15. Property taxes are assessed and collected by Richland and Lexington Counties under a joint billing and collection agreement. The City collects property taxes assessed in Richland and Lexington Counties on property annexed into Columbia. Penalties and charges are assessed if taxes are not paid by the following dates:

January 16 through February 1	- 3% penalty for tax due
February 2 through March 16	- 10% penalty for tax due
March 17 through April 30	- 15% penalty for tax due plus costs
May 1 through July 31	- \$30 additional execution cost plus previous penalties and costs
After July 31	- \$50 additional execution cost plus previous penalties and costs
Unpaid taxes after one year	- Property is sold at the annual tax sale in December

The City does not receive any penalty amount or costs on delinquent taxes collected by Richland County. Assessed values are established by the Richland County Tax Assessor, the Lexington County Tax Assessor, and the South Carolina Department of Revenue. The City's operating tax rate is currently 96.1 mills. Amounts received by Richland County and Lexington County, but not remitted to the City at year end, are included in Property Taxes Receivable on the Statement of Net Position and the Balance Sheet.

That portion, if any, of General Fund property taxes allocated for payment of debt service is transferred to the Debt Service Fund.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES, EXPENDITURES AND EXPENSES (Continued)

Interfund transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

F. FUND BALANCE

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The following categories of fund balance are used in the fund level financial statements of the governmental funds:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable as well as property acquired for resale.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes imposed by ordinance approved by the City Council, the highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City recognizes committed fund balances that have been approved for specific purposes by City Council before the fiscal year end.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are not restricted or committed. The authority for making an assignment is not required to be the City's highest level of decision-making authority, and as such, the nature of the actions necessary to remove or modify an assignment does not require the City's highest level of authority. However, City Council has not granted the authority to anyone to make assignments of fund balance. Assigned fund balance amounts in the City's financial statements represent amounts approved by City Council to be transferred and spent after year end and for specific purposes. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND BALANCE (Continued)

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

Based on the City's policies regarding fund balance classifications as noted above, the City considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by City Council or donors has been made. It is the City's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

<u>Classification / Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General Fund	Prepaid charges	\$ 445,780
County Services	Prepaid charges	74,580
Dickson Trust	Nonspendable principal	5,000
Total nonspendable		<u>525,360</u>
Restricted		
General Fund	Capital projects	4,349,869
General Fund	Public safety	186,787
General Fund	Community development	300,587
Liquor Permit Fee	Tourism	703,403
Accommodations Tax	Tourism	366,008
Tourism Development Convention Center	Tourism	5,930,756
Hospitality Tax	Tourism	1,012,266
Confiscated Drug Program	Law enforcement	430,705
Other Programs	Community development	397,340
Debt Service Fund	Debt Service	3,965,407
Congaree Vista District	Construction of parks in Congaree Vista District	5,230,620
Miscellaneous Projects	General capital projects	1,666,082
Dickson Trust	Community development	605
Total restricted		<u>24,540,435</u>
Committed		
General Fund	Community development	207,745
General Fund	Public safety	4,999,315
Total committed		<u>5,207,060</u>

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND BALANCE (Continued)

Classification / Fund	Purpose	Amount
Assigned		
General Fund	Subsequent year expenditures	\$ 4,054,048
Streetscaping	Streetscaping capital projects	6,628,118
General Capital Projects	General capital improvements	11,343,193
Total assigned		<u>22,025,359</u>
Unassigned		
General Fund		15,076,661
County Services		<u>(2,562,075)</u>
Total unassigned		<u>12,514,586</u>
Total fund balances		<u><u>\$ 64,812,800</u></u>

G. NET POSITION

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the statement of net position. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net position classified as 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. Periodically, the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

The general fund budget, the only legally required budget, is adopted on the modified accrual basis of accounting. The budget process begins with the development of the Annual Activity Work Plan by each department and division. These plans are due by the end of November. The City Manager reviews these plans in December and gives departments and divisions input on the City Manager's desired emphasis in the upcoming budget. Budgets are then developed in the departments and divisions and submitted to the City Manager by the beginning of February. The City Manager reviews these budgets in March, and the City Manager's recommended budget is submitted in April to City Council for final approval prior to the beginning of each fiscal year on July 1st. The operating budget includes proposed expenditures and means of financing them.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. BUDGETARY INFORMATION (Continued)

Public meetings are conducted to obtain taxpayer comments. A target date in June is set for legal enactment of the budget through passage of an ordinance. The ordinance sets the limit at the fund level at which expenditures may not exceed appropriations. After two readings of the budget, the City Council legally adopts the budget through the passage of the ordinance. The City Manager is authorized to administer the budget and may authorize the transfer of appropriated funds within and between departments as necessary to achieve the goals of the budget. Such transfers are recorded on the City's records. All unused appropriations lapse at year end. Encumbrances are re-appropriated on a yearly basis and are reflected as an increase in budgeted expenditures in the next year.

Budget accountability rests primarily with the operating departments and divisions of the City. In accomplishing the programs and objectives for which the budget was authorized, department and divisions directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

B. DEFICIT FUND EQUITY

The County Services Fund had a deficit fund balance of \$2,487,495 at June 30, 2017. The Parks and Recreation Camp Fund had a deficit net position of \$96,758 at June 30, 2017. The Risk Management Internal Service Fund had a deficit net position of \$5,107,806 at June 30, 2017. The Fleet Management Internal Service Fund had a deficit net position of \$38,580 at June 30, 2017. The Support Services Internal Service Fund had a deficit net position of \$22,032 at June 30, 2017. Revenues and transfers from other funds in subsequent years are expected to fund these deficits.

C. RISK MANAGEMENT

The City is self-insured for medical and dental coverage. Health claims for individuals have a stop-loss provision of \$450,000 per year. The accrued liability for claims represents estimates for medical and dental claims incurred as of June 30, 2017. Some of these claims were reported at June 30, 2017, while others may not be reported until a later date. The incurred but not reported (IBNR) is estimated by the City's independent insurance administrator based on historical results.

The City self-insures worker's compensation and general liability programs. The City accounts for the Worker's Compensation program in the Risk Management Fund (an internal service fund) by charging premiums to user departments. The stop-loss provision for Worker's Compensation is \$800,000. The limits of liability for tort actions not specifically exempt by the South Carolina Government Tort Claims Act are \$300,000 per person and \$600,000 per occurrence.

The Risk Management Fund establishes claim liabilities (health, dental, worker's compensation, and legal) based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved.

Estimated amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Adjustments to claim liabilities are charged or credited to expense in the period in which they are made.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. RISK MANAGEMENT (Continued)

Changes in the aggregate liability for health, dental, worker's compensation, and legal claims were as follows:

Fiscal Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Liability
2016	\$16,248,989	\$42,334,148	(\$42,894,822)	\$15,688,315
2017	\$15,688,315	\$12,795,170	(11,054,259)	\$17,429,226

This liability is reported in both the Risk Management Fund of the internal services funds (\$17,405,626) and the Water and Sewer Facilities Fund (\$23,600).

Fiscal year 2017 aggregate liability above includes the following amounts for legal claims: \$3,180,869 beginning liability, \$3,305,124 current year claims and changes in estimates, and \$1,050,594 claims payments. The ending liability for legal claims is \$5,435,399. See also Note VI. C.

Property and Boiler Coverage policies are accounted for in the Risk Management Fund as well as other small insurance policies such as surety bond coverage and miscellaneous floaters. Funds are charged expenditures based on premium amounts and administrative charges. The City has had no significant reductions in insurance coverage during the year, and settlements have not exceeded insurance coverage for each of the past three fiscal years.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

As of June 30, 2017, the City, excluding component units, had the following investments:

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less Than 1	Greater Than 1
Certificates of Deposit / Money Market	\$ 55,053,859	\$ 55,053,859	\$ -
Treasuries	57,226,217	9,622,970	47,603,247
Agencies	23,989,822	8,488,215	15,501,607
Total	<u>\$ 136,269,898</u>	<u>\$ 73,165,044</u>	<u>\$ 63,104,854</u>

Investment Classification

Investments are classified as current or noncurrent on the Statements of Net Position based on the intended use of the investment. Investments purchased with bond proceeds that will be used to purchase capital assets are classified as noncurrent. All other investments are classified as current regardless of the maturity date.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values typically by limiting the maturity of its portfolio to no more than seven years. Investments in securities in agencies related to the U.S. Government earn interest at a stated fixed rate and are normally held to maturity when the full principal and interest amount is paid to the City.

Credit Risk for Investments

The City's investment policy requires that the portfolio consist largely of securities with active secondary or resale markets. In addition, a portion of the portfolio may be placed in the South Carolina Pooled Investment Fund. This fund is unrated. Investments in U.S. Treasuries are considered to have no credit risk. The investments in agencies related to the U. S. Government include the following: (1) Federal Home Loan Mortgage Corp Discount Notes and (2) Federal National Mortgage Association Discount Notes; these securities are rated A-1+ by Standard and Poor's and P-1 by Moody's Investors Service.

State law and the City's investment policy limit investments to the following securities:

- Obligations of the United States and agencies thereof.
- General obligations of the State of South Carolina or any of its political subdivisions.
- Certificates of deposit where the certificates are collaterally insured by securities described above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.
- Repurchase agreements when collateralized by securities set forth above.

In addition, South Carolina State statutes authorize the City to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund, created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is not registered with the SEC. It is similar to a money market fund in that it is offered at a stable price and is guided by risk control principles such as significant overnight Repurchase Agreements for liquidity; attention to credit quality, portfolio diversification, and maintenance of a short average maturity of fixed and floating rate investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and as amended by GASB Statement No. 72, *Fair Value Measurement and Application*, investments in the SCLGIP are carried at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value for all investments of the SCGLIP is determined on a recurring basis based upon quoted market prices. The total fair value of the SCLGIP 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.

Concentration of Credit Risk

The City's investment policy prohibits investing more than 10% of the total portfolio in a single holding or more than 25% in any one issuer except for United States Treasury securities and money market mutual funds.

Custodial Credit Risk - Deposits

The City's cash deposit policy requires that United States Treasury or Agency securities of a fair value equal to the bank deposits be held by a third-party custodian in the City's name. At June 30, 2017, the City was in full compliance with its collateral policy.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City's investment policy requires that securities be held by a third-party custodian in the name of the City. As of June 30, 2017, none of the City's security investments were exposed to custodial credit risk.

Reconciliation to the Financial Statements

A reconciliation of cash and investments, excluding component units, as shown on the combined balance sheet for all fund types follows:

Description	Amount
Carrying Amount of Deposits	\$ 275,058,104
Fair Value of Investments	<u>136,269,898</u>
Total Deposits and Investments	<u><u>\$ 411,328,002</u></u>
Statement of Net Position	
Cash and Equivalents	\$ 274,696,554
Investments - Current	94,926,274
Cash on Deposit with Escrow Agent	304,000
Investments - Noncurrent	41,343,624
Statement of Net Position - Fiduciary Funds	
Cash and Equivalents - Trust Funds	22,165
Cash and Equivalents - Agency Funds	<u>35,385</u>
Total Cash and Investments	<u><u>\$ 411,328,002</u></u>

B. RECEIVABLES

Receivables for the primary government as of year-end are shown net of allowances for uncollectible accounts. Management's estimates of uncollectible accounts at June 30, 2017, are as follows:

General Fund	\$ 768,518
Water/Sewer Facilities	\$ 5,417,282
Parking Facilities	\$ 2,738,456
Nonmajor Business-type activities	\$ 3,075

Receivables for the component units consist of items totaling approximately \$854,300 at June 30, 2017, which are net of allowances for doubtful accounts. As of June 30, 2017, the allowance for doubtful accounts was approximately \$17,000 for the component units.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

C. MORTGAGE NOTES RECEIVABLE AND REVOLVING LOAN POOLS

The various mortgage programs involve the Community Development fund's loan programs and economic development programs which are reported in the nonmajor proprietary funds and certain component units. The various types of loan programs are complex in nature and require specialized accounting methods, including the valuation of notes and mortgages receivable at the lower of cost or market.

Primary government

Mortgage notes receivable in the various Community Development revolving loan programs are evaluated annually, and loan loss allowances are applied where appropriate. All mortgages are secured by the property. Delinquent mortgages receivable are estimated to be approximately \$1,572,900 of the total net mortgage notes receivable of approximately \$22,646,900 as of June 30, 2017.

Component units

The Columbia Development Corporation (CDC) has mortgage notes receivable consisting of \$203,280. No allowance for uncollectible loans is deemed necessary by management. Mortgage notes receivable consist of two loans to corporations for the purpose of community development and have various interest rates and maturity dates. The CDC is considered a community development corporation, and revenue recognition is applied under the cost recovery method.

The Columbia Housing Development Corporation (CHDC) has mortgage notes receivable consisting of \$581,512, which is net of an allowance for uncollectible loans of \$66,199. Mortgage notes receivable consist of loans to individuals under various federal housing lending programs and have various interest rates and maturity dates. The CHDC is considered a real estate development corporation, and revenue recognition is applied under the cost recovery method.

CEZ, Inc. has loans receivable amounting to \$1,764,940, which is the net of allowance for uncollectible loans of \$35,712. Mortgage notes receivable consist of loans to businesses within the Columbia Empowerment Zone and have various interest rates and maturity dates. CEZ, Inc. is a non-profit corporation, and revenue recognition is applied under the accrual method.

The Eau Claire Development Corporation (ECDC) has one note outstanding amounting to \$5,625, which is net of an allowance for uncollectible loans of \$1,406. The loan is to a not-for-profit entity for the purpose of community development. The ECDC is considered a community development corporation, and revenue recognition is applied under the cost recovery method.

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The interfund receivables and payables (including advances) at June 30, 2017, are as follows:

	Interfund Receivables	Interfund Payables
Funds:		
Water/Sewer Facilities Fund	\$ 5,073,955	\$ -
County Services Fund	-	1,459,377
General Fund	-	1,150,042
Other Governmental	614,134	2,673,290
Internal Service Funds	-	405,380
	<u> </u>	<u> </u>
Total	<u>\$ 5,688,089</u>	<u>\$ 5,688,089</u>

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The outstanding balance between funds results primarily from one of the following time lags: (1) the dates that interfund goods and services are provided or reimbursable expenditures or repayments occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made. These amounts also include a \$1,150,042 working capital loan made to the general fund which the water and sewer fund expects to collect in subsequent years.

The interfund transfers for the year ended June 30, 2017, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 8,311,923	\$ 15,123,708
County services	732,424	950,648
Governmental activities	-	860,935
Nonmajor governmental funds	18,570,916	15,819,030
Water/Sewer	-	6,069,520
Parking	-	925,785
Nonmajor proprietary funds	1,095,370	858,554
Internal service funds	13,798,968	1,901,421
	<u>\$ 42,509,601</u>	<u>\$ 42,509,601</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowing to the Debt Service Fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants programs.

During the year ended June 30, 2017, \$860,935 of Governmental Activities construction in progress was transferred to the Water and Sewer Facilities Fund in exchange for an equal amount of cash. This transfer is not recorded on the governmental funds fund financial statements. As a result, the sum of the amount of transfers recorded on the fund financial statements is out of balance by the transfer amount of \$860,935.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. OPERATING LEASES

The City is committed under various operating leases for real estate, office, and copier equipment. Operating lease expenditures for the year ended June 30, 2017, were approximately \$1,171,500. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2018	\$ 1,298,958
2019	1,201,873
2020	1,201,873
2021	910,665
2022	699,129
2023 - 2027	850,726
2028 - 2032	847,144
2033 - 2037	676,449
2038 - 2040	113,400
Total	<u>\$ 7,800,217</u>

F. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Increases	Transfers	Decreases	Balance June 30, 2017
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 36,845,828	\$ -	\$ -	\$ -	\$ 36,845,828
Construction in progress	9,395,744	6,924,528	(3,184,770)	(937,179)	12,198,323
Total capital assets not being depreciated	46,241,572	6,924,528	(3,184,770)	(937,179)	49,044,151
Capital assets, being depreciated:					
Buildings and improvements	241,408,300	1,163,381	2,106,124	(18,513)	244,659,292
Machinery and equipment	59,436,888	8,502,333	1,078,646	(2,937,503)	66,080,364
Infrastructure	36,409,984	2,253,175	-	-	38,663,159
Total capital assets, being depreciated	337,255,172	11,918,889	3,184,770	(2,956,016)	349,402,815
Less accumulated depreciation:					
Buildings and improvements	(72,273,068)	(7,470,800)	-	11,200	(79,732,668)
Machinery and equipment	(41,309,320)	(5,823,826)	-	2,737,390	(44,395,756)
Infrastructure	(14,049,219)	(1,650,147)	-	-	(15,699,366)
Total accumulated depreciation	(127,631,607)	(14,944,773)	-	2,748,590	(139,827,790)
Total capital assets, being depreciated, net	209,623,565	(3,025,884)	3,184,770	(207,426)	209,575,025
Governmental activities capital assets, net	<u>\$ 255,865,137</u>	<u>\$ 3,898,644</u>	<u>\$ -</u>	<u>\$ (1,144,605)</u>	<u>\$ 258,619,176</u>

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Increases	Transfers	Decreases	Balance June 30, 2017
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 30,833,759	\$ 500	\$ -	\$ -	\$ 30,834,259
Construction in progress	124,889,500	97,251,490	(26,973,500)	(490,620)	194,676,870
Total capital assets not being depreciated	155,723,259	97,251,990	(26,973,500)	(490,620)	225,511,129
Capital assets, being depreciated:					
Buildings and improvements	1,085,450,954	9,941,130	26,973,500	(2,322,949)	1,120,042,635
Machinery and equipment	78,168,005	2,467,635	-	(620,090)	80,015,550
Total capital assets, being depreciated	1,163,618,959	12,408,765	26,973,500	(2,943,039)	1,200,058,185
Less accumulated depreciation:					
Buildings and improvements	(400,835,766)	(30,812,350)	-	738,198	(430,909,918)
Machinery and equipment	(41,570,730)	(9,638,551)	-	620,090	(50,589,191)
Total accumulated depreciation	(442,406,496)	(40,450,901)	-	1,358,288	(481,499,109)
Total capital assets, being depreciated, net	721,212,463	(28,042,136)	26,973,500	(1,584,751)	718,559,076
Business-type activities capital assets, net	\$ 876,935,722	\$ 69,209,854	\$ -	\$ (2,075,371)	\$ 944,070,205

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 7,941,269
Public safety	2,965,086
Parks and recreation	1,729,982
Public services	521,900
Judicial	48,572
Community development	1,479,737
General services	26,845
Internal service funds	231,382
Total depreciation expense - governmental activities	<u>\$ 14,944,773</u>
Business-type Activities:	
Water/Sewer facilities	\$ 37,303,595
Stormwater facilities	1,175,554
Parking facilities	1,648,286
Hydro-electric plant	323,466
Total depreciation expense - business-type activities	<u>\$ 40,450,901</u>

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. CAPITAL ASSETS (Continued)

During the year ended June 30, 2017, \$4,006,393 of interest expense in the Business-type activities was capitalized. The City has several ongoing construction projects as of June 30, 2017, for renovations and other construction projects. Total remaining commitments on these construction contracts as of June 30, 2017, totaled approximately \$159,481,400.

During the year ended June 30, 2017, the City recorded in the governmental activities \$3,416,556 in infrastructure contributed by private parties and in the business-type activities \$9,909,405 in infrastructure contributions by developers.

Columbia Parking Facilities Corporation – Capital Lease Receivable

Capital Lease Settlement Terms

In 2008, construction was completed on the Innovista parking garages. The parking garages and corresponding long-term debt were recorded by the Columbia Parking Facilities Corporation (the Corporation), a blended component unit as noted in Note I. A. The Corporation entered into an agreement with the University of South Carolina (the University) that provided the University use of the garages and, in return, the University would pay the debt service on the associated long term debt. A review of the terms of the agreement during 2010 determined that the agreement represented a capital lease with the University, and therefore, the parking garages were removed from the Corporation and recorded by the University. Additionally, a lease receivable from the University was also recorded in the amount of the outstanding associated debt.

Special Items

In January 2017, the City agreed to sell the lease to the University of South Carolina Development Foundation. The sales price equaled the amount required to pay off all of the related debt in full as of the date of closing. This amount, \$13,280,875, is reported as collections on capital leases in the special items section of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The City also received \$2,592,856 which both parties agreed is the discounted net present value (using a discount rate of 8.15% per annum) of the estimated future revenues the City would have received under the terms of the operating agreement. This amount is also reported as a special item on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. City management applied the criteria in GASBS 62 paragraphs 46 through 49 and concluded these items were both unusual in nature as this type of activity is not the typical City activity, and since it was never known to have occurred before, it qualified as an infrequent occurrence. Because it was within the control of City management, it was concluded that the transaction qualified as a special item for reporting.

G. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Funding Policy

The City provides postemployment health care benefits, in accordance with City policy, to all employees who retire from the City under early or regular retirement and have been employed by the City for 20 years or more. Currently, 811 retirees meet those requirements. The City pays all Medicare supplemental insurance premiums for all qualifying retirees for their lifetime. For the year ended June 30, 2017, Medicare supplemental insurance premiums paid for retirees totaled approximately \$1,368,200. Retirees paid dependent coverage of approximately \$873,900. Currently, the City is financing the postemployment retirement benefits on a pay-as-you-go basis, and expenditures for these insurance premiums are recorded in substantially all of the City's funds.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description and Funding Policy (Continued)

Prior to January 1, 2017, retirees under the age of 65 paid between \$37 and \$383 a month depending on the various coverage elections. The City's contributions during the same time period were \$800 a month for the retiree and \$600 per month for the retiree's spouse/domestic partner. After January 1, 2017, the retiree paid between \$15 and \$413 a month depending on the various coverage elections, and the City paid \$1,130 a month for the retiree and \$840 a month for the retiree's spouse/domestic partner. Prior to January 1, 2017, for retirees over the age of 65, the retiree paid \$143 per month for health care benefits. The City paid \$300 a month for retirees over 65. If the retiree elected to cover their spouse/domestic partner, the cost to the retiree was \$218 a month, and the cost to the City was \$225 a month. After January 1, 2017, the retiree paid \$187 a month for single coverage, and the cost to the City was \$300 a month. If the retiree elected to cover their spouse/domestic partner, the retiree paid an additional \$262 a month, and the City paid an additional \$225 a month. Surviving spouses of retirees may elect to continue health care benefits.

The contribution requirements of the retirees are established and may be amended by the members of City Council.

The following schedule reflects the costs and number of participants in the City's health care program.

	2017	2016	2015	2014	2013	2012
Participants:						
Active	2,047	2,041	2,019	2,083	2,032	2,030
Retired	811	822	812	778	757	698
Total Employee Claims						
Active	\$ 20,507,274	\$ 19,183,115	\$ 17,169,674	\$ 15,727,732	\$ 15,880,782	\$ 13,999,800
Retired	\$ 8,055,078	\$ 9,326,557	\$ 5,801,345	\$ 5,548,464	\$ 5,754,566	\$ 5,868,443
% of Active Payroll						
Active	20.39%	19.49%	18.37%	17.11%	17.63%	15.79%
Retired	8.01%	9.48%	6.21%	6.04%	6.39%	6.62%
Total	28.40%	28.97%	24.58%	23.15%	24.02%	22.41%

For the fiscal year ended June 30, 2008, the City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for certain postemployment health care benefits provided by the City, which are offered under a single employer defined benefit plan.

From an accrual perspective, the cost of other postemployment healthcare benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which that cost occurs. In adopting GASB Statement 45 during the year ended June 30, 2008, prospectively, the City recognized the Annual Required Contribution (ARC) associated with OPEB as an expense and the liability associated with the net OPEB obligations. The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of 30 years.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB cost and Net OPEB Obligation

The City is required to have an actuarial valuation performed every other year. The last actuarial valuation performed for the plan was as of July 1, 2015, to determine the funded status of the plan as of that date as well as the employer's ARC for the fiscal year ended June 30, 2016. The City's annual OPEB cost and the net OPEB obligation for the year ended June 30, 2017, on the Statement of Net Position was as follows:

Employer Normal Cost	\$ 3,735,398
Amortization of UAAL*	<u>6,060,271</u>
Annual Required Contribution (ARC)	9,795,669
Interest on Net Obligation	2,344,438
Adjustment to the ARC	<u>(2,125,177)</u>
Annual OPEB Cost	10,014,930
Contributions made	<u>(8,553,496)</u>
Increase in Net OPEB Obligation	1,461,434
Net OPEB Obligation, July 1, 2016	<u>52,334,762</u>
Net OPEB Obligation June 30, 2017	<u><u>\$ 53,796,196</u></u>

* Unfunded Actuarial Accrued Liabilities (UAAL) are being amortized over 30 years.

A summary of the annual OPEB cost, percentage of the annual OPEB cost contributed, and the year-end net OPEB obligation for the year ended June 30, 2017, and the two preceding years is as follows:

Trend Information			
Year ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 10,734,306	67.53%	\$ 52,098,105
2016	10,010,781	97.64%	52,334,762
2017	10,014,930	85.41%	53,796,196

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

Funded status and funding progress of the plan as of July 1, 2016, was as follows:

Present Value of Future Benefits:	
Retirees & Beneficiaries	\$ 76,426,463
Participants Fully Eligible for Benefits	18,576,806
Participants Not Fully Eligible for Benefits	57,276,619
	<u>\$ 152,279,888</u>
Total Present Value of Future Benefits	<u>\$ 152,279,888</u>
Present Value of Future Normal Costs	<u>\$ 10,014,930</u>
Actuarial Accrued Liabilities (AAL)	\$ 152,279,888
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 152,279,888</u>
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of employees covered by the plan)	\$ 100,584,901
UAAL as a percentage of covered payroll	151.39%

Actuarial valuations for OPEB plans involve estimates of the value of the reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements, as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future, thus reflecting a long-term perspective. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll (assumed to increase 3%) required to fully amortize the UAAL over a 30-year period. As of June 30, 2017, 21 years of amortization remain on the UAAL. The actuarial assumptions included 4.50% rate of investment return. The valuation assumes a 7.5% health care trend inflation rate for 2016 and a 7.0% health care inflation rate for 2017. General inflation is assumed to be 3% per year.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. SHORT-TERM DEBT

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2017 for governmental activities.

	Original Issue	Interest Rate	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Bull Street Development	2017	1.30%	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000

The purpose of issuing the bond anticipation note was to provide funding for the Bull Street Development capital construction project. The amount issued is accounted for in the nonmajor Miscellaneous Projects Fund.

I. LONG-TERM OBLIGATIONS

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due in 2018
Governmental Activities					
Notes payable	\$ 4,804,142	\$ -	\$ (4,129,142)	\$ 675,000	\$ 75,000
GO bonds	36,025,000	-	(5,315,000)	30,710,000	5,365,000
Revenue bonds	62,180,000	1,460,000	(13,605,000)	50,035,000	3,590,000
Unamortized bond premiums	6,529,076	-	(461,932)	6,067,144	-
Capital lease payable	5,630,642	8,100,000	(1,898,756)	11,831,886	1,945,919
Compensated absences	7,023,060	6,851,275	(6,778,987)	7,095,348	1,419,070
Net OPEB obligation	52,334,762	1,461,434	-	53,796,196	-
Derivative instrument liability	504,960	-	(504,960)	-	-
Total governmental activities	175,031,642	17,872,709	(32,693,777)	160,210,574	12,394,989
Business-Type Activities					
Revenue bonds	456,345,000	210,035,000	(155,785,000)	510,595,000	11,705,000
Unamortized bond premiums	26,176,108	16,979,471	(4,551,013)	38,604,566	-
Compensated absences	1,899,512	1,728,750	(1,705,567)	1,922,695	366,967
Derivative instrument liability	39,041,575	-	(11,376,550)	27,665,025	-
Total business-type activities	523,462,195	228,743,221	(173,418,130)	578,787,286	12,071,967
Total all long-term obligations	\$ 698,493,837	\$ 246,615,930	\$ (206,111,907)	\$ 738,997,860	\$ 24,466,956

Internal Service Funds predominantly serve the Governmental Funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$249,167 of Internal Service Funds compensated absences is included in the above amounts. Also, for the governmental activities, claims and judgments are liquidated by the Risk Management Fund, and compensated absences are generally liquidated by the General Fund. The Series 2012 Certificates of Participation are liquidated by the Tourism Development Convention Center Fund. The governmental debt secured by hospitality revenues are liquidated by the Debt Service Fund. The notes payable and capital lease obligations are liquidated by the General Fund. The remaining governmental debt is liquidated by the Debt Service Fund. The entire other post-employment benefit liability is reported in the Risk Management Internal Service Fund and will be liquidated by that fund.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

The annual requirements to amortize all outstanding debt of the City as of June 30, 2017, including interest payments, but excluding accrued vacation payable and amortization of bond premiums are as follows:

Governmental Activities:

Year Ending June 30,	General Obligation Bonds	Interest	Revenue Bonds	Interest	Note Payable	Interest	Capital Lease Payable	Interest	Total Principal	Total Interest
2018	\$ 5,365,000	\$ 1,039,725	\$ 3,590,000	\$ 1,816,962	\$ 75,000	\$ -	\$ 1,945,919	\$ 258,685	\$ 10,975,919	\$ 3,115,372
2019	4,030,000	845,350	3,730,000	1,757,343	75,000	-	2,155,238	132,397	9,990,238	2,735,090
2020	2,870,000	713,712	3,825,000	1,667,429	75,000	-	2,188,119	99,516	8,958,119	2,480,657
2021	2,685,000	629,538	3,910,000	1,575,179	75,000	-	2,221,501	66,134	8,891,501	2,270,851
2022	2,425,000	543,700	4,000,000	1,480,826	75,000	-	1,802,044	33,991	8,302,044	2,058,517
2023-2027	4,985,000	1,923,650	6,335,000	6,544,755	300,000	-	1,519,065	16,843	13,139,065	8,485,248
2028-2032	1,695,000	1,242,650	5,620,000	5,443,085	-	-	-	-	7,315,000	6,685,735
2033-2037	2,040,000	883,050	6,610,000	4,127,750	-	-	-	-	8,650,000	5,010,800
2038-2042	2,410,000	515,550	8,425,000	2,302,500	-	-	-	-	10,835,000	2,818,050
2043-2046	2,205,000	134,775	3,990,000	301,750	-	-	-	-	6,195,000	436,525
	<u>\$ 30,710,000</u>	<u>\$ 8,471,700</u>	<u>\$ 50,035,000</u>	<u>\$ 27,017,579</u>	<u>\$ 675,000</u>	<u>\$ -</u>	<u>\$ 11,831,886</u>	<u>\$ 607,566</u>	<u>\$ 93,251,886</u>	<u>\$ 36,096,845</u>

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities:

Year Ending June 30,	Revenue Bonds	Interest
2018	\$ 11,705,000	\$ 22,779,193
2019	12,190,000	22,295,539
2020	12,695,000	21,790,703
2021	13,190,000	21,295,560
2022	13,880,000	20,713,160
2023-2027	80,450,000	93,804,092
2028-2032	101,415,000	73,005,850
2033-2037	127,870,000	47,432,209
2038-2042	119,040,000	17,771,224
2043-2046	18,160,000	1,619,000
	<u>\$ 510,595,000</u>	<u>\$ 342,506,530</u>

General Obligation Bonds

The City has issued General Obligation Bonds to fund building programs of the City, acquire capital assets, and also to refinance debt issued to fund infrastructure improvements and acquire land. The City has complete liability for the retirement of these obligations. Principal payments on all bonds are due annually and interest is due semi-annually.

The South Carolina Constitution limits local unit borrowing power to 8% of its assessed property value. The limitation excludes bonded indebtedness existing prior to December 1, 1977, (date of the Constitutional Amendment), certain special levies assessed on properties located in an area receiving special benefits, and other prescribed indebtedness approved by the voters.

General Obligation Bonds outstanding as of June 30, 2017, are as follows:

Governmental Activities:

\$9,375,000 City of Columbia General Obligation Bonds, Series 2011A

Proceeds for: Acquisition of capital assets

Annual principal installments of \$225,000 to \$1,505,000 through June 1, 2021

Interest rate: 2.00 to 3.00%

\$ 1,375,000

\$9,945,000 City of Columbia General Obligation Bonds, Series 2011B

Proceeds for: Refund Series 2002 General Obligation Bonds

Annual principal installments of \$10,000 to \$1,160,000 through June 1, 2022

Interest rate: 2.00 to 3.00%

5,395,000

\$5,575,000 City of Columbia General Obligation Bonds, Series 2011C

Proceeds for: Acquisition of capital assets

Annual principal installments of \$115,000 to \$975,000 through June 1, 2021

Interest rate: 2.00 to 4.00%

770,000

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Governmental Activities (Continued):

\$6,375,000	City of Columbia General Obligation Bonds, Series 2012	
	Proceeds for: Acquisition of capital assets	
	Annual principal installments of \$195,000 to \$1,235,000 through June 1, 2022	
	Interest rate: 2.00 to 3.00%	\$ 1,880,000
\$7,315,000	City of Columbia General Obligation Bonds, Series 2013	
	Proceeds for: Acquisition of capital assets	
	Annual principal installments of \$215,000 to \$1,505,000 through June 1, 2023	
	Interest rate: 2.00 to 3.50%	4,425,000
\$6,260,000	City of Columbia General Obligation Bonds, Series 2015	
	Proceeds for: Refund Series 2007A General Obligation Bonds	
	Annual principal installments of \$15,000 to \$730,000 through June 1, 2027	
	Interest rate: 2.00 to 4.00%	6,220,000
\$10,645,000	City of Columbia General Obligation Bonds, Series 2016	
	Proceeds for: Acquisition of capital assets	
	Annual principal installments of \$210,000 to \$575,000 through June 1, 2046	
	Interest rate: 3.00 to 5.00%	10,645,000
	<i>Total Governmental Activities General Obligation Bonds</i>	<u>\$ 30,710,000</u>

Revenue Bonds, Notes and Certificates of Participation

Revenue bonds, notes, and certificates of participation are special obligations of the City payable from revenues derived from certain operations. The City's revenue bond ordinances stipulate that the City maintain certain debt service, operations, and renewal and replacement funds. The City has complied in all material respects with the bond covenants as outlined in each issue's indenture.

The construction of the first of two Innovista garages was funded by the issuance of a \$13,070,000 tax-exempt South Carolina Jobs-Economic Development Authority Revenue Bonds, Series 2007. The Columbia Parking Facilities Parking Corporation, a component unit of the City, was responsible for the payment of the bonds. BB&T, the former bond holder, also held a first mortgage on both garages. This debt, as well as the interest rate swap agreement associated with this debt, was paid in full during the year ended June 30, 2017.

An additional \$5,185,000 taxable (based on percent of garage used for private purposes) construction and term loan was made to the Corporation by a bank for the second garage that enabled the Corporation to draw down proceeds from the loan as needed during the construction of the second garage. The principal balance and any accrued interest was due in full on March 1, 2017. Interest was payable at an adjusted LIBOR rate which is a rate of interest per annum equal to the One Month LIBOR plus 1.5% per year. This rate is adjusted monthly on the first day of each month for each LIBOR interest period. At June 30, 2017, this term loan had been paid in full during March 2017.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds, Notes and Certificates of Participation (Continued)

Notes Payable

Governmental Activities:

\$1,500,000 Note issued 2006 secured for development costs for Drew Wellness Center.

Annual principal installments of \$75,000 through August 14, 2026.

Interest rate 0.0%.

\$ 675,000

Total Governmental Activities Note Payable

\$ 675,000

Revenue Bonds

Revenue bonds outstanding as of June 30, 2017, are as follows:

Governmental Activities:

\$14,825,000 Revenue Bond - Hospitality Fee Pledge, Series 2012

Payable from revenues derived by the City from hospitality taxes.

Annual principal installments of \$1,000,000 to \$1,315,000 through Feb. 1, 2025

Interest rate: 2.50%

\$ 9,660,000

\$24,260,000 Certificates of Participation Series 2012

Payable from revenues derived by the City from tourism development fees.

Annual principal installments of \$2,225,000 to \$2,660,000 through June 1, 2022

Interest rate: 2.29%

12,740,000

\$26,175,000 Special Obligation Revenue Bond - Hospitality Fee Pledge, Series 2014

Payable from revenues derived by the City from hospitality taxes.

Annual principal installments of \$900,000 to \$2,045,000 through Feb. 1, 2044

Interest rate: 2.42 to 3.15%

26,175,000

\$1,460,000 Special Obligation Revenue Bond - Hospitality Fee Pledge, Series 2017

Payable from revenues derived by the City from hospitality taxes.

Annual principal installments of \$50,000 to \$155,000 through Feb. 1, 2029

Interest rate: 4.29%

1,460,000

Total Governmental Activities Revenue Bonds

\$ 50,035,000

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds, Notes and Certificates of Participation (Continued)

Revenue Bonds (Continued)

Business-Type Activities:

Parking Facilities Fund:

\$39,895,000 Parking Facilities Revenue Bonds, Series 2005A

Payable from revenues derived by the City from operation of off-street and on-street parking facilities.

Annual principal installments of \$1,240,000 to \$3,015,000 through Feb. 1, 2037

Interest rate: 4.375 to 5.0%

\$ 28,170,000

\$12,210,000 Parking Facilities Refunding Revenue Bonds, Series 2014

Payable from revenues derived by the City from operation of off-street and on-street parking facilities.

Proceeds for: Refunding a portion of the Series 2000A and 2000B bonds

Annual principal installments of \$300,000 to \$1,750,000 through Feb. 1, 2025

Interest rate: 2.38%

11,330,000

Total Parking Facilities Revenue Bonds

\$ 39,500,000

Water and Sewer Fund:

\$81,860,000 Waterworks and Sewer System Revenue Bonds, Series 2009

Payable from revenues derived from the City's water and sewer system

Proceeds for: Cost of improvements to the System

Annual principal installments of \$525,000 to \$10,840,000 through Feb. 1, 2038

Interest rate: 3.6 to 5.0%

See Note V for details regarding the interest rate swap related to this bond issue

\$ 81,860,000

\$105,000,000 Waterworks and Sewer System Revenue Bonds, Series 2010

Payable from revenues derived from the City's water and sewer system

Proceeds for: Cost of improvements to the System

Annual principal installments of \$1,025,000 to \$4,120,000 through Feb. 1, 2034

Interest rate: 3.0 to 5.0%

11,435,000

\$100,000,000 Waterworks and Sewer System Revenue Bonds, Series 2011A

Payable from revenues from the City's water and sewer system

Proceeds for: Cost of improvements to the System

Annual principal installments of \$1,000,000 to \$3,740,000 through Feb. 1, 2036

Interest rate: 2.0 to 5.0%

34,370,000

\$27,265,000 Waterworks and Sewer System Revenue Bonds, Series 2011B

Payable from revenues from the City's water and sewer system

Proceeds for: Refunding portion of Series 2001 (\$30,345,000)

Annual principal installments of \$3,420,000 to \$4,455,000 through Feb. 1, 2019

Interest rate: 4.0 to 5.0%

8,700,000

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds, Notes and Certificates of Participation (Continued)

Revenue Bonds (Continued)

Business-Type Activities: (Continued)

Water and Sewer Fund: (Continued)

\$58,055,000 Waterworks and Sewer System Revenue Bonds, Series 2012

Payable from revenues from the City's water and sewer system

Proceeds for: Refunding portion of Series 2005 (\$60,000,000)

Annual principal installments of \$4,560,000 to \$6,115,000 through Feb. 1, 2030

Interest rate: 3.5 to 5.0%

\$ 58,055,000

\$75,305,000 Waterworks and Sewer System Revenue Bonds, Series 2013

Payable from revenues from the City's water and sewer system

Proceeds for: Cost of improvements to the System

Annual principal installments of \$1,205,000 to \$4,600,000 through Feb. 1, 2043

Interest rate: 1.0 to 5.0%

69,400,000

\$63,325,000 Waterworks and Sewer System Revenue Bonds, Series 2016A

Payable from revenues from the City's water and sewer system

Proceeds for: Refunding portion of Series 2010 Bond (\$89,085,000) and cost of improvements to the System

Annual principal installments of \$1,000,000 to \$3,640,000 through Feb. 1, 2046

Interest rate: 2.0 to 5.0%

62,325,000

\$146,710,000 Waterworks and Sewer System Revenue Bonds, Series 2016B

Payable from revenues from the City's water and sewer system

Proceeds for: Refunding portion of Series 2011A Bond (\$57,615,000) and cost of improvements to the System

Annual principal installments of \$135,000 to \$23,620,000 through Feb. 1, 2041

Interest rate: 2.0 to 5.0%

144,950,000

Total Water and Sewer Revenue Bonds

471,095,000

Total Business-Type Activities Revenue Bonds

\$ 510,595,000

Obligations Under Capital Leases

During fiscal year 2017, the City entered into a lease agreement as lessee for financing the acquisition of certain capital assets. The estimated useful lives of the assets acquired range from five to twelve years. During the current year, approximately \$1,500,000 was included in depreciation expense on assets costing approximately \$12,272,800 acquired with capital lease proceeds. The City had approximately \$2,800,000 in unspent lease funds at June 30, 2017.

This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. LONG-TERM OBLIGATIONS (Continued)

Obligations Under Capital Leases (Continued)

Governmental Activities:

\$7,000,000 Capital Lease Payable Bank of America issued September 2016

Proceeds for: Acquisition of capital assets

Monthly principal and interest installments of \$89,105 through December 1, 2021

Interest rate: 1.57%

\$ 4,642,695

\$8,100,000 Capital Lease Payable Bank of America issued December 2014

Proceeds for: Acquisition of capital assets

Monthly principal and interest installments of \$101,531 through September 30, 2023

Interest rate: 1.57%

7,189,191

Total Governmental Activities Capital Leases Payable

\$ 11,831,886

Refundings

In December 2016, the City issued \$63,325,000 in a Waterworks and Sewer System Revenue Bond Series 2016A at interest rates between 2.00% and 5.00% and \$146,710,000 in a Waterworks and Sewer System Revenue Bond Series 2016B at interest rates between 2.00% and 5.00%. The City issued the bonds to advance refund \$89,085,000 of the outstanding Waterworks and Sewer System Revenue Bond Series 2010 at interest rates between 3.00% and 5.00% and \$57,615,000 of the outstanding Waterworks and Sewer System Revenue Bond Series 2011A at interest rates between 2.00% and 5.00%. The balance of the bond proceeds were used to fund the cost of improvements to the system. Bond proceeds of \$164,697,369 along with funds on hand were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Waterworks and Sewer System Revenue Bond Series 2010 and the Waterworks and Sewer System Revenue Bond Series 2011A. The City completed the refunding to reduce its total debt service payments over a period of 24 years by \$22,218,579 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,149,883.

Conduit Debt

Resolution 2006-027, passed June 28, 2006, was issued in support of the issuance of not exceeding \$4,500,000 in revenue bonds by JEDA for the Palmetto Health Foundation Project. While the City is not obligated for the repayment of conduit type debt, disclosure is required in the notes to the financial statements. As of June 30, 2017, the balance of this conduit debt was approximately \$2,312,600.

Defeasance Debt

During the year ended June 30, 2017, the City defeased a portion of its Series 2010 and Series 2011A Water and Sewer Revenue Bonds by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bond are not included in the City's financial statements. On June 30, 2017, the amount of debt considered defeased is approximately \$143,160,000.

Arbitrage

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings, if any. For the year ended June 30, 2017, the City did not have any arbitrage profits due to the federal government.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

J. TAX ABATEMENTS

While the City of Columbia does not have any of its own tax abatement agreements as of June 30, 2017, Richland County, South Carolina ("the County") provides tax abatements under two programs – the Fee-in-Lieu of *Ad Valorem* Property Tax ("FILOT") program and the Special Source Revenue Credit ("SSRC") program that impact the City's tax revenues. These two programs and their impact on the City are described below.

Fee-in Lieu of *Ad Valorem* Property Tax Program

South Carolina state law authorizes three forms of the FILOT program:

- a "Little Fee" as authorized by Chapter 4, Title 12 of the Code of Laws of South Carolina, 1976, as amended;
- a "Simplified Fee" as authorized by Chapter 44, Title 12 of the Code of Laws of South Carolina, 1976, as amended;
- a "Big Fee" as authorized by Section 4-29-67 of the Code of Laws of South Carolina, 1976, as amended.

The purpose of the FILOT program is to reduce the disparately higher property tax rates applied to manufacturing and certain commercial properties in South Carolina, which have previously impeded new and expanding business from locating in South Carolina.

Under South Carolina law, a taxpayer is eligible to receive a property tax reduction under the FILOT program if the taxpayer agrees to make a minimum investment in a project located in the County within a five year period. The minimum investment a taxpayer must make to be eligible for the FILOT program is based on the form of FILOT program chosen by the County and the taxpayer. Under the Little Fee and the Simplified Fee forms of the FILOT program, taxpayers must make a minimum investment of \$2,500,000. Under the Big Fee form of the FILOT program, taxpayers must make a minimum investment of \$45,000,000. Additionally, the County Council, the governing body of the County, must find that (i) the project is anticipated to benefit the general public welfare by providing services, employment, recreation, or other public benefits not otherwise adequately provided; (ii) the project gives rise to no pecuniary liability of the County or a charge against its general credit or taxing power; (iii) the purposes to be accomplished by the project are proper governmental and public purposes; and (iv) the benefits of the project are greater than its costs.

Property taxes are abated under the FILOT program through an agreement, executed by the County and the taxpayer, pursuant to which a fee-in-lieu of *ad valorem* property tax payment for the economic development property associated with the property is calculated using (1) a reduced assessment ratio, which may be reduced from 10.5% to a floor of 6% (or 4% in the case of certain enhanced investments as defined by state law), and (2) a locked millage rate (or a millage rate that is allowed to increase or decrease every fifth year), for a term not more than thirty years (or forty years in the case of certain enhanced investments as defined by state law). The FILOT program also permits certain qualifying taxpayers and the County to negotiate for equalized fee-in-lieu of *ad valorem* property tax payments over the term of the agreement.

If the taxpayer does not make the minimum investment in a project within the five year period as described above, then the agreement is automatically terminated. On termination, the taxpayer is obligated to pay the County the difference between (i) the total amount of *ad valorem* property taxes that would have been paid had the economic development property not been subject to the agreement, taking into account exemptions from property taxes that would have been available to the taxpayer, and (ii) the total amount of fee-in-lieu of *ad valorem* property tax payments made by the taxpayer with respect to the economic development property.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

J. TAX ABATEMENTS

Fee-in Lieu of *Ad Valorem* Property Tax Program (Continued)

In addition to the minimum eligibility requirements to receive a property tax reduction under the FILOT program described above, the tax payer may also make certain commitments to (i) invest certain amounts in taxable real and personal property at a project in an amount greater than the minimum investment, and (ii) create a certain number of new, full-time jobs at a project. For tax year 2016, City property taxes abated resulting from the FILOT program totaled approximately \$392,200. The City received approximately \$608,400 in fee-in-lieu of *ad valorem* property tax payments from taxpayers with active agreements under the FILOT program in tax year 2016.

Special Source Revenue Credit Program

The County also abates property taxes through the Special Source Revenue Credit ("SSRC") program. The SSRC program is authorized by South Carolina state law, specifically, Section 4-1-175 of the Code of Laws of South Carolina 1976, as amended. The purpose of the SSRC program is to enhance the economic development of the County.

A taxpayer is eligible to receive a credit under the SSRC program, thereby reducing its property taxes, if (i) the taxpayer's property is located in a multicounty industrial or business park, and (ii) the taxpayer uses the credit to pay the cost of designing, acquiring, constructing, improving, or expanding (a) infrastructure serving the County or the taxpayer's property, or (b) improved or unimproved real estate and personal property, including machinery and equipment used in the operation of a manufacturing or commercial enterprise.

Property taxes are abated under the SSRC program through the County providing a credit (in the form of a percentage or fixed dollar amount) against a taxpayer's property tax liability. Although not required by state law, often the County and the taxpayer enter into an agreement pursuant to which the County agrees to provide a credit against a taxpayer's property tax liability for a period of years, and the taxpayer commits to (i) invest certain amounts of taxable real and personal property at a project, or (ii) create a certain number of new, full-time jobs at a project. In the instances where the County has entered into an agreement to effect the SSRC program, if the taxpayer does not meet the requirements as set forth in the agreement, the County frequently reserves the right to require the taxpayer to repay the County, either all or some other portion, as determined by formula, of the credit received by the taxpayer under the SSRC program.

The County may also use the SSRC program in connection with the FILOT program. In those instances, following the calculation of a taxpayer's fee-in-lieu program, the County may also apply a credit pursuant to the SSRC program to further abate the taxpayer's property tax liability. To receive property tax abatements under the SSRC program and the FILOT program, the taxpayer must meet the eligibility requirements for both programs.

For tax year 2016, City property taxes abated resulting from the SSRC program totaled approximately \$65,300 – which included property taxes abated solely under the SSRC program and property taxes abated under the SSRC program in connection with the FILOT program. The City received approximately \$204,400 in fees-in-lieu of standard *ad valorem* taxes from taxpayers solely receiving property tax abatements under the SSRC program. Fees-in-lieu of standard *ad valorem* taxes received by the City from taxpayers receiving property tax abatements under both the SSRC program and the FILOT program are reflected in the fees-in-lieu of *ad valorem* tax payments collected from taxpayers with active agreements under the FILOT program described above.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

J. TAX ABATEMENTS (Continued)

Multicounty Industrial or Business Park

The County uses multicounty industrial or business parks in connection with the SSRC program and FILOT program. Specifically, as noted above, to receive a property tax abatement under the SSRC program, a taxpayers property must be located in a multicounty industrial or business park. Additionally, the County may locate a taxpayer's property in a multicounty industrial or business park at the request of the taxpayer so that the taxpayer may secure enhanced credits from certain state taxes. To locate a taxpayers property in a multicounty industrial or business park, the County must develop, with one or more contiguous counties, a multicounty industrial or business park by entering into an agreement with the contiguous counties which sets forth how the counties will share the revenues and expenses from the multicounty industrial or business park. The agreement must further specify how the revenues from the multicounty industrial or business park will be distributed to each taxing entity in the participating counties.

For the tax year 2016, of the total payments made by taxpayers who were subject to the County's multicounty industrial park agreements, \$72,198 would have been received by the City but for the taxpayers' location within its multicounty industrial park. For the tax year 2016, fee-in-lieu of standard *ad valorem* tax payments from taxpayers within the multicounty industrial park totaled \$220,758.

IV. PENSION PLANS

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense information about the fiduciary net positions of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned, and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available 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 description

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.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Plan description (Continued)

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

Membership

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

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

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Benefits (Continued)

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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. The PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in the statute or the rates last adopted by the board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2016-2017 are as follows:

SCRS

Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation

PORS

Employee Class Two	9.24% of earnable compensation
Employee Class Three	9.24% of earnable compensation

Required employer contribution rates for fiscal year 2016-2017 are as follows:

SCRS

Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class Two	13.84% of earnable compensation
Employer Class Three	13.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Contributions (Continued)

The City's required and actual employer contributions are as follows:

Year Ended June 30, 2017	SCRS	PORS
Required contributions	\$6,888,470	\$5,784,601
Actual contributions	\$6,888,470	\$5,784,601

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations, and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the System's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (With Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. The City's proportional share of the NPL amounts for SCRS and PORS are presented below:

<u>Measurement Period</u> <u>Ended June 30,</u>	<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2015	2016	\$108,153,886	\$66,145,819
2016	2017	\$122,912,706	\$80,547,962

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The City's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2016, the City's percentage of the SCRS and PORS net pension liability was 0.575438% and 3.17559%, respectively.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30-year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily focused 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 revised target asset allocation adopted beginning January 1, 2016. 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 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

Sensitivity Analysis

The following table presents the collective net pension liability of the City's calculated using the discount rate of 7.50% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Sensitivity of the City's Proportional Share of Net Pension Liability To Changes in the Discount Rate			
System	1.00% Decrease	Current Discount Rate	1.00% Increase
SCRS	\$153,330,237	\$122,912,707	\$97,591,260
PORS	\$105,565,102	\$ 80,547,962	\$58,065,512

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Pension Expense and Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2017, the City recognized pension expense of \$10,349,271 to SCRS and pension expense of \$9,197,355 to SCRS for a total of \$19,546,626 in pension expense.

At June 30, 2017, the City reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Pension contributions subsequent to the measurement date	\$ 6,895,224	\$ -
Differences in actual and expected experience	1,274,135	133,484
Changes in proportion and differences between the City's contributions and proportionate share of contributions	718,434	1,784,460
Net differences between projected and actual earnings on plan investments	10,340,908	-
	<u>\$ 19,228,701</u>	<u>\$ 1,917,944</u>
PORS		
Pension contributions subsequent to the measurement date	\$ 5,784,601	\$ -
Differences in actual and expected experience	1,195,178	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	2,333,254	392,170
Net differences between projected and actual earnings on plan investments	9,133,430	-
	<u>\$ 18,446,463</u>	<u>\$ 392,170</u>
Total all plans	<u>\$ 37,675,164</u>	<u>\$ 2,310,114</u>

The City reported \$12,679,825 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The difference between projected and actual earnings on pension plan investments are reported as deferred outflows (inflows) of resources and will be amortized over a closed five-year period and recognized in pension expense in future years. The differences between expected and actual and the change in proportionate share of contributions are reported as deferred outflows (inflows) of resources and will be amortized over the average remaining service lives of all plan participants. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2016, measurement date was 4.116 years for SCRS and 4.665 years for PORS. The following schedule reflects the amortization of the City's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2017.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

IV. PENSION PLANS (Continued)

Pension Expense and Deferred Outflows (Inflows) of Resources (Continued)

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS	PORS
2017	2018	\$ 2,256,240	\$ 2,821,918
2018	2019	1,590,242	2,761,333
2019	2020	4,216,977	4,179,244
2020	2021	<u>2,352,074</u>	<u>2,507,197</u>
Net Balance of Deferred Outflows/ (Inflows) of Resources		<u>\$ 10,415,533</u>	<u>\$ 12,269,692</u>

Payables to the Pension Plans

At June 30, 2017, the City reported a payable of \$1,216,513 and \$749,824 for the outstanding amount of contributions due to SCRS and PORS, respectively. This liability will be paid in the normal course of paying year-end obligations.

Component Units

Significantly all of the employees of the City's component units, with the exception of MACST, are members of the SCRS due to the City being a member. The City reports the amount of the proportional net pension liability and the related deferred inflows and outflows related to the service of these employees in its financial statements.

V. INTEREST RATE SWAP AGREEMENTS

Waterworks and Sewer Revenue Bond Series 2009 Swap – The City maintains this variable-to-fixed interest rate swap to hedge exposure to rising interest rates. The City entered into an interest rate swap agreement related to the 2009 Waterworks and Sewer Bonds on September 20, 2009, with an effective date of September 15, 2009. The counterparty is J.P. Morgan. The City agreed to pay a fixed rate to J.P. Morgan and receive a variable rate while paying a variable rate to bond holders. Semi-annually the City pays a fixed rate of 4.354% to J.P. Morgan, and monthly receives a variable rate based on the average Securities Industry and Financial Markets Association ("SIFMA") index rate. Interest payments to the bond holders are offset by the amount received by the City from J. P. Morgan under the swap. The purpose of the swap was to effectively change the variable rate bonds to fixed rate bonds. The bonds and related swap agreement mature February 2038. The notional amount of the swap equals the principal amount of the associated bonds and decreases simultaneously with the reduction in the principal amount of the associated bonds. As of June 30, 2017, the notional amount was \$81,860,000.

The obligation of the City to make regularly scheduled payments under the interest rate swap agreement is junior and subordinate to the City's obligation to make debt service payments on its outstanding revenue bonds. The obligation of the City to make any termination payments under the swaps is junior and subordinate to the obligation to make debt service payments on bonds. Under the swap agreement, if the City modifies the bond ordinance, the counterparty has certain limited rights to consent to modifications to the swap agreement which would affect the rights of the counterparty. Under the swap, J.P. Morgan does not require collateral to be posted to reduce credit risk exposure.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

V. INTEREST RATE SWAP AGREEMENTS (Continued)

During the year ended June 30, 2017, the City made variable bond interest payments in the amount of \$538,180 and fixed rate payments on the swap in the amount of \$3,564,184. The City also received variable payments on the swap in the amount of \$579,137. The net of variable payments on the bonds and receipts on the swap was \$40,957.

The fair value balances and notional amounts of derivative instrument outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative for the year then ended is as follows:

		<u>Changes in Fair Value</u>		<u>Fair Value at June 30</u>		<u>Notional</u>	
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>		
Business-type activity							
Cash flow hedges:							
Pay-fixed interest rate swap	Water and Sewer Revenue Bond Series 2009 Swap	Deferred outflow	\$ (11,376,550)	Debt	<u>\$ 27,665,025</u>	\$ 81,860,000	

The following table displays the objectives and terms of the City's hedging derivative instrument outstanding at June 30, 2017, along with the credit rating of the associated counterparty:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating*
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2009 Water and Sewer Revenue Bonds	\$ 81,860,000	9/15/2009	2/1/2038	Receive monthly average SIFMA rate and pay fixed rate of 4.354%	Aa3 / A+ / A+
* Moody's, S&P, and Fitch, respectively.						

Future Debt Service Requirements

The following schedule details the debt service requirements to maturity for the underlying debt instrument related to the interest rate swap. The interest rate in effect at June 30, 2017, has been used for all future periods. These amounts assume the current interest rates on variable-rate bonds will remain the same for their terms. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

V. INTEREST RATE SWAP AGREEMENTS (Continued)

Future Debt Service Requirements (Continued)

Year Ended June 30,	Waterworks and Sewer Bonds Series 2009			
	Variable Rate Bonds		Hedging	Total
	Principal	Interest	Derivatives, Net	
2018	\$ -	\$ -	\$ 3,565,995	\$ 3,565,995
2019	-	-	3,565,995	3,565,995
2020	-	-	3,565,995	3,565,995
2021	-	-	3,565,995	3,565,995
2022	525,000	-	3,564,899	4,089,899
2023-2027	2,940,000	-	17,460,440	20,400,440
2028-2032	19,890,000	-	16,264,208	36,154,208
2033-2037	47,665,000	-	8,765,909	56,430,909
2038	10,840,000	-	471,974	11,311,974
	<u>\$ 81,860,000</u>	<u>\$ -</u>	<u>\$ 60,791,410</u>	<u>\$ 142,651,410</u>

Risks

Credit Risk – Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2017, the swap was in a liability position; therefore, the City is not exposed to credit risks. However, should interest rates change and the fair market value of the swap becomes an asset position, the City would be exposed to credit risks. The credit rating of the counterparty is summarized in the table above.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the City's financial instruments or its cash flows. The City is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap. As LIBOR or the SIFMA swap index decreases, the City's liability upon early termination of the swaps increases.

Basis Risk – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedge item are based on different reference rates. The City is exposed to basis risk on the interest rate swap hedging instrument related to the Waterworks and Sewer bonds because the variable-rate payments received by the City on these hedging derivative instruments are based on a rate or index other than interest rates the City pays on its hedge variable-rate debt. As of June 30, 2017, the interest rate on the City's hedged variable rate debt was 0.05%, while the SIFMA swap index rate was 0.07%.

Termination Risk – Termination risk is the risk that a hedging derivative instrument's unscheduled end will affect the City's asset and liability strategy or will present the City with potentially significant unscheduled termination payments to the counterparty. Termination events exist for the interest rate swaps. Under the City's interest rate swap, a decline in either party's credit rating below BBB or Baa2 in the case of S&P and Moody's, respectively, can trigger termination in addition to events that are customary for these types of transactions.

Rollover Risk – Rollover risk is the risk that a hedging instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. The City is not exposed to rollover risk because the hedging derivative instrument associated with the hedgeable debt item extends to the maturity of the hedgeable debt item.

The City is not required to post collateral under the interest rate swap agreement.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

VI. COMMITMENTS AND CONTINGENCIES

A. FEDERAL GRANTS

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

B. CONSENT DECREE

During the year ended June 30, 2014, the Environmental Protection Agency filed with the federal court system a consent decree against the City. The terms of this Consent Decree require the City to (i) evaluate the Sanitary Sewer System and, based on that evaluation, implement capital improvements to the Sanitary Sewer System's infrastructure; and (ii) implement a \$1,000,000 Supplemental Environmental Project ("SEP") aimed at restoring and reducing flooding along segments of Rocky Branch and Gills Creek. The City anticipates total expenditures of approximately \$750,000,000 will be required over a period of approximately 11 years in order to meet the requirements of the Consent Decree. The City's five-year Capital Improvements Program, which the City believes is presently responsive to a portion of the capital improvements that are or will be required by the Consent Decree, is being further revised to enable the City to meet all of its obligations under the Consent Decree within the prescribed timeframes. The City expects to pay for the cost of these improvements through revenues generated by the system and future and current bond proceeds. City management feels the City is meeting the requirements and deadlines imposed by the Consent Decree.

C. LITIGATION

The City is a party to legal proceedings that normally occur in government operations. The City is involved in unresolved legal actions concerning construction contracts and other matters. The City believes its positions are meritorious and is vigorously defending its positions. The City's estimate of ultimate loss has been recorded as a liability in the Risk Management Fund and other funds in the financial statements (Note II. C).

D. DEVELOPMENT AGREEMENT

On July 9, 2013, the City executed a development agreement with a private developer to develop approximately 165 acres of land within the City of Columbia. During the year ended June 30, 2017, the original agreement was amended. The amendment required that the City add an additional 16 acres of property to the development site. The City's commitments are to occur in four phases. The first phase occurred during the year ended June 30, 2014. This phase required the City to make \$5,250 in public improvements. Phase two required the City to make \$7,965,842 in public improvements. Phase three required the City to make \$2,179,342 in public improvements. Phase four is subdivided into four subphases. The first subphase requires the City to make \$5,000,000 in public improvements once the developer makes \$25,000,000 in taxable improvements. This subphase was accomplished during the year ended June 30, 2017. The second subphase requires the City to make an additional \$5,000,000 in public improvements upon completion of an additional \$25,000,000 in taxable improvements by the developer. The third subphase requires an additional \$5,000,000 in public improvements by the City upon the completion of an additional \$25,000,000 in taxable investments by the developer. The fourth subphase requires the City make \$840,816 in public improvements upon the completion of \$6,250,000 in taxable investments by the developer. If the requirements for all four subphases are met, the City will be required to make \$15,840,816 in public improvements, and \$81,250,000 in taxable investments will have been made by the developer.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

VI. COMMITMENTS AND CONTINGENCIES (Continued)

D. DEVELOPMENT AGREEMENT (Continued)

Also as part of the fourth phase, the City is required to construct two parking facilities with a combined total of at least 1,600 parking spaces if certain conditions are met by the developer. The City will be required to construct the first parking facility if the developer either constructs 120,000 square feet of office, retail, or 6% assessed space that is subject to property tax or rehabilitates the Babcock Building, a historical structure located within the development area. The second parking facility is required to be constructed upon the developer purchasing or causing to be purchased 90 acres of the development or obtains commitments to construct \$75,000,000 in private investment. The developer has met the requirements to have the first parking facility constructed. However, the developer has requested that the parking facility not be constructed until the requirements of the first subphase of phase four are met. This request was granted by the City. The City has not identified a definite funding source for the construction of the parking facilities at this time, nor the cost of constructing the facility. The construction starting date, if any, has not yet been determined.

VII. OTHER INFORMATION

A. SUBSEQUENT EVENTS

On November 27, 2017, the City received a letter from the U.S. Department of Housing and Urban Development (HUD) requesting repayment of \$52,753 in expenditures incurred by the City related to the *Autos for Opportunities* program. HUD determined these expenditures not to be eligible under the CDBG Program.

On December 21, 2017, the City received a letter from the South Carolina State Housing Finance and Development Authority (the "Authority") alleging the City and/or the Columbia Housing Development Corporation (a discretely presented component unit of the City) had multiple material violations of the Neighborhood Stabilization Program grant agreement. As a result of these violations, the Authority is requiring repayment of Neighborhood Stabilization Program (NSP) grant funds totaling approximately \$171,900. The City received the grant funds from the Authority as a pass-through entity, with the funds ultimately being disbursed to the Columbia Housing Development Corporation, which used the funds to acquire and improve a certain piece of real property. The City is currently conducting an investigation into the matter, therefore no liability has been recorded by the City.

B. PENDING IMPLEMENTATION OF GASB STATEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City will implement the new guidance with the 2018 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The City will implement the new guidance with the 2018 financial statements.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

VII. OTHER INFORMATION (Continued)

B. PENDING IMPLEMENTATION OF GASB STATEMENTS (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at a reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City will implement the new guidance with the 2019 financial statements.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City will implement the new guidance with the 2020 financial statements.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City will implement the new guidance with the 2018 financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City will implement the new guidance with the 2018 financial statements.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

VII. OTHER INFORMATION (Continued)

B. PENDING IMPLEMENTATION OF GASB STATEMENTS (Continued)

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City will implement the new guidance with the 2021 financial statements.

Management has not yet determined the impact implementation of these standards will have on the City's financial statements, if any.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

The Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits provide information relating to the City's adoption of GASB Statement No. 45.

Budgetary Comparison Schedule – General Fund provides information regarding the original budget, final budget, and actual results as compared to the final budget for the General Fund. The General Fund is the principal operating fund of the City that accounts for all financial resources not accounted for in other funds.

Notes to Budgetary Comparison Schedule provides information related to the budgetary basis of accounting used by the City as well as budget amendments made to the appropriated budget.

The Schedules of the City's Contributions provide information relating to the City's adoption of GASB Statement No. 68.

The Schedules of the City's Proportionate Share of the Net Pension Liability provide information relating to the City's adoption of GASB Statement No. 68.

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Primary Government						
7/1/2016	\$ -	\$ 152,279,888	\$ 152,279,888	0%	\$ 100,584,901	151.39%
7/1/2015	-	148,565,744	148,565,744	0%	98,424,816	150.94%
7/1/2014	-	138,748,707	138,748,707	0%	93,451,271	148.47%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Liability	Percent of OPEB Cost Contributed
Primary Government				
2017	\$ 10,014,930	\$ 8,553,496	\$ 53,796,196	85.41%
2016	10,010,781	9,774,124	52,334,762	97.64%
2015	10,734,306	7,248,904	52,098,105	67.53%

**CITY OF COLUMBIA, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
General property taxes	\$ 53,241,097	\$ 53,241,097	\$ 30,808,092	\$ 22,433,005
Local option sales tax	-	-	20,946,748	(20,946,748)
Hospitality and admission taxes	-	-	433,481	(433,481)
Licenses and permits	26,032,707	26,032,707	26,580,332	(547,625)
Franchise fees	13,622,159	13,622,159	13,133,923	488,236
Intergovernmental revenue	15,037,877	15,037,877	14,822,853	215,024
Charges for services	14,713,528	14,713,528	13,025,426	1,688,102
Fines and forfeitures	1,102,000	1,102,000	887,354	214,646
Federal government	-	-	120,013	(120,013)
Promotions	-	-	521,108	(521,108)
Private grants	-	-	89,496	(89,496)
Interest	100,000	100,000	(38,203)	138,203
Rental income	90,000	90,000	103,343	(13,343)
Other revenues	16,000	16,000	81,123	(65,123)
Total revenues	123,955,368	123,955,368	121,515,089	2,440,279
EXPENDITURES				
Current				
General government	11,535,110	11,879,463	11,043,684	835,779
Judicial	3,626,020	3,626,420	3,334,061	292,359
Finance department	2,007,061	2,007,061	1,787,470	219,591
Planning and development	4,251,229	4,482,659	4,106,820	375,839
Public safety	63,574,467	63,546,706	60,968,586	2,578,120
Parks and recreation	12,008,573	11,939,708	11,620,323	319,385
Public services	16,179,738	16,286,034	14,638,292	1,647,742
General services	2,618,218	2,730,550	2,416,883	313,667
Tourism and community development	3,906,218	3,909,752	5,110,680	(1,200,928)
Community promotions	432,000	850,000	748,739	101,261
Debt service				
Principal payment on bonds	2,089,871	15,988,074	16,092,898	(104,824)
Interest on bonds	-	-	748,800	(748,800)
Fiscal agent charges	-	-	-	-
Debt issuance costs	-	-	61,000	(61,000)
Capital outlay				
Capital outlay	859,268	7,317,224	8,002,763	(685,539)
Total expenditures	123,087,773	144,563,651	140,680,999	3,882,652
Excess (deficiency) of revenues over (under) expenditures	867,595	(20,608,283)	(19,165,910)	(1,442,373)
OTHER FINANCING SOURCES (USES)				
Transfers in	11,525,000	11,525,000	8,311,923	3,213,077
Transfers (out)	(15,712,595)	(9,160,110)	(15,123,708)	5,963,598
Sale of general capital assets	320,000	320,000	167,063	152,937
Issuance of capital leases	-	-	8,100,000	(8,100,000)
Issuance of debt	-	-	1,460,000	(1,460,000)
Unappropriated surplus	3,000,000	4,059,251	-	4,059,251
Insurance recoveries	-	-	92,831	(92,831)
Total other financing sources (uses)	(867,595)	6,744,141	3,008,109	3,736,032
SPECIAL ITEMS				
Collections on capital leases	-	13,864,142	13,280,875	583,267
Rental income	-	-	2,592,856	(2,592,856)
Total special items	-	13,864,142	15,873,731	(2,009,589)
Excess (deficiency) of revenues and other financing sources over (under) expenditures, other financing sources (uses) and special items	-	-	(284,070)	284,070
Beginning fund balances (deficits)	36,393,740	36,393,740	29,904,862	-
Ending fund balances (deficits)	\$ 36,393,740	\$ 36,393,740	\$ 29,620,792	\$ 284,070

**CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Budget and Budgetary Accounting

A legal operating budget is prepared annually for the General Fund on the GAAP basis (modified accrual basis of accounting). Informal budgetary controls are maintained for other fund types, and therefore, budgetary comparisons to actual amounts are not presented.

The approved budget and amendments are legally enacted through passage of an ordinance authorizing the City Manager to administer the budget and to transfer necessary appropriations among funds. Additional budget appropriations must be approved by Council, and at the fund level, expenditures may not legally exceed budgeted appropriations.

All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budget during and after the year. All unused appropriations lapse at year end. Encumbrances are re-appointed on a yearly basis and are reflected as an increase in budgeted expenditures in the next year.

The final budget amendments presented are necessary based on the operating activities of the City. The budget was amended to reflect the increase of budgeted amount of transfers in, the decrease in the amount of transfers out, and the increase in the amount of capital expenditures. These amendments have been approved by City Council authorizations.

**Schedule of Changes in Appropriated Budget
Year Ended June 30, 2017**

	<u>Original Adopted Budget</u>	<u>Final Budget Amendments</u>	<u>Revised Budget</u>
General Fund	\$ 138,800,368	\$ 14,923,393	\$ 153,723,761

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULES OF THE CITY'S CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SOUTH CAROLINA RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
(UNAUDITED)**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contributions	\$ 6,888,470	\$ 6,155,138	\$ 5,815,863	\$ 5,669,535
Contributions made to the pension plan	<u>6,888,470</u>	<u>6,155,138</u>	<u>5,815,863</u>	<u>5,669,535</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll during the most recent fiscal year	\$ 59,588,839	\$ 55,652,247	\$ 53,480,622	\$ 52,411,010
Contributions as a percentage of covered employee payroll	11.56%	11.06%	10.87%	10.82%

**POLICE OFFICER'S RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
(UNAUDITED)**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contributions	\$ 5,784,601	\$ 5,548,189	\$ 5,031,606	\$ 4,736,002
Contributions made to the pension plan	<u>5,784,601</u>	<u>5,548,189</u>	<u>5,031,606</u>	<u>4,736,002</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll during the most recent fiscal year	\$ 41,200,865	\$ 40,976,282	\$ 37,437,424	\$ 36,688,676
Contributions as a percentage of covered employee payroll	14.04%	13.54%	13.44%	12.91%

The City implemented GASB 68 during fiscal year 2015; as such only the last four years of data are available. Each year the City will add an additional year of data until a total of ten years is presented.

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2017
(UNAUDITED)

SOUTH CAROLINA RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
(UNAUDITED)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
The City's percentage of the net pension liability	0.575439%	0.570267%	0.589139%	0.589139%
The City's proportionate share of the net pension liability	\$ 122,912,706	\$ 108,153,887	\$ 101,430,204	\$ 105,670,520
The City's covered employee payroll	\$ 55,652,247	\$ 53,480,622	\$ 52,411,010	\$ 51,204,018
The City's proportionate share of the net pension liability as a percentage of its covered payroll	220.86%	202.23%	193.53%	206.37%
The Plan's fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.92%	59.92%

POLICE OFFICER'S RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
(UNAUDITED)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
The City's percentage of the net pension liability	3.17559%	3.03491%	3.06671%	3.06671%
The City's proportionate share of the net pension liability	\$ 80,547,962	\$ 66,145,819	\$ 58,710,014	\$ 63,572,138
The City's covered employee payroll	\$ 40,976,282	\$ 37,437,424	\$ 36,688,676	\$ 35,432,581
The City's proportionate share of the net pension liability as a percentage of its covered payroll	196.57%	176.68%	160.02%	179.42%
The Plan's fiduciary net position as a percentage of the total pension liability	60.40%	64.60%	67.55%	67.55%

The City implemented GASB 68 during fiscal year 2015, as such only the last four years of data are available.
Each year the City will add an additional year of data until a total of ten years is presented.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Liquor Permit Fee accounts for receipts from the sale of temporary permits to allow the possession, sale, and consumption of alcoholic liquors for a period not to exceed 24 hours.

Business Improvement District accounts for the Business Improvement District taxes assessed on the business in the downtown area of the City to promote downtown beautification.

Accommodations Tax accounts for the 2% State Hotel Accommodations Tax receipts to promote tourism-related activities of City organizations.

Confiscated Drug Program accounts for the disposition of forfeited property and money seized in Columbia by law enforcement agencies.

Hospitality Tax accounts for a 2% gross sales tax on prepared food and beverages sold in establishments to promote tourism-related activities of City organizations.

Community Development grants and awards accounts for the Community Development Block Grants and other community development type grants.

Federal Grants accounts for the receipt of Federal grants except for Community Development Block Grants.

Other Programs accounts for miscellaneous programs for park improvements and special events.

Tourism Development Convention Center accounts for a 3% Tourism Development Fee imposed upon the rental of hotels, motels, and other lodging establishments in the City. This fee is dedicated to the attraction of and improvement of the services provided to tourists and to the retirement of the Series 2012 Certificates of Participation revenue bonds.

Debt Service Funds

Debt Service accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments financed by the Tourism Development Convention Center fund and the proprietary fund types. Ad valorem taxes, interest earnings on the investments of the Debt Service Fund, and interest earned on investments of certain Capital Projects Funds are used for the payment of principal, interest, and fiscal agent expenditures on the City's general obligation and revenue bonds.

Capital Project Funds

Congaree Vista District accounts for the construction and development of parks and infrastructure within the Congaree Vista District funded by tax increment district property tax revenues.

Streetscaping accounts for capital improvements to street landscaping.

General Capital Projects accounts for various capital improvements in the City.

Miscellaneous Projects accounts for various capital projects funded by the General Fund.

Permanent Trust

Anna Dickson Park Fund accounts for an endowment for which the investment income must be used to purchase flowers for the parks.

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Special Revenue										
	Liquor Permit Fee	Business Improvement District	Accommoda- tions Tax	Confiscated Drug Program	Hospitality Tax	Community Development	Federal Grants	Other Programs	Tourism Development Convention Center	Total Nonmajor Special Revenue Funds
ASSETS										
Cash and cash equivalents	\$ 691,218	\$ -	\$ -	\$ 435,278	\$ 1,016,912	\$ -	\$ 9,004	\$ 404,747	\$ 3,500,547	\$ 6,057,706
Investments	-	-	-	78,609	-	-	-	-	1,802,695	1,881,304
Receivables										
Federal government	-	-	-	-	-	919,312	1,442,029	-	-	2,361,341
State government	12,185	-	920,516	-	-	-	25,496	-	-	958,197
County	-	-	-	-	-	-	-	-	840,562	840,562
Accounts, net	-	-	-	-	2,708	894	372	-	-	3,974
Accrued interest receivable	-	-	-	-	-	-	-	-	729	729
Due from component units	-	-	-	-	-	-	21,164	-	-	21,164
TOTAL ASSETS	\$ 703,403	\$ -	\$ 920,516	\$ 513,887	\$ 1,019,620	\$ 920,206	\$ 1,498,065	\$ 404,747	\$ 5,944,533	\$ 11,924,977
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -	\$ -	\$ 426,862	\$ 4,573	\$ -	\$ 175,000	\$ 212,045	\$ 1,085	\$ 13,777	\$ 833,342
Accrued salaries and benefits	-	-	-	-	-	8,018	43,334	6,322	-	57,674
Refundable advances	-	-	-	78,609	7,354	-	48,364	-	-	134,327
Due to other funds	-	-	127,646	-	-	737,188	1,194,322	-	-	2,059,156
Total liabilities	-	-	554,508	83,182	7,354	920,206	1,498,065	7,407	13,777	3,084,499
Fund balances										
Restricted	703,403	-	366,008	430,705	1,012,266	-	-	397,340	5,930,756	8,840,478
Total fund balances	703,403	-	366,008	430,705	1,012,266	-	-	397,340	5,930,756	8,840,478
TOTAL LIABILITIES AND FUND BALANCES	\$ 703,403	\$ -	\$ 920,516	\$ 513,887	\$ 1,019,620	\$ 920,206	\$ 1,498,065	\$ 404,747	\$ 5,944,533	\$ 11,924,977

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017

	Capital Projects					Permanent Trust	Total Nonmajor Governmental Funds
	Debt Service Fund	Congaree Vista District	Streetscaping	General Capital Projects	Miscellaneous Projects	Nonmajor Capital Projects Funds	Dickson Trust
ASSETS							
Cash and cash equivalents	\$ 2,866,838	\$ 5,130,620	\$ 6,628,118	\$ 12,020,790	\$ 1,107,966	\$ 24,887,494	\$ 33,817,843
Investments	1,098,569	-	-	-	4,171,819	4,171,819	7,151,692
Receivables							
Federal government	-	-	-	-	-	-	2,361,341
State government	-	-	-	-	-	-	958,197
County	-	-	804,863	-	-	804,863	1,445,425
Accounts, net	-	-	-	1,283	-	1,283	5,257
Accrued interest receivable	-	-	-	-	456	456	1,185
Due from other funds	-	100,000	-	514,134	-	614,134	614,134
Due from component units	-	-	-	-	-	-	21,164
TOTAL ASSETS	\$ 3,965,407	\$ 5,230,620	\$ 7,432,981	\$ 12,536,207	\$ 5,280,241	\$ 30,480,049	\$ 46,376,038
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 804,863	\$ 1,007,428	\$ -	\$ 1,812,291	\$ 2,645,633
Accrued salaries and benefits	-	-	-	-	-	-	57,674
Retainage payable	-	-	-	185,586	-	185,586	185,586
Bond anticipation notes payable	-	-	-	-	3,000,000	3,000,000	3,000,000
Refundable advances	-	-	-	-	25	25	134,352
Due to other funds	-	-	-	-	614,134	614,134	2,673,290
Total liabilities	-	-	804,863	1,193,014	3,614,159	5,612,036	8,696,535
Fund balances							
Nonspendable	-	-	-	-	-	-	5,000
Restricted	3,965,407	5,230,620	-	-	1,666,082	6,896,702	19,703,192
Assigned	-	-	6,628,118	11,343,193	-	17,971,311	17,971,311
Total fund balances	3,965,407	5,230,620	6,628,118	11,343,193	1,666,082	24,868,013	37,679,503
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,965,407	\$ 5,230,620	\$ 7,432,981	\$ 12,536,207	\$ 5,280,241	\$ 30,480,049	\$ 46,376,038

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue										Total
	Liquor Permit Fee	Business Improvement District	Accommo- dations Tax	Confiscated Drug Program	Hospitality Tax	Community Development	Federal Grants	Other Programs	Tourism Development Convention Center	Nonmajor Special Revenue Funds	
REVENUES											
General property taxes	\$ -	\$ 881,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,067	
Hospitality and admission taxes	-	-	-	-	11,556,951	-	-	-	-	11,556,951	
Accommodations tax	-	-	2,496,308	-	-	-	-	-	-	2,496,308	
Tourism development fee	-	-	-	-	-	-	-	-	3,911,428	3,911,428	
Liquor permit fee	478,973	-	-	-	-	-	-	-	-	478,973	
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-	
Charges for services	-	-	-	-	-	-	-	79,912	-	79,912	
Fines and forfeitures	-	-	-	251,672	-	3,514,078	3,345,324	123,329	-	375,001	
Federal government	-	-	-	-	-	-	-	-	-	6,859,402	
State government	-	-	-	-	-	-	-	-	-	-	
County government	-	-	-	-	-	-	-	-	2,790,931	2,790,931	
Promotions	-	-	-	-	-	-	-	212,247	-	212,247	
Interest income	-	-	-	48	8,653	-	-	-	2,965	11,666	
Other revenues	-	-	-	-	-	-	109,415	-	-	109,415	
Total revenues	478,973	881,067	2,496,308	251,720	11,565,604	3,514,078	3,454,739	415,488	6,705,324	29,763,301	
EXPENDITURES											
Current											
General government	-	-	-	-	-	-	1,248,189	12,733	-	1,260,922	
Public safety	-	-	-	150,964	-	-	1,433,646	212,260	-	1,796,870	
Parks and recreation	-	-	-	-	-	-	-	11,604	-	11,604	
Public services	-	-	-	-	-	-	774,897	-	-	774,897	
Tourism and community development	-	881,067	2,404,378	-	5,360,649	2,661,805	-	63,173	3,390,305	14,761,377	
Debt service	-	-	-	-	-	-	-	-	-	-	
Principal payment on bonds	-	-	-	-	-	-	-	-	2,380,000	2,380,000	
Interest on bonds	-	-	-	-	-	-	-	-	346,248	346,248	
Fiscal agent charges	-	-	-	-	-	-	-	-	1,650	1,650	
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	29,777	-	-	333,958	-	-	363,735	
Total expenditures	-	881,067	2,404,378	180,741	5,360,649	2,661,805	3,790,690	299,770	6,118,203	21,697,303	
Excess (deficiency) of revenues over (under) expenditures	478,973	-	91,930	70,979	6,204,955	852,273	(335,951)	115,718	587,121	8,065,998	
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	5,925	-	403,202	335,951	88,931	-	834,009	
Transfers (out)	(684,743)	-	(25,000)	-	(5,600,643)	(1,255,475)	-	(22,687)	-	(7,588,548)	
Total other financing sources (uses)	(684,743)	-	(25,000)	5,925	(5,600,643)	(852,273)	335,951	66,244	-	(6,754,539)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(205,770)	-	66,930	76,904	604,312	-	-	181,962	587,121	1,311,459	
Beginning fund balances	909,173	-	299,078	353,801	407,954	-	-	215,378	5,343,635	7,529,019	
Ending fund balances	\$ 703,403	\$ -	\$ 366,008	\$ 430,705	\$ 1,012,266	\$ -	\$ -	\$ 397,340	\$ 5,930,756	\$ 8,840,478	

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Capital Projects						Permanent Trust
	Debt Service Fund	Capital Projects				Total	
		Congaree Vista District	Streetscaping	General Capital Projects	Miscellaneous Projects		
REVENUES							
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,067
Hospitality and admission taxes	-	-	-	-	-	-	11,556,951
Accommodations tax	-	-	-	-	-	-	2,496,308
Tourism development fee	-	-	-	-	-	-	3,911,428
Liquor permit fee	-	-	-	-	-	-	478,973
Intergovernmental revenue	-	-	4,657,292	49,000	-	4,706,292	4,706,292
Charges for services	-	-	-	-	-	-	79,912
Fines and forfeitures	-	-	-	-	-	-	375,001
Federal government	-	-	-	-	-	-	6,859,402
State government	-	-	-	35,593	-	35,593	35,593
County government	-	-	-	-	-	-	2,790,931
Promotions	-	-	-	-	-	-	212,247
Interest income	995	-	-	-	5,345	5,345	13
Other revenues	-	-	757,008	700,294	389,069	1,846,371	1,955,786
Total revenues	995	-	5,414,300	784,887	394,414	6,593,601	36,357,910
EXPENDITURES							
Current							
General government	-	-	-	-	1,772	1,772	1,262,694
Public safety	-	-	-	-	-	-	1,796,870
Parks and recreation	-	-	-	-	-	-	11,604
Public services	-	-	-	-	-	-	774,897
Tourism and community development	-	-	-	173,317	108,938	282,255	15,043,632
Debt service							
Principal payment on bonds	6,475,000	-	-	-	-	-	8,855,000
Interest on bonds	2,698,768	-	-	-	-	-	3,045,016
Fiscal agent charges	11,749	-	-	-	2,100	2,100	15,499
Debt issuance costs	-	-	-	-	68,500	68,500	68,500
Capital outlay							
Capital outlay	-	-	4,265,275	2,571,511	-	6,836,786	7,200,521
Total expenditures	9,185,517	-	4,265,275	2,744,828	181,310	7,191,413	38,074,233
Excess (deficiency) of revenues over (under) expenditures	(9,184,522)	-	1,149,025	(1,959,941)	213,104	(597,812)	(1,716,323)
OTHER FINANCING SOURCES (USES)							
Transfers in	8,936,779	-	-	8,305,858	494,270	8,800,128	18,570,916
Transfers (out)	-	(329,830)	(3,340,307)	(111,424)	(4,448,921)	(8,230,482)	(15,819,030)
Total other financing sources (uses)	8,936,779	(329,830)	(3,340,307)	8,194,434	(3,954,651)	569,646	2,751,886
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(247,743)	(329,830)	(2,191,282)	6,234,493	(3,741,547)	(28,166)	1,035,563
Beginning fund balances	4,213,150	5,560,450	8,819,400	5,108,700	5,407,629	24,896,179	36,643,940
Ending fund balances	\$ 3,965,407	\$ 5,230,620	\$ 6,628,118	\$ 11,343,193	\$ 1,666,082	\$ 24,868,013	\$ 37,679,503

NONMAJOR PROPRIETARY FUNDS

Nonmajor Proprietary Funds are used to account for operations of the City (a) that are financed and operated in a manner similar to private business where the intent is for the cost of providing goods or services to be recovered, in whole or in part, through user charges; or (b) where the City Council 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. These funds include:

Hydro-electric Facilities Fund accounts for hydro-electric plant activities.

Stormwater Facilities Fund accounts for stormwater utility activities.

Redevelopment Programs Fund accounts for various home rehabilitation and mortgage lending programs funded from various sources.

Parks and Recreation Camp Fund accounts for the parks and recreations camp activities.

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2017**

	Hydro-electric Facilities Fund	Stormwater Facilities Fund	Redevelopment Programs Fund	Parks and Recreation Camp Fund	Total Nonmajor Proprietary Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 171,881	\$ 10,608,471	\$ 5,153,745	\$ 119,408	\$ 16,053,505
Investments	-	6,378,956	-	-	6,378,956
Accounts receivable, net	-	425	-	-	425
Mortgage notes receivable, net	-	-	521,093	-	521,093
Accrued interest receivable	-	18,062	-	-	18,062
Due from component units	-	-	170,071	-	170,071
Prepaid expenses	-	9,614	-	-	9,614
Real estate held for resale	-	-	99,036	-	99,036
Total current assets	<u>171,881</u>	<u>17,015,528</u>	<u>5,943,945</u>	<u>119,408</u>	<u>23,250,762</u>
Noncurrent Assets					
Mortgage notes receivable, net	-	-	22,125,777	-	22,125,777
Capital assets					
Land	327,169	220,085	-	-	547,254
Buildings, improvements and utility plant	14,664,065	17,963,358	-	-	32,627,423
Machinery and equipment	-	3,953,547	-	-	3,953,547
Less accumulated depreciation	(4,771,124)	(6,522,679)	-	-	(11,293,803)
Construction in progress	-	5,484,621	-	-	5,484,621
Net capital assets	<u>10,220,110</u>	<u>21,098,932</u>	<u>-</u>	<u>-</u>	<u>31,319,042</u>
Total noncurrent assets	<u>10,220,110</u>	<u>21,098,932</u>	<u>22,125,777</u>	<u>-</u>	<u>53,444,819</u>
TOTAL ASSETS	<u>10,391,991</u>	<u>38,114,460</u>	<u>28,069,722</u>	<u>119,408</u>	<u>76,695,581</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to the net pension liability	-	629,175	50,027	37,675	716,877
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>629,175</u>	<u>50,027</u>	<u>37,675</u>	<u>716,877</u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2017**

	Hydro-electric Facilities Fund	Stormwater Facilities Fund	Redevelopment Programs Fund	Parks and Recreation Camp Fund	Total Nonmajor Proprietary Funds
LIABILITIES, DEFERRED INFLOWS AND FUND NET POSITION					
Current Liabilities					
Accounts payable	\$ 25,573	\$ 745,013	\$ 6,026	\$ 6,016	\$ 782,628
Accrued salaries and benefits	-	43,555	2,785	42,015	88,355
Compensated absences	-	-	-	8	8
Retainage payable	-	2,500	-	-	2,500
Total current liabilities	25,573	791,068	8,811	48,039	873,491
Noncurrent Liabilities					
Compensated absences	-	87,865	-	31	87,896
Net pension liability	-	3,397,793	262,650	203,461	3,863,904
Total noncurrent liabilities	-	3,485,658	262,650	203,492	3,951,800
Total liabilities	25,573	4,276,726	271,461	251,531	4,825,291
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to the net pension liability	-	38,579	2,752	2,310	43,641
FUND NET POSITION					
Net investment in capital assets	10,220,110	21,096,432	-	-	31,316,542
Unrestricted	146,308	13,331,898	27,845,536	(96,758)	41,226,984
Total fund net position	<u>\$ 10,366,418</u>	<u>\$ 34,428,330</u>	<u>\$ 27,845,536</u>	<u>\$ (96,758)</u>	<u>\$ 72,543,526</u>

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Hydro-electric Facilities Fund	Stormwater Facilities Fund	Redevelopment Programs Fund	Parks and Recreation Camp Fund	Total Nonmajor Proprietary Funds
Operating revenues					
Charges for service	\$ -	\$ 7,413,183	\$ 563,544	\$ 335,505	\$ 8,312,232
Other operating revenue	-	-	11,364	-	11,364
Total operating revenues	-	7,413,183	574,908	335,505	8,323,596
Operating expenses					
Personnel services	-	2,992,953	176,332	269,086	3,438,371
Materials and supplies	-	308,882	3,415	43,691	355,988
Other services and charges	283,307	2,022,470	875,687	36,054	3,217,518
Heat, light and power	-	1,203	-	-	1,203
Depreciation	323,466	1,175,554	-	-	1,499,020
Bad debt expense	-	-	127,621	-	127,621
Total operating expenses	606,773	6,501,062	1,183,055	348,831	8,639,721
Operating income (loss)	(606,773)	912,121	(608,147)	(13,326)	(316,125)
Nonoperating revenues (expenses)					
Investment income (loss)	-	73,652	(27)	-	73,625
Rental income	-	18,920	-	-	18,920
Other nonoperating revenue	-	-	10,000	-	10,000
Federal grant revenue	-	-	138,763	-	138,763
Gain (loss) from sale of assets	-	-	90,477	-	90,477
Insurance recoveries	151,890	-	-	-	151,890
Total nonoperating revenues (expenses)	151,890	92,572	239,213	-	483,675
Income (loss) before contributions and transfers	(454,883)	1,004,693	(368,934)	(13,326)	167,550
Capital contributions and transfers					
Transfers in	-	-	1,095,370	-	1,095,370
Transfers out	-	(436,141)	(403,202)	(19,211)	(858,554)
Total capital contributions and transfers	-	(436,141)	692,168	(19,211)	236,816
Extraordinary item					
Asset impairment cost	(1,509,235)	-	-	-	(1,509,235)
Change in net position	(1,964,118)	568,552	323,234	(32,537)	(1,104,869)
Net position - beginning	12,330,536	33,859,778	27,522,302	(64,221)	73,648,395
Net position - ending	\$ 10,366,418	\$ 34,428,330	\$ 27,845,536	\$ (96,758)	\$ 72,543,526

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Hydro-electric Facilities Fund	Stormwater Facilities Fund	Redevelopment Programs Fund	Parks and Recreation Camp Fund	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ -	\$ 7,422,285	\$ 574,908	\$ 335,505	\$ 8,332,698
Internal activity - payments to other funds	-	(928,541)	(28,336)	(12,654)	(969,531)
Payments to suppliers	(260,586)	(1,649,947)	(846,874)	(63,941)	(2,821,348)
Payments to employees	-	(3,066,410)	(180,493)	(263,027)	(3,509,930)
Net cash provided by (used in) operating activities	<u>(260,586)</u>	<u>1,777,387</u>	<u>(480,795)</u>	<u>(4,117)</u>	<u>1,031,889</u>
Cash Flows From Noncapital Financing Activities					
Other nonoperating revenues	151,890	-	148,763	-	300,653
Transfers in	-	-	1,095,370	-	1,095,370
Transfers out	-	(436,141)	(403,202)	(19,211)	(858,554)
Net cash provided by (used in) noncapital financing activities	<u>151,890</u>	<u>(436,141)</u>	<u>840,931</u>	<u>(19,211)</u>	<u>537,469</u>
Cash Flows From Capital And Related Financing Activities					
Purchase of capital assets	-	(2,936,643)	-	-	(2,936,643)
Net cash used in capital and related financing activities	<u>-</u>	<u>(2,936,643)</u>	<u>-</u>	<u>-</u>	<u>(2,936,643)</u>
Cash Flows From Investing Activities					
Purchase of investments	-	(1,066,246)	-	-	(1,066,246)
Receipts from property rentals	-	18,920	-	-	18,920
Advances of mortgage notes receivable	-	-	(3,471,360)	-	(3,471,360)
Collections of mortgage notes receivable	-	-	2,473,793	-	2,473,793
Interest received	-	68,581	-	-	68,581
Sale of real estate held for resale	-	-	90,477	-	90,477
Net cash used in investing activities	<u>-</u>	<u>(978,745)</u>	<u>(907,090)</u>	<u>-</u>	<u>(1,885,835)</u>
Net decrease in cash and cash equivalents	<u>(108,696)</u>	<u>(2,574,142)</u>	<u>(546,954)</u>	<u>(23,328)</u>	<u>(3,253,120)</u>
Cash and cash equivalents, July 1, 2016	<u>280,577</u>	<u>13,182,613</u>	<u>5,700,699</u>	<u>142,736</u>	<u>19,306,625</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 171,881</u>	<u>\$ 10,608,471</u>	<u>\$ 5,153,745</u>	<u>\$ 119,408</u>	<u>\$ 16,053,505</u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	Hydro-electric Facilities Fund	Stormwater Facilities Fund	Redevelopment Program Fund	Parks and Recreation Camp Fund	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	<u>\$ (606,773)</u>	<u>\$ 912,121</u>	<u>\$ (608,147)</u>	<u>\$ (13,326)</u>	<u>\$ (316,125)</u>
Adjustments to reconcile operating income to net cash (loss) provided by (used in) operating activities:					
Depreciation	323,466	1,175,554	-	-	1,499,020
Accrued benefits related to net pension liability	-	114,304	9,662	6,845	130,811
Bad debt expense	-	-	127,621	-	127,621
Change in operating assets and liabilities					
Accounts receivable	-	9,102	-	-	9,102
Prepaid expenses	-	(1,571)	-	-	(1,571)
Accounts payable	22,721	(361,166)	(5,770)	(3,695)	(347,910)
Accrued salaries	-	(74,794)	(4,161)	6,059	(72,896)
Accrued compensated absences	-	1,337	-	-	1,337
Accrued expenses	-	2,500	-	-	2,500
Total adjustments	<u>346,187</u>	<u>865,266</u>	<u>127,352</u>	<u>9,209</u>	<u>1,348,014</u>
Net cash provided by (used in) operating activities	<u><u>\$ (260,586)</u></u>	<u><u>\$ 1,777,387</u></u>	<u><u>\$ (480,795)</u></u>	<u><u>\$ (4,117)</u></u>	<u><u>\$ 1,031,889</u></u>

INTERNAL SERVICE FUNDS

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 in the City, or to other governments, on a user charge basis. These funds include:

Fleet Management accounts for the maintenance and repair of vehicles.

Support Services accounts for a decentralized governmental and enterprise inventory system, a central supply facility, procurement functions, and the City's general maintenance functions.

Risk Management accounts for the costs associated with self-funded liability plans for employee health, worker's compensation, and tort liability for all City departments.

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	Fleet Management Fund	Support Services Fund	Risk Management Fund	Total Internal Service Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,790,604	\$ 887,430	\$ 66,458,668	\$ 71,136,702
Accounts receivable, net	77,022	-	255,533	332,555
Inventory	-	688,203	-	688,203
Prepaid expenses	4,601	120,785	-	125,386
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	3,872,227	1,696,418	66,714,201	72,282,846
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent Assets				
Deposits	-	-	78,745	78,745
Capital assets				
Buildings, improvements and utility plant	903,586	10,990	-	914,576
Machinery and equipment	455,308	1,270,641	-	1,725,949
Less accumulated depreciation	(1,065,893)	(921,227)	-	(1,987,120)
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	293,001	360,404	-	653,405
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent assets	293,001	360,404	78,745	732,150
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	4,165,228	2,056,822	66,792,946	73,014,996
	<hr/>	<hr/>	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to the net pension liability	629,175	301,401	52,745	983,321
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 629,175	\$ 301,401	\$ 52,745	\$ 983,321
	<hr/>	<hr/>	<hr/>	<hr/>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS (CONTINUED)
JUNE 30, 2017**

	Fleet Management Fund	Support Services Fund	Risk Management Fund	Total Nonmajor Proprietary Funds
LIABILITIES, DEFERRED INFLOWS AND FUND NET POSITION				
Current Liabilities				
Accounts payable	\$ 1,239,136	\$ 228,117	\$ 399,947	\$ 1,867,200
Accrued salaries and benefits	38,151	24,698	9,699	72,548
Compensated absences	23,865	15,179	10,790	49,834
Due to other funds	-	405,380	-	405,380
Accrued liability for claims	-	-	17,405,626	17,405,626
Total current liabilities	<u>1,301,152</u>	<u>673,374</u>	<u>17,826,062</u>	<u>19,800,588</u>
Noncurrent Liabilities				
Compensated absences	95,459	60,714	43,160	199,333
Net pension liability	3,397,793	1,627,686	284,845	5,310,324
Net OPEB obligation	-	-	53,796,196	53,796,196
Total noncurrent liabilities	<u>3,493,252</u>	<u>1,688,400</u>	<u>54,124,201</u>	<u>59,305,853</u>
Total liabilities	<u>4,794,404</u>	<u>2,361,774</u>	<u>71,950,263</u>	<u>79,106,441</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to the net pension liability	<u>38,579</u>	<u>18,481</u>	<u>3,234</u>	<u>60,294</u>
FUND NET POSITION				
Net investment in capital assets	293,001	360,404	-	653,405
Unrestricted	<u>(331,581)</u>	<u>(382,436)</u>	<u>(5,107,806)</u>	<u>(5,821,823)</u>
Total fund net position	<u>\$ (38,580)</u>	<u>\$ (22,032)</u>	<u>\$ (5,107,806)</u>	<u>\$ (5,168,418)</u>

CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Fleet Management Fund	Support Services Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues				
Charges for service	\$ 9,920,694	\$ 1,462,327	\$ 36,900,136	\$ 48,283,157
Total operating revenues	9,920,694	1,462,327	36,900,136	48,283,157
Operating expenses				
Personnel services	2,504,813	1,484,952	547,370	4,537,135
Materials and supplies	7,490,542	448,840	129,146	8,068,528
Other services and charges	195,194	1,785,591	4,286,060	6,266,845
Heat, light and power	45,569	-	4,112	49,681
Depreciation	52,960	178,422	-	231,382
Claims and premiums	-	-	41,658,400	41,658,400
Total operating expenses	10,289,078	3,897,805	46,625,088	60,811,971
Operating income (loss)	(368,384)	(2,435,478)	(9,724,952)	(12,528,814)
Transfers				
Transfers in	480,281	2,561,389	10,757,298	13,798,968
Transfers out	(513,538)	(321,865)	(1,066,018)	(1,901,421)
Total transfers	(33,257)	2,239,524	9,691,280	11,897,547
Change in net position	(401,641)	(195,954)	(33,672)	(631,267)
Net position - beginning	363,061	173,922	(5,074,134)	(4,537,151)
Net position - ending	\$ (38,580)	\$ (22,032)	\$ (5,107,806)	\$ (5,168,418)

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Fleet Management Fund	Support Services Fund	Risk Management Fund	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 287,945	\$ -	\$ -	\$ 287,945
Internal activity - receipts from other funds	9,623,760	1,462,327	36,989,572	48,075,659
Internal activity - payments to other funds	(593,142)	(323,333)	(7,069)	(923,544)
Payments to suppliers	(6,619,850)	(2,152,379)	(3,998,040)	(12,770,269)
Claims paid	-	-	(39,917,489)	(39,917,489)
Payments to employees	(2,484,170)	(1,431,442)	(534,244)	(4,449,856)
Net cash provided by (used in) operating activities	<u>214,543</u>	<u>(2,444,827)</u>	<u>(7,467,270)</u>	<u>(9,697,554)</u>
Cash Flows From Noncapital Financing Activities				
Advances from other funds	-	405,380	-	405,380
Transfers in	480,281	2,561,389	10,757,298	13,798,968
Transfers out	(513,538)	(321,865)	(1,066,018)	(1,901,421)
Net cash provided by (used in) noncapital financing activities	<u>(33,257)</u>	<u>2,644,904</u>	<u>9,691,280</u>	<u>12,302,927</u>
Net increase in cash and cash equivalents	181,286	200,077	2,224,010	2,605,373
Cash and cash equivalents, July 1, 2016	<u>3,609,318</u>	<u>687,353</u>	<u>64,234,658</u>	<u>68,531,329</u>
Cash and cash equivalents, June 30, 2017	<u><u>\$ 3,790,604</u></u>	<u><u>\$ 887,430</u></u>	<u><u>\$ 66,458,668</u></u>	<u><u>\$ 71,136,702</u></u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	Fleet Management Fund	Support Services Fund	Risk Management Fund	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	<u>\$ (368,384)</u>	<u>\$ (2,435,478)</u>	<u>\$ (9,724,952)</u>	<u>\$ (12,528,814)</u>
Adjustments to reconcile operating income to net cash (loss) provided by (used in) operating activities:				
Depreciation	52,960	178,422	-	231,382
Accrued benefits related to net pension liability	114,304	54,757	9,582	178,643
Change in operating assets and liabilities				
Accounts receivable	(8,989)	-	89,436	80,447
Inventory	-	(25,558)	-	(25,558)
Prepaid expenses	(2,507)	(41,237)	-	(43,744)
Accounts payable	520,820	(174,487)	(1,047,225)	(700,892)
Accrued salaries	(86,403)	(15,570)	(8,065)	(110,038)
Accrued compensated absences	(7,258)	14,324	11,608	18,674
OPEB liability	-	-	1,461,434	1,461,434
Accrued liability for claims	-	-	1,740,912	1,740,912
Total adjustments	<u>582,927</u>	<u>(9,349)</u>	<u>2,257,682</u>	<u>2,831,260</u>
Net cash provided by (used in) operating activities	<u><u>\$ 214,543</u></u>	<u><u>\$ (2,444,827)</u></u>	<u><u>\$ (7,467,270)</u></u>	<u><u>\$ (9,697,554)</u></u>

FIDUCIARY FUNDS

Private-Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Breast Cancer Awareness fund – accounts for contributions made and revenue raised on behalf of breast cancer awareness in the Midlands region.

Employee Special Activity fund –accounts for contributions made and revenue raised to support educational activities and benevolent events.

Mayor's Commission Employ People with Disabilities fund – accounts for contributions made to help individuals with disabilities find jobs.

Agency Funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

Agency fund - to account for contributions collected by the City on behalf of other entities.

CITY OF COLUMBIA, SOUTH CAROLINA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2017

	Private-Purpose Trust Funds			
	Breast Cancer Awareness Fund	Employee Special Activity Fund	Mayor's Commission Employ People with Disabilities Fund	Total Private-Purpose Trust Funds
ASSETS				
Cash and cash equivalents	\$ 12,193	\$ 7,467	\$ 2,505	\$ 22,165
Total assets	<u>12,193</u>	<u>7,467</u>	<u>2,505</u>	<u>22,165</u>
NET POSITION				
Held in trust - other purposes	<u>\$ 12,193</u>	<u>\$ 7,467</u>	<u>\$ 2,505</u>	<u>\$ 22,165</u>

CITY OF COLUMBIA, SOUTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust Funds			
	Breast Cancer Awareness Fund	Employee Special Activity Fund	Mayor's Commission Employ People with Disabilities Fund	Total Private-Purpose Trust Funds
ADDITIONS				
Contributions:				
Private Donations	\$ 14,282	\$ 1,032	\$ -	\$ 15,314
Total contributions	<u>14,282</u>	<u>1,032</u>	<u>-</u>	<u>15,314</u>
DEDUCTIONS				
Program expenses	4,860	5,880	125	10,865
Total deductions	<u>4,860</u>	<u>5,880</u>	<u>125</u>	<u>10,865</u>
Change in net position	9,422	(4,848)	(125)	4,449
Net position - beginning	<u>2,771</u>	<u>12,315</u>	<u>2,630</u>	<u>17,716</u>
Net position - ending	<u>\$ 12,193</u>	<u>\$ 7,467</u>	<u>\$ 2,505</u>	<u>\$ 22,165</u>

CITY OF COLUMBIA, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and cash equivalents	\$ 36,933	\$ 141,856	\$ 143,404	\$ 35,385
Total assets	<u>36,933</u>	<u>141,856</u>	<u>143,404</u>	<u>35,385</u>
LIABILITIES				
Accounts payable	36,933	141,856	143,404	35,385
Total liabilities	<u>\$ 36,933</u>	<u>\$ 141,856</u>	<u>\$ 143,404</u>	<u>\$ 35,385</u>

OTHER SCHEDULE

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2017**

Court Fines and Assessments

Fines Collected	\$ 806,566
Assessments	906,896
Surcharges	<u>304,410</u>

Total Court Fines and Assessments Collected	<u>\$ 2,017,872</u>
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Surcharges and Assessments Remitted to State Treasurer

Fines, Fees and Filing Fee / Assessment	
Municipal Conditional Discharge Fee	\$ 21,905
DUI/DUS/BUI	
Municipal DUS DPS Pullout	25,722
Municipal DUI Assessment	1,328
Municipal DUI Surcharge	11,066
DUS DPS Pullout - DUIHP	11,066
DUI/DUAC Breathalyzer Test Conviction Fee - SLED	2,772
Surcharges	
Municipal Drug Surcharge	26,029
Municipal Law Enforcement Surcharge	218,284
Criminal Justice Academy Surcharge	8,916
Other Assessments - State Shared	<u>760,890</u>

Total Revenue Remitted to State Treasurer	<u>\$ 1,087,978</u>
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Fines, Surcharges, and Assessments Retained by City

Fines	\$ 806,566
Assessments	95,607
Surcharges	<u>27,721</u>

Total Revenue Retained by City	<u>\$ 929,894</u>
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Funds Allocated to Victims Assistance

Carryover Funds from Prior Year	\$ -
Assessments Retained	95,607
Surcharges Retained	27,721
Expenditures	(212,260)
Transfers from General Fund	<u>88,932</u>

Total Carryover	<u>\$ -</u>
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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF COLUMBIA

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Population

The population of the City of Columbia, South Carolina (“City”), Lexington County, South Carolina (“Lexington County”), Richland County, South Carolina (“Richland County”) and the Columbia Metropolitan Statistical Area (“Columbia MSA”) for the preceding five decades and estimates for calendar year 2017 are and is set forth in the following table:

<u>Year</u>	<u>City</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>Columbia MSA</u>
1970	113,542	89,012	233,868	322,880
1980	101,229	140,353	269,735	409,953
1990	103,477	167,611	285,720	453,932
2000	116,278	216,014	320,677	647,158
2010	129,272	262,391	384,504	767,598
2017 [†]	134,309	290,642	411,592	825,033

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

[†]Estimate, subject to adjustment.

Per Capita Income

The following table shows the per capita income in Lexington County, Richland County and the State of South Carolina (“State”) for the past five calendar years, for which information is available:

<u>Year</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>State</u>
2012	\$37,363	\$37,811	\$35,244
2013	37,982	38,346	35,287
2014	39,771	38,811	36,860
2015	41,764	41,025	38,302
2016	42,843	42,245	39,517

Source: U.S. Bureau of Economic Analysis

Median Family Income

Median family income statistics are available only as combined figures for the Columbia MSA made up of Lexington, Richland, Calhoun, Fairfield, Kershaw and Saluda counties. The median family income for the Columbia MSA for the last five fiscal years, for which information is available, is shown in the following table. Median family income figures for the State and United States are shown for comparison purposes.

<u>Year</u>	<u>Columbia MSA</u>	<u>State</u>	<u>United States</u>
2014	\$58,000	\$54,300	\$63,900
2015	64,700	55,500	65,800
2016	64,100	56,100	65,700
2017	67,000	58,300	68,000
2018 [†]	69,900	62,500	71,900

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research

[†]Estimate as of April 1, 2018.

Unemployment Rate

The average unemployment rates in the City, Lexington County, Richland County, the State and the United States for each of the last five calendar years, for which information is available, is set forth in the following table:

<u>Year</u>	<u>City</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>State</u>	<u>United States</u>
2013	7.4%	5.8%	6.9%	7.6%	7.4%
2014	6.5	5.1	6.0	6.5	6.2
2015	6.5	4.9	5.7	6.0	5.3
2016	5.3	4.0	4.7	5.0	4.9
2017	4.7	3.6	4.3	4.3	4.3

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

The monthly unemployment rates in the City, Lexington County, Richland County, the State and the United States for the last 12 months, for which information is available, is set forth in the following table:

<u>Month</u>	<u>City</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>State</u>	<u>United States</u>
September 2017	4.1%	3.4%	3.9%	4.2%	4.1%
October 2017	4.1	3.4	4.0	4.2	3.9
November 2017	4.4	3.5	4.1	4.0	3.9
December 2017	4.7	3.7	4.3	4.2	3.9
January 2018	5.4	4.2	5.0	5.0	4.5
February 2018	4.7	3.9	4.5	4.6	4.4
March 2018	4.5	3.4	4.0	4.1	4.1
April 2018	3.1	2.4	2.8	2.8	3.7
May 2018	3.2	2.4	2.9	2.8	3.6
June 2018	4.3	3.1	3.7	3.6	4.2
July 2018	4.2	2.9	3.6	3.5	4.1
August 2018	3.5 [†]	3.1	3.7	3.7	3.6

Source: U.S. Bureau of Labor Statistics

[†]Preliminary

Retail Sales

The following table shows retail sales of businesses located in Lexington County, Richland County and the City for the last five calendar years for which information is available:

<u>Year</u>	<u>Lexington County</u>	<u>Richland County</u>	<u>City</u>
2013	\$10,653,377,005	\$10,796,020,131	\$5,238,086,906
2014	10,692,792,351	10,939,040,895	5,379,848,426
2015	12,277,626,168	10,616,492,430	4,781,690,279
2016	15,315,151,929	11,299,456,248	5,272,281,860
2017	15,107,007,656	11,419,480,075	5,262,679,780

Source: South Carolina Department of Revenue

Construction Activity

The growth of the City is reflected in the following table showing the number of new commercial and residential units constructed in the City and the approximate cost of those units in the last five fiscal years for which information is available:

<u>Fiscal Year Ended June 30</u>	<u>Commercial</u>		<u>Residential</u>	
	<u>Number of Units</u>	<u>Estimated Commercial Costs</u>	<u>Number of Units</u>	<u>Estimated Residential Costs</u>
2013	33	\$29,167,670	226	\$33,847,371
2014	19	87,236,042	178	35,203,257
2015	32	96,485,135	629	118,450,921
2016	34	78,078,051	179	31,824,601
2017	31	107,273,675	316	67,337,325

Source: City of Columbia, Planning and Development Services, Permits

Commerce and Industry

State and federal payrolls are major sources of employment and income for residents of the City. The City has experienced considerable expansion of Federal, State, and the City facilities. A prior example of governmental investment in the City includes completion by the Federal government of a \$32 million, 250,000 square foot National Advocacy Center located on the campus of the University of South Carolina in Columbia. Its primary mission is to train the nation's prosecutors and litigators. An estimated 10,000 students attend one-to-two week-long continuing education programs at the center.

University of South Carolina. The University of South Carolina's ("USC") main campus is located in downtown Columbia. USC, along with the USC Development Foundation, the City and the University Neighborhood Association collaborated to develop the Inn at USC, a state-of-the-art hotel with 117 rooms, including several two-room suites, three deluxe suites with fireplaces, and spacious meeting and seminar rooms. The Inn at USC joined the Wyndham Hotel Group in August 2012 and is now known as the Inn at USC Wyndham Garden Columbia. The Inn is the first Wyndham Garden hotel in South Carolina. The Inn at USC Wyndham Garden Columbia is adjacent to, and services the National Advocacy Center. Marriott purchased and renovated another hotel on USC's Columbia campus. The Courtyard Marriott opened in 2007, with 189 rooms, 16 suites, and three meeting rooms with a capacity of 600.

USC's main campus is home to the Colonial Life Arena—the largest arena in the State with 18,000 seats, and the tenth-largest on-campus basketball facility in the nation. This one-of-a-kind facility features 41 luxury suites, four entertainment suites, and a full-service hospitality room with capacity for 300. Also located on USC's main campus is the Strom Thurmond Wellness and Fitness Center and the Greek Village, which consists of 20 residential housing units, each accommodating 35 to 40 resident students. Located on a 29-acre tract along the Congaree River near downtown Columbia is the USC baseball stadium built in 2009 with a seating capacity of 8,242.

USC formed a public/private partnership with partners in business and government to build a 500-acre research campus called "Innovista" in downtown Columbia for research on hydrogen and other technologies. Innovista facilities consist of the Arnold School of Public Health and two research complexes: Horizon Center and Discovery Plaza. The Arnold School of Public Health, situated on a \$22 million, 104,860-square-foot facility, is the only school of public health in the State. Students become equipped to receive master's and doctoral degree programs in public health, medicine, pharmacy, environment, kinesiology, physical therapy and health systems management. The exercise science program is ranked one of the top five nationally. Horizon I contains 125,000 square feet of dry lab and wet lab space, and is home to the National Science Foundation Industry/University Cooperative for Fuel Cell Research. Discovery Plaza I houses a wet lab with vivarium lab for USC biomedical scientists. The second building in each complex will be for private tenants and their research teams, working on projects related to those of the USC researchers, and each complex will have its own attached parking deck. Horizon II is a privately developed, five-story, 110,000-square-foot office/dry lab building, currently under construction. Discovery II is in the design and programming phase. Tenants will include private-sector firms and governmental units with collaborative USC research relationships. Innovista provides walking and bike paths tying its buildings and parking to Riverfront Park, the USC baseball stadium, and the Strom Thurmond Wellness & Fitness Center. The total investment for the first phase of construction was approximately \$140 million, with the total investment in Innovista expected to reach \$250 million at completion. The new, 250,000 square-foot, \$90 million, Darla Moore School of Business, also located in Innovista, opened for classes for the Fall 2014 semester.

In May 2017, the USC School of Law, located in downtown, opened its new \$80 million, 187,500 square-foot facility at Bull and Gervais streets. The building features 17 classrooms, ranging in size from 20 to 95 seats, and two realistic courtrooms, including one that also can be used as a 300-seat auditorium. The new School of Law anchors a legal corridor along the north edge of the campus and comprises the school's Children Law Center, the National Advocacy Center, and the South Carolina's State House and Supreme Court.

The 60,000 square-foot, \$26 million Alumni Center, located in the Vista, opened in the summer of 2015 and is a place for alumni engagements and to celebrate life's milestones.

USC began construction in early 2014 behind the Carolina Coliseum of a private, resort-style student housing development including a six-story, 919-bed apartment complex, 650 Lincoln. The complex, which opened in 2016,

includes one-, two- and four-bedroom apartments, as well as studio apartments, a fitness center, volleyball court, a pool, and other high-end amenities. As part of the project, a dining facility, parking garage and classrooms will be built behind the new Moore Business School. A portion of the complex is complete and students have moved in, while other sections have been delayed by a few months.

Downtown Columbia. Columbia Marriott located on Main Street in Downtown Columbia invested approximately \$12 million in renovations to its facilities. A new restaurant concept was a main focus of the renovations, which included updates to all guest rooms and suites and a broad transformation throughout the lobby, the concierge lounge, and the hotel's 27,000-square-feet of meeting space.

In January 2018, the Hunter-Gatherer Brewery opened in Columbia's historic Depression-era Curtiss-Wright hangar at Jim Hamilton-L.B. Owens Airport. The hangar underwent a complete renovation and re-opened as a craft brewery owned and operated by Hunter Gatherer. The brewery takes up the entire 13,000-square-foot hangar and includes a tap room, event space, an open-to-the-public brewery and an observation deck overlooking the commuter airport near Rosewood Drive.

In November 2017, the City announced two new projects. The first project, known as the Azurest at Heritage Creek, will be located in the City's northern area. The project is a mixed-use development of commercial, residential and retail space to include single- and multi-family housing, retail and recreation to 80, currently-undeveloped, acres. The development is expected to include more than 100 homes, a senior assisted-living facility, a school, boutique shops, medical clinics, and restaurants.

The second project is a Community and Resource Training Center, which is scheduled to be completed in 2018. Once completed, the facility will feature a large community center with a conference room, recreation area and a police substation with state-of-the-art technology. A second phase of construction is anticipated to start later in 2018 and will include walking trails, a playground and public plazas.

Downtown Columbia's 1600 block of Main Street continues its transformation. Anchored by early adopters Mast General and the Nick Theater, the block now contains a yoga studio, wine parlor, event venue, vegan restaurant, boutique cigar store, specialty ice cream shop, bowling alley, golf driving range entertainment facility, and a web development company. In addition to the numerous retail establishments, restaurants, and businesses, Main Street is also home to Soda City and Famously Hot New Year's celebration. Soda City is Columbia's Main Street Farmers Market open every Saturday from 9am – 1 pm, year round. Soda City offers visitors the opportunity to shop for gifts, fresh produce, locally-sourced fresh and prepared food, and craft items. Columbia's Famously Hot New Year's Celebration is South Carolina's largest New Year's Eve event, hosted on Main Street. Started in 2011, Famously Hot New Year is a free, outdoor celebration that draws a diverse, all-ages crowd of tens of thousands of guests – from 48 states and 11 countries – to downtown Columbia.

In August 2017, University of South Carolina trustees approved a \$460 million plan to transform the south side of USC's downtown Columbia campus into a 3,750-bed "Campus Village" student housing complex. The 18-acre site – bordered by Pickens, Heyward and Sumter streets – call for cast-stone or brick buildings of up to six stories, a 945-space parking garage, several courtyards, retail shops, a cafeteria and restaurants.

Spirit Communications Park ("Park"), home to the Columbia Fireflies, an affiliated Minor League Baseball team, hosted its first game in April 2016. The Park is a state-of-the-art, multi-use sports and entertainment venue situated in "The Commons at Bull Street" in Downtown Columbia. The Park was named the 2016 Ballpark of the Year by Ballpark Digest. The Park will anchor various projects at The Commons at Bull Street. The Columbia Fireflies staffs approximately 550 part-time and 35 full-time employees. The Park seats approximately 8,000 fans for baseball games and 14,000 for concerts.

The Commons at Bull Street is a 181-acre, planned development intending to provide a live-work-play community in the City's downtown. The first phase of development includes The First Base (office) Building and Bone-In Barbeque, a restaurant which opened in June 2018. The 196-unit Merrill Gardens, a senior-living community, and 28 residential townhomes, are each under construction. The historic Bakery at Bull Street building is home to the SOCO co-work and event space. The Central Energy Facility is the future home of Downtown Church and plans are being formulated to locate a new USC Health Sciences campus on The Commons at Bull Street.

Station at Five Points Apartments is a new student housing complex including one, two, three, and four bedroom apartments, with numerous amenities, including electronic building access, study rooms, a 24-hour business center, community-wide high-speed Wi-Fi, media center, fire pit and grilling area, fitness center, pool, gaming room and golf simulator.

A new student housing project is currently in the construction phase for Downtown Columbia. University SC Tower, a private student housing project located a few blocks from the USC Horseshoe will feature 848 beds, five-bedroom suites, private parking and street-level retail. The latest entry into downtown's upscale student housing market will be two glass-covered towers 12-stories high, with a theater, fitness center and rooftop pool. It will be situated along Assembly, Pendleton and Park streets, across Assembly from the State House, with suites ranging from one- to five-bedrooms. Construction of the \$60 million, 435,000-square-foot complex is expected to be completed in 2018.

Vista. The City of Columbia, in cooperation with Richland County and neighboring Lexington County, constructed a 142,500 square-foot, state-of-the-art meeting and convention center in the downtown "Vista" area at a cost of \$40 million. The Columbia Metropolitan Convention Center is complemented by a 222-room, full service Hilton Convention Center Hotel, along with an adjacent 829-space parking garage serving the hotel, convention center and area businesses. Other major projects in the Vista area include renovation of the historic South Carolina Dispensary Warehouse for reuse as a Publix grocery store and townhouses, and the development of Canal Front Park along the Columbia Canal.

Residential projects in the Vista include Justice Square Town Homes, a 12-unit residential project. In addition, Renaissance Plaza Apartments provides live/work residential units, with 17 small storefronts and professional offices and 55 condominiums. The Canal Side development consists of 25 acres and 750 total units of single-family attached, detached and multi-family residential options, a central park area, open space adjacent to the Congaree River and Columbia Canal, and a limited amount of complementary retail and commercial space. In addition to the above, many businesses, including over 60 restaurants and bars, approximately 40 art galleries and specialty shops, hotels, banks, retail stores, and other office buildings have been or are currently under development in the Vista area.

In and near the Vista are various museums and theatres, including the Columbia Museum of Art, the Historic Columbia Foundation, the South Carolina Confederate Relic Room and Military Museum, the South Carolina State Museum, the Koger Center for the Arts, EdVenture Children's Museum, and the Trustus Theatre.

In February 2017, the new Aloft Hotel opened, bringing a new, unique boutique hotel option to the Vista. The five-story, 107 room hotel provides another contemporary and artsy offering for those looking to stay downtown providing easy walking access to most restaurants and the Convention Center. Aloft is a spinoff of the Starwood company's trendy W hotels.

In August 2016, Congaree Vista Guild announced the opening of four housing developments: The Apartments at Palmetto Compress, GreeneCrossing, ParkPlace, and 650 Lincoln, which all offer residents an urban environment convenient to the University of South Carolina, shops, restaurants, nightlife and more. These developments have added approximately 2,000 new residents to the population of Vista, and estimated to now include 5,000 residents, doubling the resident population in the Vista.

In March of 2015, Hyatt Place opened their new Columbia hotel downtown in the heart of the Vista. The hotel represents an \$18 million investment to the popular downtown hotel market, providing guests access to the most popular entertainment district in the City. The hotel features 130 guestrooms, a 24-hour gym with an indoor pool, and more than 2,000 square feet of flexible, high tech meeting space.

The Vista offers various hotels and places to stay overnight, including the Courtyard Columbia Downtown at USC, the Hampton Inn Downtown Historic District, the Holiday Inn Express and Suites, the Sheraton Columbia Downtown, the Springhill Suites Columbia Downtown, Staybridge Suites, the Hyatt Place, and Aloft.

In addition to the above, many businesses, including restaurants, hotels, banks, retail stores, apartments and other office buildings, have been or are currently under development in the Vista area.

Fort Jackson. Fort Jackson (“Fort”) was established in 1917 and designated as a permanent post of the United States Army in 1940. The Fort is the largest and most active Initial Entry Training Center in the United States Army, providing training to 54% of the Army’s Basic Combat Training load and 61% of the women who enter the Army each year. While some installations have experienced downsizing and closure in past years, the Fort has added several new schools and training institutions since 1995, including the Army’s Drill Sergeant; Master Fitness and Master Resiliency Schools; the Soldier Support Institute and their Adjutant General, Financial Management, Non-Commissioned Officers Academy, and Inter-Service Postal Training Activity; the National Center for Credibility Assessment; and the Armed Forces Chaplaincy Center and School training Army, Air Force, and Naval Chaplains. These schools and training institutions provide advance training to over 24,000 students.

More than 3,500 active duty soldiers and their 12,000 family members are assigned to the Fort. The Fort instructs more than 50,000 soldiers in basic training and advanced individual training each year. The Fort employs almost 3,500 civilians and provides services for more than 46,000 retirees and their family members..

The Fort also provides numerous support services for soldiers and their families, including the Moncrief Army Community Hospital (“Moncrief”), a 60-bed general medical and surgical hospital located on the base. Moncrief provides primary care, immunization services, lab services, radiology services, and behavioral health services to personnel and families assigned to the Fort, the Shaw Air Force Base, along with thousands of military retirees living in the midlands area.

The Fort, annexed into the City in October 1968, has a significant economic impact on the midlands area, contributing approximately \$2.2 billion to the local economy. In addition, approximately 200,000 friends and family members visit the midlands area each year to attend basic training graduation activities, using local hotels, restaurants and shopping areas. The Fort encompasses more than 52,000 acres of land including over 100 ranges and field training sites and 1,160 buildings. Recent improvements include a Basic Combat Training star base, dual dining facility, Family Life and Resiliency Center, the 80 Regional Reserve Command and a Residential Communities Initiative which will result in the demolition and renovation of 640 new and 210 renovated homes for Army families.

Approximately 15,000 acres of the 52,000-acre base are licensed to the South Carolina Army National Guard, which operates the McGrady National Training Center. The McGrady National Training Center is responsible for training members of the South Carolina Army National Guard and is the central training facility for Navy and Air Force Personnel assigned as Individual Augmentees.

Industries. In March 2018, Colite International, a world leader in full-service sign manufacturing, announced plans to invest \$2.5 million at its existing operations at 5 Technology Circle in Richland County. The investment will allow the purchase of state-of-the-art equipment to keep the company competitive in national and international markets.

In February 2018, Zeus Industrial Products, a leading polymer extrusion manufacturer and material science innovator, announced plans to expand its existing location in Calhoun County. The company’s \$76 million investment is expected to create an additional 350 new jobs over the next several years. When the expansion is complete, the new facility will include approximately 148,000 square feet of manufacturing space. The expansion is scheduled to be completed in 2019.

In January 2018, Tidewater Boats, a designer and manufacturer of premium saltwater boats, announced plans to grow its existing Lexington County operations. In order to accommodate the production of larger models, the company is investing \$8.3 million and creating 100 new jobs. The company will be constructing a new satellite facility at 1 Brickyard Road in Lexington County, to produce its larger models. The site will allow for more modernized, streamlined production, while also freeing up space at Tidewater’s original facility to expand production.

In December 2017, Nephron Pharmaceuticals Corporation (“Nephron”), a manufacturer of sterile inhalation and 503B outsourcing medications in Lexington County, announced a \$12.5 million expansion to add 36,000 square feet of manufacturing space to its existing 400,000+ square foot facility in Saxe Gotha Industrial Park. The new investment is expected to create 125 new jobs. Since announcing plans in 2011 to relocate their headquarters from Florida to South Carolina, Nephron has invested more than \$320 million and currently employs 640 workers.

In November 2017, The Ritedose Corporation, a pharmaceutical products manufacturer, announced plans to invest \$10 million constructing a new 140,000 square foot facility within the Enterprise Industrial Campus of Midlands Technical College. The latest expansion is in addition to plans announced in 2014 to add 80,000 square feet to their existing 120,000 square foot facility, investing \$110 million and creating 65 new jobs. The Ritedose Corporation specializes in the production of inhalation products, eye drops, ear drops and oral liquids.

In November 2017, Woodfield Systems USA, a designer and manufacturer of bulk liquid and gas handling equipment, announced plans to establish a new manufacturing center in Richland County. In connection with these plans, the company intends to invest \$1.5 million and create 50 new jobs. The company's Richland County operations will produce loading arms, metering and process skids to support the loading and unloading of bulk tanker trucks and rail cars in the refined fuel, industrial and chemical and industrial HVAC markets.

In October 2017, Prysmian Group, a world leader in the telecom cables and systems industry, announced plans to expand its Lexington County facility, investing \$15 million and creating 30 new jobs within the next five years. Once the expansion is completed, Prysmian's Lexington County facility will be the company's top producer of fiber cable in the world.

In September 2017, Charter Nex, one of North America's leading independent producers of high-performance specialty films used in flexible packaging and other critical performance applications, announced plans to invest \$85 million and create 110 new jobs in connection with its proposed 140,000-square-foot facility to be constructed in the Carolina Pines Industrial Park in Richland County.

In August 2017, Trane, a leading global provider of indoor comfort systems and services, announced plans to expand its existing operations in Richland County with a capital investment of \$96 million and the creation of 700 new jobs. Trane currently has approximately 600 employees in South Carolina. The company's existing facility will increase in size by 680,000 square feet once the expansion is completed.

In May 2017, China Hengshi Foundation Company, a fiberglass fabric provider, announced plans to occupy a 111,000-square-foot facility located in the City. The company's new operations are expected to bring \$11.1 million in capital investment and lead to the creation of 48 new jobs. Founded in 2000, China Hengshi specializes in the research, development, production and marketing of a variety of fiber-weaving products for export around the world. Primarily used in wind turbine blades, the company's products are also used, for example, in space flight, aviation, construction, transportation, and environmental protection.

In April 2017, LuLaRoe, a national clothing provider, announced plans to locate a new distribution center in Richland County. The project is expected to bring approximately \$35 million of new capital investment and create at least 1,000 new jobs over the next few years.

In March 2017, a major aluminum cast plate manufacturer known throughout the world as Alimex, announced plans to establish a new facility in the midlands by bringing \$2 million in new capital investment and creating 27 new jobs. Alimex will lease a new industrial building located in the City. Founded in Germany in 1970, Alimex supplies the worldwide metal distribution, machining and processing industry with high-precision aluminum cast plates.

In June 2016, China Jushi, a global manufacturer of fiberglass products, announced the location of their first U.S. manufacturing operation in Richland County, with an expectation to produce 80,000 tons of fiberglass annually. The first phase of the project is expected to bring \$300 million in capital investment and create 400 new jobs. Once completed, the project is expected to become the largest consumer of water and sewer service from the City. China Jushi broke ground on December 8, 2016. The first phase of the project is anticipated to be completed in early 2019.

In April 2016, IBM, USC and Flour Corporation held the ribbon cutting for the Center for Applied Innovation. The Center will provide application services to both public and private sector organizations across North America with specialties in the areas of analytics and higher education industry solutions. As part of the initiative, the organizations will collaborate on tailored IT curriculums and advanced analytic techniques for personalized learning. The Center is expected to create at least 100 new jobs over the next five years.

In January 2016, Dominion Carolina Gas Transmission (“Dominion”) announced its plans to establish operations in the City. Dominion’s new facility will incorporate 120,000 square feet of office space on a nine-acre campus. This move comes on the heels of their acquisition of Carolina Gas Transmission from SCANA Corporation. Dominion is expected to invest \$10 million in its new facility as well as bring around 100 high wage paying jobs to the City.

In November 2015, General Information Services, Inc., one of the most experienced and largest background screening providers in the nation, announced its plans to expand with a new facility in Richland County. The company is investing more than \$2.7 million in the new facility, which is expected to generate 91 new jobs over five years.

The following table shows the ten largest industrial employers as of December 2017, located within the Columbia MSA, the type of business and their approximate number of employees:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
SCANA Corporation	Utility	4,227
Michelin North America Inc.	Tire manufacturing	2,080
Westinghouse Electric Corp.	Nuclear fuel assemblies	1,200
Invista	Chemical products/preparation	1,100
House of Raeford	Poultry processing	857
International Paper Co.	Fine paper	675
Nephron Pharmaceuticals	Pharmaceuticals	640
McEntire Produce	Fresh Produce Processor	600
Square D/Schneider Electric	Industrial electrical controls	530
Sysco Columbia LLC	Food processing	500

Source: Central SC Alliance & Columbia Regional Business Journal

The following table shows the largest non-industrial employers (other than the governmental entities described under “Government Employers” below) as of December 2017, located within the Columbia MSA, the type of business and their approximate number of employees:

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Palmetto Health (a/k/a Prisma Health)	Health Care	15,000
Blue Cross & Blue Shield of SC	Insurance	6,585
Lexington Medical Center	Healthcare	6,000
Amazon	Distribution Center	4,000
Allied Barton Security Services	Corporate Security	3,300
AT&T	Telecommunications	2,400
Providence Health	Healthcare	1,625
Dorn VA Medical Center	Healthcare	1,457
Wells Fargo Bank	Banking	1,400
First-Citizens Bank	Banking	1,313
Palmetto GBA	Finance & Insurance	1,300
Colonial Life	Finance & Insurance	1,140

Source: Central SC Alliance & Columbia Regional Business Journal

Government Employers

Governmental entities are the largest employers in the Columbia MSA. As indicated in the table below, such governmental entities have historically provided a stable employment base. These entities include the State government, local governments (including the City), other federal government entities and local school districts. The table shown below provides a breakdown on employment by these entities for the Columbia MSA, as of December 2017:

<u>Name</u>	<u>Approximate Number of Employees</u>
State of South Carolina	25,246
University of South Carolina	8,500
Richland County School District 1	4,226
S.C. Department of Mental Health	3,798
Lexington County School District 1	3,550
Richland County School District 2	3,600
City of Columbia	2,523
Lexington-Richland School District No.5	2,354
Richland County Government	1,879
S.C. Department of Transportation	1,716
S.C. Department of Health and Environmental Control	1,623

Source: Central SC Alliance; and Columbia Regional Business Journal

Facilities Located in the Columbia MSA

Transportation. Interstate Highways 20, 26, 77 and a network of U.S. and S.C. highways traverse the Columbia MSA. Rail service is provided by Southern Railway and CSX Transportation. Passenger service is available through Amtrak via “The Silver Star.” Nationwide freight service is available through approximately 50 motor freight lines regularly serving the City area. Intercity bus service is provided by Greyhound Lines, Inc.

The Columbia Metropolitan Airport (“Airport”), located in the unincorporated area of Lexington County, and approximately six miles southwest of the City’s central business district, is comprised of two runways, associated taxiways, an air traffic control tower, aviation fuel storage facilities, aircraft parking aprons, a passenger terminal building, air cargo buildings, general aviation hangars and terminals, support facilities for the U.S. Army Reserve, the aeronautical facilities of the South Carolina Aeronautics Commission, roads, grounds and public parking facilities; all of which are located on approximately 2,600 acres. Air operations are conducted on an 8,600-foot x 150-foot runway and an 8,000-foot x 150-foot runway. The passenger terminal features a two-level concourse for common-use gates; a central food court within easy view of all gates; expanded airline ticket counter; baggage claim area; and a covered walkway between the terminal and parking lot. A multi-level parking structure and surface parking lots provide a combined 3,505 public parking spaces. The Airport serves more than 1.2 million passengers annually and processes more than 168,000 tons of air cargo. A 108-acre parcel of the Airport property has been designated as Foreign Trade Zone 127 by U.S. Customs. The Columbia Airport Enterprise Park is a 435-acre industrial park located on the Airport complex. The FAA Southern Region Airports Division awarded the Airport the 2005 Air Carrier Airport Safety Award. The Airport has hired and maintained a competent, trained staff of Airport rescue firefighters, maintenance technicians and operations coordinators.

The passenger airlines which currently serve the Airport are: American Airlines, Delta Air Lines, and United, which provide over 60 non-stop flights to 9 major airports and 8 destinations. The major air cargo companies serving the Airport include Delta, Mountain Air Cargo, Martinaire, Federal Express, and United Parcel Service (“UPS”).

The Airport is the site of UPS’ southeastern region Air/Ground Hub and Sortation Station for both its Next Day Air and Second Day Air package delivery services. Using its own funds, UPS constructed a package sortation building encompassing approximately 352,000 square feet on a 50-acre site near the Airport, which it purchased from the Airport. UPS is also leasing from the Airport a 35,000 square foot office building on a nine-acre site in CAE Park which houses the 200-person staff that reconciles and administers UPS’ system-wide COD delivery services. UPS is operating with a minimum of 20 daily jet freighter arrivals and 20 departures at the Airport.

In June 2017, the Airport completed the process of transforming five acres of Airport property to a 4,320 solar farm, the first solar farm at an airport in the state of South Carolina. CAE dedicated \$60 million to implement environmentally-friendly projects as a part of their Enhanced Construction Opportunities Program. The solar farm is located between two runways and can produce enough energy to power 225 homes. The new solar farm is expected to save the Airport approximately \$250,000 a year.

Medical and Health Services. There are eight hospitals located within the Columbia MSA, two of which are federal facilities (William J. Dorn Veterans Hospital and Moncrief Army Hospital). Furthermore, there are five psychiatric hospitals and approximately 100 licensed nursing homes and community residential care facilities in the Columbia MSA. In January 2006, Palmetto Health Heart Hospital located at the Richland County campus opened its doors, becoming the most advanced, state-of-the-art cardiac care facility in the area. Serving patients from the midlands and all over central South Carolina, the \$80 million, 200,000 square-foot hospital is the State's only freestanding facility dedicated entirely to the prevention, diagnosis and treatment of cardiovascular diseases. Built specifically to meet the needs of the patients, there is a fluid transition between heart procedures and patient rooms. This unique building offers patients and visitors a comfortable and soothing experience complete with waterfalls and landscaped courtyards, and a view of the outside from each of the patient rooms. Attached to the Heart Hospital is a 100,000 square-foot medical office building which enables physicians and clinical staff to spend more time caring for the patients. To provide an unparalleled level of individualized care for residents of South Carolina, the hospital includes: 124 private inpatient beds; Cardiovascular Intensive Care Unit; Critical Care Unit; Cardiac Diagnosis; Cardiac Cath and Electrophysiology labs; Cardiac Rehabilitation Program; Pulmonary Rehabilitation Program; Telemetry Units; labs and diagnostic test areas; landscaped atriums; 700-car parking garage; gift shop; and specialty coffee cart. Palmetto Health completed several renovation projects at its Baptist and Richland Memorial campuses. Palmetto Health Baptist Parkridge ("Parkridge"), located in the northwest portion of the City, is Palmetto Health's newest full-service community hospital offering state-of-the-art inpatient, surgical, medical and emergency care. The Parkridge facility includes 76 in-patient beds, an intensive care unit, a labor and delivery unit and newborn nursery, six operating rooms and diagnostic and treatment services, which include imaging, laboratory, pharmacy and more. Additional services are planned for Parkridge, including non-invasive cardiology, neurosurgery orthopedics, and outpatient rehabilitation. In November 2017, it was announced that Palmetto Health and Upstate Affiliate Organization d/b/a Greenville Health System would become affiliated to create Prisma Health (f/k/a SC Health Company) and a shared strategic vision, operations and expanded access to healthcare for the areas in the State of South Carolina served by the two hospital systems.

Financial Institutions. The Columbia MSA serves as the chief financial center of the State. According to the Federal Deposit Insurance Corporation, as of June 30, 2017, there were 186 branches of commercial banks and savings institutions in the Columbia MSA, with deposits at all financial institutions totaling \$19,942,997,000.

Utilities. Electricity for industrial, residential and commercial consumption is provided by South Carolina Electric & Gas ("SCE&G"), Tri-County Cooperative, Inc., Mid-Carolina Electric Cooperative, Inc. and Fairfield Electric Cooperative, Inc. Natural gas is provided by SCE&G. Water and sewer service is provided by the City inside the City limits, as well as to portions of Richland and Lexington Counties.

The midlands region has attracted interest from multiple utility-scale solar farm developers. Since 2015, the development of more than 100 MW of utility-scale solar farms have been announced in Saluda, Calhoun and Lexington Counties. One megawatt of solar energy is enough to provide inexpensive, secure, clean energy to approximately 200 homes.

Recreation. The Columbia MSA offers many opportunities for recreation and leisure activities. The Columbia Museum of Art is South Carolina's premier international art museum with extraordinary collections of European and American fine and decorative art that span centuries. The South Carolina State Museum is the largest museum in the State, located in America's first electric-powered textile mill with extensive exhibits in the disciplines of art, science and technology, cultural history and natural history. There are 12 art and historical museums in the area. The Town Theatre is the oldest, continuously operating community theatre in the U.S. and is listed on the National Register of Historical Places. The theatre provides live community theatre performances throughout the year with emphasis on musicals, comedies and youth productions. EdVenture Children's Museum, the South's largest children's museum at 67,000 square feet, is the home of Eddie, the world's largest child, along with hundreds of interactive exhibits to inspire children to experience the joy of learning. The Riverbanks Zoo & Garden ("Zoo") ranked among the top ten zoos in the nation, is home for more than 2,000 animals housed within naturalistic exhibits and a botanical garden. The Zoo is committed to the conservation of wildlife, to the audience's education of natural history, and to the enhancement of the quality of life in its community through the provision of high-quality recreational opportunities. The University of South Carolina and other area universities and colleges offer a wide range of sports activities for both spectators and participants. Lake Murray, a 50,000-acre man-made lake with more than 500 miles of shoreline, includes limitless opportunities for fishing, camping, boating, sailing and skiing, as well as residential sites for

single-family and multi-family development. Congaree National Park (“Congaree”), located in southeast Richland County, less than 30 minutes from downtown Columbia, offers more than 20,000 federally designated wilderness acres that visitors can explore by foot, kayak, or canoe. The Congaree preserves one of the largest tracts of old growth bottomland hardwood forest left in the United States. Moreover, the lush trees growing in its floodplain forest are some of the tallest in the Eastern United States, forming one of the highest temperate deciduous forest canopies remaining in the world.

Public Schools. There were approximately 52,210 pupils enrolled in public schools in Richland County and approximately 58,103 enrolled in the public school system in Lexington County for the 2017-2018 school year (as of October 2017). All public schools are fully accredited and all teachers fully certified by the South Carolina Department of Education.

Higher Education. There are eight main institutions of higher education in the Columbia MSA, the largest being the main campus of the University of South Carolina with a Fall 2017 enrollment of 34,731. The table below lists these institutions and their Fall 2017 enrollment:

<u>College/University</u>	<u>Enrollment</u>
University of South Carolina (Columbia Campus)	34,731
Midlands Technical College	10,625
Benedict College	2,090
Southern Wesleyan University	1,688
South University	1,134
Columbia College	1,513
Columbia International University	966
Allen University	590

Source: South Carolina Commission on Higher Education

Midlands Technical College (“MTC”) is a comprehensive, multi-campus, two-year college serving the primary region of Richland, Lexington and Fairfield counties. One of South Carolina’s largest two-year colleges, MTC enrolls students seeking to develop career skills or transfer to a four-year institution. MTC employs approximately 600 permanent faculty and staff and approximately 400 adjunct faculty. More than three-quarters of MTC’s faculty holds a master’s degree or doctorate degree in their teaching field. MTC offers approximately 100 associate degrees, diploma and certificate programs of study, and an estimated 70% of the courses are in the career program area. MTC is comprised of six campuses – Airport, Batesburg-Leesville, Beltline, Fairfield, Harbison, and the 100-acre Northeast Campus which contains MTC’s Enterprise Campus and Center of Excellence for Technology. MTC also has a teaching location at the Fort that serves enlisted personnel and civilians. MTC’s Continuing Education Division provides continuing education opportunities to more than 30,000 individuals annually and is one of the largest providers of noncredit professional upgrade training of any two-year college in the State. MTC is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and is part of the South Carolina Technical College System.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

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SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following statements are brief summaries of certain provisions of the Bond Ordinance and the First Supplemental Ordinance (collectively, the “Ordinance”). These summaries do not purport to be complete, and reference is made to the Ordinance for a full and complete statement of such provisions. All capitalized terms not defined herein have the meanings ascribed thereto in the Ordinance.

CERTAIN DEFINITIONS

“2018 Bonds” means the City’s \$37,900,000 original principal amount Stormwater System Revenue Bonds, Series 2018.

“Accountant” means an independent certified public accountant or a firm of independent certified public accountants selected by the City.

“Act” means Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended (being the Revenue Bond Act for Utilities), and all other statutory authorizations, now or hereinafter enacted, authorizing and enabling the City to provide for the issuance of the Bonds, including, if applicable, with respect to any Series of refunding Bonds, Title 11, Chapters 15 and 21, Code of Laws of South Carolina 1976, as amended.

“Annual Budget” means the annual budget required by the provisions of the Ordinance described in Paragraph G under the heading “ADDITIONAL COVENANTS” herein.

“Bank” means any bank, depository or trust company selected by the City as custodian of a Construction Fund.

“Bond and Interest Redemption Fund” means the respective funds of that name established pursuant to the provisions of the Ordinance described under the heading “BOND AND INTEREST REDEMPTION FUNDS” herein and so designated pursuant to a Supplemental Ordinance to provide for the payment of the principal of and interest on the respective Series of Bonds issued pursuant to the Ordinance as the same respectively become due and payable.

“Bond” or “Bonds” means any Bond (including the 2018 Bonds), some of the Bonds or all of the Bonds issued under and pursuant to the Ordinance, excluding Junior Bonds or Special Facilities Bonds.

“Bond Act” means mean Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended (being the Revenue Bond Act for Utilities), and all other statutory authorizations, now or hereinafter enacted, authorizing and enabling the City to provide for the issuance of the Bonds, including, if applicable, with respect to any Series of refunding Bonds, Title 11, Chapters 15 and 21, Code of Laws of South Carolina 1976, as amended.

“Bondholders” or the term “Holders” or any similar term means the registered owner or owners of any Outstanding Bond or Bonds.

“Bond Counsel” means any attorney or firm of attorneys of nationally recognized standing in the matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States.

“Bond Ordinance” means General Bond Ordinance No. 2018-013 enacted by the Council on May 15, 2018, authorizing the issuance of Bonds.

“Bond Redemption Account” means the respective account by that name created within each respective Bond and Interest Redemption Fund.

“Business Day” means, except as otherwise provided with respect to a Series of Bonds in a Supplemental Ordinance, any day other than a Saturday, a Sunday or a day which is in the State or the state in which the principal corporate trust office of the Custodian is located a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

“Capital Lease” means any lease of property with respect to the System which, in accordance with generally accepted accounting principles, has been or should be capitalized on the City’s balance sheet or for which the amount of the asset and liability thereunder as if so capitalized should be disclosed in a note to the balance.

“Code” means the Internal Revenue Code of 1986, as amended.

“City” means the City of Columbia, South Carolina.

“City Representative” mean the person or persons at the time designated to act on behalf of the City for the purpose of performing any act under the Ordinance or any Supplemental Ordinance by a written certificate furnished to the Bank or Custodian containing the specimen signature of such person or persons and signed on behalf of the City by the City Manager or the City Clerk.

“Construction Fund” means any fund established with and maintained by the Bank selected by the City, and derived from certain of the proceeds of the sale of Bonds and intended to defray the cost of all or a portion of any Project and to pay all Costs of Acquisition and Construction (exclusive of any capitalized interest on Bonds which may be deposited in a Bond and Interest Redemption Fund) in connection therewith, as established in the Supplemental Ordinance authorizing the issuance of any Series of Bonds.

“Consulting Engineer” means the engineer or engineering firm or corporation registered and qualified to practice the profession of engineering under the laws of the State and having a favorable reputation for skill and experience in the construction and operation of stormwater and drainage systems, employed by the City to perform and carry out the duties imposed by the Ordinance, and who or which is not a full-time employee of the City.

“Contingent Fund” means the fund of that name established pursuant to the provisions of the Ordinance described under the heading “CONTINGENT FUND” herein.

“Costs of Acquisition and Construction” means, to the extent permitted by the Bond Act, all costs of acquiring, reconstructing, replacing, extending, repairing, bettering, improving, equipping, developing, embellishing or otherwise improving the System, including the Costs of Issuance and capitalized interest on Bonds. Costs of Acquisition and Construction do not include the payment of amounts due on bond anticipation notes, the proceeds of which were used for Costs of Acquisition and Construction.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of Bonds including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Bank, Custodian, Registrar or Paying Agent, legal fees and charges, auditing and accounting fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of any refunding, premiums for insurance relating to the issuance of Bonds, financing charges, and any other costs, charges or fees in connection with the original issuance of Bonds.

“Council” means the City Council of the City, and any successor governing body of the City.

“Custodian” means Regions Bank pursuant to the provisions of the Ordinance described under heading “CUSTODIAN” herein, and any successor Custodian appointed in accordance with the provisions of the Ordinance described under the heading “CUSTODIAN” herein.

“Debt Service” means, with respect to each Series of Bonds and with respect to any particular Fiscal Year, the aggregate of the amounts to be paid or set aside (or estimated to be required to be paid or set aside) in the applicable Bond and Interest Redemption Fund in such Fiscal Year for the payment of the principal of, redemption premium, if any, and interest (to the extent not payable from the proceeds of Bonds or investment earnings thereon) on such Series of Bonds; provided that (a) the interest on Variable Rate Indebtedness then Outstanding will be calculated at the actual average rate of interest on the Variable Rate Indebtedness during the twelve (12) months immediately preceding the date of calculation (or such lesser period during which the Variable Rate Indebtedness has been Outstanding); (b) for purposes of the provisions of the Ordinance described under the heading “ADDITIONAL BONDS” herein, (1) interest on Variable Rate Indebtedness then proposed to be issued will be calculated at the initial interest rate on such Variable Rate Indebtedness and (2) interest on Variable Rate Indebtedness then Outstanding will be calculated at the current interest rate on such Variable Rate Indebtedness, in each case of which such interest rate may be based on an index rate determined no more than two weeks prior to such calculation; and (c) in the case of Bonds which have been or will be issued as taxable obligations, for which the City has or will be entitled to receive a payment or subsidy that effectively reduces the City’s debt service payment obligation therefor (including but not limited to Build America Bonds (“BABs”), the amount to be paid or set aside in the applicable Bond and Interest Redemption Fund in each Fiscal Year for such payment of Debt Service will be reduced by the payment that the City has or will be entitled to receive for such purpose.

“Debt Service Reserve Fund” means the respective funds, if any, of that name established pursuant to the Ordinance, and so designated pursuant to a Supplemental Ordinance to provide for the payment of the principal of and interest on the respective Series of Bonds issued pursuant to the Ordinance and such Supplemental Ordinance as the same respectively come due and payable.

“Default” or “Event of Default” means any of those defaults specified in and defined as such by the provisions of the Ordinance described under the subheading “EVENTS OF DEFAULT AND REMEDIES – Events of Default” herein.

“Depreciation Fund” means the fund of that name established pursuant to the provisions of the Ordinance described under the heading “DEPRECIATION FUND” herein.

“Expenses of Operating and Maintaining the Facilities” means the current expenses, paid or accrued, of operation, administration, maintenance and current repair of the System, as calculated in accordance with generally accepted accounting practices, and includes, without limiting the generality of the foregoing, administrative charges, salaries, wages, employee benefits, costs of materials and supplies, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, properly allocable share of City administrative and overhead expenses, costs of billings and collections, costs of any audit of the System, the premiums for all insurance required with respect to the System, taxes, if any, and amounts payable by way of arbitrage rebate. Expenses of Operating and Maintaining the System do not include (i) the payment of interest on Bonds or other System-related indebtedness, (ii) capital outlay or any renewals or replacements of capital assets of the System, (iii) any allowance for depreciation, (iv) any amounts deemed to be payments in lieu of taxes or other equity transfers, (v) any pension-related and other post-employment benefit-related expenses (other than such amounts actually paid) of the System, (vi) any payment or amortization of financing expenses, underwriting discounts, call premiums, losses on the extinguishment of debt due to refinancing of the same, and other related and non-recurring expenses resulting from the issuance or refinancing of long term indebtedness, or (vii) any losses on the sale or other disposition of investments or fixed or capital assets.

“First Supplemental Ordinance” means the First Supplemental Ordinance No. 2018-014 enacted by Council on May 15, 2018, which provides for the issuance of the 2018 Bonds.

“Fiscal Year” means the fiscal year for the System as determined by the Council, initially being the period from July 1 in any year to and including June 30 in the following year.

“Government Obligations” means, except as limited with respect to the funds and accounts relating to a Series of Bonds by a Supplemental Ordinance, any of the following to the extent now or hereafter permitted by the laws of the State:

- (a) cash;
- (b) non-callable bonds, notes or direct obligations and general obligations of the United States;
- (c) non-callable U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGS”);
- (d) non-callable direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury;
- (e) bonds or debentures issued by any Federal Home Loan Bank or consolidated bonds or debentures issued by the Federal Home Loan Bank Board; or
- (f) non-callable, obligations issued by any agency or instrumentality of the United States of America which are backed by the full faith and credit of the United States;
- (g) prerefunded municipal bonds which are rated in the highest rating categories by a Rating Agency; and
- (h) any legally permissible combination of any of the foregoing.

“Interest Account” means the account by that name created within each respective Bond and Interest Redemption Fund.

“Interest Payment Date” means the respective payment dates for a Series of Bonds as determined by a Supplemental Ordinance.

“Junior Bonds” means either (a) bonds or bond anticipation notes secured by a pledge of Net Revenues junior and subordinate in all respects to the pledge securing the Bonds or (b) any other form of indebtedness, including a Capital Lease, secured by Net Revenues after provision has been made for all payments required to be made with respect to the Bonds, which bonds, notes, or other indebtedness may be authorized by an ordinance of Council which is not supplemental to the Ordinance.

“Maximum Debt Service” means the highest aggregate principal and interest requirements (to the extent not paid from the proceeds of Bonds or investment earnings thereon) on the Bonds then Outstanding during any then current or future Fiscal Year; provided that purposes of the provisions of the Ordinance, described under the heading “ADDITIONAL BONDS” herein, (1) interest on Variable Rate Indebtedness then proposed to be issued will be calculated at the initial interest rate on such Variable Rate Indebtedness and (2) interest on Variable Rate Indebtedness then Outstanding will be calculated at the current interest rate on such Variable Rate Indebtedness, in each case of which such interest rate may be based on an index rate determined no more than two weeks prior to such calculation; and provided, further, that in the case of Bonds which have been or will be issued as taxable obligations, for which the City has or will be entitled to receive a payment or subsidy that effectively reduces the City’s debt service payment obligation therefor (including but not limited to BABs), the highest aggregate principal and interest requirements for such Bonds during any Fiscal Year will be reduced by the payment that the City has or will be entitled to receive therefor.

“Net Revenues” means the Revenues of the System after deducting the Expenses of Operating and Maintaining the System.

“Operation and Maintenance Fund” means the fund of that name established pursuant to the provisions of the Ordinance described under the heading “OPERATION AND MAINTENANCE FUND” herein.

“Ordinance” means the Bond Ordinance and the First Supplemental Ordinance.

“Outstanding” when used with respect to any Bond, has the construction given to such word pursuant to the defeasance provisions of the Ordinance; i.e., a Bond is not Outstanding if such Bond is not, or would not be, at the time, deemed to be Outstanding by reason of the operation and effect of such provisions.

“Paying Agent” means for each Series of Bonds the respective paying agent or paying agents appointed pursuant to the proceedings authorizing such Bonds.

“Permitted Investments” means, except as limited with respect to the funds and accounts related to a Series of Bonds by a Supplemental Ordinance, (a) any one or more of the investments now or hereafter permitted by Section 6-5-10, Code of Laws of South Carolina 1976, as amended and in effect from time to time, or any authorization relating to the investment of funds under the Ordinance; and (b) the South Carolina Pooled Investment Fund or similar State administered pool investment fund.

“Principal Account” means the account by that name created within each respective Bond and Interest Redemption Fund.

“Principal Payment Date” means the respective principal payment dates for a Series of Bonds as determined by a Supplemental Ordinance.

“Project” means any work, undertaking or project which the City is or may be authorized to construct or acquire with the proceeds of any Bonds and which will become a part of the System including the acquisition of any system which will be combined with or consolidated into the System pursuant to law.

“Rate Covenant” means the covenant as to fees, rates and other charges described in the Ordinance and under the heading “RATE COVENANT” herein.

“Rating Agency” means any rating service that has issued a credit rating on any Series of Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services if any such rating service has issued a credit rating on such Series of Bonds at the request of the City and such credit rating is in effect at the time in question.

“Registrar” means for each Series of Bonds, the registrar appointed pursuant to the proceedings authorizing such Bonds.

“Reserve Fund Requirement” means, as of the date of calculation, the debt service reserve fund requirement, if any, established pursuant to a Supplemental Ordinance authorizing the issuance of a Series of Bonds.

“Revenue Fund” means the fund of that name established pursuant to the provisions of the Ordinance described under the heading “REVENUE FUND” herein.

“Revenues” means all receipts, income, revenues, fees and other charges to be imposed and collected in connection with, and all other income and receipts of whatever kind or character derived by the City from the establishment and operation of the System, including, but not limited to, stormwater utility fees and charges, interest earnings and other earnings or investments, as such earnings or investments are computed in accordance with generally accepted accounting practices, but excluding the proceeds of any grants or debt, contributions in aid of construction, gains or losses on extinguishment of debt, and the receipts, income, revenues, fees and other charges derived from the operation of Special Facilities.

“Series” or “Series of Bonds” or “Bonds of Series” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Ordinance.

“Special Facilities” means any project or undertaking, the revenues and expenses resulting from the operation of which can be segregated from the revenues and expenses of the System and which the City designates as such by ordinance of Council.

“Special Facilities Bonds” means any bonds issued to defray the costs of Special Facilities pursuant to the provisions of the Ordinance described under the heading “SPECIAL FACILITIES BONDS” herein.

“State” means the State of South Carolina.

“Supplemental Ordinance” means any ordinance enacted by the Council providing for the issuance of Bonds and any other ordinance enacted by the Council pursuant to and in compliance with the provisions of the Ordinance amending or supplementing the provisions of the Ordinance or any Supplemental Ordinance.

“System” means the stormwater and drainage system of the City, as the same is now constituted, all properties, real and personal, and matters and things used or useful in the maintenance, operation or functioning thereof, all apparatus and equipment used in connection therewith, and all replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto, including any Project, and any other utility system with which the System may be combined pursuant to ordinance of Council.

“Term Bond” means any bond designated by a Supplemental Ordinance providing for its issuance as being subject to retirement or redemption from moneys credited to the applicable Bond Redemption Account, as sinking fund installments.

“Variable Rate Indebtedness” means indebtedness in the form of Bonds the interest rate on which is not established at a fixed or constant rate at the time such indebtedness is incurred.

SECURITY FOR AND PAYMENT OF THE BONDS

The Bonds, together with the interest thereon, are payable solely from and secured equally and ratably by a pledge of the Net Revenues of the System; provided, however, that all funds held by the Custodian in the respective Bond and Interest Redemption Funds and Debt Service Reserve Funds, if any, established to secure a particular Series of Bonds are pledged for the benefit of the respective Bondholders as security for the Bonds of the Series to which such funds relate. The provisions of the Ordinance described in this section do not preclude the issuance of Junior Bonds, if such Junior Bonds are issued in conformity with the provisions of the Ordinance described under the heading “JUNIOR BONDS” herein, but the pledge made in the provisions of the Ordinance described in this Section do preclude the issuance of bonds payable from or secured by a pledge or lien on Net Revenues of the System superior to the pledge made to secure Bonds.

The Bonds do not constitute an indebtedness of the City within any State constitutional provision (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation and will never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing power. The full faith, credit and taxing powers of the City are not pledged to the payment of the principal of and interest on the Bonds.

The covenants and agreements set forth in the Ordinance to be performed by the City will be for the equal and proportionate benefit, security and protection of all Holders of the Bonds without preference, priority or distinction as to payment or security or otherwise (except as to maturity) of any of the Bonds for any reason or cause whatsoever, except as expressly provided therein or in the Bonds. Except as aforesaid, all Bonds will rank pari passu and will be secured equally and ratably thereunder without discrimination or preference whatsoever.

STATUTORY LIEN

For the equal and ratable protection of the Holders of the Bonds, the Ordinance creates and grants a statutory lien upon the System as provided in the Bond Act, which statutory lien is recognized by the Ordinance as valid and binding upon the City and the System, which will take effect immediately upon delivery of any Bonds, and any Holder of any Bond may, subject to the provisions of the Ordinance described in the first paragraph under the subheading “EVENTS OF DEFAULT AND REMEDIES – Remedies” herein, either in law or in equity, by suit, action, mandamus, or other proceedings, protect the statutory lien hereby conferred, and may by suit, action, mandamus, or other proceedings enforce and compel the performance of all duties required by the Ordinance and the Bond Act, including the making and collection of sufficient rates and charges for the services and facilities of the System from all users, segregating of the income and Revenues and the proper application thereof, but such statutory lien will not give any such Holder authority to compel the sale of the System or any part thereof.

CREATION AND FLOW OF FUNDS

The following are the funds and accounts created and established by the Bond Ordinance:

- (i) Revenue Fund to be held by the City in accordance with the Ordinance.
- (ii) Operation and Maintenance Fund to be held by the City in accordance with the Ordinance.
- (iii) Bond and Interest Redemption Fund for each Series of Bonds to be held by the Custodian, including, except as provided in a Supplemental Ordinance, an Interest Account, a Principal Account and a Bond Redemption Account.
- (iv) Debt Service Reserve Fund for each Series of Bonds, if any to be held by the Custodian.
- (v) Depreciation Fund to be held by the City in accordance with the Ordinance.
- (vi) Contingent Fund to be held by the City in accordance with the Ordinance.
- (vii) Construction Fund, if applicable, for each Series of Bonds to be held by a Bank designated by the City.

One or more accounts may, by direction of the City or by the terms of a Supplemental Ordinance, be established within any of the above funds. It is intended by the Ordinance that the funds and accounts created (other than the Construction Fund) will remain in existence for so long a time as any sum remains due and payable by way of principal of and interest on the Bonds, and that deposits and withdrawals therefrom be made in the manner prescribed therein and in the order of priority set forth in the Ordinance.

The designation of the Revenue Fund, the Operation and Maintenance Fund, the Depreciation Fund and the Contingent Fund in and by the Ordinance will not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of the Revenues and assets of the System for certain purposes and to establish certain priorities for application of such Revenues and assets as provided in the Ordinance.

The cash required to be accounted for in each of the foregoing funds established pursuant to the Ordinance may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash in and deposited therein for the various purposes of such funds as provided in the Ordinance.

So long as any Bond are Outstanding, the Revenues of the System will be applied at the times, in the amounts and for the purposes as provided or permitted by the Ordinance and in the following order of priority:

First, provision will be made for the payment of Expenses of Operating and Maintaining the System;

Second, there will be transferred into the respective Bond and Interest Redemption Funds, the amounts required by the Ordinance or any Supplemental Ordinance;

Third, there will be transferred into the respective Debt Service Reserve Funds, if established, the amounts (including any payments required under the terms of any surety bond, insurance policy or letter of credit applicable thereto) required by the Ordinance or any Supplemental Ordinance for any Bond issued thereunder;

Fourth, provisions will be made for payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit as contemplated in the Ordinance;

Fifth, provision will be made for the payment of any Junior Bonds;

Sixth, there will be transferred into the Depreciation Fund the amounts required by the Ordinance; and

Seventh, there will be transferred into the Contingent Fund the amounts required by the Ordinance.

Any surplus Revenues thereafter remaining after the foregoing deposits have been made will be disposed of as the City will determine from time to time to be for the best interest of the City; provided, a transfer of any surplus Revenues to the City's general fund or similar fund will only be made at the end of each Fiscal Year and the amount of such transfer may not cause the Revenues of the System to be less than the respective amounts required to comply with the Rate Covenant.

REVENUE FUND

The Ordinance establishes a Revenue Fund to be maintained by the City in accordance with the Ordinance and into which all Revenues will be deposited. Moneys in the Revenue Fund will be used of only in the manner specified in the Ordinance and in the order of priority set forth in the provisions of the Ordinance described under the heading "CREATION AND FLOW OF FUNDS" above.

OPERATION AND MAINTENANCE FUND

The Ordinance establishes an Operation and Maintenance Fund to be maintained by the City in accordance the Ordinance in order to provide for the payment of all Expenses of Operating and Maintaining the System. So long as any of the Bonds remain Outstanding and unpaid, adequate provision will be made by the City for the Expenses of Operating and Maintaining the System by depositing on or before the 15th day of the month following the month in which Bonds are delivered to the initial purchasers thereof, and not later than the 15th day of each month thereafter, in the Operation and Maintenance Fund from the Revenues of the System, an amount equal to the estimated Expenses of Operating and Maintaining the System for the next ensuing month in accordance with the Annual Budget.

BOND AND INTEREST REDEMPTION FUNDS

There will be established and maintained special funds of the City to be designated the Bond and Interest Redemption Fund for each Series of Bonds then Outstanding which will be kept on deposit with the Custodian, and withdrawals therefrom will be made for the purposes provided in the Ordinance. Each Bond and Interest Redemption Fund will bear a separate series designation as may be necessary to distinguish such Bond and Interest Redemption Fund.

The respective Bond and Interest Redemption Funds are intended to provide for the payment of the principal of, redemption premium, if any, and interest on each Series of Bonds as the same respectively fall due. Payments into such funds will be made in the manner prescribed by the Ordinance and all moneys in the respective Bond and Interest Redemption Funds will be used solely to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds, and for no other purpose, and withdrawals therefrom will be made only to effect payment of the principal of, redemption premium, if any, and interest on the respective Series of Bonds. Earnings on investments in the Bond and Interest Redemption Funds, including the accounts therein, will be added to and become a part of such respective funds and the accounts therein.

There may be established in the respective Bond and Interest Redemption Funds from time to time a capitalized interest account to provide for the payment of interest on the Bonds of a particular Series as may be permitted under the Ordinance. Any such account will be created by a Supplemental Ordinance relating to the issuance of the Bonds of such Series. Any earnings from the investment of funds in the capitalized interest account not required to pay interest on the Bonds of any Series during the period for which interest on the Bonds of such Series is capitalized may be deposited in the Construction Fund created by the Supplemental Ordinance relating to such Bonds or, if such Construction Fund has been terminated or no such fund was created, such earnings will be retained in the appropriate Bond and Interest Redemption Fund.

Unless and except as is otherwise set forth in the Supplemental Ordinance not later than the 15th day of the month following the month in which each Series of Bonds are delivered to the initial purchasers thereof, and not later than the 15th day of each month thereafter, the City will transfer or cause to be transferred to the Custodian for deposit into the respective Bond and Interest Redemption Funds from the moneys in the Revenue Fund, the amounts hereinafter set forth.

A. There will be established and maintained, for the purpose of paying the interest on the respective Series of Bonds as the same becomes due and payable, an Interest Account in the respective Bond and Interest Redemption Funds. Unless and except as is otherwise set forth in the Ordinance or in a Supplemental Ordinance, not later than the 15th day of the month following the month in which Bonds are delivered to the initial purchasers thereof, and not later than the 15th day of each month thereafter, the City will transfer or cause to be transferred to the Custodian for deposit into the respective Bond and Interest Redemption Funds and ratably with respect to separate Series of Bonds to the credit of the Interest Account an amount (until the moneys on deposit therein equal the amount needed) such that, if the same amount is credited to the Interest Account not later than the 15th day of each calendar month preceding the next Interest Payment Date on the respective Series of Bonds, the aggregate of the amounts so paid and credited to the Interest Account would on such Interest Payment Date be equal to the installment of interest then falling due on the respective Series of Bonds then Outstanding. In making any of the deposits to the Interest Account required by this Paragraph A, consideration will be given to and allowance made for accrued interest received upon delivery of each Series of Bonds to the initial purchasers and for any other credits (including but not limited to capitalized interest with respect to each Series of Bonds) otherwise made to such Interest Account.

B. There will be established and maintained, for the purpose of paying the principal of the respective Series of Bonds as they mature, a Principal Account in the respective Bond and Interest Redemption Funds. Unless and except as is otherwise set forth in the Supplemental Ordinance, not later than the 15th day of the twelfth month prior to any Principal Payment Date on any Bonds, and on or before the 15th day of each calendar month thereafter, the City will transfer or cause to be transferred to the Custodian for deposit into the respective Bond and Interest Redemption Funds to the credit of the Principal Account an amount (until the moneys on deposit therein equal the amount needed) such that, if the same amount were credited to the Principal Account on or before the 15th day of each succeeding month thereafter and prior to the next Principal Payment Date upon which an installment of principal falls due on the respective Series of Bonds, the aggregate of the amounts so paid and credited to the Principal Account would on such Principal Payment Date be equal to the installment of principal then falling due on the respective Series of Bonds then Outstanding. In making any of the deposits to the Principal

Account required by this Paragraph B, consideration will be given to and allowance made for any other credits (including any interest earnings therein) otherwise made to such Principal Account.

C. There will be established and maintained, in order to meet the specified sinking fund installment requirements of Term Bonds and to otherwise retire Term Bonds prior to maturity, a Bond Redemption Account in the respective Bond and Interest Redemption Fund. Unless and except as is otherwise set forth in the Ordinance or in a Supplemental Ordinance, not later than the 15th day of the twelfth month prior to the date a sinking fund installment of Term Bonds of each Series falls due and on or before the 15th day of each calendar month thereafter, the City will transfer or cause to be transferred to the Custodian for deposit into the respective Bond and Interest Redemption Fund and ratably with respect to separate Series of Bonds to the credit of the Bond Redemption Account an amount (until the moneys on deposit therein equal the amount needed) such that, if the same amount were credited to the Bond Redemption Account not later than the 15th day of each succeeding month thereafter preceding the next date upon which a sinking fund installment of principal falls due on the Term Bonds, the aggregate of the amounts so paid and credited to the Bond Redemption Account would on such date be equal to the sinking fund installment of principal then falling due on the respective Series of Term Bonds then Outstanding. The Custodian will apply the moneys credited to the Bond Redemption Account as sinking fund installments to the retirement of the Term Bonds of each respective Series by redemption in accordance with the Supplemental Ordinance providing for the issuance of such Series of Bonds, without further authorization or direction, on each date upon which a sinking fund installment is due with respect to the Term Bonds of such Series. The Custodian will keep and retain accurate records of application of each deposit of funds under this Paragraph C. The Custodian will give notice of all such redemptions in the name and on the behalf of the City in accordance with the provisions of the Ordinance. In making any of the deposits to the Bond Redemption Account required by this Paragraph C, consideration will be given to and allowance made for any other credits otherwise made to such Bond Redemption Account.

D. If, on the dates when the payments required by the provisions of the Ordinance described in Paragraphs A, B and C under this heading "BOND AND INTEREST REDEMPTION FUNDS" are to be made, the aggregate of (i) the payments actually made pursuant to said provisions; and (ii) the remaining payments to be made prior to the next succeeding Interest Payment Date and Principal Payment Date, or both, as the case may be, are less than the sum required to be transferred to a Bond and Interest Redemption Fund to effect the payment of the succeeding installment of principal or interest, or both, as the case may be, a sum equal to such deficiency will be transferred from moneys in the applicable Debt Service Reserve Fund, if any, and be added to the payment to be made pursuant to said provisions.

Moneys in the respective Bond and Interest Redemption Funds will be used and applied solely to the payment of the interest on and the retirement of the principal of and redemption premium, if any, on the respective Series of Bonds and will be used and applied in accordance with the provisions of the Ordinance. The moneys paid into the respective Bond and Interest Redemption Fund will be held by the Custodian in trust solely for the purpose of paying the interest on and the retirement of the principal of and redemption premium, if any, on the respective Series of Bonds. Withdrawals from such funds will be made by the Custodian in order to transfer such moneys to the Paying Agent for the respective Series of Bonds. Such withdrawals will be made so that the necessary moneys will be available to the Paying Agent not later than one Business Day prior to the day on which principal or interest or both, and redemption premium, if any, as the case may be, are payable on the Bonds.

DEBT SERVICE RESERVE FUNDS

A Supplemental Ordinance may provide for the establishment of a Debt Service Reserve Fund for any Series of Bonds. Each Debt Service Reserve Fund will bear a separate Series designation as may be necessary to distinguish such Debt Service Reserve Fund and will, subject to certain provisions of the Ordinance, be maintained in an amount equal to the applicable Reserve Fund Requirement, as determined pursuant to a Supplemental Ordinance, and in the manner determined pursuant to such Supplemental Ordinance, so long as the applicable Series of Bonds are Outstanding. Each such fund is intended to insure the timely payment of the principal of and interest on the applicable Series of Bonds and to provide for the redemption of such Series of Bonds prior to their

stated maturities. The respective Debt Service Reserve Funds will be kept on deposit with the Custodian, and withdrawals therefrom will be made for the purposes provided in the Ordinance.

Moneys in each Debt Service Reserve Fund will be used for the following purposes, and for no other:

A. to prevent a Default in the payment of the principal of or interest on the applicable Series of Bonds, by reason of the fact that moneys in the applicable Bond and Interest Redemption Fund are insufficient for such purposes;

B. to pay the principal of, interest on, and redemption premium, if any, of the applicable Series of Bonds in the event that all Outstanding Bonds of such Series be redeemed as a whole;

C. to effect partial redemption of the applicable Series of Bonds, provided that such redemption be undertaken in accordance with the provisions of the Ordinance permitting a partial redemption of the applicable Series of Bonds and the balance remaining in the applicable Debt Service Reserve Fund following such partial redemption will not be less than the Reserve Fund Requirement; and

D. to effect the retirement of a Series of Bonds through purchase under the conditions prescribed in the Ordinance or upon maturity thereof.

Whenever the value (determined as of the valuation date specified in the Ordinance) of the cash and securities in the applicable Debt Service Reserve Fund exceeds the applicable Reserve Fund Requirement, such excess may at the direction of the City (i) be used to repurchase and retire the applicable Series of Bonds at prices not exceeding the call price first to become available or then prevailing; (ii) be deposited as the City deems advisable; or (iii) be transferred to the Construction Fund during the period of construction or acquisition of a Project. Purchases of Bonds will be effected by the City through the Custodian, and whenever Bonds have been purchased pursuant to this authorization, it will be the duty of the Custodian to cancel and destroy such Bonds and to deliver certificates evidencing such act to the City.

Whenever the value (determined as of the valuation dates and in accordance with the method specified in the Ordinance) of cash and securities in the respective Debt Service Reserve Fund is less than the applicable Reserve Fund Requirement there will be deposited in the applicable Debt Service Reserve Fund over the next succeeding 12 months, successive equal monthly installments of the amount necessary to reestablish in the applicable Debt Service Reserve Fund its respective Reserve Fund Requirement.

In lieu of the deposit of moneys into the Debt Service Reserve Fund established with respect to any Series of Bonds to meet the Reserve Fund Requirement with respect to that Series, the City may cause to be credited a surety bond or an insurance policy payable to, or a letter of credit in favor of, the Holders of the Bonds meeting the standard set forth in the Supplemental Ordinance authorizing that Series of Bonds, as the case may be. The amount of moneys required to be deposited to the Debt Service Reserve Fund will be reduced by the amount of the surety bond, insurance policy or letter of credit. The surety bond, insurance policy, or letter of credit will be payable (upon the giving of notice as required thereunder) on any Interest Payment Date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Bonds of the applicable Series but only to the extent that withdrawals cannot be made by amounts then credited to such Debt Service Reserve Fund.

If the City obtains a surety bond, insurance policy or letter of credit in substitution for moneys deposited to the applicable Debt Service Reserve Fund as may be permitted under the applicable Supplemental Ordinance, excess moneys will be transferred to the applicable Construction Fund, or if one does not exist, be deposited as the City deems advisable.

There will be no Debt Service Reserve Fund established for the benefit of or funded with the proceeds of the 2018 Bonds.

DEPRECIATION FUND

The Ordinance establishes a Depreciation Fund. On or before the 15th day of the month following the month in which Bonds are delivered to the initial purchasers thereof, and on or before the 15th day of each and every month thereafter, the City will deposit into the Depreciation Fund 1/12th of the amount determined in the Annual Budget prepared for the System. Moneys in the Depreciation Fund will be used to build up a reserve for the depreciation of the System and used for the purpose of restoring depreciated or obsolete items of the System. Moneys in these funds will be used solely for such purposes, but will be transferred to the applicable Bond and Interest Redemption Fund whenever necessary in order to prevent a default in the payment of principal or interest when due on any Bonds.

Moneys in the Depreciation Fund will be held by the City in accordance with the Ordinance, and withdrawals from the Depreciation Fund will be made by a City Representative.

CONTINGENT FUND

The Ordinance establishes a Contingent Fund. On or before the 15th day of the month following the month in which Bonds are delivered to the initial purchasers thereof, and on or before the 15th day of each and every month thereafter, the City will deposit into the Contingent Fund 1/12th of the amount determined in the Annual Budget prepared for the System. Moneys in the Contingent Fund will be used to build up a reasonable reserve for improvements, betterments, and extensions to the System, other than those necessary to maintain the System in good repair and working order. Moneys in this fund will be used solely for such purposes, but will be transferred to the applicable Bond and Interest Redemption Fund whenever necessary in order to prevent a Default in the payment of principal or interest when due on any Bonds.

Moneys in the Contingent Fund will be held by the City in accordance with the Ordinance, and withdrawals from the Contingent Fund will be made by a City Representative.

APPLICATION OF REMAINING REVENUES

After making payment for the Expenses of Operating and Maintaining the System; after making payments on the Bonds; and after making the required deposits and payments, if any, to the applicable Debt Service Reserve Fund, the Revenues of the System will then be used, first, for the payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit as contemplated in the provisions of the Ordinance described under the heading “DEBT SERVICE RESERVE FUNDS” above; second, for the payment of Junior Bonds; third, to make deposits to the Depreciation Fund and the Contingent Fund; and fourth, to be disposed of by the City as it may determine from time to time to be for the best interest of the City subject to the limitation set forth in the provisions of the Ordinance described under the heading “CREATION AND FLOW OF FUNDS” above.

CONSTRUCTION FUND

There will be established with the Bank a Construction Fund with respect to each Series of Bonds (other than for Bonds issued pursuant to the provisions of the Ordinance described under the heading “REFUNDING BONDS” herein) in the Supplemental Ordinance providing for their issuance, the moneys in which will be used to defray the costs of any Project and to pay any Costs of Acquisition and Construction with respect to the facilities so financed. On the occasion of the delivery of any Series of Bonds (other than for Bonds issued pursuant to the provisions of the Ordinance described under the heading “REFUNDING BONDS” herein), the proceeds therefrom will be paid into the Construction Fund established for such Series as set forth in a Supplemental Ordinance authorizing their issue. Withdrawals from the Construction Fund will not be made except as provided in the Supplemental Ordinance establishing such Construction Fund

INVESTMENT OF FUNDS

Moneys held for the credit of the respective Bond and Interest Redemption Funds will be invested, to the fullest extent practicable and reasonable, in Permitted Investments which will mature prior to the respective dates when the moneys held for the credit of such fund will be required for the purpose intended. Moneys in the respective Debt Service Reserve Funds established by the Ordinance or a Supplemental Ordinance will be invested, to the fullest extent practicable, in Permitted Investments. Moneys in any other funds established by the Ordinance will be invested, to the fullest extent practicable, in Permitted Investments, maturing at such times and in such amounts as will be required to provide moneys to make the payments required to be made from such funds. Investment instructions will be given to the Bank or Custodian, as applicable, by a City Representative provided such instructions which are given orally must be subsequently confirmed in writing.

The Bank, Custodian or other depository will, not later than June 15 of each year, value as of the preceding June 1 or the succeeding Business Day thereafter, Permitted Investments in the various funds established by the Ordinance and held by the Bank, Custodian or other depository and will forward such valuation to the City. The value of Permitted Investments (except investment agreements) will be determined by the Bank, Custodian or other depository at the market value thereof, exclusive of accrued interest, provided, however, Permitted Investments in any Debt Service Reserve Fund will be valued at cost or original value thereof. The Bank or Custodian will not be accountable or liable for any depreciation in the value of any investments in any funds or for any losses incurred upon the disposition thereof.

All interest earnings on amounts in the Debt Service Reserve Funds or the Operation and Maintenance Fund when realized will be considered Revenues. Expenses of purchase, safekeeping, sale and redemption and all other expenses attributable to such investments will be operating expenses of the System.

RATE COVENANT

The City has covenanted and agreed in the Ordinance to operate the System in an efficient and economical manner and establish, levy, maintain, revise and collect such fees, rates and other charges for the use of the services and facilities furnished by the System as may be necessary or proper, which fees, rates, and other charges, together with other available moneys, will at all times be at least sufficient after making due and reasonable allowances for contingencies and for a margin of error in estimates to provide an amount equal to (a) one hundred percent (100%) of the amounts required to be deposited into the Operation and Maintenance Fund for the then current Fiscal Year; (b) one hundred twenty percent (120%) of the amounts required to be deposited into each Bond and Interest Redemption Fund for the then current Fiscal Year; (c) one hundred percent (100%) of the amounts required to be deposited into each Debt Service Reserve Fund for the then current Fiscal Year; (d) one hundred percent (100%) of the amounts required to be deposited into the Depreciation Fund for the then current Fiscal Year; (e) one hundred percent (100%) of the amounts required to be deposited into the Contingent Fund for the then current Fiscal Year; (f) one hundred percent (100%) of the amounts required to provide for payment of any Junior Bonds for the then current Fiscal Year; and (g) the amounts necessary to comply in all respects with the terms of the Ordinance or any other contract or agreement with the Holder of a Bond; provided, further, that for purposes of determining the amounts required to be deposited into a Bond and Interest Redemption Fund pursuant to the provisions of the Ordinance described in clause (b) above, to provide for payment of Junior Bonds pursuant to the provisions of the Ordinance described in clause (f) above or otherwise as provided in the provisions of the Ordinance described in clause (g) above, in the case of Bonds or Junior Bond which have been or will be issued as taxable obligations, for which the City has or will be entitled to receive a payment that effectively reduces the City's debt service payment obligation therefor (including but not limited to BABs), the debt service requirements for such Bonds or Junior Bonds will be reduced by the payment that the City has or will be entitled to receive therefor.

ADDITIONAL BONDS

Anytime and from time to time, one or more Series of Bonds (exclusive of refunding Bonds) may be issued for such purposes as may be permitted by the Bond Act upon compliance with the provisions of the Ordinance in such principal amounts as may be determined by the Council for the purpose of paying all or part of the Costs of Acquisition and Construction of one or more Projects upon compliance with the following conditions:

A. There is executed a certificate of the City Manager or chief administrative official or any Assistant City Manager of the City stating (i) either (a) that no Default exists in the payment of the principal of, premium, if any, or interest on any Bonds or Junior Bonds and all mandatory sinking fund redemptions, if any, required to have been made will have been made, or (b) that the application of the proceeds of sale of the Series of Bonds to be issued as required by the Supplemental Ordinance authorizing their issuance will cure any such Default or permit such redemptions; and (ii) either (a) that to the best of his or her knowledge, the City is not in Default in the performance of any other of its covenants and agreements contained in the Ordinance, or (b) setting forth the circumstances of each such Default known to him or her.

B. If a certificate filed pursuant to the provisions of the Ordinance described in Paragraph A above should disclose a Default or Defaults under the Ordinance, there will be filed with the City an opinion of Bond Counsel that, in the case of any Default disclosed in a certificate filed pursuant to the provisions of the Ordinance described in Paragraph A above, each such Default does not deprive the Bondholders of the security afforded by this Ordinance in any material aspect.

C. For the issuance of Bonds (other than the 2018 Bonds) to finance the Costs of Acquisition and Construction, or a portion thereof, of any Project, there will be delivered either (i) a certificate or report, which need not be based upon the audited financial statements of the City, from the City Manager, any Assistant City Manager serving as the chief financial officer of the City, an Accountant or a Consulting Engineer stating that the amount of the Net Revenues of the System for a consecutive 12-month period ending during the last 18 months is not less than 120% of the Maximum Debt Service on Bonds then Outstanding and the Bonds then proposed to be issued, or (ii) a certificate or report from an Accountant or Consulting Engineer, or a certificate or report from the City Manager or any Assistant City Manager serving as the chief financial officer of the City which is based upon a certificate or report from an Accountant or Consulting Engineer, stating that the amount of the Net Revenues of the System, as will have been forecasted, is not less than 120% of the actual Debt Service on all Bonds then Outstanding and the Bonds then proposed to be issued for each of the three (3) Fiscal Years following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for which interest is funded from the proceeds of such Bonds; provided the amount of Net Revenues for the periods referred to above may be adjusted by adding the following:

- (1) in case the rates and charges for the services furnished by the System will have been revised and such revised rates and charges will have gone into effect or will be effective on a future date or dates as evidenced by an ordinance enacted by the Council prior to the delivery of the Bonds proposed to be issued, the additional amount of Net Revenues which would have been realized during the periods referred to above if such rates and charges had been in effect during the periods referred to above; and
- (2) in case an existing stormwater and drainage system or any other public utility system is to be acquired and combined or made a part of the System from the proceeds of the Bonds proposed to be issued, the additional amount of Net Revenues which would have been realized during the periods referred to above if such existing system or systems to be acquired had been a part of the System during the periods referred to above (which computation of the additional amount of Net Revenues will be based upon the method of computing Net Revenues under the Ordinance).

D. Such Bonds will be issued to secure funds to defray the Costs of Acquisition and Construction of a Project, including any acquisition or construction of any existing or proposed system which will be combined with or consolidated into the System pursuant to law; or to refund Junior Bonds, or any notes, bonds, or other

obligations issued to finance or to aid in financing the acquisition, construction, improvement, enlargement or repair of the System or another public utility system combined with the System.

E. The Supplemental Ordinance may provide for a deposit into the Debt Service Reserve Fund with respect to such Series of Bonds of cash or securities or an insurance policy, surety bond or letter of credit in the provisions of the Ordinance described under the heading “DEBT SERVICE RESERVE FUNDS” above (inclusive of any proceeds of such Series of Bonds to be deposited in the applicable Debt Service Reserve Fund) having an aggregate value not less than the Reserve Fund Requirement, if any, with respect to such Series of Bonds.

REFUNDING BONDS

Without complying with the provisions of the Ordinance described under the heading “ADDITIONAL BONDS” above, except as otherwise provided in the Ordinance, the City by means of a Supplemental Ordinance enacted in compliance with the provisions of the Bond Act and any other statutory provisions authorizing the issuance of revenue refunding bonds, including advance refunding bonds, may issue refunding Bonds under the Ordinance as follows:

A. Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity or prior to any sinking fund installment due date, the Bonds maturing on such date (or an amount of such Bonds subject to redemption from such sinking fund installments not in excess of the amount of such Bonds required to be redeemed on such due date) for the payment of which sufficient Revenues are not available. Any Bonds issued for such purpose will mature (or sinking fund installments therefor will commence) not earlier than the latest stated maturity of the Bonds not then refunded to be Outstanding after such refunding; or

B. Bonds may be issued at any time for the purpose of refunding (including by purchase) other Bonds, including amounts to pay principal, redemption premium and interest to the date of redemption (or purchase) of the refunded Bonds and the Costs of Issuance and the funding of a Debt Service Reserve Fund thereunder; provided that (i) the aggregate Debt Service on all Bonds to be Outstanding after the issuance of the proposed Series of refunding Bonds will not be greater than would have been the aggregate Debt Service of all Bonds not then refunded and the Bonds to be refunded; or (ii) the requirements of Paragraphs A, B, C and E of the provisions of the Ordinance described under the heading “ADDITIONAL BONDS” above are met with respect to the refunding Bonds.

JUNIOR BONDS

The City may at any time issue Junior Bonds in such amount as it may from time to time determine, payable from Revenues, provided that such Junior Bonds are issued to secure funds to defray the costs of improving, extending, enlarging, or repairing the System, some part thereof, including the acquisition of any system which may be combined with or consolidated into the System pursuant to law, or to refund Bonds, Junior Bonds, or any notes, bonds, or other obligations issued to finance or to aid in financing the acquisition, construction, or improvement of the System.

SPECIAL FACILITIES BONDS

The City also has the right to issue, from time to time, Special Facilities Bonds to defray the costs of acquiring or constructing Special Facilities subject to the following conditions:

A. The City will determine that the receipts, income, revenues and other charges to be levied and collected in connection with the Special Facilities will be at least equal to: (1) the estimated costs of operating and maintaining such Special Facilities; (2) the principal and interest requirements of the Special Facilities Bonds; (3) the amounts to be deposited in any reserve funds with respect thereto; and (4) any other costs and expenses relating to such Special Facilities.

B. The receipts, income, revenues, fees and other charges derived from the operation of the Special Facilities will be segregated from the Net Revenues of the System.

C. The debt service payments and other costs, expenses and reserves related to such Special Facilities will not be paid from Net Revenues of the System, except as may be available pursuant to the provision of the Ordinance described under the heading “APPLICATION OF REMAINING REVENUES” above.

ADDITIONAL COVENANTS

In addition to the Rate Covenant, the City has made additional covenants in the Ordinance including, without limitation, the following:

A. To Pay Principal, Premium, and Interest on the Bonds. The City will punctually pay, or cause to be paid, out of the Revenues pledged to such payment, the principal of, redemption premium, if any, and the interest on each and every Bond issued under the provisions of the Ordinance, at the place, on the dates and in the manner provided in the Ordinance.

B. Operation of System. The City will at all times operate the System properly and in an efficient and economical manner and will maintain, preserve and keep the same with the appurtenances and every part and parcel thereof in good repair, working order and condition, and will from time to time make all necessary and proper repairs and replacements so that at all times the operation of the System may be properly and advantageously conducted.

C. Records, Accounts and Audits. The City will keep proper books of records and accounts (separate from all other records and accounts), in which complete and correct entries will be made of all transactions relating to the System. The City has further agreed to make available to the Custodian, if any, or any Bondholder upon request, but not sooner than February 1 after the close of each Fiscal Year, audited financial statements of the City, made in accordance with recognized accounting practices, which will include information pertaining to the System; provided, however, that the City will be deemed to be in compliance with the requirements hereof to the extent that its audited financial statements are available on the Municipal Securities Rulemaking Board’s EMMA system or similar publically available information repository. Such records will be kept in accordance with the standards from time to time prescribed by the Governmental Accounting Standards Board or its successor.

D. Sale, Lease, Encumbrances, Substitution or Modifications. Except as otherwise provided in the Ordinance, the City will not issue any bonds, notes, certificates or other obligations or evidences of indebtedness other than the Bonds, Junior Bonds, or obligations authorized or permitted by the Ordinance secured by a pledge of the Net Revenues. Further, the City will not create or cause to be created any lien or charge on the Net Revenues other than the liens and charges created or permitted to be created by the Ordinance, and no part of the System will be sold, mortgaged, leased or otherwise disposed of or encumbered, except as permitted by the Ordinance. The City may from time to time permanently abandon the use of, sell, trade or lease any property forming a part of the System which the City determines is no longer necessary or useful or profitable in the operation of the System, or necessary to produce or maintain the Net Revenues thereof, or which is to be or has been replaced by other property so as not to impair the operation of the System. Any moneys received upon a sale hereunder will be considered Revenues.

E. Insurance. The City will make provision to maintain adequate insurance on the works, plants, facilities and properties comprising the System against the risks, accidents or casualties, of the kinds and in at least the amounts which are usually and customarily carried on similar plants, properties and systems which are owned and operated by a public or municipal corporation, including without limiting the generality of the foregoing, fire, extended coverage, general liability and workmen’s compensation, and also all additional insurance covering such risks as may be deemed necessary or desirable by the City or recommended by a competent independent engineer

or other advisor employed for the purpose of making such recommendations. The Custodian will not be responsible for maintaining such insurance policies or copies thereof.

F. No Free Service. No free service will be furnished by the System to the City or to any agency, instrumentality or person. The reasonable costs and value of any services of the System rendered to the City through the operation of the System will be charged against the City and will be paid as the service accrues from the current funds and such funds, when so paid, will be accounted for in the same manner as other Revenues of the System.

G. Annual Budget. Prior to the beginning of each Fiscal Year, the City will prepare an Annual Budget for the System for the ensuing Fiscal Year which will set forth in reasonable detail the estimated Revenues, Expenses of Operating and Maintaining the System, Debt Service on Bond, any required debt service payments on Junior Bonds and Special Facilities Bonds, deposits to the Depreciation Fund and Contingent Fund and other expenditures of the System for such Fiscal Year.

H. Covenant with Respect to Tax Exempt Status of Bonds. The City will not take any action that would, or fail to take any action which failure would, cause interest on the 2018 Bonds to become includable in the gross income of the Holders for federal income tax purposes pursuant to the provisions of the Code and the regulations promulgated thereunder in effect on the date of original issuance of the 2018 Bonds and that no use of the proceeds of the 2018 Bonds will be made which, if such use had been reasonably expected on the date of issue of the 2018 Bonds would have caused the 2018 Bonds to be "arbitrage bonds," as defined in the Code; and to that end the City will:

(1) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as any of the 2018 Bonds are Outstanding;

(2) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to the required rebate of certain amounts to the United States; and

(3) make such reports of such information at the times and places required by the Code.

CUSTODIAN

The Council has designated Regions Bank as Custodian under the Bond Ordinance.

The Custodian will (a) prior to the occurrence of an Event of Default of which the Custodian has or is deemed to have notice under the Ordinance and after the curing of all Events of Default which may have occurred, perform such duties and obligations as are specifically set forth in the Ordinance, and no implied covenants or obligations will be read into the Ordinance against the Custodian, and (b) during the existence of any Event of Default of which the Custodian has or is deemed to have actual notice (which has not been cured or waived) exercise the rights and powers vested in it by the Ordinance and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provisions of the Ordinance will be construed to relieve the Custodian from liability for its own negligence, intentionally wrongful action or failure to act.

At all times, (1) the Custodian will not be liable for any error of judgment made in good faith by an officer or employee of the Custodian unless it is proved that the Custodian was negligent in ascertaining the pertinent facts; (2) the Custodian will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority (or such lesser percentage as is specifically required or permitted by the Ordinance) in the aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting a proceeding for any remedy available to the Custodian, or

exercising any trust or power conferred upon the Custodian under the Ordinance; (3) in the administration of the trusts of the Ordinance, the Custodian may execute any of the trusts or powers hereof directly or through its agents or attorneys. The Custodian may consult with counsel and the opinion or advice of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Ordinance in good faith and in accordance with the opinion of such counsel.

The Custodian will not be required to take notice or be deemed to have notice or actual knowledge of any Event of Default specified in the Ordinance other than a payment default described in paragraphs A or B described under the subheading “EVENTS OF DEFAULT AND REMEDIES – Events of Default” below, unless the Custodian receives from the City or the Holder of any Bond written notice stating that an Event of Default has occurred and specifying the same, and, in the absence of such notice, the Custodian may conclusively assume that there is no such Event of Default.

The Custodian will be entitled to payment of and reimbursement by the City for reasonable fees for its services rendered under the Ordinance and all advances, and counsel fees reasonably and necessarily made or incurred by the Custodian in connection with such services.

The Custodian will not, in any event, be required to take, defend, or appear in any legal action or proceeding under the Ordinance or to exercise any of the trusts or powers hereof unless it will first be adequately indemnified to its satisfaction as to terms, coverage, duration, amount and otherwise against the costs, expenses, and liabilities which may be incurred thereby. Every provision of the Ordinance relating to the conduct or affecting the liability of or affording protection to the Custodian will be subject to the provisions described herein.

The Custodian may execute any of its trusts or powers or perform any duties under the Ordinance either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement from the City, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Custodian will not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it.

No provision of the Ordinance will require the Custodian to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties under the Ordinance, 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.

The Custodian is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Ordinance.

The Custodian’s immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Ordinance will extend to the Custodian’s officers, directors, agents, attorneys, and employees. Such immunities and protections and right to indemnification, together with the Custodian’s right to compensation, will survive the Custodian’s resignation or removal, the discharge of the Ordinance, and the final payment of all Bonds issued under the Ordinance.

The permissive right of the Custodian to take the actions permitted by the Ordinance will not be construed as an obligation or duty to do so.

The Custodian may resign at any time and be discharged of its duties and obligations under the Ordinance by giving 30 days’ written notice to the City and by giving notice to the Holders of the Bonds. No resignation will become effective until a successor Custodian has been appointed and accepts such appointment. Upon receiving notice of resignation, the City will promptly appoint such successor Custodian by an instrument in writing. In the event a successor Custodian has not been appointed within 60 days of the date notice of resignation is given, the Custodian, at the City’s expense, may apply to any court of competent jurisdiction for the appointment of a successor Custodian to act until such time as a successor is appointed as provided in the Ordinance.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Custodian will, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, be a bank, bank holding company or trust company or wholly-owned subsidiary of a bank holding company or trust company in good standing, qualified to act hereunder, and having a capital and earned surplus of not less than \$25,000,000.

Any corporation or association into which the Custodian may be merged or with which it may be consolidated, or any corporation or association resulting from any merger, or any corporation or association succeeding to the business or substantially all of the business of the Custodian, will be the successor of the Custodian under the Ordinance without the execution or filing of any paper or any further act on the part of the City or the Custodian.

Upon 30 days' written notice, the City, provided that an Event of Default has not occurred and is not continuing, may remove the Custodian. The removal of the Custodian under the Ordinance will not be effective until a successor Custodian has been appointed and has accepted the duties of Custodian.

The Holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, upon 30 days' written notice to the Custodian and the City, remove the Custodian and appoint a successor Custodian by instrument or instruments in writing signed by such Holders of the Bonds.

The recitals of fact made in the Ordinance and in the Bonds will be taken as statements of the City, and the Custodian will not be deemed to have made any representations whatsoever as to the correctness of the same or as to the validity or sufficiency of the Ordinance or of the Bonds issued thereunder. Nor will the Bank or any Custodian be under any responsibility or duty with respect to the issuance of the Bonds or the application of the proceeds thereof, except to the extent provided for in the Bond Ordinance, or in a Supplemental Ordinance. The Custodian will not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in response to the Ordinance, or to the Bonds issued thereunder, or to advance any of its own moneys, unless properly indemnified to its satisfaction. Nor will the Bank or any Custodian be liable in connection with the performance of its duties under the Ordinance, except for its own negligence or default.

AMENDMENTS OR SUPPLEMENTS TO THE ORDINANCE

The City may, from time to time and without the consent of any Holder of the Bonds enact an ordinance amendatory or supplemental to the Ordinance (1) for the purpose of providing for the issuance of Bonds, or (2) (a) making any amendments or modifications to the Ordinance which may be required to permit the Ordinance to be qualified under the Trust Indenture Act of 1939, as amended; (b) making any modification or amendment to the Ordinance not inconsistent therewith required for the correction of language or to cure any ambiguity or defective provisions, omission, mistake or manifest error therein contained; (c) making any amendments or supplements thereto to grant to or confer upon the Holders additional rights, remedies, power and authority, or to grant to or confer upon any Holders, committee or trustee for the Holders any additional rights, power or authority; or (d) to add to the security of the Holders of the Bonds.

From time to time the Holders of 66-2/3% in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing signed by such Holders and filed with the City, will have power to assent to and authorize any modification or amendment to the provisions of the Ordinance that may be proposed by the City or of the rights and obligations of the City and of the Holders of Bonds issued under the Ordinance; and any action therein authorized to be taken with the assent and authority given as aforesaid of the Holders of 66-2/3% in principal amount of the Bonds at the time Outstanding and upon the City as fully as though such action were specifically and expressly authorized by the terms of the Ordinance; provided always, that without the consent of the Holder of each Bond affected thereby, no such modification will be made which will (1) extend the time of payment of principal of or the interest on any Bond, or reduce the principal amount thereof or the rate of interest

thereon or the premium payable upon the redemption thereof, or (2) give to any Bond or Bonds any preference over any other Bond or Bonds, or (3) authorize the creation of any pledge prior to or, except as provided therein for the issuance of Series of Bonds, on a parity with the pledge afforded by the Ordinance, or (4) reduce the percentage in principal amount of the Bonds required to assent to or authorize any such modification to the Ordinance. For the purpose of computations described by this paragraph, Bonds directly or indirectly owned or controlled by the City will be disregarded.

Any modification or amendment or supplement to the provisions of the Ordinance or of any ordinance supplemental thereto will be set forth in an ordinance to be enacted by the City.

The City expressly authorizes the underwriter or purchaser of any Series of Bonds, or provider of bond insurance for any Series of Bonds, to assent to and consent to such amendments to the Ordinance as contemplated by the provisions of the Ordinance described in this paragraph in the same manner as the Holders of the Bonds.

No modification of rights and obligations of the Custodian under the Ordinance will be made without prior written consent of the Custodian.

EVENTS OF DEFAULT AND REMEDIES

Events of Default

With respect to the Bonds, the following constitute “Defaults” or “Events of Default”:

A. If payment of the principal of any Bond, whether at maturity or by proceedings for redemption or upon mandatory sinking fund redemption, by declaration pursuant to the provisions of the Ordinance described in the first paragraph under the subheading “Remedies” herein or otherwise, is not made by the City as the same becomes due and payable; or

B. If payment of any installment of interest on any Bond is not made by the City as the same becomes due and payable; or

C. If the City fails or refuses to comply with the essential provisions of the Bond Act, or fails in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Ordinance or in any Supplemental Ordinance on the part of the City to be performed, and such failure continues for 60 days after written notice specifying such failure and requiring the same to be remedied has been given to the City by the Custodian or the Holders of not less than 20% in principal amount of the Bonds then Outstanding or any trustee or committee therefor; provided, however, that if the City fails to maintain sufficient fees, rates and other charges to satisfy the Rate Covenant, such failure will not constitute an Event of Default provided that within 30 days from the City’s receipt of such written notice the City has taken active steps to remedy the failure and thereafter diligently pursues such remedy; or

D. If any proceedings are instituted, with the consent or acquiescence of the City, for the purpose of effecting a composition between the City and its creditors and if the claim of such creditors is in any circumstance payable from any of the Revenues or any other moneys pledged and charged in the Ordinance or any Supplemental Ordinance for the payment of the Bonds, or any such proceedings are instituted for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted; or

E. If an order or decree is entered (1) with the consent or acquiescence of the City, appointing a receiver or receivers of the System or any of the facilities thereof; or (2) without the consent or acquiescence of the City, appointing a receiver or receivers of the System or any of the facilities thereof and if, in either case, such order or decree having been entered is not vacated or discharged or stayed on appeal within 60 days after the entry thereof; or

F. If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the System or any of the facilities thereof, and such custody or control is not terminated within 90 days from the date of assumption of such custody or control; or

G. If the City is for any reason rendered incapable of fulfilling its obligations under the Ordinance in any material respect.

Subject to the provisions, limitations and conditions of the Ordinance, insofar as the remedies provided in said provisions are concerned, nothing will prohibit or limit, or be construed as prohibiting or limiting any Holder of a Bond from enforcing the duties of the City, or any of the officers thereof, under any provisions of the Ordinance by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, even though the failure of the City or any of the officers thereof to perform any such duty may not then constitute an Event of Default.

Remedies

Upon the occurrence of an Event of Default, and at any time thereafter while such Event of Default continues, then and in each and every case the Custodian in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Outstanding Bonds, may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Bonds then Outstanding, will proceed to declare the principal of all Bonds then Outstanding, together with all accrued and unpaid interest thereon, if not already due, to be due and payable immediately, and upon any such declaration the same will become and be due and payable immediately. This provision is also subject, however, to the condition that, if at any time after the principal of the Bonds, together with the accrued and unpaid interest thereon and other moneys secured by the Ordinance, have been so declared due and payable and before any further action has been taken (other than the making of the above declaration), the principal amount of all Bonds which have matured either according to the maturity date or dates otherwise specified therein (except as a result of such declaration) and all arrears of interest upon all Bonds, except interest accrued but not yet due on said Bonds, have been paid or caused to be paid, and all other Events of Default, if any, which have occurred have been remedied, cured or secured, then and in each and every such case the Holders of 25% in principal amount of the Bonds then Outstanding, by notice in writing delivered to the Custodian and the City, may waive such Default and its consequences and rescind and annul such declaration. No such waiver or rescission or annulment will extend to or affect any subsequent default or impair or exhaust any right or power related to such subsequent Default.

Upon the occurrence of an Event of Default described in Paragraphs A and B under the subheading "Events of Default" above and at any time thereafter while such default continues, any court of competent jurisdiction may appoint a receiver; provided, however, if application is made by the Custodian or the Holders of not less than 25% in principal amount of the Bonds then Outstanding or any trustee therefor, such court may appoint a receiver. Any receiver so appointed will (a) enter into and upon and take possession of the System, to the exclusion of the City if such court so directs; (b) have, hold, use, operate, manage and control the System as such receiver may deem best; and (c) exercise all rights and powers of the City with respect to the System as the City itself may do. In addition, the receiver will (a) maintain, restore and insure the System and from time to time make all necessary and proper repairs to the System as such receiver may deem expedient; (b) establish, levy, maintain and collect such fees, rentals and other charges in connection with the System as such receiver may deem necessary or proper and reasonable; and (c) collect and receive all revenues, deposit such revenues in a separate account and apply such revenues so collected and received in such manner as the court directs.

Notwithstanding anything contained in the Ordinance or the Bond Act, such receiver will have no power to sell, assign, mortgage or otherwise dispose of any assets of whatever kind or character of the City and useful to the City.

In case any one or more of the Events of Default happens and continues, then and in every such case, but subject to the provisions, limitations and conditions of the Ordinance so far as the remedies provided in said

provisions are concerned, the Holder of any Bond at the time Outstanding, or Custodian therefor, may, for the equal benefit and protection of all Holders of the Bonds similarly situated,

(a) by mandamus or other suit, action or proceedings at law or in the equity, enforce such Holder's right against the City and require and compel the City to perform and carry out its duties and obligations under the Bond Act and the Ordinance, and to perform and carry out its covenants and agreements with the Bondholders;

(b) by action or suit in equity require the City to account as if such City were the trustee of an express trust;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; or

(d) bring suit upon the Bonds.

The Holders from time to time of the Bonds will be entitled to all the remedies and benefits of the Ordinance as are and as will be provided by law, and, subject to the provisions of the Ordinance, nothing therein will be construed to limit the rights or remedies of any such Holders under any applicable statute that may now exist or be enacted thereafter. No remedy conferred by the Bond Act and the Ordinance upon any Holder of any Bond is intended to be exclusive of any other remedy, and each and every such remedy will be cumulative and will be in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Act and the Ordinance or by any other law. Every substantive right and remedy conferred upon the Holders of the Bonds may be enforced and exercised from time to time and as often as may be deemed expedient.

No waiver of any default or breach of duty or contract by any Holder of any Bond will extend to or affect any subsequent default or breach of duty or contract, or will impair any rights or remedies thereon. No delay or omission of any Holder of a Bond to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or acquiescence therein.

In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and then discontinued or abandoned, or will be determined adversely to Holders of the Bonds then and in every such case, the City and such Holders will be restored to their former positions and rights and remedies as if no suit, action or proceeding had been brought or taken.

No Holder of any Bond has any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Ordinance or the execution of any trust under the Ordinance or for any remedy under the Ordinance unless such Holder has previously given to the Custodian written notice of the happening of an Event of Default and the Holders of at least 25% in principal amount of the Bonds then Outstanding has filed a written request with the Custodian and has offered the Custodian reasonable opportunity, either to exercise the powers granted in the Ordinance or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders will have offered to the Custodian adequate security and indemnity against the costs, fees (including reasonable attorney's fees), expenses and liabilities to be incurred therein or thereby, and the Custodian will have refused to comply with such request for a period of 60 days after receipt by it of such notice, request an offer of indemnity, it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Ordinance, or to enforce any right under the Ordinance, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Ordinance will be instituted, had and maintained in the manner provided in the Ordinance and for the equal benefit of all Holders of the Outstanding Bonds.

Nothing in the Ordinance or in the Bonds contained will affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of

(and redemption premium, if any) and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

During the continuance of an Event of Default, all moneys received by the Custodian pursuant to any right given or action taken under the provisions of the Ordinance described in this subheading "Remedies" will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Custodian with respect thereto, including reasonable attorneys' fees, be deposited in the respective Bond and Interest Redemption Funds, and all amounts held by the Custodian under in Ordinance will be applied as follows (provided if more than one Bond and Interest Redemption Fund has been established, such amounts will be paid ratably):

A. Unless the principal of all Outstanding Bonds have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available is not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the person entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal amounts or redemption premium, if any, of any Bonds which will have become due (other than Bonds previously called for redemption in accordance with the provisions of the Ordinance), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available are not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or redemption premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

B. If the principal amounts of all Outstanding Bonds have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the persons entitled thereto without any discrimination or preference.

C. If the principal amounts of all Outstanding Bonds have been declared due and payable, and if such declaration thereafter has been rescinded and annulled under the provisions of the Ordinance described in this subheading "Remedies," then, subject to the provisions of the Ordinance in the event that the principal amounts of all Outstanding Bonds later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of the Ordinance described in Paragraph A of this subheading "Remedies."

Whenever moneys are to be applied by the Custodian pursuant to the provisions of the Ordinance, such moneys will be applied by it at such times, and from time to time, as the Custodian will determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Custodian applies such moneys, it will fix the date (which will be a Bond payment date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates will cease to accrue. The Custodian will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the Holder of any Bond until such Bond is presented to the Custodian for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of the Ordinance and all expenses and charges of the Custodian have been paid, any balance remaining will be paid to the person entitled to receive the same; if no other person is entitled thereto, then the balance will be paid to the City or as a court of competent jurisdiction may direct.

DEFEASANCE

The obligations of the City under the Ordinance and the liens, pledges, charges, trusts and the covenants and agreements of the City therein made or provided for, will be fully discharged and satisfied as to any Bond; and, unless or except as otherwise provided in a Supplemental Ordinance providing for the issuance of any Series of Bonds, such Bond or Series of Bonds will no longer be deemed to be Outstanding under the Ordinance once:

A. Such Bond or Series of Bonds will have been purchased by the City and surrendered to the City for cancellation or otherwise surrendered to the City or the Registrar, and is canceled or subject to cancellation by the City or Registrar, or

B. payment of the principal of, redemption premium, if any, and interest on such Bond or Series of Bonds, either (i) will have been made or caused to be made in accordance with the terms thereof, or (ii) will have been provided for by irrevocably depositing with the Paying Agent or such other depository as the City may designate in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, or (2) Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Custodian, Paying Agent and the Registrar, or a combination thereof. At such time as a Bond or Series of Bonds will no longer be deemed to be Outstanding under the Ordinance, as aforesaid, such Bond or Series of Bonds will cease to draw interest from the redemption date thereof, and, except for the purposes of any such payment from such moneys or Government Obligations, will no longer be secured by or entitled to the benefits of the Ordinance.

If moneys or Government Obligations have been deposited with the Custodian pursuant to the provisions of the Ordinance described under this heading for payment of less than all Bonds of a Series and maturity, the Bonds of such Series and maturity to be so paid from such deposit will be selected by the Custodian by lot by such method as will provide for the selection of portions (in authorized denominations) of the principal of Bonds of such Series and maturity of a denomination larger than the smallest authorized denomination. Such selection will be made within seven days after the moneys or Government Obligations have been deposited with the Custodian. This selection process will be in lieu of the selection process otherwise provided in the Ordinance with respect to redemption of Bonds. After such selection is made, Bonds that are to be paid from such deposit (including Bonds issued in exchange for such Bonds pursuant to the transfer or exchange provisions of the Ordinance) will be identified by a separate CUSIP number or other designation satisfactory to the Custodian. The Custodian will notify Bondholders whose Bonds (or portions thereof) have been selected for payment from the moneys or Government Obligations on deposit and will direct such Bondholders to surrender their Bonds to the Custodian in exchange for Bonds with the appropriate designation. The selection of Bonds for payment from such deposit pursuant to this paragraph are conclusive and binding on the City and the Bondholder.

The City will give to the Custodian in form satisfactory to it irrevocable instructions to give notice of the deposit of moneys or Government Obligations, the selection of Bonds to be redeemed including CUSIP numbers and the anticipated date of redemption. The Custodian will promptly give such notice to the Bondholders including the information required under the Ordinance.

Any moneys so deposited with the Paying Agent or such other depository as the City may designate as provided in the provisions of the Ordinances described under this heading may at the direction of the City also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore described, and all income from all Government Obligations in the hands of such Paying Agent which is not required for the payment of the Bonds or Series of Bonds and interest thereon with respect to which such moneys will have been so deposited, will be treated as Revenues of the System.

Notwithstanding any other provision of the Ordinance, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of the Ordinance described under this heading for the payment of Bonds or

Series of Bonds will be applied to and used solely for the payment of the particular Bonds or Series of Bonds with respect to which such moneys and Government Obligations have been so set aside in trust.

Any provision of the Ordinance to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Paying Agent pursuant to the provisions of the Ordinance described under this heading for the payment of the Bonds and such Bonds have not in fact been actually paid in full, no amendment to the provisions of the Ordinance described under this heading will be made without the consent of the Bondholder of each Bond or Series of Bonds affected thereby.

MISCELLANEOUS

Benefits of Ordinance Limited

With the exception of rights or benefits expressly conferred in the Ordinance, nothing expressed or mentioned in or to be implied from the Ordinance or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Custodian and the Holders of the Bonds, any legal or equitable right, remedy or claim under or by reason of or in respect to the Ordinance or any covenant, condition, stipulation, promise, agreement or provision contained in the Ordinance. The Ordinance and all of the covenants, conditions, stipulations, promises, agreements and provisions thereof are intended to be and will be for and inure to the sole and exclusive benefit of the City, the Custodian and the Holders from time to time of the Bonds as therein provided.

No Personal Liability

No recourse will be had for the enforcement of any obligation, covenant, promise or agreement of the City contained in the Ordinance or the Bonds, against any member of the City, any officer or employee, as such, in his or her individual capacity, past, present or future, of the City, either directly or through the City, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise. The Ordinance and the Bonds are solely corporate obligations, and no personal liability whatsoever will attach to, or be incurred by, any member, officer or employee as such past, present or future, of the City, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the City and the Custodian or the Bondholder or to be implied therefrom as being supplemental thereto. All personal liability of that character against every such member, officer and employee was, by the adoption of the Ordinance and the execution of the Bonds, and as a condition of, and as a part of the consideration for, the adoption of the Ordinance and the execution of the Bonds, expressly waived and released. The immunity of members, officers and employees of the City under the provisions of the Ordinance described in this paragraph will survive the termination of the Ordinance.

Effect of Saturdays, Sundays and Legal Holidays

Whenever the Ordinance requires any action to be taken on a Saturday, Sunday, legal holiday or bank holiday in the State, such action will be taken on the first Business Day occurring thereafter. Whenever in the Ordinance the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday, legal holiday or bank holiday, in the State, such time will continue to run until midnight on the succeeding Business Day.

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APPENDIX D

FORMS OF OPINIONS OF CO-BOND COUNSEL

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[Letterhead of McNair Law Firm, P.A.]

[Date of Delivery]

City Council of the
City of Columbia, South Carolina
Columbia, South Carolina

\$37,900,000
CITY OF COLUMBIA, SOUTH CAROLINA
STORMWATER SYSTEM REVENUE BONDS
(CITY STORMWATER IMPROVEMENTS)
SERIES 2018 (GREEN BONDS)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Columbia, South Carolina (the “City”), in connection with the issuance of the City’s \$37,900,000 Stormwater System Revenue Bonds (City Stormwater Improvements), Series 2018 (Green Bonds) (“2018 Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The 2018 Bonds are issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the “State”), including particularly Article X, Section 14(10) of the South Carolina Constitution; Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended; and General Bond Ordinance No. 2018-013 of the City Council of the City (the “Council”) enacted on May 15, 2018 (the “General Bond Ordinance”) as supplemented by a First Supplemental Ordinance No. 2018-014 of the Council enacted on May 15, 2018 (the “Supplemental Ordinance”). The General Bond Ordinance and the Supplemental Ordinance are collectively referred to as the “Bond Ordinances.”

The 2018 Bonds are being issued for the purposes of (i) improving and enlarging the Stormwater System of the City (as described in Schedule I of the Supplemental Ordinance); and (ii) paying the Cost of Issuance (as defined in the Bond Ordinances) of the 2018 Bonds.

The 2018 Bonds are subject to optional and mandatory redemption prior to maturity as contemplated by the Bond Ordinances.

The 2018 Bonds are immobilized in the custody of The Depository Trust Company, New York, New York (“DTC”), and a book entry system is being used to evidence ownership and transfer on the records of DTC and its participants.

Regarding questions of fact material to our opinion, we have relied on the representations of the City contained in the Bond Ordinances and the Federal Tax Certificate of the City dated the date hereof, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the 2018 Bonds have been duly authorized, executed and delivered by all parties thereto other than the City, and we have further assumed the due organization, existence and powers of such other parties other than the City.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the 2018 Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not acted as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934) to the City in connection with the execution and delivery of the Bonds. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the City in connection with the sale of the 2018 Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the 2018 Bonds and the Bond Ordinances for a further description of the 2018 Bonds, the purposes for which the 2018 Bonds are issued, the uses of the proceeds from the sale of the 2018 Bonds and the security therefor.

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

1. The City is validly existing as a body politic and corporate of the State with the power to enact the Bond Ordinances, perform the agreements on its part contained therein and issue the 2018 Bonds.

2. The Bond Ordinances have been duly enacted by the Council and constitute valid and binding obligations of the City enforceable against the City.

3. The 2018 Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City payable solely from and secured equally and ratably by a pledge of and a lien on the Net Revenues (as defined in the General Bond Ordinance) derived by the City from the operation of its Stormwater System (the "System"). Under the General Bond Ordinance the City may, under certain terms and conditions, issue Bonds (as defined in the General Bond Ordinance) on a parity with the 2018 Bonds.

4. Interest on the 2018 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and court decisions, 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 City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2018 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with the requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2018 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2018 Bonds.

5. Under the laws of the State, the 2018 Bonds and the interest thereon are presently exempt from all taxation in the State, except for estate or other transfer taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes on every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the 2018 Bonds.

The rights of the owners of the 2018 Bonds and the enforceability of the 2018 Bonds and the Bond Ordinances are limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement relating to the 2018 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the 2018 Bonds other than as expressly set forth herein.

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

Very truly yours,

McNAIR LAW FIRM, P.A.

[Letterhead of Johnson, Toal & Battiste, P.A.]

[Date of Delivery]

City Council of the
City of Columbia, South Carolina
Columbia, South Carolina

\$37,900,000
CITY OF COLUMBIA, SOUTH CAROLINA
STORMWATER SYSTEM REVENUE BONDS
(CITY STORMWATER IMPROVEMENTS)
SERIES 2018 (GREEN BONDS)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Columbia, South Carolina (the “City”), in connection with the issuance by the City of its \$37,900,000 Stormwater System Revenue Bonds (City Stormwater Improvements), Series 2018 (Green Bonds) (“2018 Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The 2018 Bonds are issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the “State”), including particularly Article X, Section 14(10) of the South Carolina Constitution; Title 6, Chapter 21, Code of Laws of South Carolina 1976, as amended; and General Bond Ordinance No. 2018-013 of the City Council of the City (the “Council”) enacted on May 15, 2018 (the “General Bond Ordinance”) as supplemented by a First Supplemental Ordinance No. 2018-014 of the Council enacted on May 15, 2018 (the “Supplemental Ordinance”). The General Bond Ordinance and the Supplemental Ordinance are collectively referred to as the “Bond Ordinances.”

The 2018 Bonds are being issued for the purposes of (i) improving and enlarging the Stormwater System of the City (as described in Schedule I of the Supplemental Ordinance); and (ii) paying the Cost of Issuance (as defined in the Bond Ordinances) of the 2018 Bonds.

The 2018 Bonds are subject to optional and mandatory redemption prior to maturity as contemplated by the Bond Ordinances.

The 2018 Bonds are immobilized in the custody of The Depository Trust Company, New York, New York (“DTC”), and a book-entry system is being used to evidence ownership and transfer on the records of DTC and its participants.

Regarding questions of fact material to our opinion, we have relied on the representations of the City contained in the Bond Ordinances, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the 2018 Bonds have been duly authorized, executed and delivered by all parties thereto other than the City, and we have further assumed the due organization, existence and powers of such other parties other than the City.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the 2018 Bonds and of rendering the specific opinion herein stated and for no other purpose. We have not acted as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934) to the City in connection with the execution and delivery of the Bonds. We have not verified the accuracy, completeness or fairness of any representation or information concerning the business or financial condition of the City in connection

with the sale of the 2018 Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the 2018 Bonds and the Bond Ordinances for a further description of the 2018 Bonds, the purposes for which the 2018 Bonds are issued, the uses of the proceeds from the sale of the 2018 Bonds and the security therefor.

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

1. The City is validly existing as a body politic and corporate of the State with the power to enact the Bond Ordinances, perform the agreements on its part contained therein and issue the 2018 Bonds.

2. The Bond Ordinances have been duly enacted by the Council and constitute valid and binding obligations of the City enforceable against the City.

3. The 2018 Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City payable solely from and secured equally and ratably by a pledge of and a lien on the Net Revenues (as defined in the General Bond Ordinance) derived by the City from the operation of its Stormwater System (the "System"). Under the General Bond Ordinance the City may, under certain terms and conditions, issue Bonds (as defined in the General Bond Ordinance) on a parity with the 2018 Bonds ("Additional Bonds").

The rights of the owners of the 2018 Bonds and the enforceability of the 2018 Bonds and the Bond Ordinances are limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement relating to the 2018 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the 2018 Bonds.

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

Very truly yours,

JOHNSON, TOAL & BATTISTE, P.A.

APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (“Disclosure Agreement”), dated as of December 19, 2018, is executed and delivered by the City of Columbia, South Carolina (“Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (“Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (defined below) of the Bonds (defined below) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (defined below). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Assistant City Manager for Finance and Economic Services or designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“Official Statement” means that Official Statement prepared by the Issuer in connection with its \$37,900,000 Stormwater System Revenue Bonds, Series 2018, as listed on Appendix A.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, not later than 30 days prior to the Annual Filing Date. Promptly on receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than February 1 following the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2018, subject to Section 3 hereof. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). On such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall provide in a timely manner an electronic copy of the Issuer's unaudited financial statements to the Disclosure Dissemination Agent and shall, within a reasonable time of when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) on receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) on receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) on receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. Principal and interest payment delinquencies;
 - 2. Non-Payment related defaults, if material;
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - 5. Substitution of credit or liquidity providers, or their failure to perform;
 - 6. Adverse tax opinions, IRS notices or events affecting the tax status of the security;
 - 7. Modifications to rights of securities holders, if material;
 - 8. Bond calls, if material, and tender offers;
 - 9. Defeasances;
 - 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 - 11. Rating changes;
 - 12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - 13. Merger, consolidation, or acquisition of the obligated person, if material; and
 - 14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

- (v) on receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) on receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
 - 1. amendment to continuing disclosure undertaking;
 - 2. change in obligated person;
 - 3. notice to investors pursuant to bond documents;
 - 4. certain communications from the Internal Revenue Service;
 - 5. secondary market purchases;
 - 6. bid for auction rate or other securities;
 - 7. capital or other financing plan;
 - 8. litigation/enforcement action;
 - 9. change of tender agent, remarketing agent, or other on-going party;
 - 10. derivative or other similar transaction; and
 - 11. other event-based disclosures;
- (vii) on receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
 - 1. quarterly/monthly financial information;
 - 2. change in fiscal year/timing of annual disclosure;
 - 3. change in accounting standard;
 - 4. interim/additional financial information/operating data;
 - 5. budget;
 - 6. investment/debt/financial policy;
 - 7. information provided to rating agency, credit/liquidity provider or other third party;
 - 8. consultant reports; and
 - 9. other financial/operating data;

- (viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date on change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain the following Annual Financial Information with respect to the Issuer, as of and for the fiscal year then completed, as provided in the Official Statement as follows; provided, however, that in the event the following information is collected and prepared by a party other than the City, the City shall be excused from compliance for failure to timely provide such information in the event such information is not available to the City:

- (1) The financial statements of the Issuer for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If the 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.
- (2) The financial and operating data contained in the following tables in the Official Statement (in each case, the information for the fiscal year ended June 30, 2018, is only required to be updated to the extent different from the information contained in the Official Statement):
 - (a) Under the caption, "FINANCIAL FACTORS": (i) Five-Year Summary and (ii) Historical Debt Service Coverage of the System (which information shall be presented generally in the form of the table under Projected Debt Service Coverage of the System, showing Net Revenues, debt service and coverage on Outstanding Bonds (as such terms are defined in the Ordinance)); and
 - (b) Under the caption, "THE SYSTEM": (i) Historical Stormwater Fee Collections, (ii) Number of Customers, (iii) the stormwater fee adopted by the City Council for such fiscal year (if modified from prior fiscal year), (iv) Ten Largest Customers and (v) Capital Expenditures – Capital Improvements Undertaken.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

- 1. Principal and interest payment delinquencies;
- 2. Non-payment related defaults, if material;

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

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall

promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds on the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or on delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party.

The Issuer may, on thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. On termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated in this Disclosure Agreement.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely on Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith on the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF COLUMBIA, SOUTH CAROLINA,
as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	City of Columbia, South Carolina
Obligated Person(s)	City of Columbia, South Carolina
Name of Bond Issue:	\$37,900,000 Stormwater System Revenue Bonds (City Stormwater Improvements) Series 2018 (Green Bonds)
Date of Issuance:	December 19, 2018
Date of Official Statement:	December 6, 2018
CUSIP Number:	198502

Name of Issuer	City of Columbia, South Carolina
Obligated Person(s)	City of Columbia, South Carolina
Name of Bond Issue:	\$37,900,000 Stormwater System Revenue Bonds (City Stormwater Improvements) Series 2018 (Green Bonds)
Date of Issuance:	December 19, 2018
Date of Official Statement:	December 6, 2018

Dated: _____

By: _____
Name: _____
Title: _____

E-11

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: City of Columbia, South Carolina

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates: _____

Number of pages of attached material event notice: _____

____ Description of Notice Events (Check One):

1. ____ Principal and interest payment delinquencies;
2. ____ Non-Payment related defaults, if material;
3. ____ Unscheduled draws on debt service reserves reflecting financial difficulties;
4. ____ Unscheduled draws on credit enhancements reflecting financial difficulties;
5. ____ Substitution of credit or liquidity providers, or their failure to perform;
6. ____ Adverse tax opinions, IRS notices or events affecting the tax status of the security;
7. ____ Modifications to rights of securities holders, if material;
8. ____ Bond calls, if material;
9. ____ Defeasances;
10. ____ Release, substitution, or sale of property securing repayment of the securities, if material;
11. ____ Rating changes;
12. ____ Tender offers;
13. ____ Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. ____ Merger, consolidation, or acquisition of the obligated person, if material;
15. ____ Appointment of a successor or additional trustee, or the change of name of a trustee, if material; and
16. ____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: City of Columbia, South Carolina

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates: _____

Number of pages of attached material event notice: _____

____ Description of Voluntary Event Disclosure (Check One):

1. ____ amendment to continuing disclosure undertaking;
2. ____ change in obligated person;
3. ____ notice to investors pursuant to bond documents;
4. ____ certain communications from the Internal Revenue Service;
5. ____ secondary market purchases;
6. ____ bid for auction rate or other securities;
7. ____ capital or other financing plan;
8. ____ litigation/enforcement action;
9. ____ change of tender agent, remarketing agent, or other on-going party;
10. ____ derivative or other similar transaction; and
11. ____ other event-based disclosures.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: City of Columbia, South Carolina

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates: _____

Number of pages of attached material event notice: _____

____ Description of Voluntary Financial Disclosure (Check One):

1. ____ quarterly/monthly financial information;
2. ____ change in fiscal year/timing of annual disclosure;
3. ____ change in accounting standard;
4. ____ interim/additional financial information/operating data;
5. ____ budget;
6. ____ investment/debt/financial policy;
7. ____ information provided to rating agency, credit/liquidity provider or other third party;
8. ____ consultant reports; and
9. ____ other financial/operating data.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

APPENDIX F
FINANCIAL FEASIBILITY STUDY

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FINAL

STORMWATER SYSTEM FEASIBILITY REPORT REGARDING THE SERIES 2018 STORMWATER SYSTEM REVENUE BONDS

BLACK & VEATCH PROJECT NO. 400156

PREPARED FOR

City of Columbia, South Carolina

6 DECEMBER 2018





December 06, 2018

Mr. Clint Shealy, P.E.
Assistant City Manager
Columbia Water
300 Laurel Street
Columbia, South Carolina 29201

Subject: Stormwater System Feasibility Report Regarding the Series 2018 Stormwater System Revenue Bonds

Dear Mr. Shealy:

Black & Veatch Management Consulting, LLC ("Black & Veatch") has been engaged by the City of Columbia, South Carolina (the "City") to perform a five-year financial feasibility analysis (the "Analysis") of the City's Stormwater System (the "System") operating results associated with the issuance of \$37,900,000 par amount of Stormwater System Revenue Bonds, Series 2018 (the "Series 2018 Bonds"). Presented herein is a summary of the Analysis concerning the proposed issuance of the Series 2018 Bonds.

The Analysis conducted by Black & Veatch includes a forecast of revenues and revenue requirements, based on information provided by the City and other parties, to determine the financial feasibility of the City issuing the Series 2018 Bonds. For the Analysis conducted herein, the Projection Period (later defined herein) was determined to be FY 2019 through FY 2023. It should be noted, Black & Veatch did not conduct separate interviews with staff, perform site inspections, or conduct any additional activities to verify and validate the revenue and revenue requirements information provided by the City as a part of completing the Analysis detailed herein.

Subject to the limitations set forth herein, this Analysis was prepared for the City by Black & Veatch and is based on information not within the control of Black & Veatch. Black & Veatch has not been requested to make an independent analysis, to verify the information provided to it, or to render any independent judgment of the validity of the information provided by others. As such, Black & Veatch cannot, and does not, guarantee the accuracy thereof.

In conducting the analysis and in forming an opinion of the projection of future operating results summarized in this Analysis, Black & Veatch has made certain assumptions with respect to conditions, events, and circumstances that may occur in the future. The methodology utilized by Black & Veatch in performing the analysis follows generally accepted practices for such projections. While Black & Veatch believes the assumptions are reasonable and appropriate, and the projection methodology valid, actual results may differ materially from those projected, as influenced by the conditions, events, and circumstances that occur, that are unknown now and/or which are beyond the control of Black & Veatch.





BLACK & VEATCH

Black & Veatch Management Consulting, LLC

1411 Gervais Street, Suite 401, Columbia, SC 29201

P +1 617-416-1661 E McardleJ@bv.com

It is understood and acknowledged that the complete Report will be attached to the Series 2018 Bonds' offering documents for the marketing and sale of the Series 2018 Bonds. The City may only distribute the complete Report to third parties, including the above statements, and not parts thereof. Any distribution of this Report, or any excerpt thereof, to third parties shall be at the City's sole risk, and Black & Veatch makes no assurances that the projections or forecasts will be consistent with actual results or performance. The City's duty to distribute only the complete Report, including the above statements, shall not apply to internal City documents derived from this Report, that come within the scope of applicable records laws and are requested under such laws by interested citizens and other parties.





Introduction

The purpose of this report (“Report”) is to summarize the findings of the Analysis performed by Black & Veatch to confirm the System’s ability to meet current and future planned obligations related to the issuance of the Series 2018 Bonds. In accordance with Ordinance No. 2018-013 (“General Bond Ordinance”), enacted by the City Council of the City of Columbia, South Carolina (the “City”) on May 15, 2018, and the amendments and supplements thereto, this Report outlines the System’s revenue requirements including operating and capital expenses, the flow of funds related to the System, and the System’s ability to meet the covenant requirements as outlined in the General Bond Ordinance.

Scope

This Report presents the results of the projected operating results of the System, which are based on a review of the City’s historical financial data, records, and other information as provided by the City and other parties. The Report provides background information on the organization and management and the System. This information is presented for background purposes only. Additionally, the Report provides information related to the System’s cost to operate and the capital improvement program (“CIP”). This Report does not provide an opinion on the adequacy of the organization to deliver on the proposed CIP program nor does it offer an opinion on the condition of the existing System assets or their ability to meet service demands. Finally, this Report does offer an opinion on the ability of estimated revenue to meet estimated revenue requirements.

This Report is prepared in anticipation of the City’s \$37,900,000 principal amount, Series 2018 Bonds. The Series 2018 Bonds are issued to fund a portion of the fiscal year (“FY”) 2019 to FY 2023 CIP and fund the issuance costs of the Series 2018 Bonds. Black & Veatch performed a financial feasibility analysis and this Report summarizes the financial projections over the Projection Period, FY 2019 through FY 2023. The financial feasibility analysis considers funding of the proposed \$95.9 million CIP and includes an anticipated future bond issuance in FY 2021 as part of the anticipated capital financing plan. The analysis reflects the stormwater rates as adopted by City Council beginning in FY 2018 through FY 2022 and the estimated maximum amount of debt to be handled by the System revenues. However, any opinions with regard to the ability of estimated revenue to meet revenue requirements contained herein are only applicable to the Series 2018 Bonds.

In the preparation of this Report, the Black & Veatch team held discussions with City staff in September 2018 to retain information and gain an understanding of the City’s overall mission, organizational structure, stormwater facilities, regulatory requirements, annual cost requirements, and planned improvements of the System over the Projection Period. Discussions were held with key Columbia Water staff, which included, staff from Engineering, Customer Care, Utility Operations, Budget and Finance, and Public Works departments within the City.



Purpose of the Series 2018 Bonds

The City is issuing the Series 2018 Bonds to provide funds that together with any other available funds will: (i) fund certain improvements, extensions, and enlargements to the System; and (ii) pay any cost incurred in connection with the issuance of the Series 2018 Bonds.

Table 1 summarizes the estimated sources and uses of funds for the Series 2018 Bonds, as provided by the City's senior underwriter of the Series 2018 Bonds, Siebert Cisneros Shank & Co., L.L.C. ("SCS") in consultation with the City's Financial Advisor, Stifel, Nicolaus & Company, Inc. ("Stifel").

Table 1: Estimated Funding Sources and Uses [1][2][3]

DESCRIPTION	AMOUNT
Estimated Sources of Funds:	
Par Amount of Series 2018 Bonds	\$37,900,000
Reoffering Premium	\$5,120,411
Total Sources of Funds	\$43,020,411
Estimated Uses of Funds:	
Project Fund	\$42,000,000
Cost of Issuance	\$1,020,411
Total Estimated Uses of Funds	\$43,020,411
<p>[1]Pursuant to information provided by SCS.</p> <p>[2]See Capital Improvement Program section of this Report for a discussion of the Project Fund to be funded from the proceeds of the Series 2018 Bonds.</p> <p>[3] Cost of Issuance includes Underwriters' discount and certain legal, accounting and other financing expenses incurred by the City, and rounding amount of (\$1,621.35).</p>	



The City

GENERAL

The City, located at the geographic center of South Carolina, was formed in 1786 and is the county seat of Richland County and the state capital of South Carolina. In addition to being the governmental center within South Carolina, the City is the business, finance, education, and transportation center of the State. Currently, the City occupies a land area of approximately 135 square miles with an estimated population of 134,300 within the City and approximately 817,500 people within the metropolitan statistical area according to the 2016 United States ("US") Census estimates. Combined with the Newberry and Orangeburg metropolitan areas to form the Columbia-Orangeburg-Newberry Combined Statistical Area, this area serves approximately 952,000 people according to the 2016 US Census estimates which is the second largest combined statistical area in South Carolina. The Vision of the City is "to build a world-class City" through the stated Mission, "to provide bold leadership and exemplary services to advance the quality of life for everyone."

CITY GOVERNMENT

The City operates under a council-manager form of government with the Mayor and City Council vested with the legislative and policy-making powers of the City. The City Council consists of the Mayor and six City Council members. Additionally, the Mayor and City Council members are elected every four years with no term limits. Council members are elected in November, with four members coming from the established City Council districts, and two members elected at-large. The City Council is responsible for making policies and enacting laws, rules, and regulations to appropriately manage the operation of all City services to meet the service requirements of current and future anticipated citizens and other stakeholders. The City Council appoints a City Manager who serves as the chief executive officer of the City and oversees the day-to-day operation of the City. The City Manager is responsible for implementing and managing the policies, procedures, and ordinances of the City and directs the daily operations of the City through three appointed Assistant City Managers and City Department Directors.

The City Manager, Teresa B. Wilson, has served as City Manager since January 2013. Ms. Wilson previously served as the City's Director of Governmental Affairs and Assistant City Manager for Community Programs, Economic Development, and Government Services. Before joining the City, Ms. Wilson served as the Government and Community Relations Coordinator for the University of South Carolina's Office of the President.



Under the City Manager's direction:

- Columbia Water operates the Stormwater System, under the leadership of the Assistant City Manager, Clint Shealy, P. E.. Mr. Shealy has led Columbia Water since July 2017. Mr. Shealy's prior experience includes serving as the City's Director of Utilities and Water Works Superintendent.
- The Assistant City Manager for Finance and Economic Services, Mr. Jeff Palen, oversees the financial operation of the Stormwater System. Mr. Palen has served as the Assistant City Manager for Finance and Economic Services and Chief Financial Officer since January 2013. Previously, Mr. Palen served as the City's Treasurer.

The System

The following section provides a summary of Columbia Water, the System, and the City's current management and organization structure.

COLUMBIA WATER

The City owns and operates water, wastewater and stormwater systems. These systems are operated by Columbia Water under the leadership of Assistant City Manager, Clint Shealy. In June 2002, the City established the System as a separate self-supporting enterprise fund utility. As such, the City established separate budgeting and accounting systems to dedicate and protect all funding resources applicable to the operations of the System. The System has operational control over the existing stormwater management programs, support systems, and facilities owned and operated by the City.

Figure 1 provides a high-level overview of Columbia Water's current organizational structure. Columbia Water consists of five Divisions led by the Director of Engineering, Director of Utility Operations, Director of Public Works, Customer Care Administrator, and Utility Communications Manager, each of whom reports to and assists Mr. Shealy with the management of Columbia Water.

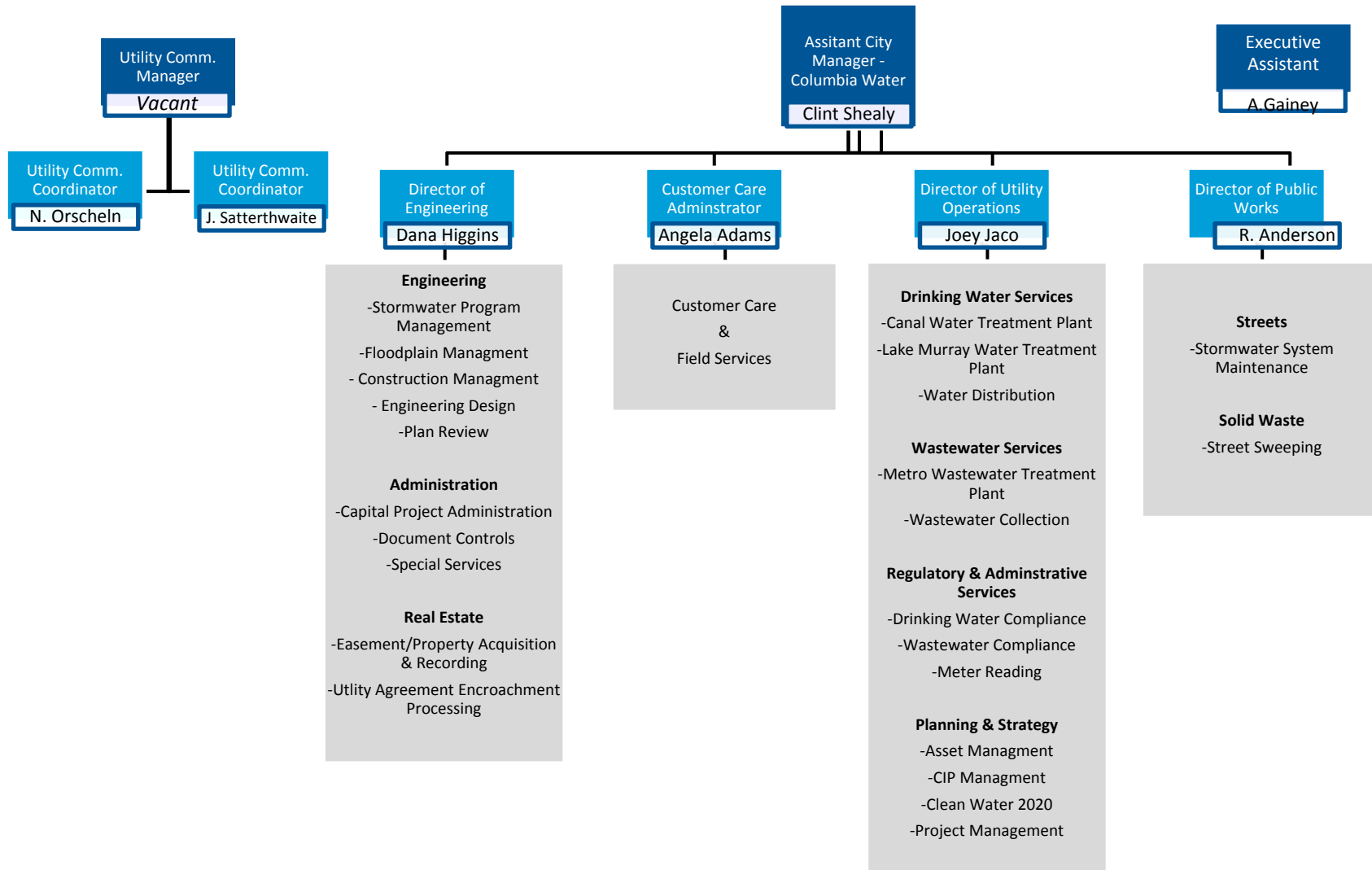


Figure 1: Columbia Water Organizational Chart



The following sections provide an overview of the divisions within Columbia Water.

ENGINEERING DIVISION

The Engineering Division is responsible for the administration and management of the City's stormwater program. The Engineering Division's key stormwater functions include:

- Stormwater program administration;
- Maintaining compliance with the City's National Pollution Discharge Elimination System (NPDES) Phase I Municipal Separate Storm Sewer System (MS4) permit;
- Implementing the South Carolina Erosion and Sediment Reduction Act and the National Pollution Discharge Elimination System (NPDES) General Permit for Construction Activities;
- Watershed planning and management;
- Stormwater capital improvement planning and engineering;
- Stormwater construction project administration and management;
- Stormwater construction monitoring and inspection;
- Administration and enforcement of the City's Stormwater Management Ordinance in the context of development and redevelopment activity, including:
 - Development of stormwater management and improved site development guidance;
 - Construction and post-construction inspections;
- Floodplain management including:
 - Management of construction and improvements in floodplains under the Federal Emergency Management Agency (FEMA) National Flood Insurance Program;
 - Administration and enforcement of the City's Floodplain and Floodway Regulations;
- Purchase/Acquisition of property, property easements, and right-of-way agreements; and
- Maintenance of stormwater billing determinant data (i.e., stormwater customer impervious area data) and the administration of the stormwater user fee credit program.

The Engineering Division works closely with the Utility Operations Division, Public Works Division, Customer Care Division, and the Utility Communications Division in managing the System, developing capital improvements, and meeting regulatory requirements. In recent years, the Engineering Division has focused on enhancing regulatory compliance efforts and developing a capital improvement program that addresses both flood-prone areas and stormwater quality issues.

To further augment the Engineering Division staff capabilities and capacity, Columbia Water contracts with engineering services providers to support the management of System CIP, watershed planning, engineering, design, and bidding, along with construction phase services.



These contracted services assist Columbia Water with the implementation and delivery of the envisioned capital improvements and stormwater management initiatives.

The Director Engineering, Ms. Dana Higgins, P.E. leads the Engineering Division. Ms. Higgins was named Director of Engineering of the City in July 2017; prior to this, Ms. Higgins served as the City Engineer beginning September 2010. Before becoming City Engineer, Ms. Higgins served as the Assistant City Engineer for Construction for the City, managing the construction management staff and overseeing the development and construction of projects within the City limits. Ms. Higgins is a registered Professional Engineer in the State of South Carolina and a Leadership in Energy and Environmental Design Accredited Professional (LEED AP). She earned her Bachelor of Science in Civil Engineering and her Master of Science in Engineering from the University of South Carolina.

UTILITY OPERATIONS DIVISION

The Utility Operations Division is responsible for developing and administering the overall planning framework (i.e., program policies and best practices) for Columbia Water's capital improvement and asset management programs. The Utility Operation Division's key stormwater functions include:

- Developing the CIP management framework;
- Implementation of the City's asset management program;
- Implementation and management of strategic planning efforts for the Columbia Water;
- Permit compliance oversight; and
- System support and resource coordination.

Mr. Joey Jaco, P.E. serves as the Director of Utility Operations for Columbia Water. Mr. Jaco is a registered professional engineer with over 23 years of experience. He graduated with a Bachelor's Degree and a Master's Degree in Engineering from the University of South Carolina. Mr. Jaco was in private practice as an engineer prior to employment with the City in 2006.

CUSTOMER CARE DIVISION

The Customer Care Division is responsible for the billing and collection of water, wastewater and stormwater revenues for services provided by Columbia Water. In addition, Customer Care's responsibilities include enforcement of payments and the operations of the Customer Care Center which assists customers with utility billing inquiries, documentation of customer questions or concerns, and provides support in finding resolutions to potential issues and inquires.

Mrs. Angela Adams serves as the Director of Customer Care for Columbia Water. Mrs. Adams joined the Customer Service Department in February 1994. She began her career with the city as a Customer Service Representative and was promoted to Administrator in 2009. During her tenure as Administrator, Mrs. Adams oversaw the transformation of the Customer Service Department into the Customer Care Department, a transition that merged 311 services into a centralized call center in order to manage customer inquiries and other issues. Mrs. Adams has over 20 years of customer service experience. Prior to joining the City, Mrs. Adams served in the South Carolina Army National



Guard JAG Corps as a legal assistant for 12 years. Mrs. Adams graduated from Benedict College with a Bachelor of Arts in Business and she holds a Master of Arts in Human Resources from Webster University.

PUBLIC WORKS DIVISION

The Public Works Division is responsible for the overall operation and maintenance of the System and System management facilities. The services provided to operate and maintain these facilities are provided by the Stormwater Drainage Maintenance Unit which is a part of the City Streets Division. In addition, the Solid Waste Unit provides street-sweeping services. While the Public Works Department is not a part of Columbia Water, the Department is managed by the Assistant City Manager of Columbia Water (Mr. Shealy) who works closely with all staff to provide the required support services.

The Public Works Division's key stormwater functions include:

- Stormwater drainage cleaning, maintenance, and repair which includes catch basins, inlets, and ditches;
- Stormwater management facility maintenance and upkeep;
- System inspections and inventory support; and
- Street sweeping and associated materials disposal.

UTILITY COMMUNICATIONS DIVISION

The Utility Communications division is responsible for overall public outreach and communications for Columbia Water. As such, this division oversees customer engagement and raising customer awareness specific to the services, activities, and planning efforts of the System.

The Utility Communications Division provides support in the following areas:

- Stormwater public outreach and education;
- Public involvement and participation;
- Outreach campaigns for watershed management and capital improvement planning; and
- General communications for stormwater construction activities.

STORMWATER SYSTEM

The System's service area spans four major watersheds, including the Gills Creek Watershed, the Saluda River Watershed, the Congaree River Watershed, and the Broad River Watershed. Assets and facilities of the System include both natural and man-made channels, swales, ditches, surface waters (including swamps, rivers, streams, ponds, lakes, and reservoirs), drainage ways, inlets, catch basins, pipes, head walls, storm sewers, detention facilities and other physical works, properties, and improvements which transfer, control, convey or otherwise influence the movement of stormwater runoff. Current stormwater assets include over 15,000 inlets and intake structures; more than 350 miles of storm sewers; approximately 3,600 storm sewer junctions and



manholes; 136 miles of open channels; and 4 stormwater management facilities (including detention and retention basins).

Each watershed within the Columbia Water's stormwater service area is subject to flooding and water quality issues. To address this, the City has developed watershed management plans to address the specific concerns within each watershed and identified capital improvements to address their unique challenges. As detailed by the City, improvements have been prioritized to protect human life and health, appropriately maintain transportation and other public infrastructure, and to reduce flooding, erosion, and sedimentation issues.

Figure 2 below provides a map of the System service area and watersheds.

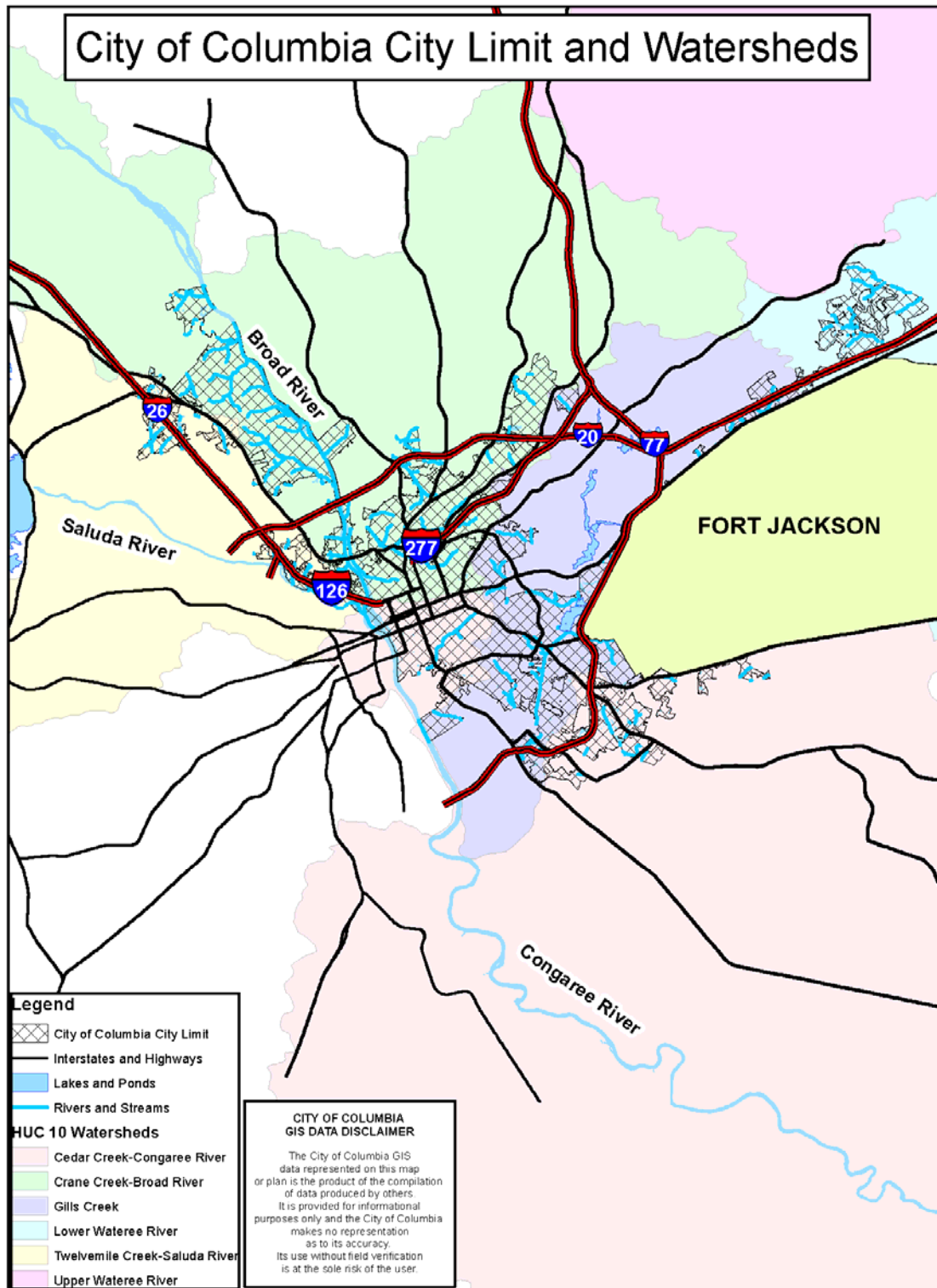


Figure 2: Stormwater System Service Area



REGULATORY REQUIREMENTS

The South Carolina Department of Health and Environmental Control (SCDHEC) is the agency responsible for implementing the NPDES Stormwater Program. The City was designated as a Phase I MS4 and was issued its permit by SCDHEC in January of 2010. A municipal entity that provides stormwater services with 100,000 or greater in population is defined as a Phase I MS4 to establish a permit to protect against stormwater discharges. The permit requires the City to manage the quality of runoff discharged to local streams and water bodies. The permit defines the operational and programmatic requirements to be undertaken by the City which is based on best management practices. To support meeting these requirements, the City has adopted a Stormwater Management Plan to address the following eleven (11) elements as they relate to the permit:

1. Structural Controls and Stormwater Collection System Operation;
2. Post-construction Stormwater Management in New Development and Redevelopment;
3. Existing Roadways;
4. Flood Control Projects;
5. Municipal Waste Treatment, Storage, or Disposal Facilities not Covered by an NPDES Stormwater Permit;
6. Pesticides, Herbicide, and Fertilizers (PHFs) Application;
7. Illicit Discharge and Improper Disposal;
8. Industrial Runoff;
9. Construction Site Stormwater Runoff Control;
10. Monitoring Program; and
11. Public Education and Outreach on Stormwater Impacts and Public Involvement/Participation

As detailed by the City, the City remains in full compliance with the MS4 permit requirements and continues to make program enhancements, building upon prior year's accomplishments as outlined in the annual MS4 Permit Report.

Provided below is a list of recent System accomplishments as detailed in the City's MS4 permit:

- The adoption of a multi-year rate schedule to fund the implementation of key stormwater improvement projects that will have a qualitative and quantitative impact on stormwater runoff within the City. Over the next 3 to 5 years, the funding is expected to finance, through a combination of revenue bonds and pay-go financing, approximately \$95.9 million in flood control and asset management projects;
- The establishment of comprehensive operations and management training for City employees, industrial site operators, and construction site operators including good housekeeping, industrial, and construction-related areas;
- The update of stormwater land disturbance applications and approval processes addressing waivers and expedited land disturbance reviews;
- The establishment of an expanded monitoring network with the installation of four (4) Sontek IQ area-velocity meters in the Rocky Branch watershed; and



- The implementation of a data sharing program with the University of South Carolina, the National Weather Service (NWS), the NWS Advanced Hydrologic Predictions Service (AHPS), allowing for the exchange of stage, rainfall, water surface elevation, flow, and velocity data.

While the MS4 permit expired on January 24, 2015, the City continues to operate under its terms. The City anticipates the issuance of a new MS4 permit in the next several years. It is understood by Black & Veatch, through deliberations with the City, that SCDHEC will administer the new MS4 permit after the negotiation process and required public comment period is complete.

Customer Characteristics

GENERAL

The customers/properties served by the System reside or are within the jurisdictional limits of the City (e.g. City residents). For the purposes of this Report, the City provided Black & Veatch with detailed historical customer information for FY 2014 through FY 2018. The historical customer information was obtained from the City's electronic billing records and contains information regarding customer accounts and the related stormwater billing units, which are defined as equivalent residential units ("ERU"), assigned to each customer served by the System. A review of the customer data was conducted to understand the impervious area designation assigned to each property and the associated stormwater ERUs.

HISTORICAL AND PROJECTED CUSTOMERS AND EQUIVALENT RESIDENTIAL UNITS

A review of historical customer data indicates that the City has not experienced significant customer growth in recent years related to the overall number of System customers. However, the overall number of ERUs has grown and based upon discussions with City Staff, this growth is attributable to development and redevelopment activities as well as the City's ongoing efforts to maintain stormwater billing determinants. For this Analysis, Black & Veatch based the general System customer growth realized during the five-year projection period consisting of the FY 2019 through FY 2023 (the "Projection Period") on an annual ERU growth rate of 0.25%. The 0.25% annual ERU growth rate was derived based on discussions with City staff and a review of historical ERU growth.

For the Analysis conducted herein and as defined by City Ordinance¹, an ERU is the mean amount of impervious area associated with a typical residential property. As determined by the City, one ERU is estimated to be 2,454 square feet of impervious area which was calculated by the City and deemed to be representative of the typical amount of impervious area on a typical residential property. Impervious area is defined as the impermeable area on a customer's property that can include: sidewalks, walkways, patios, driveways, parking lots, storage areas, compacted gravel and

¹ City of Columbia, South Carolina, Code of Ordinances Chapter 23 Section 202.



soil, rooftops, and awnings. Each stormwater customer served by the City is assigned a measure of impervious area which outlines that customer's stormwater drainage requirement.

Table 2 provides a summary of the historical and projected stormwater customers and ERUs.

Table 2: Summary of Accounts and Equivalent Residential Units [1][2][3]

FISCAL YEAR	ACCOUNTS	ANNUAL CHANGE	EQUIVALENT RESIDENTIAL UNITS	ANNUAL CHANGE
FY 2014	31,055		85,662	
FY 2015	32,223	3.76%	88,884	3.76%
FY 2016	32,823	0.95%	90,540	1.86%
FY 2017	32,564	-0.79%	90,707	0.18%
FY 2018	32,588	0.07%	90,327	-0.42%
Compound Annual Growth Rate (%)		0.97%		1.07%
FY 2019	32,669	0.25%	90,553	0.25%
FY 2020	32,751	0.25%	90,779	0.25%
FY 2021	32,833	0.25%	91,005	0.25%
FY 2022	32,915	0.25%	91,232	0.25%
FY 2023	32,997	0.25%	91,460	0.25%

Notes:

1. The historical billing information (properties & ERUs) for FY 2014 through FY 2018 was provided by the City.
2. Historical ERUs are based on the total annual billings for the System during the respective fiscal year; total billings are subject to the City's billing cycles and account status at the time of billing. Account information for FY 2014 to FY 2016 was estimated by the average number of accounts per ERU. Active accounts within the billing system may vary throughout the year and the number of historical accounts for FY 2017 and 2018 represent the number of active accounts as of the end of the fiscal year's total billings.
3. Estimated future account and ERU growth reflects both the long-term historical trends and the City's current impervious area audit, which has been undertaken to verify the billing information for all "other developed properties".

The System provides service to two customer classes² consisting of 1) residential; and 2) all other developed properties, which includes multi-family parcels as defined by ordinance.

² Stormwater service charges are collected from all properties within the City having greater than 600 square feet of impervious area. Exceptions to this charge are streets in the public right-of-way and railroad tracks located in the City.



Based on annual stormwater system billing information for FY 2018, Table 3 summarizes the distribution of customers and ERUs across each customer classification.

Table 3: Summary of Customers and Equivalent Residential Units by Customer Class

CUSTOMER CLASS	CUSTOMERS	EQUIVALENT RESIDENTIAL UNITS
Residential	28,591	28,753
All Other Developed Properties	3,997	61,574
Total	32,588	90,327

TEN LARGEST CUSTOMERS

To gain an understanding of the existing customer base and the revenue concentration of the System's largest customers, the analysis of customer statistics includes a review of the 10 largest System customers, by annual charges.

Table 4 provides a listing of the ten largest stormwater customers during FY 2018.

Table 4: Summary of the Ten Largest System Customers in FY 2018 [1]

CUSTOMERS	EQUIVALENT RESIDENTIAL UNITS	ANNUAL CHARGES	PERCENT OF SYSTEM REVENUES
University of South Carolina Facilities Management	3,489	\$494,042	3.89%
City of Columbia	2,598	\$367,877	2.90%
Richland School District One	2,182	\$308,971	2.43%
South Carolina Department of Corrections	1,071	\$151,654	1.19%
State Fiscal Accountability Authority	995	\$140,892	1.11%
South Carolina Department of Mental Health	854	\$120,926	0.95%
Winbrook Management LLC	748	\$105,917	0.83%
Columbia International University	710	\$100,536	0.79%
Wm. Jennings Bryan Dorn Veterans Hospital	699	\$98,978	0.78%
Palmetto Health Richland (Prisma Health)	577	\$81,703	0.64%
Total Top Ten Largest Customers	13,923	\$1,971,497	15.53%
Total Stormwater System Revenues (FY 2018)		\$12,696,494	

Note:

1. Annual ERUs and annual charges for the top ten customers along with total System Revenues for FY 2018 were provided by the City.



Stormwater System Rates

GENERAL

The City has established a monthly stormwater charge per ERU (“ERU Charge”) that it assesses existing System customers based on their respective ERUs requirements. On an annual basis, the City Council approves the ERU Charge. The ERU Charge is not subject to administrative review or approval by any other local or state agency.

The City has historically adjusted the ERU Charge to provide for the recovery of financial obligations, including operating expenses and capital expenditures. The System was formed in FY 2002, and the first stormwater charge increase was implemented in FY 2008 in the amount of 21.5% or \$0.85 per ERU. The FY 2008 stormwater charge increase was implemented in anticipation of the MS4 permit as discussed earlier in this Report. In FY 2012, another stormwater charge increase was approved in the amount of 41.7% or \$2.00 per ERU. The FY 2012 stormwater charge increase was due to needed capital requirements on the stormwater system.

In anticipation of issuance of the Series 2018 Bonds and a subsequent parity bond issue presently planned for settlement in FY 2021 (“Future Bonds”), the City made effective a five-year rate schedule that includes annual increases beginning on July 1, 2017 to the stormwater charge per ERU through July 1, 2021.

Table 5 summarizes the ERU Charge for FY 2018 through FY 2022.

Table 5: Summary of Existing Stormwater Charges

YEAR	IMPLEMENTATION DATE	UNIT	AMOUNT
FY 2018	July 1, 2017	per ERU	\$11.80
FY 2019	July 1, 2018	per ERU	\$12.54
FY 2020	July 1, 2019	per ERU	\$13.32
FY 2021	July 1, 2020	per ERU	\$14.15
FY 2022	July 1, 2021	per ERU	\$15.03

STORMWATER SYSTEM RATE COMPARISON

Black & Veatch completed a rate comparison of monthly stormwater system charges furnished upon customers by utilities based on a typical measure of impervious area per ERU. For the comparison detailed herein, the typical ERU is noted for all the utilities included in the comparison along with the related monthly stormwater charge.

The comparison detailed in Table 6 is based on the City’s FY 2019 adopted stormwater charge and reflects neighboring utility rates as of September 2018.



Table 6: Rate Comparison per ERU (As of September 2018)

MUNICIPALITY	MONTHLY FEE	ANNUAL FEE	ERU (SQ./FT.)
Clearwater, FL	\$14.58	\$174.96	1,830
West Palm Beach, FL	\$13.57	\$162.84	2,171
Naples, FL	\$13.35	\$160.20	1,934
Columbia, SC	\$12.54	\$150.48	2,454
Charlotte, NC	\$10.77	\$129.24	2,200
Edgewater, FL	\$10.00	\$120.00	2,027
Orlando, FL	\$9.99	\$119.88	2,000
Chattanooga, TN	\$9.60	\$115.20	3,200
Cocoa Beach, FL	\$8.75	\$105.00	2,900
Hilton Head Island, SC	\$8.75	\$105.00	4,906
Wilmington, NC	\$8.19	\$98.28	2,500
Bluffton, SC	\$8.17	\$98.04	4,906
Augusta, GA	\$6.40	\$76.80	2,200
Greenville, SC	\$6.26	\$75.12	2,389
Charleston, SC	\$6.00	\$72.00	2,200
Raleigh, NC	\$5.00	\$60.00	2,260
Florence, SC	\$3.34	\$40.08	2,500
Sumter, SC	\$2.50	\$30.00	3,000
Spartanburg, SC	\$2.50	\$30.00	2,000
Average Stormwater Bill	\$8.43	\$101.21	

It should be noted that when making rate comparisons, similar to the comparison presented in Table 6, several factors exist that may impact the level and extent of the services provided, the charges furnished upon customers by each of the respective municipalities listed, and the actual results of the rate comparisons. Such factors include, but are not limited to, the nature of service required, the legal and regulatory requirements within each respective jurisdiction, the annual level of system operating and capital requirements, the ability to procure funding sources (such as the municipalities general fund), the ability to charge for stormwater services, and bond covenants and other financial metrics and requirements. As such, a combination of these variables can impact the nature and magnitude of stormwater system charges furnished upon customers.



Capital Improvement Program

As stated previously herein, the City has developed a CIP for the Projection Period. The CIP provides a procedure for identifying and prioritizing major facility needs and for identifying fiscal resources to be utilized to implement the various capital projects. Upon adoption by the City Council as a part of its annual operating and capital budgeting process, the CIP becomes a statement of City policy regarding the timing, location, character, and funding of future capital projects. As such, the CIP includes the projects proposed for funding from the proceeds of the Series 2018 Bonds and the Future Bonds, as well as other projects and funding sources anticipated in future years.

It should be noted that certain future projects may be postponed, delayed, or eliminated depending upon need, priority, and market conditions. However, for the Analysis presented herein, it is assumed that all projects are funded in accordance with the timing and funding sources identified in Table 7 below. In addition, it should be noted that the projected capital expenditures associated with individual projects, as summarized herein, are based on the City's estimates, and actual expenditures may differ from the estimates provided.

The CIP includes major improvements to stormwater conveyance system (including storm sewer, channels and ditches), stormwater detention facilities, stream restoration, and culverts, outfall stabilization and green stormwater infrastructure (such as bioretention facilities). Funding for the larger projects is provided primarily through bond issues, such as the Series 2018 Bonds and the Future Bonds issuance, with additional funding coming from System operating fund and annual revenues generated through stormwater charges (e.g. pay-go financing).

A summary of the estimated CIP cash flow expenditures by project and fiscal year, as well as the estimated allocation of the capital expenditures by expected funding source, are provided in Appendix 1 of this report and are summarized in Table 7 below.

Table 7: CIP Funding Summary

LINE	PROJECTS	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
1	Total System Capital Projects	\$18,278,600	\$30,535,000	\$22,080,000	\$17,000,000	\$8,000,000
	Sources of Funding:					
2	Series 2018 Bond	\$15,200,000	\$26,800,000			
3	Future Bonds	-	-	\$18,500,000	\$14,000,000	\$4,500,000
4	Transfer from Operating Fund	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
5	Transfer from Current Fiscal Year Stormwater System Revenues	\$1,078,600	\$1,735,000	\$1,580,000	\$1,000,000	\$1,500,000
6	Total Sources of Funding	\$18,278,600	\$30,535,000	\$22,080,000	\$17,000,000	\$8,000,000



CAPITAL PROJECTS

Based on information provided by the City and SCS, proceeds of the Series 2018 Bonds and Future Bonds will be primarily used to fund the cost of various System projects. Table 8 below, summarizes the various projects with the total cost shown for the spending expected to occur between FY 2019 through FY 2023.

Table 8: Summary of Capital Projects by Watershed

WATERSHED	FY 2019	FY 2020	FY2021	FY 2022	FY 2023
Broad River	\$7,099,219	\$6,060,000	\$10,000,000	\$8,500,000	\$4,000,000
Gills Creek	\$5,500,000	\$12,850,000			
Lower Congaree	\$3,679,346	\$9,625,000	\$11,080,000	\$8,500,000	\$4,000,000
All	\$2,000,000	\$2,000,000	\$1,000,000		
Total	\$18,278,565	\$30,535,000	\$22,080,000	\$17,000,000	\$8,000,000

The majority of planned capital improvement projects are intended to address flooding and improve the overall stormwater conveyance across the City and its four major watersheds. Planned improvements will help to manage stormwater through expansion and upgrades to detention and retention systems which are intended to aid in managing the peak flows experienced throughout the System's service area, further reducing flooding and associated stormwater issues. As detailed by the City, additional stream restoration and low impact development projects are planned to enhance stormwater conveyance and improve stormwater quality by leveraging and protecting natural systems as well as reducing the overall stormwater runoff volume discharged to surface waters.

Table 9 presents a summary of capital improvement project cost by project type.

Table 9: Capital Projects by Project Type

TYPE	FY 2019	FY 2020	FY2021	FY 2022	FY 2023
Conveyance	\$9,059,219	\$13,750,000	\$21,080,000	\$17,000,000	\$8,000,000
Basin	\$2,229,346	\$13,525,000			
Stream Restoration	\$4,850,000	-			
Low Impact Development	\$140,000	\$1,260,000			
ALL	\$2,000,000	\$2,000,000	\$1,000,000		
Total	\$18,278,565	\$30,535,000	\$22,080,000	\$17,000,000	\$8,000,000



Historical Operating Results

The City is responsible for the operations, maintenance, and expansion of the System. Further, the City is responsible for obtaining the necessary funding associated with operating the System and satisfying any related debt service payments. Appendix 2 presents the historical revenues and expenses of the City for FY 2014 through FY 2018. The operating expenses include depreciation and amortization, which are non-cash expenses. The City had no indebtedness secured by System revenues during FY 2014 through FY 2018.

Projected Operating Results

The projected operating results of the System are developed from two major components consisting of projected revenues and projected revenue requirements (costs). Revenue requirements consist of the operating, maintenance, debt service, capital, and other monetary expenditures necessary to provide, maintain, and perpetuate quality service to the customers of the System. In establishing the financial feasibility of the projects and funding mechanisms proposed herein, it is important to ensure that the revenues are sufficient to meet the anticipated revenue requirements. The following discussions detail the development of each of these components.

PROJECTED REVENUES

The projected revenues as developed herein include both revenues generated from the retail user rates and revenues generated from other sources or utility-related activities. Appendix 3 shows the detailed projections of revenues for the System. The retail user rate revenues for each fiscal year of the Projection Period are estimated based on anticipated customer growth. In addition, the projected user charge revenues provide the estimated additional annual percentage rate adjustments necessary to meet the projected revenue requirements for a given fiscal year. The annual rate adjustment is applied directly to the System charges per ERU.

Table 10 shows projected System revenues inclusive of adopted ERU Rate charges through FY 2022 and a proposed FY 2023 ERU Charge increase of 4.00%.

Table 10: Summary of Projected Revenues

FISCAL YEAR	USER CHARGE REVENUES	OTHER REVENUES (1)	TOTAL SYSTEM REVENUES
FY 2019	\$13,626,500	(\$155,600)	\$13,470,900
FY 2020	\$14,510,100	(\$140,001)	\$14,370,099
FY 2021	\$15,452,700	(\$136,704)	\$15,315,996
FY 2022	\$16,465,700	(\$138,508)	\$16,327,192
FY 2023 (2)	\$17,167,000	(\$139,913)	\$17,027,087

Note:

1. Other Revenues includes stormwater plan review fee revenue as well as an estimated \$200,000 in uncollectible revenue related to customer delinquencies. Black & Veatch projected delinquency levels using the same growth rate applied to project account and ERU growth.



2. FY 2023 revenues assume an estimated rate increase of 4.0% (or \$0.60 per ERU) to meet revenue requirements and system metric for the projection period, extending beyond the adopted rate schedule.

The other revenue sources available to the System include such items as investment income, inspection fees, delinquencies/uncollectible accounts along with various other miscellaneous service charges. The projection of the other revenues varies depending upon the source and the service provided.

PROJECTED REVENUE REQUIREMENTS

The development of projected revenues generated by the System is a direct function of the estimated revenue requirements necessary to operate the System on an annual basis. Revenue requirements consist of the operating, maintenance, debt service, capital, and other monetary expenditures necessary to provide, maintain, and perpetuate quality service to customers of the System. The Analysis relies on City-provided year-end actual data for FY 2017, unaudited year-end actual data for FY 2018, and the adopted budget data for FY 2019. Projected annual revenue requirements for each FY thereafter have been adjusted pursuant to those activities anticipated to occur, as discussed further below. To facilitate a review of the anticipated financial results, Black & Veatch is presenting the results on a line-item basis in a format consistent with the City's annual budget (the "Budget"). We have divided the revenue requirements into operating and maintenance ("O&M") expenses, debt service requirements, and other expenses and transfers. The O&M expenses are primarily those ongoing costs for labor, materials, supplies, and services required to manage and operate the System on a day-to-day basis while maintaining a dependable level of service. The estimated O&M requirements are generally a function of a budgetary process and are directly related to the level of service provided to customers of the System. The other expenses and transfers include debt service, capital outlay, and any other expenses or transfers.

The Budget and the CIP provide for certain capital related requirements to be funded from revenues of the System. Approximately \$16.9 million or 17.6% of the proposed \$95.9 million CIP is anticipated to be funded from operating fund balances and annual system revenues, as detailed in Appendix 1.

The future revenue requirements for the Projection Period are developed by escalating the costs identified in the Budget on a line-item basis pursuant to historical escalation trends, assumed future activities, and events that may impact the System. Such adjustments include increasing applicable O&M expenses by inflationary and/or historical factors depending upon the nature of the expense. Additionally, the estimated debt service associated with the Series 2018 Bonds (as well as debt service requirements of Future Bonds), annual capital outlays, and other annual obligations are considered as a part of understanding the revenue requirement obligations over the Projection Period.

OPERATING AND MAINTENANCE

The costs associated with certain O&M expenses that are typically more variable in nature, such as equipment maintenance and fluctuations in prices associated with materials purchases, included in the operating cost, are escalated pursuant to factors based on a combination of experienced cost



escalation, assumed inflationary forces as well as estimated customer and system growth. Personnel-related costs such as employee salaries and benefits are escalated based on assumed labor escalator factors that, over the Projection Period, are assumed to include adjustments in pay and incremental addition of employees as necessary. For additional information, please refer to the Principal Considerations and Assumptions, detailed later herein.

Table 11 provides a summary of the estimated operating and maintenance expense over the Projection Period.

Table 11: Projected O&M Expense

FISCAL YEAR	AMOUNT
FY 2019	\$6,447,000
FY 2020	\$6,834,400
FY 2021	\$7,247,200
FY 2022	\$7,677,100
FY 2023	\$7,941,300

EXISTING AND PROJECTED DEBT SERVICE

The City does not have any existing System debt. For the purposes of this Report, the projected debt service requirements consist of the Series 2018 Bonds and the Future Bonds that are assumed to be issued in FY 2021.

Pursuant to information provided by SCS, the Series 2018 Bonds will be issued with approximately level annual debt service at a par amount of \$37,900,000, with a final maturity of February 1, 2048. Additionally, based on the currently proposed CIP, the City believes that it will need to issue additional revenue bonds during FY 2021. As provided by SCS, it is assumed that debt service for the Future Bonds will be based on a par amount \$37,890,000 (subject to change).

Table 12 provides the projected debt service requirements for the Projection Period for all existing and proposed Indebtedness. Note – Series 2018 debt service figures are rounded.

Table 12: Projected Debt Service Obligations

FISCAL YEAR	EXISTING DEBT SERVICE	PROPOSED DEBT SERVICE SERIES 2018 BONDS	ANTICIPATED FUTURE DEBT SERVICE (FUTURE BONDS)	TOTAL DEBT SERVICE
FY 2019	\$0	\$0	\$0	\$0
FY 2020	\$0	\$2,493,000	\$0	\$2,493,000
FY 2021	\$0	\$2,490,300	\$0	\$2,490,300
FY 2022	\$0	\$2,488,900	\$2,450,500	\$4,939,400
FY 2023	\$0	\$2,489,600	\$2,522,800	\$5,012,400



OTHER EXPENDITURES AND TRANSFERS

The City's other expenditures and transfers consist of cash financed CIP, capital outlay, and transfers to the City's general fund. The cash financed CIP projects are projects designated to be funded from annual System revenues. Additionally, capital outlay projects are recurring capital expenditures or major capital expenditures that are scheduled to be funded from annual System revenues. For the City, capital outlay expenses include major equipment and vehicle purchases. Finally, the transfer to the general fund represents the stormwater System's allocation of City services provided to all departments, such as Information Technology and Finance, to name a few. Table 13 summarizes the total annual other expenditures and transfers projected over the Projection Period.

Table 13: Projection of Other Expenditures and Transfers

FISCAL YEAR	AMOUNT
FY 2019	\$2,529,900
FY 2020	\$4,044,500
FY 2021	\$3,093,700
FY 2022	\$2,545,900
FY 2023	\$3,078,800

PROJECTED OPERATING RESULTS

The projected revenues and revenue requirements are used to develop a projected operating results cash-flow statement for the System. Black & Veatch has developed a financial forecast to reflect the projected financial results based on the System revenues, expenses, debt service, and other expenditures anticipated over the Projection Period. In addition, the statement provides the projected additional revenue adjustments (and applicable annual charge adjustments outside of the previously adopted stormwater charges) necessary to meet the projected revenue requirements. The System operating results, including a summary of the estimated revenues, expenditures, rate adjustments, and debt service coverage calculations for the Projection Period, are provided in Appendix 3.

It is our opinion that the rates and charges for use by the System to estimate future revenues necessary to meet revenue requirements obligations, including operating expenses, debt service obligations, and other expenditures as detailed in Appendix 3, is sufficient over the Projection Period to meet the forecasted revenue requirements (costs).

DEBT SERVICE COVERAGE

In accordance with the flow of funds as defined in the General Bond Ordinance and as verified by Stifel, the coverage calculation is performed for the projected parity debt over the Projection Period.

The projected debt service coverage results for the Projection Period are provided in Table 14.



Table 14: Debt Service Coverage

FISCAL YEAR	DEBT SERVICE COVERAGE SERIES 2018 BONDS	TOTAL DEBT SERVICE COVERAGE
FY 2019 (1)	N/A	N/A
FY 2020	3.02	3.02
FY 2021	3.24	3.24
FY 2022	3.48	1.75
FY 2023	3.65	1.81

Note:

1. As of the June 30, 2018, there is no outstanding debt associated with the System.

Based upon the above analysis and the assumptions utilized to conduct this Analysis, it is our opinion that the stormwater ERU Charge utilized to estimate stormwater system revenues over the Projection Period, as outlined in Appendix 3, yield Net Revenues (excluding amounts transferred) that covers annual Debt Service Requirements (in each case, as such terms are defined in the General Bond Ordinance) starting in FY 2020 through FY 2023 at an annual ratio of 3.02, 3.24, 1.75, and 1.81, respectively. Additionally, the General Bond Ordinance requires a debt service coverage ratio of a 1.20 and the estimate of debt service coverage over the Projection Period meets the debt service coverage requirement as outlined in the General Bond Ordinance.



Principal Considerations and Assumptions

The Analysis and projections developed herein utilize certain assumptions with respect to conditions that may occur in the future. While these assumptions are believed to be reasonable for the purpose of this Analysis, they are dependent upon future events and, therefore, actual events may differ from those assumed. In addition, the development of assumptions and applicable projections relies upon certain information provided by others. While these sources and the applicable information are believed to be reliable, the information has not been independently verified and there are no assurances offered with respect thereto. To the extent that future conditions differ from those assumed herein or provided by others, the actual results will vary from those developed and presented as the projected operating results. The principal assumptions and considerations include the following:

1. The projected stormwater charge revenue is anticipated to increase pursuant to customer account growth for the System. For the purpose of this Report and the Analysis, it is assumed that the System will realize gradual ERU growth over the Projection Period. The table below provides a summary of the estimated customer growth over the Projection Period. The estimated growth is based upon historical growth and the City's anticipation of future increases in stormwater ERUs.

FISCAL YEAR	ERU GROWTH
FY 2019	0.25%
FY 2020	0.25%
FY 2021	0.25%
FY 2022	0.25%
FY 2023	0.25%

2. The costs associated with certain operating expenses that are typically more variable in nature are adjusted pursuant to factors based on inflation, as well as anticipated adjustments in stormwater services and increased operation and maintenance cost associated with expanded and improved facilities contemplated by the CIP. Costs associated with material and supplies, System repairs, and certain other maintenance related expenses are assumed to increase from current budgetary levels based on inflationary factors that directly impact the cost to implement and construct these stormwater facilities. Such factors are based on analyses of historical price indices, [such as: the Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) and Producer Price Index (PPI), Handy Whitman Construction Cost Index, McGraw-Hill (ENR) Construction Cost Index and RS Means]] used by many utilities for financial forecasting and rate setting processes. Where available BLS data from for the Southeast Region was utilized. Adjustments to labor and benefits costs were developed based upon the previously



noted cost indices and direction from City staff. Summarized below are the escalatory factors utilities to estimate operating expenses over the Projection Period.

DESCRIPTION	ESCALATORY FACTORS
Labor	4.00%
Other Benefits	4.00%
General Inflation	2.13%
Energy	2.72%

3. The debt service amounts regarding the City's issuance of the Series 2018 Bonds and estimated potential Future Bonds have been provided by SCS.
4. The City will establish, maintain, and collect such charges in future years as necessary to provide revenues sufficient to meet its revenue requirements including: (i) costs associated with operations and maintenance of the System; and (ii) debt service payments and coverage concerning the Series 2018 Bonds.
5. The City will issue the Series 2018 Bonds with approximately level annual debt service at a par amount of \$37,900,000 during fiscal year 2018 with a final maturity occurring in 2048 at an interest rate of 3.86% per annum to: (i) finance the cost of improvements to the System, and (ii) fund certain costs of issuance incurred in connection with the Series 2018 Bonds. The terms and conditions of the Series 2018 Bonds were provided by SCS in consultation with Stifel.
6. The City will issue the Future Bonds in FY 2021. For the purposes of this analysis, this issuance assumes a total issuance amount of approximately \$37,890,000 (subject to change) at an assumed interest rate of 5.04% per annum for a term of 30 years in order to: (i) finance the cost of improvements to the System, and (ii) fund certain costs of issuance incurred in connection with the Future Bonds anticipated to occur in FY 2021. The terms and conditions of the Future Bonds were provided by SCS in consultation with Stifel.
7. As stated by City staff, the City is in compliance with its MS4 permit. While the most recent MS4 permit expired on January 24, 2015, the City continues to operate the System based on the terms of the MS4 permit and continues to interface and negotiate with the SCDHEC related to the renewal of the MS4 permit.
8. As previously detailed by the City, Black & Veatch assumes that the City will establish programs to assure continued compliance with all understood regulatory standards related to operating the System as detailed in the MS4 permit. Additionally, we assume that the City is in compliance



with the current rules and regulations of other federal, state and local agencies, if any, having regulatory authority over the System.

9. Future capital improvement projects are assumed to occur as reported by the City and as estimated in the analysis completed herein. To the extent that the timing of such projects change from that estimated herein, the cost of such projects may vary from those assumed herein.

Respectfully submitted,
BLACK & VEATCH MANAGEMENT CONSULTING, LLC

A handwritten signature in blue ink that reads "Judith McArdle".

Judith McArdle
Associate Vice President



Appendix 1: Capital Improvement Program Expenditures and Sources of Funds


Appendix 1: Capital Improvement Program Expenditures and Sources of Funds

Line	Description	Total	Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Capital Improvement Projects							
Projects:							
1	Columbia College Drive @ Farrow Road	300,000	300,000	-	-	-	-
2	Harlem Heights Drainage Project	2,200,000	2,200,000	-	-	-	-
3	MLK Water Quality and Quantity	0	1,054,346	-	-	-	-
4	Whaley and Main upgrade	3,000,000	300,000	1,350,000	1,350,000	-	-
5	Gills Creek Debris Removal	4,000,000	4,000,000	-	-	-	-
6	SD Projects Not Defined	2,000,000	1,000,000	1,000,000	-	-	-
7	Sumter/Catawba Detention	1,000,000	25,000	975,000	-	-	-
8	MLK/Greg Property Detention	800,000	100,000	700,000	-	-	-
9	Wallace Street Improvements	3,659,219	3,659,219	-	-	-	-
10	Shandon phase II	12,500,000	1,000,000	11,500,000	-	-	-
11	Penn Branch	1,100,000	100,000	1,000,000	-	-	-
12	Randall Avenue	2,000,000	200,000	1,800,000	-	-	-
13	Taylor/Washington 60" Improvement	1,500,000	150,000	1,350,000	-	-	-
14	Gregg Street & Gervais Street, Phase 2	1,500,000	150,000	1,350,000	-	-	-
15	Whaley at Railroad Crossing	1,000,000	100,000	900,000	-	-	-
16	Stream Restoration along Rocky Branch	500,000	500,000	-	-	-	-
17	Eightmile Branch from Danfield to Chinaberry	400,000	50,000	350,000	-	-	-
18	4000 Old Leesburg	350,000	350,000	-	-	-	-
19	Windsor Hill Evaluation and Flood Study	350,000	350,000	-	-	-	-
20	800 King and Queen Street from Lee to Preston	350,000	350,000	-	-	-	-
21	Sumter and Marion Streets Bio-retention Bumpouts	1,400,000	140,000	1,260,000	-	-	-
22	Smith Branch Drainage Area - Tier 1	11,200,000	200,000	1,000,000	10,000,000	-	-
23	Smith Branch Drainage Area - Tier 2	9,700,000	200,000	1,000,000	-	8,500,000	-
24	Smith Branch Drainage Area - Tier 3	5,200,000	200,000	1,000,000	-	-	4,000,000
25	Rocky Branch Watershed Plan Tier 1	10,930,000	200,000	1,000,000	9,730,000	-	-
26	Rocky Branch Watershed Plan Tier 2	9,700,000	200,000	1,000,000	-	8,500,000	-
27	Rocky Branch Watershed Plan Tier 3	5,200,000	200,000	1,000,000	-	-	4,000,000
28	Capital Improvement Program Management	3,000,000	1,000,000	1,000,000	1,000,000	-	-
29	Total CIP	95,893,565	18,278,565	30,535,000	22,080,000	17,000,000	8,000,000
Combined Enterprise System Projects and Sources of Funds							
Sources of Funds:							
30	Series 2018 Bond	42,000,000	15,200,000	26,800,000	-	-	-
31	Series 2021 Bond	37,000,000	-	-	18,500,000	14,000,000	4,500,000
32	Transfer from Operating Fund Balance	10,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
33	Transfer from Current Fiscal Year Revenues	6,893,600	1,078,600	1,735,000	1,580,000	1,000,000	1,500,000
34	Total CIP	95,893,600	18,278,600	30,535,000	22,080,000	17,000,000	8,000,000

Note:

1. The Capital Improvement Program project detailed herein were provided by the City over the Projection Period.



Appendix 2: Statement of Revenues, Expenses, and Changes in Retained Earnings


Appendix 2: Statement of Revenues, Expenses, and Changes in Retained Earnings

Line	Description	Fiscal Year Ending June 30					
		2013	2014	2015	2016	2017	2018
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	<u>Operating Revenues</u>						
1	Charge for Stormwater Service	6,685,838	6,945,593	7,222,413	7,297,315	7,413,183	12,696,494
2	Other Operating Revenues	-	12,688	300,000	18,886	-	-
3	Total Operating Revenues	6,685,838	6,958,281	7,522,413	7,316,201	7,413,183	12,696,494
	<u>Operating Expenses</u>						
4	Personnel Services	2,655,485	3,296,864	2,573,024	2,718,428	2,992,953	3,227,417
5	Materials and Supplies	231,732	249,194	223,099	199,095	308,882	215,875
6	Other Services and Charges	999,157	1,321,894	1,044,520	1,639,079	2,022,470	1,114,623
7	Heat, Light, and Power	-	-	-	-	1,203	567
8	Depreciation	681,750	700,430	790,049	1,031,602	1,175,554	1,130,886
9	Bad Debt Expense	-	1,465	-	-	-	-
10	Total Operating Expenses	4,568,124	5,569,847	4,630,692	5,588,204	6,501,062	5,689,367
11	Operating Income	2,117,714	1,388,434	2,891,721	1,727,997	912,121	7,007,127
	<u>Non-Operating Revenues / (Expenses)</u>						
12	Investment Income (Loss)	33,940	88,531	90,231	164,995	73,652	155,930
13	Other Non-Operating Revenue	1,669	-	-	175,000	18,920	273,979
14	Gain (Loss) from Sale of Assets	16,111	18,305	11,205	450	-	10,494
15	Total Non-Operating Revenues / (Expenses)	51,720	106,836	101,436	340,445	92,572	440,403
16	Operating Balance (Income/Loss)	2,169,434	1,495,270	2,993,157	2,068,442	1,004,693	7,447,530
	<u>Capital Contributions and Transfers</u>						
17	Transfers In	1,013,321	750,000	500,000	-	-	-
18	Transfers Out	(950,922)	(19,848)	(84,076)	(167,443)	(436,141)	(560,000)
19	Total Capital Contributions and Transfers	62,399	730,152	415,924	(167,443)	(436,141)	(560,000)
20	Change in Net Position	2,231,833	2,225,422	3,409,081	1,900,999	568,552	6,887,530

Note:

1. The historical Revenue and Expense information detailed herein was provided by the City in the form of Year End Comprehensive Annual Financial Reports ("CAFR").

2. The historical information detailed herein is based General Accepted Accounting Principles ("GAAP") Accounting as detailed in the CAFR.



Appendix 3: Projected Operating Results


Appendix 3: Projected Operating Results

Line	Description	Notes	Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
			(\$)	(\$)	(\$)	(\$)	(\$)
	Revenues						
1	Charges for Service - Existing & Adopted Rates		13,626,500	14,510,100	15,452,700	16,465,700	16,506,700
2	Revenue from Rate Increases						
	<u>Fiscal Year</u> <u>Increase</u>						
3	2023 4.00%		-	-	-	-	660,300
4	Delinquencies/Uncollectible Accounts		(200,500)	(201,001)	(201,504)	(202,008)	(202,513)
5	Other Revenue (includes Interest Income)		44,900	61,000	64,800	63,500	62,600
6	Total Revenues		13,470,900	14,370,099	15,315,996	16,327,192	17,027,087
7	Current Expenses						
8	Operating Expenses		6,447,600	6,834,400	7,247,200	7,677,100	7,941,300
9	Total Current Expenses		6,447,600	6,834,400	7,247,200	7,677,100	7,941,300
10	Income Available for Debt Service		7,023,300	7,535,699	8,068,796	8,650,092	9,085,787
11	Debt Service on Revenue Bonds						
12	Outstanding Debt Service		-	-	-	-	-
13	Series 2018 Bonds		-	2,493,000	2,490,300	2,488,900	2,489,600
14	Future Bonds		-	-	-	2,450,500	2,522,800
15	Total Debt Service		-	2,493,000	2,490,300	4,939,400	5,012,400
16	Debt Service Coverage on Series 2018 Bonds Only		N/A	3.02	3.24	3.48	3.65
17	Debt Service Coverage on All Debt		N/A	3.02	3.24	1.75	1.81
18	Transfers & Other Expenses						
19	Cash Financed CIP from Current Year Revenues		1,078,600	1,735,000	1,580,000	1,000,000	1,500,000
20	Capital Outlay		891,300	1,737,600	929,600	949,400	969,600
21	Transfer to General Fund		560,000	571,900	584,100	596,500	609,200
22	Total Expenses		2,529,900	4,044,500	3,093,700	2,545,900	3,078,800
23	Operating Balance		4,493,400	998,199	2,484,796	1,164,792	994,587
24	Unrestricted Net Assets						
25	Beginning Fund Balance		3,963,000	6,456,400	5,454,599	5,939,395	5,104,187
26	Operating Balance		4,493,400	998,199	2,484,796	1,164,792	994,587
27	Cash Financed CIP from Operating Balance		(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
28	Ending Fund Balance		6,456,400	5,454,599	5,939,395	5,104,187	4,098,775
Note:							
1. The forecast detailed herein was developed on a "Cash Basis". Additionally, the forecast is based on budgeted revenues and expenditures with no concession for the actual collection and deposit of funds into the City's accounts.							
2. Charges for Service - Existing Rates (Line 1) reflects the adopted schedule of rate increases as previously approved and adopted by City Council. The approved rate schedule is detailed in Table 5 of this Report.							
3. As the forecast above was developed on a cash-basis, Operating Expenses do not include depreciation.							
4. Debt Service for Series 2018 Bonds are rounded.							



Appendix 4: Municipal Advisor Exemption Representation Certificate



Independent Municipal Advisor Exemption Representation Certificate

The City of Columbia, South Carolina ("Client") is aware of the "Municipal Advisor Rules" issued by the Securities and Exchange Commission ("SEC") and the "independent municipal advisor" exemption (see Rule 15Ba1-1(d)(3)(vi)) from the definition of "municipal advisory activities." Client hereby notifies Black & Veatch Corporation (Black & Veatch Management Consulting, LLC.) ("B&V") that it wishes B&V to provide or to continue to provide opinions in connection with its work on **Stormwater Water System Feasibility Report Regarding the Series 2018 Stormwater Revenue Bonds** which may be related to municipal financial products or the issuance of municipal securities. Client hereby represents and warrants to B&V as of the Date of Signature of this Certificate below:

(i) Client is represented by the firm of Stifel Public Finance ("Registered Municipal Advisor") of 515 Gervais Street, Columbia SC 29201.

(ii) Registered Municipal Advisor is registered as a Municipal Advisor with the SEC pursuant to Section 15B of the Securities and Exchange Act of 1934 and all rules and regulation thereunder;

(iii) Client has retained Registered Municipal Advisor to, among other things, provide advice to Client with respect to any and all of the same aspects of a municipal financial product or issuance of municipal securities for which B&V may be providing recommendations;

(iv) Registered Municipal Advisor has represented to Client that it and its personnel have not been "associated" (as that term is defined pursuant to Section 15B(e)(7) (15 U.S.C. 780-4(e)(7) and Rule 15Ba1-1(d)(e)(3)(vi)(A)) with B&V within at least the last two years from the date of this representation;

(v) Notwithstanding any provisions to the contrary in any agreement or contract between B&V and Client, Client will rely on Stifel Public Finance for advice and not B&V;

(vi) Client understands that by representing the above to B&V, B&V is not a municipal advisor within the meaning of the SEC Municipal Advisor Rules and is not subject to the fiduciary duty established in Section 15B(c)(1) of the Securities and Exchange Act with respect to any municipal financial product or issuance of municipal securities.

(vii) This Certificate of Representation may be relied upon until **December 19, 2018**.

B&V understands that it must also send a copy of this certificate to the Registered Municipal Advisor and Client consents to such disclosure.

City of Columbia, South Carolina
("Client")

By: 

Mr. Jeff Palen
Assistant City Manager/Chief Financial Officer
October 30, 2018

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