

NEW ISSUE; BOOK-ENTRY ONLY

**Ratings: Moody's: A1
S&P: A+
(See "Ratings" herein)**

In the opinion of Burr & Forman LLP, 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 Series 2026 Bonds (as such term is defined below) is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the Series 2026 Bonds is not an item of tax preference in computing the individual alternative minimum tax. Interest on the Series 2026 Bonds is included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX EXEMPTION AND OTHER TAX MATTERS" herein.



\$29,450,000*
CITY OF ROCK HILL, SOUTH CAROLINA
LIMITED OBLIGATION BONDS
(HOSPITALITY FEE PLEDGE)
SERIES 2026

Dated: Date of Delivery

Due: April 1, as shown on the inside cover page

The City of Rock Hill, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026 (the "Series 2026 Bonds") will initially be issued and registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be available to purchasers under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants as more fully described herein. Purchasers will not be entitled to receive physical delivery of the Series 2026 Bonds. For so long as any purchaser is the beneficial owner of a Series 2026 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of principal of and interest on such Series 2026 Bond. See "DESCRIPTION OF THE SERIES 2026 BONDS - Book-Entry Only System" herein.

The Series 2026 Bonds are issuable as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof and are interchangeable as provided in the Bond Ordinance (as defined herein). Interest on the Series 2026 Bonds (payable semi-annually on each April 1 and October 1, commencing October 1, 2026) is payable by payment to DTC or its nominee as the registered owner of the Series 2026 Bonds. Disbursements of payments of interest and of principal to DTC Participants is the responsibility of DTC, and disbursement of such payments to the owners of book-entry interests is the responsibility of DTC Participants and Indirect Participants, as more fully described herein.

The Series 2026 Bonds are subject to optional [and mandatory] redemption prior to maturity as described herein.

The Series 2026 Bonds are being issued to provide funds (i) to finance a portion of the cost of construction of the Bleachery Fieldhouse and phase one of the Southside Regional Park within the City of Rock Hill, South Carolina (the "City"), and such other infrastructure, improvements and equipment as may be necessary or incidental thereto; (ii) to refund a portion of the City's outstanding Limited Obligation Bonds (Hospitality Fee Pledge), Series 2013; (iii) to pay all or a portion of the interest coming due on the Series 2026 Bonds through October 1, 2027; and (iv) to pay certain costs of issuance of the Series 2026 Bonds.

THE SERIES 2026 BONDS ARE PAYABLE SOLELY FROM AMOUNTS REALIZED BY THE CITY FROM THE IMPOSITION AND COLLECTION OF THE HOSPITALITY FEES HEREINAFTER DESCRIBED. THE SERIES 2026 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY OF ROCK HILL WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR THE LAWS OF THE STATE OF SOUTH CAROLINA, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. NO RECOURSE MAY BE HAD FOR THE PAYMENT OF THE SERIES 2026 BONDS AGAINST THE GENERAL FUND OF THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED PLEDGED TO THE PAYMENT OF THE SERIES 2026 BONDS.

The Series 2026 Bonds will bear interest at a rate or rates to be named by the successful bidder in accordance with the Official Notice of Sale included herewith. Electronic bids via Parity in accordance with the Official Notice of Sale will be received until 11:00 a.m. (prevailing local time), Thursday, March 12, 2026.

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

The Series 2026 Bonds are offered when, as, and if issued and subject to the final approving opinion of Burr & Forman LLP, Greenville, South Carolina, Bond Counsel. Certain legal matters will be passed on by Spencer & Spencer, P.A., Rock Hill, South Carolina, counsel to the City, and Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Disclosure Counsel. It is expected that delivery of the Series 2026 Bonds in definitive form will be made on or about April 1, 2026, through the facilities of The Depository Trust Company against payment therefor.

_____, 2026

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment in a Final Official Statement. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the applicable securities laws of any such jurisdiction. Final written confirmation of the sale shall not be conclusive unless the Final Official Statement is delivered to the purchaser.

MATURITY SCHEDULE*

<u>Due April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Due April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2027	\$ 295,000				2040	\$1,185,000			
2028	305,000				2041	1,245,000			
2029	715,000				2042	1,295,000			
2030	750,000				2043	1,345,000			
2031	790,000				2044	1,400,000			
2032	1,175,000				2045	1,455,000			
2033	1,235,000				2046	1,520,000			
2034	885,000				2047	1,585,000			
2035	930,000				2048	1,660,000			
2036	975,000				2049	1,740,000			
2037	1,025,000				2050	1,825,000			
2038	1,075,000				2051	1,910,000			
2039	1,130,000								

*Preliminary, subject to change.

CITY OF ROCK HILL, SOUTH CAROLINA

**City Hall
155 Johnston Street
Rock Hill, South Carolina 29730
(803) 329-7000**

City Council

John Pressly Gettys, Jr., Mayor
John A. Black, III, Mayor Pro Tempore
C. Brent Faulkenberry
Nikita L. Jackson
Derrick L. Lindsay
Kevin H. Sutton
Sarah E. Vining

City Manager

David B. Vahaun

Deputy City Managers

James G. Bagley, Jr.
Steven Gibson

Assistant City Manager

Deana G. Keever

City Attorneys

Spencer & Spencer, P.A.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), this document, as the same may be supplemented or corrected by the City of Rock Hill, South Carolina (the "City") from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Series 2026 Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda or a final official statement specifying the interest rates of the Series 2026 Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Series 2026 Bonds, as that term is defined in Rule 15c2-12. Any such addendum or final official statement shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Series 2026 Bonds to any underwriting syndicate submitting bids pursuant to the terms of the Official Notice of Sale, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Series 2026 Bonds are awarded copies of the Official Statement and the addendum or addenda or final official statement described in the preceding paragraph in the amount specified in the Official Notice of Sale.

The City designates the senior managing underwriter of the syndicate to which the Series 2026 Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering a bid with respect to the Series 2026 Bonds agrees thereby that if its bid is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Series 2026 Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representations with respect to the Series 2026 Bonds other than as contained in the Official Statement, and, if, given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE THEREOF.

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

Except for information with respect to The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee, the Trustee has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement, and the Trustee makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2026 Bonds, or (iii) the tax-exempt status of the interest on any of the Series 2026 Bonds.

TABLE OF CONTENTS

	<u>Page</u>
OFFICIAL NOTICE OF SALE.....	i
INTRODUCTION	1
DESCRIPTION OF THE SERIES 2026 BONDS	1
SECURITY FOR THE SERIES 2026 BONDS	5
HOSPITALITY FEES	8
SOURCES AND USES OF FUNDS	11
THE PROJECT	11
PLAN OF REFUNDING	11
DEBT SERVICE REQUIREMENTS.....	12
TAX EXEMPTION AND OTHER TAX MATTERS.....	12
LITIGATION.....	15
APPROVAL OF LEGAL PROCEEDINGS	15
ENFORCEABILITY OF REMEDIES	15
U.S. BANKRUPTCY CODE	15
CONTINUING DISCLOSURE.....	16
RATINGS	16
SALE AND AWARD.....	16
MUNICIPAL ADVISOR.....	17
MISCELLANEOUS	17
Appendix A - City of Rock Hill General Purpose Financial Statements	
Appendix B - The City	
Appendix C - General Bond Ordinance and Sixth Supplemental Ordinance	
Appendix D - Form of Continuing Disclosure Certificate	
Appendix E - Form of Bond Counsel's Opinion	

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL NOTICE OF SALE

\$29,450,000*

**CITY OF ROCK HILL, SOUTH CAROLINA
LIMITED OBLIGATION BONDS
(HOSPITALITY FEE PLEDGE)
SERIES 2026**

PROPOSALS, addressed to the undersigned, will be received by the City of Rock Hill, South Carolina (the "City"), until 11:00 a.m. (local time) on Thursday, March 12, 2026, at City Hall, 155 Johnston Street, Rock Hill, South Carolina, for the purchase of \$29,450,000* Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026 (the "Series 2026 Bonds"). The City reserves the right to increase or decrease the principal amount of the Series 2026 Bonds maturing in any year following the sale by an amount not to exceed 20%, unless otherwise agreed to by the successful bidder, provided that the aggregate principal amount of the Series 2026 Bonds shall not exceed \$32,000,000. The Series 2026 Bonds will be initially issued under the DTC Book-Entry-Only System. All payments of principal and interest with respect to the Series 2026 Bonds shall be made through the facilities of DTC.

The Series 2026 Bonds. The Series 2026 Bonds will mature on April 1 as shown below. The Series 2026 Bonds will bear interest at a rate or rates to be named by the successful bidder from the date of delivery thereof, which is expected to be April 1, 2026, payable on April 1 and October 1 of each year (the "Interest Payment Dates"), commencing October 1, 2026. Interest will be calculated on the basis of a 360-day year consisting of twelve months of thirty days each. Both principal and interest will be payable in any coin or currency of the United States of America, which at the time of payment, is legal tender for the payment of public and private debts. Principal of the Series 2026 Bonds, when due, shall be payable upon presentation and surrender of such Series 2026 Bonds at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"). Interest on the Series 2026 Bonds shall be payable by check or draft mailed by the Paying Agent to the person in whose name a Bond is registered at the close of business on the 15th day of the calendar month immediately preceding the Interest Payment Dates.

<u>Maturity Date</u> <u>April 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Maturity Date</u> <u>April 1</u>	<u>Principal</u> <u>Amount*</u>
2027	\$ 295,000	2040	\$1,185,000
2028	305,000	2041	1,245,000
2029	715,000	2042	1,295,000
2030	750,000	2043	1,345,000
2031	790,000	2044	1,400,000
2032	1,175,000	2045	1,455,000
2033	1,235,000	2046	1,520,000
2034	885,000	2047	1,585,000
2035	930,000	2048	1,660,000
2036	975,000	2049	1,740,000
2037	1,025,000	2050	1,825,000
2038	1,075,000	2051	1,910,000
2039	1,130,000		

Bidders submitting proposals may specify that all the principal amount of Series 2026 Bonds maturing on any two or more consecutive annual payment dates may, in lieu of maturity on each of such dates, be combined to comprise one or more maturities of Series 2026 Bonds scheduled to mature on the latest of such annual payment dates (the "Term Bonds"). Term Bonds shall be subject to redemption through mandatory sinking fund installments in part in the amount that would have matured in each year as set forth in this Notice, on each of the annual payment dates, except for the principal amount of Series 2026 Bonds scheduled to mature on the latest such annual payment date, which Series 2026 Bonds shall mature on such annual payment date. Bidders may specify one or more of such Term Bonds and such specifications may be made at the time of the award.

*Preliminary, subject to change.

Redemption: The Series 2026 Bonds maturing subsequent to April 1, 2036, are subject to redemption prior to maturity at the option of the City, on and after April 1, 2036, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption. In the event less than all of the Series 2026 Bonds are to be redeemed, such Bonds shall be redeemed in order of maturities to be selected by the City and by lot within a maturity.

Bid Requirements: Bidders are invited to name the rate or rates of interest which the Series 2026 Bonds are to bear, and, unless all bids are rejected, they will be awarded to the bidder offering to take them at the lowest true interest cost (TIC) to the City, in any variations selected by the bidder, except that:

- (a) all Series 2026 Bonds of the same maturity shall bear the same rate of interest;
- (b) no rate of interest named shall be more than three per centum (3%) higher than the lowest rate of interest named;
- (c) each interest rate named shall be a multiple of 1/20th or 1/8th of one per centum; and
- (d) any premium offered must be paid in cash as a part of the purchase price.

A bid for less than all the Series 2026 Bonds or a bid at a price less than par will not be considered.

Award of Series 2026 Bonds: The Series 2026 Bonds will be awarded to the bidder offering to purchase the Series 2026 Bonds at the lowest TIC to the City. In the event that two or more bids have the same lowest TIC, the Series 2026 Bonds will be awarded on the basis of a coin flip. The City reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 4:00 p.m., South Carolina time, on the date of the sale.

Bid Form. Proposals must be delivered through the Parity/BIDCOMP Competitive Bidding System (the "Parity System"). No other provider of electronic bidding services or other form of bid will be accepted. Bids must be unconditional and received by the Parity System before the time stated above. Such bids are to be publicly opened and read at such time and place on said day. The time as maintained by the Parity System shall constitute the official time with respect to all bids submitted. No good faith deposit is required.

If any provisions of this Official Notice of Sale conflict with information provided by the Parity System as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about the Parity System may be obtained from Ipreo, 1359 Broadway, New York, New York 10018, telephone (212) 849-5021.

Bond Insurance. If a bidder for the Series 2026 Bonds desires to have the Series 2026 Bonds insured, the bidder shall specify in its bid whether bond insurance will be purchased and the premium of such bond insurance must be paid at or prior to closing by the successful bidder.

Security: The Series 2026 Bonds are limited obligations of the City payable solely from and secured by a pledge of local hospitality taxes (the "Hospitality Fees") imposed and collected by the City upon the gross proceeds from the sale of all prepared meals and beverages served within the City. The Series 2026 Bonds are secured by a pledge of such Hospitality Fees on a parity with pledges securing certain outstanding bonds.

Official Statement: The Preliminary Official Statement dated March 4, 2026 has been deemed final by the City for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") but is subject to revision, amendment and completion in a final Official Statement as provided in Rule 15c2-12. The Preliminary Official Statement is available at www.i-dealprospectus.com. The City will furnish the successful bidder with a sufficient number of copies of the final Official Statement in order to allow the bidder to comply with Rule 15c2-12, without charge, within seven working days of the acceptance of a bid for the Series 2026 Bonds.

Continuing Disclosure: In order to assist bidders in complying with Rule 15c2-12, the City will undertake, pursuant to the ordinances authorizing the issuance of the Series 2026 Bonds and a Continuing Disclosure Certificate,

to provide annual reports and notice of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The City shall furnish upon delivery of the Series 2026 Bonds the final approving opinion of Burr & Forman LLP, Bond Counsel, Greenville, South Carolina, which opinion shall be attached to each Series 2026 Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Series 2026 Bonds.

Certificates as to Issue Price and Yield: (a) The winning bidder shall assist the City in establishing the issue price of the Series 2026 Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Series 2026 Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to this Official Notice of Sale, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Series 2026 Bonds) will apply to the initial sale of the Series 2026 Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Official Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Series 2026 Bonds to the bidder who submits a firm offer to purchase the Series 2026 Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series 2026 Bonds, as specified in the bid.

(c) In the event that the City does not receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Series 2026 Bonds (the "10% test") is sold to the Public as the issue price of that maturity and/or (ii) the initial offering price to the Public as of the sale date of any maturity of the Series 2026 Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder for the Series 2026 Bonds shall promptly advise the City upon the award of the Series 2026 Bonds of (i) the initial offering price to the public of each maturity of the Series 2026 Bonds and (ii) each maturity of the Series 2026 Bonds that satisfies the 10% test. Any maturities of the Series 2026 Bonds that do not satisfy the 10% test as of the date and time of award of the Series 2026 Bonds shall be subject to the hold-the-offering-price rule as described below. The winning bidder may not cancel its bid in the event that the hold-the-offering-price rule applies to any maturity of the Series 2026 Bonds. Bidders should prepare their bids on the assumption that some or all maturities of the Series 2026 Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Series 2026 Bonds in the event the competitive sale requirements for the Series 2026 Bonds are not satisfied.

(d) By submitting a bid, the winning bidder shall (i) confirm that the Underwriters have offered or will offer the Series 2026 Bonds to the Public on or before the date of the award at the offering price (the "initial offering price"), or at the corresponding yield, set forth in the bid submitted by the winning bidder, and (ii) agree, on behalf of the Underwriters participating in the purchase of the Series 2026 Bonds, that the Underwriters will neither offer nor sell unsold Series 2026 Bonds to which the hold-the-offering-price rule shall apply to any person at a price that is

higher than the initial offering price to the Public during the period starting on the sale date and ending on the earlier of the following:

- (1) The close of the fifth (5th) business day after the sale date; or
- (2) The date on which the Underwriters have sold at least 10% of the Series 2026 Bonds to the Public at a price that is no higher than the initial offering price to the Public.

The winning bidder shall promptly advise the City when the Underwriters have sold 10% of the Series 2026 Bonds to the Public at prices that are no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The City acknowledges that, in making the representation set for the above, the winning bidder will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among Underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2026 Bonds to the Public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026 Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2026 Bonds to the Public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026 Bonds, as set forth in a selling group agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026 Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its agreement regarding the requirements for establishing issue price of the Series 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026 Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2026 Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Series 2026 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2026 Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Series 2026 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Series 2026 Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2026 Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Series 2026 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2026 Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the Series 2026 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Series 2026 Bonds to any person that is a related party to an Underwriter shall not constitute sales to the Public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

- (i) "Public" means any person other than an Underwriter or a related party,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2026 Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2026 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2026 Bonds to the Public),
- (iii) a purchaser of any of the Series 2026 Bonds is a "related party" to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Series 2026 Bonds are awarded by the City to the winning bidder.

Delivery: The Series 2026 Bonds will be delivered on or about April 1, 2026, through the facilities of DTC at the expense of the City, or at such other place as may be agreed upon with the purchasers at the expense of the purchaser. The purchase price then due must be paid in Federal funds or other immediately available funds. The cost of preparing the Series 2026 Bonds will be borne by the City.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be printed on the Series 2026 Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Series 2026 Bonds in accordance with the terms of its proposal. The City's Municipal Advisor will timely apply for CUSIP numbers with respect to the Series 2026 Bonds as required by MSRB Rule G-34. All expenses in relation to the printing of CUSIP identification numbers on the Series 2026 Bonds shall be paid for by the purchaser.

Additional Information: Persons seeking additional information should communicate with Maddison Wilkerson, Chief Financial Officer, telephone (803) 329-8775, maddison.wilkerson@cityofrockhill.com; Mike Burns, Bond Counsel to the City, telephone (864) 552-9344, mburns@burr.com; or David Cheatwood, the City's Municipal Advisor, telephone (704) 926-2447, dcheatwood@firsttryon.com.

This Notice is given to evidence the City's intent to receive bids for and award the Series 2026 Bonds on the date stated above. Such sale may be postponed prior to the time bids are to be received through Thomson Municipal Market Monitor, Bloomberg, or other electronic information service. If canceled, the sale may be thereafter rescheduled within 60 days of the date of the publication of this Official Notice of Sale, and notice of such rescheduled date of sale will be posted at least 48 hours prior to the time for receipt of bids through Thomson Municipal Market Monitor, Bloomberg, i-dealprospectus.com or other electronic information service.

City Manager
City of Rock Hill, South Carolina

FORM OF CERTIFICATE AS TO ISSUE PRICE

Re: \$_____ Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026, of the City of Rock Hill, South Carolina

The undersigned, on behalf of _____, hereby certifies as set forth below with respect to the sale of the \$_____ Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026, of the City of Rock Hill, South Carolina (the "City").

[ALTERNATIVE 1 - IF THREE QUALIFYING BIDS ARE RECEIVED:

Reasonably Expected Initial Offering Prices. As of the Sale Date, the reasonably expected initial offering prices of the Series 2026 Bonds to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Series 2026 Bonds used by _____ in formulating its bid to purchase the Series 2026 Bonds. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Series 2026 Bonds.

_____ was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by _____ constituted a firm offer to purchase the Series 2026 Bonds.]

[ALTERNATIVE 2 - IF THREE QUALIFYING BIDS ARE NOT RECEIVED AND 10% OF SERIES 2026 BONDS ARE SOLD:

Sale of the Series 2026 Bonds. As of the date of this certificate, the first price at which at least 10% of the Series 2026 Bonds was sold to the Public is the respective price listed in Schedule A.]

[ALTERNATIVE 3 – IF THREE QUALIFYING BIDS ARE NOT RECEIVED AND 10% OF SERIES 2026 BONDS ARE NOT SOLD:

Initial Offering Price of the Series 2026 Bonds. _____ offered the Series 2026 Bonds to the Public for purchase at the initial offering price of \$_____ (the "Initial Offering Price") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2026 Bonds is attached to this certificate as Schedule B.

As set forth in the Official Notice of Sale and bid award, _____ has agreed in writing that (i) it would neither offer nor sell any of the Series 2026 Bonds to any person at a price that is higher than the Initial Offering Price during the Holding Period (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold the Series 2026 Bonds at a price that is higher than the respective Initial Offering Price for the Series 2026 Bonds during the Holding Period.]

Defined Terms.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of the Series 2026 Bonds. The Sale Date of the Series 2026 Bonds is March 12, 2026.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2026 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2026 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2026 Bonds to the Public).

[Use with Alternative 3

"Holding Period" means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (March 19, 2026), or (ii) the date on which _____ has sold at least 10% of the Series 2026 Bonds to the Public at prices that are no higher than the Initial Offering Price.]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2026 Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Series 2026 Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the City from time to time relating to the Series 2026 Bonds.

By: _____
Name: _____

Dated: _____, 2026

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$29,450,000*

**CITY OF ROCK HILL, SOUTH CAROLINA
LIMITED OBLIGATION BONDS
(HOSPITALITY FEE PLEDGE)
SERIES 2026**

INTRODUCTION

This Official Statement, which includes the cover page hereof, the Table of Contents and the Appendices hereto, is provided to furnish certain information in connection with the offer of \$29,450,000* aggregate principal amount of Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026 (the "Series 2026 Bonds") issued by the City of Rock Hill, South Carolina (the "City" or "Rock Hill").

The Series 2026 Bonds are issued in accordance with the provisions of Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended, as well as other applicable laws (collectively, the "Bond Act") and the provisions of Title 6, Chapter 1, Article 7 of the Code of Laws of South Carolina 1976, as amended (the "Hospitality Fee Act"). The Series 2026 Bonds are issued pursuant to General Bond Ordinance No. 2013-14 enacted by the City Council of the City (the "City Council") on April 8, 2013 (the "General Bond Ordinance") and Sixth Supplemental Ordinance No. 2026-__ supplemental thereto to be enacted by the City Council on March 9, 2026 (the "Sixth Supplemental Ordinance" and, together with the General Bond Ordinance, the "Bond Ordinance"). Certain terms used herein are defined in the General Bond Ordinance which is more particularly described in Appendix C hereto - "GENERAL BOND ORDINANCE AND SIXTH SUPPLEMENTAL ORDINANCE".

The Series 2026 Bonds are being issued to provide funds (i) to finance a portion of the cost of construction of the Bleachery Fieldhouse and phase one of the Southside Regional Park within the City and such other infrastructure, improvements and equipment as may be necessary or incidental thereto (collectively, the "Project") as further described under "THE PROJECT" herein; (ii) to refund a portion of the City's outstanding \$2,875,000 Limited Obligation Bonds (Hospitality Fee Pledge), Series 2013 (the "Series 2013 Bonds", and such portions being refunded, the "Refunded Bonds"); (iii) to pay all or a portion of the interest coming due on the Series 2026 Bonds through October 1, 2027; and (iv) to pay certain costs and expenses relating to the issuance of the Series 2026 Bonds.

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

DESCRIPTION OF THE SERIES 2026 BONDS

Terms and Form

The Series 2026 Bonds now being offered are described in the Official Notice of Sale which is included herewith. The Series 2026 Bonds will be dated their date of delivery and will bear interest at the rates per annum as named by the successful bidder, payable semi-annually on April 1 and October 1 of each year commencing October 1, 2026, by check or draft mailed to the registered owners thereof as shown on the registration books on the 15th day of the month prior to each interest payment date. Interest payments to a person who is a holder of \$1,000,000 or more in aggregate principal amount of Series 2026 Bonds may be made by wire transfer to such upon request. The Series 2026 Bonds will mature on April 1 in the years and in the principal amounts set forth on the inside cover page hereof. The Series 2026 Bonds are issued as fully-registered bonds without coupons in denominations of \$5,000 or any

*Preliminary, subject to change.

integral multiple thereof. Principal of the Series 2026 Bonds will be payable at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), registrar and paying agent.

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). Upon issuance of the Series 2026 Bonds, one fully registered bond will be issued for each maturity of the Series 2026 Bonds as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2026 Bonds references herein to the Bondholders or registered owners of the Series 2026 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (hereinafter defined) of the Series 2026 Bonds.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but the City does not take any responsibility for the accuracy or completeness thereof.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com (which is not intended to be an active hyperlink).

Purchases of Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026 Bond ("Beneficial Owner") is in turn to be recorded on the DTC Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other names as may be requested by an authorized representative of DTC. The deposit of Series 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026 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.

The City and the Trustee will recognize DTC or its nominee, Cede & Co., as the registered owner of the Series 2026 Bonds for all purposes. 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2026 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2026 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 Series 2026 Bonds are credited on the record date (identified on a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City, the Trustee 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 nor its nominee, the City and the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City acting through the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2026 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2026 Bond certificates will be printed and delivered to DTC.

Procedure in the Event of Discontinuation of Book-Entry Only System

The City has entered into an agreement with DTC providing for the book-entry only system described herein. DTC may determine to discontinue providing its service with respect to the Series 2026 Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law. In the event of such termination, the City may select another securities depository or discontinue the book-entry only system. In the event the book-entry only system is discontinued, the Trustee will register and deliver to the Beneficial Owners replacement Series 2026 Bonds in denominations of \$5,000 or integral multiples thereof in accordance with the instructions of DTC or its nominee, Cede & Co. The Series 2026 Bonds thereupon delivered will be subject to registration and transfer as described below under the heading "Registration and Transfer."

Registration and Transfer

Upon the discontinuance of the book-entry only system, Series 2026 Bonds shall be evidenced by bond certificates issued in the name of the registered owners thereof as set forth on the Books of Registry, and Series 2026 Bonds shall be transferable only upon the Books of Registry by the registered owner thereof in person or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, as Registrar, duly executed by the registered owner or his duly authorized attorney with signature guaranteed. Upon the transfer of any Series 2026 Bond, the City shall execute and thereupon the Trustee, as Registrar, shall authenticate and deliver to the transferee a new fully registered Series 2026 Bond or Bonds, registered in the

name of the transferee of the same series, aggregate principal amount, maturity and interest rate as the surrendered Series 2026 Bond.

The City and the Trustee may deem and treat the person in whose name any Series 2026 Bond is registered as the absolute owner of such Series 2026 Bond for the purpose of receiving payment of the principal of and interest on such Series 2026 Bond and for all other purposes.

For every exchange or transfer of any Series 2026 Bond, the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Redemption

Optional Redemption. The Series 2026 Bonds maturing subsequent to April 1, 2036, are subject to redemption prior to maturity at the option of the City, on and after April 1, 2036, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption. In the event less than all of the Series 2026 Bonds are to be redeemed, such Bonds shall be redeemed in order of maturities to be selected by the City and by lot within a maturity.

Mandatory Sinking Fund Redemption. The Series 2026 Bonds maturing on April 1, 20__ (the "Term Bonds"), shall be subject to mandatory sinking fund redemption commencing April 1, 20__, and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount, plus interest accrued to the redemption date, on April 1, of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
	\$
	*

*Final Maturity

Moneys credited to the 2026 Debt Service Fund (as hereinafter defined) representing sinking fund installments for the retirement of Term Bonds may be applied to the purchase of Term Bonds at the direction of the City, at a price not to exceed par plus accrued interest. In such event the principal amount of Term Bonds required to be redeemed on the next ensuing sinking fund installment date shall be reduced by the principal amount of the Term Bonds so purchased; provided, however, that no Term Bonds shall be purchased during the interval between the date on which notice of redemption of Term Bonds from sinking fund installments is given and the date of redemption set forth in such notice, unless the Term Bonds so purchased are Term Bonds called for redemption in such notice or are purchased from moneys other than those accrued in the 2026 Debt Service Fund. The amount of the mandatory sinking fund redemption prescribed above shall be reduced to the extent Term Bonds of that maturity have been purchased or redeemed by the City pursuant to the optional redemption provisions set forth above, in such manner as the City may direct or, absent such direction, on a pro rata basis.]

Notice of Redemption

Notice of redemption shall be given by mailing a copy of the redemption notice by first class mail, postage prepaid, not less than thirty days and not more than sixty days prior to the date fixed for redemption to the holder of each Series 2026 Bond to be redeemed at the address shown on the registration books. The redemption notice may state that the redemption of the Series 2026 Bonds being called for redemption is conditioned upon the Trustee receiving sufficient funds for the redemption thereof on or before the redemption date.

SECURITY FOR THE SERIES 2026 BONDS

Security and Sources of Payment

The Series 2026 Bonds are limited obligations of the City payable solely from and secured by a pledge of local hospitality taxes (the "Hospitality Fees") imposed by the City by Ordinance No. 2002-46 enacted by the City Council on August 12, 2002 (the "Hospitality Fee Ordinance"). Pursuant to the Hospitality Fee Act and the Hospitality Fee Ordinance, the City imposes and collects within the municipal limits of the City a Hospitality Fee of 2% upon the gross proceeds from the sale of all prepared meals and beverages served within the City by any establishment. See "HOSPITALITY FEES" herein. For state law purposes, local hospitality taxes are treated as fees. The Series 2026 Bonds are secured by a pledge of such Hospitality Fees on a parity with the pledge securing the following Series of Bonds (the "Parity Bonds"):

<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>
2013	May 10, 2013	\$15,160,000	\$ 2,875,000
2016	February 24, 2016	8,100,000	3,545,000
2017	December 21, 2017	1,625,000	713,000
2024A	June 5, 2024	8,000,000	8,000,000
2024B	December 11, 2024	<u>12,000,000</u>	<u>12,000,000</u>
		\$44,885,000	\$27,133,000

Pursuant to the General Bond Ordinance, under certain circumstances the City may issue additional bonds payable from and secured by a pledge of the Hospitality Fees on a parity with the Parity Bonds and the Series 2026 Bonds as further described under the heading "- Additional Bonds" below. The Parity Bonds, the Series 2026 Bonds and other bonds issued under the General Bond Ordinance on a parity with the Parity Bonds and the Series 2026 Bonds are hereinafter referred to as the "Bonds". In addition, the City may incur other indebtedness, the payment of which is secured by a pledge of Hospitality Fees which pledge is subordinate and inferior to the pledge securing the Bonds. See "- Junior Bonds" under this heading.

THE SERIES 2026 BONDS ARE PAYABLE SOLELY FROM AMOUNTS GENERATED FROM THE IMPOSITION AND COLLECTION OF THE HOSPITALITY FEES BY THE CITY. THE SERIES 2026 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE SOUTH CAROLINA CONSTITUTION AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR THE LAWS OF THE STATE OF SOUTH CAROLINA. THE CITY IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2026 BONDS OR THE INTEREST THEREON EXCEPT FROM THE HOSPITALITY FEES DESCRIBED ABOVE.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR ANY OF THE POLITICAL SUBDIVISIONS OF THE STATE OF SOUTH CAROLINA IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2026 BONDS AND NO HOLDER OF THE SERIES 2026 BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE OF SOUTH CAROLINA OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT WITH RESPECT TO THE SERIES 2026 BONDS.

Additional Bonds

Additional Series of Bonds of the City may be issued under and secured by the General Bond Ordinance and a Supplemental Ordinance thereto, on a parity as to the pledge of Hospitality Fees with the Parity Bonds and the Series 2026 Bonds, from time to time, for the purpose of paying all or any part of the cost of certain tourism-related projects as authorized or permitted by the Hospitality Fee Act and the Hospitality Fee Ordinance. The issuance of such Series of Bonds is subject to conditions stated in the General Bond Ordinance including the following:

(a) There shall be filed with the Trustee a certificate of the Chief Financial Officer or the City Manager of the City stating:

(i) 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 redemption requirements, if any, required to have been made shall have been made or that the application of the proceeds of sale of the Series of Bonds to be issued will cure the Default or permit such redemptions; and

(ii) that to the best of the knowledge of the Chief Financial Officer or the City Manager, the City is not in Default in the performance of any other of its covenants and agreements contained in the Bond Ordinance or setting forth the circumstances of each such Default known to him or her; and

(b) If there are Defaults described in the Certificate described in the previous paragraphs, there shall be filed with the City and the Trustee an opinion of Bond Counsel to the effect that such Defaults do not deprive the Bondholders of the security afforded them by the Bond Ordinance in any material respect; and

(c) If a Series of Bonds is being issued to finance the Costs of Acquisition and Construction of one or more Projects (as such terms are defined in the General Bond Ordinance), there shall be delivered a certificate or report from the City Manager or the Chief Financial Officer of the City, which report need not be based upon audited financial statements of the City, stating that the amount of the Hospitality Fees collected by the City during any consecutive 12-month period out of the last 24-month period prior to the date on which the Series of Bonds are proposed to be issued is not less than 120% of the sum of the Maximum Debt Service (as defined in the General Bond Ordinance) on all Bonds then Outstanding and the Series of Bonds then proposed to be issued.

Refunding Bonds Pursuant to the Bond Ordinance

The General Bond Ordinance permits the City to refund Bonds upon compliance with the following conditions:

(a) Refunding Bonds may be issued to refund Bonds which would otherwise mature within one year and for which Hospitality Fees are not available, only upon compliance with certain provisions of the Bond Ordinance; or

(b) Refunding Bonds may be issued for the purpose of refunding Bonds, Junior Bonds or any other obligations or indebtedness of the City payable from Hospitality Fees provided that: (A) the aggregate Debt Service on all Bonds or other obligations or indebtedness of the City payable from the Hospitality Fees then Outstanding and the Bonds then proposed to be issued after the issuance of the proposed Series of Refunding Bonds shall not be greater than would have been prior to such issuance, or (B) certain requirements for the issuance of additional Bonds under Section 3.3 of the General Bond Ordinance are met, including the requirement that the amount of Hospitality Fees collected by the City during any consecutive 12-month period out of the last 24-month period prior to the date on which the Series of Bonds are proposed to be issued is not less than 120% of the sum of the Maximum Debt Service on all Bonds then Outstanding and the Series of Bonds then proposed to be issued.

See Appendix C – "GENERAL BOND ORDINANCE AND SIXTH SUPPLEMENTAL ORDINANCE" for additional information with regard to the issuance of Additional Bonds.

Junior Bonds

The City may also issue Junior Bonds under the General Bond Ordinance which shall be subordinate as to the pledge of Hospitality Fees to the Parity Bonds and the Series 2026 Bonds and any additional Series of Bonds hereafter issued and Outstanding under the General Bond Ordinance. Junior Bonds are authorized to be issued to

defray or refinance the cost of certain tourism-related projects and are authorized to be paid only after provisions have been made for all payments required under the General Bond Ordinance for Bonds. See Appendix C – "GENERAL BOND ORDINANCE AND SIXTH SUPPLEMENTAL ORDINANCE" for additional information with regard to the issuance of Junior Bonds.

Establishment and Flow of Funds

The Hospitality Fee Ordinance established the "City of Rock Hill Local Hospitality Tax Fund" (the "Hospitality Fee Fund") into which all collections of Hospitality Fees are deposited. In addition, the General Bond Ordinance provides that a Debt Service Fund shall be established with respect to each Series of Bonds issued pursuant thereto and a Debt Service Reserve Fund may be established with respect to each Series of Bonds established pursuant thereto. If established, such funds are to be maintained for so long as sums remain due and payable with respect to the applicable Series of Bonds. The General Bond Ordinance further provides for the creation of a Construction Fund with respect to any Series of Bonds issued to finance the Costs of Acquisition and Construction of one or more Projects. Except for the Debt Service Fund and Debt Service Reserve Fund, which are held by the Trustee, the funds described below are maintained by the City or a custodian appointed by the City.

Disposition of Hospitality Fees. Hospitality Fees deposited into the Hospitality Fee Fund shall be applied in the amounts, if any, as provided or permitted by the General Bond Ordinance in the following order of priority:

First, there shall be transferred (1) into the respective Debt Service Funds, the amounts required by the Bond Ordinance; and (2) into the respective Debt Service Reserve Funds, if any, the amounts required by the Bond Ordinance;

Second, provision 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 to fund a Debt Service Reserve Fund as provided in the General Bond Ordinance;

Third, provision shall be made for the payment of any Junior Bond; and

Fourth, the remaining Hospitality Fees shall be disposed of as determined by the City for any lawful purpose under the Hospitality Fee Act and the Hospitality Fee Ordinance.

Debt Service Fund. The General Bond Ordinance provides for the establishment of a Debt Service Fund for each Series of Bonds issued pursuant to the General Bond Ordinance. Each Debt Service Fund is intended to provide for the payment of the principal of, premium, if any, and interest on the applicable Series of Bonds as the same shall become due. The General Bond Ordinance provides that there be deposited into the separate Interest, Principal or Bond Redemption Accounts within the Debt Service Fund on or before the tenth Business Day preceding each interest, principal or redemption date, as applicable, that amount which (after taking in account amounts already on deposit therein), will provide: (i) sufficient funds to pay the aggregate amount of interest to become due on Bonds on the next interest payment date, (ii) sufficient funds to pay the aggregate amount of the principal of the Series of Bonds to become due on the next principal payment date, and (iii) sufficient funds to pay the sinking fund installment next falling due on any Term Bonds.

Pursuant to the Sixth Supplemental Ordinance, the City has established the 2026 Debt Service Fund. The Bond Ordinance provides that if sufficient Hospitality Fees are not available to make the deposits into the 2026 Debt Service Fund in the amounts and at the times described in the preceding paragraph, the City Council may, in its discretion, appropriate funds from other lawfully available sources to make such deposits into the 2026 Debt Service Fund. **Any such budgetary appropriation shall be subject in all respects to the discretion of the City Council, and any failure to make such an appropriation shall not constitute a default or Event of Default (as defined in Appendix C) under the Bond Ordinance.** A Capitalized Interest Account will be established in the 2026 Debt Service Fund to pay all or a portion of the interest coming due on the Series 2026 Bonds through October 1, 2027.

Withdrawals from the 2026 Debt Service Fund shall be made only by the Trustee which shall transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of and interest on the Series 2026 Bonds.

Debt Service Reserve Fund. The Supplemental Ordinance pursuant to which a Series of Bonds is issued may provide for the establishment of a Debt Service Reserve Fund for such Series of Bonds. Each Debt Service Reserve Fund so established shall be maintained at the respective Reserve Fund Requirement, if any, for the applicable Series of Bonds. Funds in a particular Debt Service Reserve Fund will be available to secure only the payment of the Series of Bonds for which such Debt Service Reserve Fund has been established. See Appendix C – "GENERAL BOND ORDINANCE AND SIXTH SUPPLEMENTAL ORDINANCE".

NO DEBT SERVICE RESERVE FUND WILL BE ESTABLISHED FOR THE SERIES 2026 BONDS.

Construction Fund. The Bond Ordinance requires that a construction fund be created and established with the Custodian appointed by the City with respect to each Series of Bonds (other than refunding bonds) and the moneys be used to defray the cost of certain tourism-related projects in the City.

Amendment of Bond Ordinance

The General Bond Ordinance provides that it may be amended from time to time by City Council for certain purposes, some of which require the consent of the Holders of 51% of the Bonds then outstanding. The General Bond Ordinance further provides that the underwriter or purchaser of any Series of Bonds, or the bond insurer of any Series of Bonds, may consent to such amendments requiring Bondholder consent in the same manner as the Holders of the Bonds.

HOSPITALITY FEES

South Carolina law authorizes the governing bodies of counties and municipalities, upon compliance with certain terms, conditions and limitations, to impose a "local hospitality tax" on the sales of prepared meals and beverages sold in establishments or sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine. Pursuant to such authorization, the City Council has, pursuant to the Hospitality Fee Ordinance, imposed the Hospitality Fee in the amount of 2% upon all gross proceeds derived from the sale of all prepared meals and beverages served within the City by any establishment and from the sale of all prepared foods and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine within the City.

Responsibility for collecting the Hospitality Fee is the liability of the provider of the service, services or items to which the Hospitality Fee applies. The Hospitality Fee is to be paid at the time of delivery of the service, services or items to which the fee applies and shall be collected by the provider or seller of the service, services or items. Hospitality Fees collected by the seller or provider of the service, services or items shall be remitted to the City on a monthly basis along with such return or form as may be established by the City for such purpose; provided that when the estimated monthly amount of Hospitality Fees for which any person is liable is between \$25 and \$50, a quarterly remittance may be made, and when the estimated monthly amount of Hospitality Fees for which any person is liable is less than \$25, an annual remittance may be made.

Any Hospitality Fees not timely remitted shall be subject to a penalty of 5% of the unpaid amount. The failure to collect from patrons the Hospitality Fee shall not relieve any establishment from making the required remittance.

Any person violating the foregoing provisions shall be deemed guilty of an offense and shall be subject to punishment under the Code of the City of Rock Hill upon conviction. Each day of violation shall be considered a separate offense. Punishment for violation shall not relieve the offender of liability for delinquent fees, penalties and costs provided for in the Hospitality Fee Ordinance.

South Carolina law allows revenues generated by local hospitality taxes to be used for certain enumerated purposes, which include the purposes for which the proceeds of the Series 2026 Bonds will be used and the proceeds of the Parity Bonds were used. Funds collected from the imposition of the Hospitality Fee must be used exclusively for the following purposes:

- (1) tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;
- (2) tourism-related cultural, recreational, or historic facilities;
- (3) beach access and renourishment;
- (4) highways, roads, streets and bridges providing access to tourist destinations;
- (5) advertisements and promotions related to tourism development; or
- (6) water and sewer infrastructure to serve tourism-related demand.

In the General Bond Ordinance, the City has pledged the Hospitality Fees received by it as security for the Parity Bonds, the Series 2026 Bonds and any additional Series of Bonds issued pursuant to the General Bond Ordinance. The City has further covenanted that it shall not (i) at any time while any Bonds issued pursuant to the General Bond Ordinance are outstanding reduce amounts assessed for Hospitality Fees to a level insufficient to permit the City to discharge its obligation thereunder, and (ii) make any pledge of Hospitality Fees prior to or superior to that securing the Parity Bonds, the Series 2026 Bonds and any additional Series of Bonds issued pursuant to the General Bond Ordinance. In no event shall the City issue any additional Series of Bonds secured by a pledge of Hospitality Fees on a parity with that securing the Parity Bonds and the Series 2026 Bonds unless the City Manager or the Chief Financial Officer of the City certifies that the total Hospitality Fees collected during any consecutive 12-month period out of the last 24-month period prior to the date such additional Series of Bonds is issued are not less than 120% of the sum of the Maximum Debt Service on all Bonds then Outstanding and the Bonds proposed to be issued. Refunding Bonds may be issued on a parity with the Parity Bonds, the Series 2026 Bonds and any additional Series of Bonds issued on a parity therewith if either (1) the test set forth in the immediately preceding sentence is met or (2) the aggregate Debt Service on all Bonds or other obligations or indebtedness of the City payable from the Hospitality Fees then Outstanding and the Bonds then proposed to be issued after the issuance of the proposed Series of Refunding Bonds shall not be greater than would have been prior to such issuance.

Hospitality Fees Collected. The following table sets forth the amount of Hospitality Fees collected by the City for each of the last five fiscal years.

<u>Fiscal Year</u>	<u>Hospitality Fees Collected</u>
2021	\$5,546,334
2022	6,371,542
2023	7,097,199
2024	7,392,257
2025	7,751,712

During the first seven months of Fiscal Year 2026, the City collected \$4,420,678 in Hospitality Fees compared to \$4,425,075 during the same period in Fiscal Year 2025.

The City anticipates the maximum annual debt service on the Bonds which will be outstanding upon the issuance of the Series 2026 Bonds will be approximately \$4,528,813* which, based on the 2024-2025 Fiscal Year Hospitality Fee collections of \$7,751,712, will give debt service coverage of 1.71x*.

*Preliminary, subject to change.

The following table shows amounts collected by the ten largest collectors of Hospitality Fees during Fiscal Year 2024-2025:

<u>Collector</u>	<u>Fiscal Year 2024-2025 Hospitality Fees Collected</u>
National Food Delivery Service	\$ 480,415
National Restaurant	185,039
National Fast-Food Restaurant	174,091
National Restaurant	130,597
National Fast-Food Restaurant	125,118
National Restaurant	112,347
National Restaurant	102,685
National Grocery Store	94,364
National Fast-Food Restaurant	88,624
Local Restaurant	<u>86,264</u>
Total	\$1,579,544

Recreational Facilities. Tourism has been and continues to be a growing industry for the City, particularly since the inception of the Hospitality Fee in 2002. The City’s Parks, Recreation and Tourism Department’s aim is to provide a program of leisure, recreational, tourism and cultural opportunities and facilities to enhance the quality of life for City residents and visitors. Recreational facilities constructed by the City include (i) the Cherry Park Recreational Facility, built in 1987, which has hosted national softball tournament events; (ii) the Manchester Meadows soccer complex which has hosted local, regional, and national soccer events; (iii) Glencairn Gardens which holds an annual spring festival which historically accommodates more than 100,000 visitors each year and provides outdoor recreation activities, environmental education areas for classroom work in eco-tourism, labyrinth showcase gardens, including a Veterans Garden, and a performance venue for entertainment such as plays, musical performances and other special events; (iv) the Rock Hill Outdoor Center cycling facilities which include a Velodrome, Mountain Bike Trails, a Cyclocross track, and a BMX facility, which opened in 2012 and hosts local, state and national cycling races including the 2017 and 2024 UCI BMX Racing World Championships; (v) the Rock Hill Tennis Center which has hosted the USTA \$25K Women’s Pro event; (vi) the Rock Hill Sports and Event Center, a center for spectator sports, including basketball, volleyball, gymnastics and cornhole, which opened in 2019; and (vii) 32 parks across the City totaling 615 acres with 34 miles of trails and greenways.

In addition to the existing recreational facilities described above and the Project described below, the City issued its \$8,000,000 aggregate principal amount of Limited Obligation Bonds (Hospitality Fee Pledge), Series 2024A on June 5, 2024 for the purpose of financing (i) a portion of the cost of the redevelopment of the existing Armory Park, a 4.3-acre neighborhood park located on the south side of Downtown Rock Hill, with improvements including a resurfaced walking trail and new sections of the trail, a new hard surface basketball court, a redeveloped baseball field with artificial turf, a new synthetic turf multipurpose field with an athletic obstacle course, a new playground and a picnic shelter; (ii) the design and renovation of McGirt Auditorium, a 63-year-old 1,100 seat auditorium located at the Emmett Scott Recreation Center; and (iii) the planning and design of the Southside Regional Park which will include a sports complex for baseball, softball and football, phase one of which will be financed by the Series 2026 Bonds. The City also issued its \$12,000,000 aggregate principal amount of Limited Obligation Bonds (Hospitality Tax Pledge), Series 2024B on December 11, 2024 for the purpose of financing a portion of the cost of construction of the Bleachery Fieldhouse, an approximately 40,000 square foot facility adjacent to the existing Sports and Event Center which includes four basketball courts, eight volleyball courts and 12 pickleball courts. Completion of the cost of construction of the Bleachery Fieldhouse is being funded by a portion of the proceeds of the Series 2026 Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the sources of funds to be derived from the sale of the Series 2026 Bonds, together with certain other moneys, and the uses of such funds:

<u>Sources of Funds</u>	
Principal Amount	\$
[Net] [Original Issue Premium/Discount]	
Funds Held for Refunded Bonds	
Total Sources	\$
 <u>Uses of Funds</u>	
Deposit to Construction Fund	\$
Redemption of Refunded Bonds	
Capitalized Interest	
Costs of Issuance*	
Total Uses	\$

*Including underwriter's discount and costs of issuance.

Construction Fund of 2026

An aggregate of approximately \$_____ of the proceeds of the offering of the Series 2026 Bonds will be deposited into a construction fund (the "Construction Fund of 2026") established pursuant to the Bond Ordinance. Moneys on deposit in the Construction Fund of 2026 will be used, as needed, to finance the costs of the Project, including without limitation payment of engineering, legal and all other expenses incidental to the Project. Prior to their use all moneys in the Construction Fund of 2026 shall be invested and reinvested in authorized investments as provided in the Bond Ordinance. All earnings therefrom shall be added to and become a part of the Construction Fund of 2026. Withdrawals from the Construction Fund of 2026 shall be made in the manner withdrawals from other funds of the City are made. Any amounts remaining in the Construction Fund of 2026 following completion of the Project shall be deposited in the 2026 Debt Service Fund.

THE PROJECT

Proceeds of the Series 2026 Bonds will be deposited into the Construction Fund of 2026 and used for financing the design, acquisition, construction, improvement, equipping and installation of all or a portion of any one or more of the following: (i) completion of the cost of construction of the Bleachery Fieldhouse, being an approximately 40,000 square foot facility adjacent to the City's existing Sports and Event Center, which includes additional basketball courts, volleyball courts and pickleball courts, together with any related infrastructure and equipment; and (ii) phase one of development of the Southside Regional Park to be constructed on the site of a former landfill and adjacent property, to include artificial turf fields for baseball, softball and football, batting cages, an approximately 700 seat baseball stadium, an approximately 800 seat football stadium, multiple convertible fields, press boxes, concessions, restrooms, parking and lighting, together with any related infrastructure, improvements and equipment.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2026 Bonds together with other funds will be used to refund the Refunded Bonds. The Refunded Bonds will be redeemed on the date of issuance of the Series 2026 Bonds at a redemption price of par.

DEBT SERVICE REQUIREMENTS

Debt service on the outstanding Parity Bonds is set forth in the following table, together with debt service on the Series 2026 Bonds:

Period Ending June 30	Outstanding Bonds*	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,904,765			
2027	2,904,858			
2028	2,902,232			
2029	2,902,722			
2030	2,905,063			
2031	2,709,279			
2032	2,080,569			
2033	2,081,319			
2034	1,633,819			
2035	1,635,319			
2036	1,634,319			
2037	1,630,819			
2038	1,629,819			
2039	1,631,069			
2040	1,634,319			
2041	1,629,319			
2042	1,631,769			
2043	1,631,219			
2044	1,632,619			
2045	0			
2046	0			
2047	0			
2048	0			
2049	0			
2050	0			
2051	<u>0</u>			
Total	\$39,345,214			

*Includes debt service on the Refunded Bonds.

Note: Figures are rounded to the nearest dollar. Therefore, totals may not agree.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Tax Matters

Generally. In the opinion of Burr & Forman LLP, to be delivered on the date of issuance of the Series 2026 Bonds, under existing laws, regulations, rulings and judicial decisions and assuming the City's continued compliance with certain covenants described below, interest on the Series 2026 Bonds is excludable from gross income of the recipients thereof for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), including the Treasury Regulations promulgated thereunder, includes provisions that relate to tax-exempt obligations, such as the Series 2026 Bonds, including, among other things, permitted uses and investment of the proceeds of the Series 2026 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 Series 2026 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 Series 2026 Bonds from gross income for federal tax purposes. Failure of the City to comply with the covenant could cause the interest on the Series 2026 Bonds to be taxable retroactively to the date of issuance.

The Code imposes an alternative minimum tax on an individual taxpayer's alternative minimum taxable income. Interest on the Series 2026 Bonds is not an item of tax preference for purposes of the individual alternative minimum tax. The Inflation Reduction Act, H.R. 5376, includes an alternative minimum tax to be imposed on the "adjusted financial statement income" of "applicable corporations," as each is defined therein. The interest on the Series 2026 Bonds may be included in the adjusted financial statement income of such applicable corporations for purposes of computing such alternative minimum tax.

Although Burr & Forman LLP is of the opinion that interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2026 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 Series 2026 Bonds should be aware that ownership of the Series 2026 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, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan 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 Series 2026 Bonds. Burr & Forman LLP will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2026 Bonds should consult their tax advisors as to collateral federal income tax consequences.

Burr & Forman LLP 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 Series 2026 Bonds may affect the tax status of interest on the Series 2026 Bonds. In rendering its opinion, Burr & Forman LLP 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 Series 2026 Bonds and compliance by the City with certain covenants.

The opinion of Burr & Forman LLP is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Burr & Forman LLP's judgment as to the proper treatment of the Series 2026 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "IRS") or the courts. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2026 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 Series 2026 Bonds and could also affect, perhaps significantly, the market price for, or marketability of, the Series 2026 Bonds. Prospective purchasers of the Series 2026 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 Burr & Forman LLP expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Burr & Forman LLP cannot predict whether the IRS will commence an audit of the Series 2026 Bonds. Burr & Forman LLP's engagement with respect to the Series 2026 Bonds ends with the issuance of the Series 2026 Bonds, and, unless separately engaged, Burr & Forman LLP is not obligated to defend the City or owners of the Series 2026 Bonds regarding the tax-exempt status of the Series 2026 Bonds in the event of an audit by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Series 2026 Bond owners, would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2026 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability

of, the Series 2026 Bonds, and may cause the City or the Series 2026 Bond owners to incur significant expense, regardless of the ultimate outcome.

[Original Issue Discount. Certain of the Series 2026 Bonds have been sold at initial public offering prices which are less than the amount payable at maturity (the "Discount Bonds"). An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and, to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2026 Bonds.

For this purpose, the issue price of a particular maturity of the Series 2026 Bonds is the first price at which a substantial amount of such maturity is sold to the public (excluding bond houses, brokers, or other similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2026 Bonds accrues daily over the term to maturity of such Series 2026 Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2026 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2026 Bonds.

Owners who may acquire Series 2026 Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Series 2026 Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.]

[Original Issue Premium. Certain of the Series 2026 Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity (the "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 Series 2026 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 Series 2026 Bonds.]

Information Reporting and Backup Withholding. Interest paid on the Series 2026 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2026 Bonds who fails to provide certain required information and who is not an exempt person. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2026 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a holder's U.S. federal income tax liability provided the required information is furnished by such holder to the IRS in a timely manner.

State Tax Law Matters

Burr & Forman LLP is of the opinion that under present laws of the State, interest on the Series 2026 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 Series 2026 Bonds will be included in such computations.

LITIGATION

No litigation is pending or, to the knowledge of the City, threatened in any court to restrain or enjoin the issuance or delivery of any of the Series 2026 Bonds, or in any way contesting or affecting the validity of the Series 2026 Bonds or the Bond Ordinance or contesting the power or authority of the City to issue the Series 2026 Bonds.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Series 2026 Bonds is subject to the approval of legality by Burr & Forman LLP, Greenville, South Carolina, Bond Counsel. Certain legal matters in connection with the Series 2026 Bonds are subject to the approval of Spencer & Spencer, P.A., Rock Hill, South Carolina, counsel to the City, and Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Disclosure Counsel.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2026 Bonds upon an event of default under the Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Bond Ordinance and the Series 2026 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

U.S. BANKRUPTCY CODE

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

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate entered into by the City in connection with the issuance of the Series 2026 Bonds (the "Continuing Disclosure Certificate"), the City will covenant for the benefit of the Holders and the "Beneficial Owners" (as defined in the Continuing Disclosure Certificate) of the Series 2026 Bonds, to provide certain financial information and operating data relating to the City by no later than seven months after the end of each of the City's fiscal years, commencing with the report for the fiscal year ending June 30, 2026 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the Series 2026 Bonds, if material. The Annual Report and the notices of such material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA"). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in Appendix D - "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the original purchaser of the Series 2026 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

As provided in the Continuing Disclosure Certificate, if the City fails to comply with any provision of the Continuing Disclosure Certificate, any beneficial owner of the Series 2026 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 Certificate.

There have been numerous rating actions reported by Moody's and S&P (each defined below) affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the City. Material event notices were filed by the City with respect to some, but not all, of these rating actions.

The City's Annual Comprehensive Financial Reports for the fiscal years ended June 30, 2022 and June 30, 2023 (which were filed by the City with EMMA on January 31, 2023 and January 29, 2024, respectively), and Annual Reports for the fiscal years ended June 30, 2022 and June 30, 2023 (which were filed by the City with EMMA on January 29, 2023 and January 29, 2024, respectively), were not initially linked to the CUSIP numbers for the \$20,810,000 original principal amount South Carolina Jobs-Economic Development Authority Tax-Exempt Revenue Bonds (City of Rock Hill Project) Series 2018A and \$485,000 original principal amount South Carolina Jobs-Economic Development Authority Taxable Revenue Bonds (City of Rock Hill Project) Series 2018B (collectively, the "JEDA Bonds"). On May 7, 2024, the City modified such filings to link the Annual Comprehensive Financial Reports and Annual Reports for the fiscal years ended June 30, 2022 and June 30, 2023 to the CUSIP numbers for the JEDA Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned their municipal bond ratings of "A1" and "A+", respectively, to the Series 2026 Bonds. Such ratings reflect only the views of such organizations, and any desired explanation of the significance of such ratings should be obtained from the ratings agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such ratings agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2026 Bonds.

SALE AND AWARD

The Series 2026 Bonds were purchased at competitive sale by _____ (the "Purchaser") at an aggregate purchase price of \$ _____ (representing par [plus/less] [net] original issue [premium/discount] of \$ _____ less underwriter's discount of \$ _____). The initial public offering prices of the Series 2026 Bonds are stated on the inside cover page hereof. The Purchaser may offer and sell the Series 2026 Bonds to certain dealers (including dealers depositing Series 2026 Bonds into investment trusts) and others at prices lower than the stated initial

public offering prices. In addition, the initial public offering prices may be changed from time to time by the Purchaser without prior notice.

MUNICIPAL ADVISOR

First Tryon Advisors has served as municipal advisor (the "Municipal Advisor") to the City with respect to the sale of the Series 2026 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2026 Bonds is contingent on the issuance and delivery of the Series 2026 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the Appendices hereto.

MISCELLANEOUS

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 and all references to the Series 2026 Bonds and the determinations of the City Council relating thereto are qualified in their entirety by reference to the definitive forms of the Series 2026 Bonds and the Bond Ordinance 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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The delivery of this Official Statement and its use in connection with the sale of the Series 2026 Bonds has been duly authorized by the City.

THE CITY OF ROCK HILL, SOUTH
CAROLINA

/s/ John Pressly Gettys, Jr.
Mayor

_____, 2026

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CITY OF ROCK HILL GENERAL PURPOSE FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF ROCK HILL, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2025

Prepared by:

FINANCE DEPARTMENT

Maddison P Wilkerson
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF ROCK HILL, SOUTH CAROLINA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-4
Organization Chart	5
GFOA Certificate of Achievement	6
List of Elected and Appointed Officials	7
FINANCIAL SECTION	
Independent Auditors' Report	8-11
Management's Discussion and Analysis	12-21
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements	
Balance Sheet – Governmental Funds	25
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32-33
Notes to the Financial Statements	34-77

Supplementary Financial Information

Required Supplementary Information - Other Post-Employment Benefits

Schedule of the City's Proportionate Share of the Net Pension Liability	79
Schedule of the City's Pension Contributions	80
Notes to the Schedule of the City's Pension Contributions	81
Schedule of Changes in the City's Net OPEB Liability	82
Schedule of the City's Contributions	83
Schedule of Investment Returns	84

Combining and Individual Fund Statements and Schedules

Combining Balance Sheet – Nonmajor Governmental Funds	88-89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	90-91
Enterprise Fund: Budget to Actual Schedules demonstrating legal level of budgetary control	93-94

Supplemental Schedules

Uniform Schedule of Court Fines, Assessments and Surcharges (per Act 96)	95
South Carolina Department of Transportation – Schedule of Budgeted to Actual Costs	96

STATISTICAL SECTION

Schedule 1 - Net Position by Component	98
Schedule 2 - Changes in Net Position	99-100
Schedule 3 - Program Revenues by Function/Program	101
Schedule 4 - Fund Balances, Governmental Funds	102
Schedule 5 - Changes in Fund Balances, Governmental Funds	103
Schedule 6 - Tax Revenues by Source, Governmental Funds	104
Schedule 7 - Assessed Value and Estimated Actual Value of Taxable Property	105
Schedule 8 - Direct and Overlapping Property Tax Rates	106
Schedule 9 - Principal Property Taxpayers	107

Schedule 10 - Property Tax Levies and Collections	108
Schedule 11 - Taxable Sales by Category	109
Schedule 12 - Direct and Overlapping Sales Tax rates	110
Schedule 13 - Principal Sales Tax Remitters	111
Schedule 14 - Ratios of Outstanding Debt by Type	112-113
Schedule 15 - Ratios of General Bonded Debt Outstanding	114
Schedule 16 - Direct and Overlapping Governmental Activities Debt	115
Schedule 17 - Legal Debt Margin Information	116
Schedule 18 - Pledged-Revenue Coverage	117
Schedule 19 - Demographic and Economic Statistics	118
Schedule 20 - Principal Industrial Employers	119
Schedule 21 - Full-time-Equivalent City Government Employees by Function/Program	120
Schedule 22 - Operating Indicators by Function/Program	121
Schedule 23 - Capital Asset Statistics by Function/Program	122
Schedule 24 – Principal Electric Customers	123
Schedule 25 – Principal Water Customers	124
Schedule 26 – Principal Wastewater Customers	125
Schedule 27 – Principal Stormwater Customers	126

[THIS PAGE INTENTIONALLY LEFT BLANK]



December 16, 2025

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Rock Hill, South Carolina:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Rock Hill (the “City”) for the fiscal year ended June 30, 2025.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Mauldin & Jenkins, LLC, a firm of licensed certified public accountants, audited the City’s financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2025 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s Single Audit Report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A appears immediately following the report of the independent auditors.

Profile of the City of Rock Hill

The City, founded in 1852 and incorporated in 1892, is located in the eastern central area of York County, South Carolina, 25 miles south of Charlotte, North Carolina, and encompasses approximately 45.0 square miles. The 2025 population of the City is estimated to be 75,654, with a total of approximately 90,000 people in the Greater Rock Hill Area. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. The mayor is elected at large, and council members are elected by ward and serve four-year staggered terms.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; parks and leisure/cultural activities and events; sanitation services; water and sewer services; electric services; and storm water services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented beginning on page 30 as part of the basic financial statements for the governmental funds. No other governmental funds have an annual budget adopted by the City Council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. Unemployment in York County is lower than the State of South Carolina (the "State") average. The City's median household income is significantly higher than the State average. The City is centrally located to all Eastern and Southeastern markets. It is in the center of the country's fifth largest trade area with approximately five million people in a 100-mile radius. Over half of the United States population can be reached within a day's drive or a 90-minute flight. The Charlotte/Douglas International Airport, just 30 minutes from Rock Hill, averages over 850 daily departures and over 50 million passengers annually. The Rock Hill/York County Municipal Airport is also growing as a center for general aviation aircraft.

The City is considered to be one of the most progressive municipalities in the State and has become a planning prototype for the entire Charlotte Metropolitan Statistical Area. The overall economic condition of the City continues to lead both state and national indicators. The value of building permits for all construction activity for the year was \$319,286,794 down from \$408,286,024 the previous fiscal year.

The City's continuing efforts to invest have also been fruitful. Each of the City's five business parks continues to be a magnet for new jobs and diversified economic development.

Long-term financial planning. The City began developing long-range financial plans in 1990. These plans were developed to provide the City a framework in which to operate on a multi-year basis. This multi-year approach eventually led to the development of a biannual budget in 2000/2001 and the change in fiscal years from a December 31 to a June 30 fiscal year end in 2000. The current long-range plans of the City are 5 years in duration – with the first two years being balanced and the remaining 3 years showing projected gaps. Under this scenario planning, the City can plan for projected cuts and future revenue sources that can be used to close the gaps.

Based on this multi-year approach, the City has developed several important revenue sources. The Hospitality Fee, a local 2% fee levied on prepared foods and beverages, has been used to develop regional parks and offset certain general fund expenditures that were exclusively used to generate tourism in the City. In addition, the long-range plan helped the City see that future gaps in revenues and expenses were primarily due to improvements to water, sewer and fire services in the City. This led the City to develop an impact fee program that was approved as part of the budget process. These impact fees have been used to service debt issued to fund expansions to the water and sewer plant and to fund the construction of new fire facilities and equipment. Additionally, the City Council has established a priority to build unrestricted, unassigned general fund balance with a goal of 15% of prior year general fund expenditures. This goal has been maintained since 2011.

The City continues to lead in long-range financial planning. City staffers are frequently called upon to speak on long-range planning issues at state, regional, and national conferences. In recent years, the City has won several national awards in this area including the National League of Cities Municipal Excellence Award for the City's Accountability Dashboards and the National Government Finance Officers Association Award for Excellence in Government Finance for the City's Accountability and Transparency efforts.

Rock Hill Outdoor Center. The Rock Hill Outdoor Center within the City on property adjacent to the Catawba River includes cycling facilities such as a velodrome, mountain biking trail, a cyclocross track, and a BMX racetrack. National cycling events have been held in the Velodrome. The BMX track held the 2016 and 2024 World Cup and hosted the 2017 World Championships, marking the first time in 16 years that the event has been held in the United States.

Rock Hill Sports and Event Center. The City completed a 170,000 square foot indoor sports and event center in December 2019. The facility has been wildly successful and has hosted amateur and professional sporting events with teams drawn from throughout the region and nationally. The facility is full every weekend and has hosted several unique national events televised on ESPN, such as the American Cornhole League World Championship, ESPN The Ocho, and the Adidas 3 Stripe Select basketball tournament in 2023, 2024 and 2025. Demand for the facility has been so great that the City has begun construction on the Bleachery Annex to the Center a few blocks down the street to allow for more court space.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report (ACFR) for the year ended June 30, 2024. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the thirty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document

dated July 1, 2025. This was the thirty-third consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The City has also been awarded the Certification of Excellence Award from the Municipal Treasurers Association for its investment policy.

The City received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR award) for its Popular Annual Financial Report for the fiscal year ended June 30, 2024.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Manager's Office and Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Rock Hill.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "D. Vehaun".

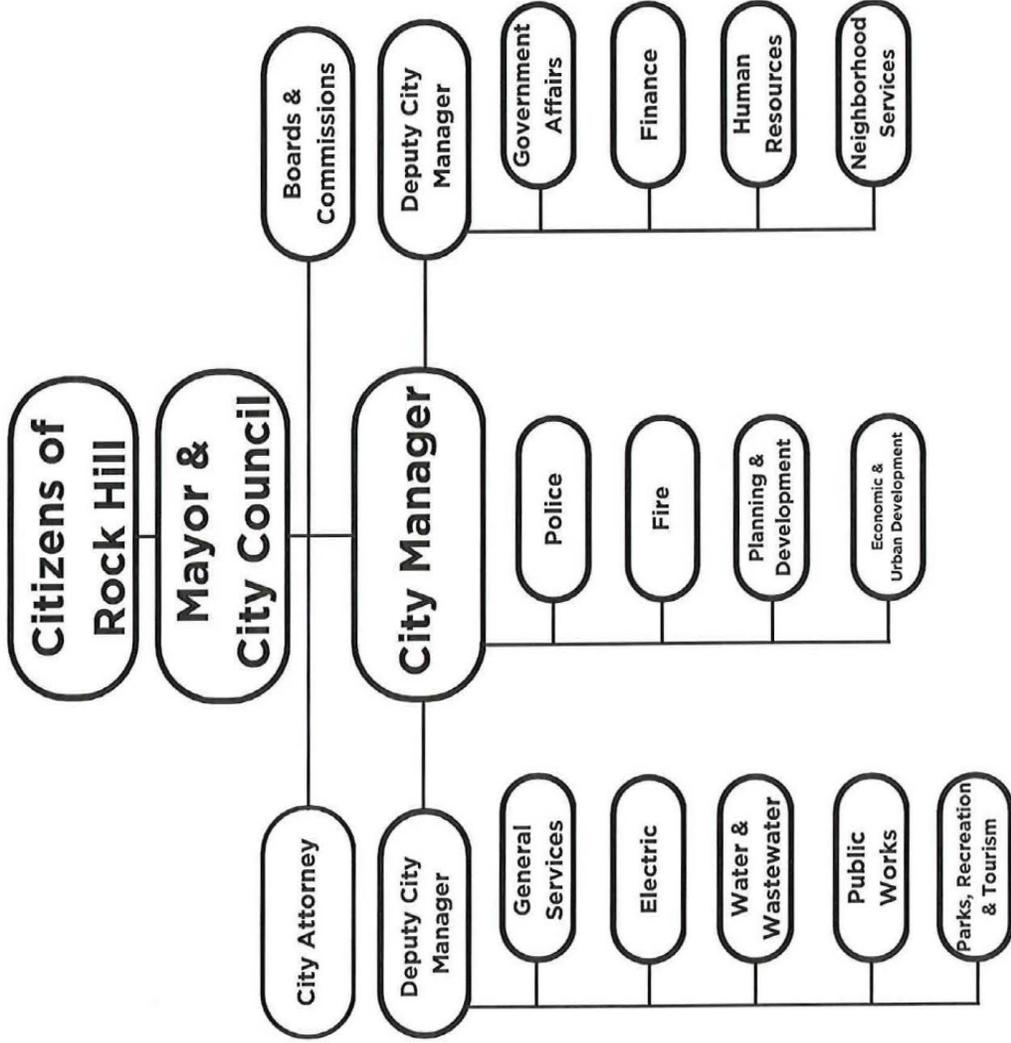
David B. Vehaun, City Manager

A handwritten signature in blue ink, appearing to read "Maddison P. Wilkerson".

Maddison P. Wilkerson, Chief Financial Officer



Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Rock Hill
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

City of Rock Hill, South Carolina

**List of Elected and Appointed Officials
June 30, 2025**

Elected Officials

John P. Gettys, Jr., Mayor
Derrick Lindsay, Mayor Pro Tempore
John A. Black, III
Brent Faulkenberry
James C. Reno, Jr.
Kevin H. Sutton
Perry Sutton

Appointed Officials

David B. Vahaun, City Manager
James G. Bagley Jr, Deputy City Manager
Steven Gibson, Deputy City Manager
David Melton, Water and Wastewater Utility Director
Mike Jolly, Electric Utility Director
Terrence Nealy, Public Works Director
Michael Grant, Fire Chief
Deana Keever, Human Resources Director
Chris Watts, Police Chief
Christina Jibrin, Housing and Neighborhood Services Director
Leah Youngblood, Development Services Director
Mark Sexton, Parks, Recreation and Tourism Director
Lisa Brown, Economic and Urban Development Director
Cindi Howard, General Services Director
Jeremy Winkler, Governmental Affairs Director
Maddison P Wilkerson, Chief Financial Officer
Spencer & Spencer, P.A., City Attorney



Independent Auditor's Report

**To the Honorable Mayor and
Members of City Council
Rock Hill, South Carolina**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Rock Hill, South Carolina** (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Pension Contributions, the Schedule of Changes in the City's Net OPEB Liability, the Schedule of the City's OPEB Contributions, and the Schedule of Investment Returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules, the budgetary comparison schedules, the Uniform Schedule of Court Fines, Assessments, and Surcharges, as required by the State of South Carolina, and the South Carolina Department of Transportation Schedule of Budgeted to Actual Costs (collectively, the "supplementary information") are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Columbia, South Carolina
December 16, 2025

CITY OF ROCK HILL, SOUTH CAROLINA

Management's Discussion and Analysis

As management of the City of Rock Hill, South Carolina (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 fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 1 - 4 of this report.

Financial Highlights

The following information highlights the most significant changes to the City's financial position over the last year. Though not intended to be all-inclusive, this information provides a snapshot of the most important changes in the City's financial position over the last year:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$466,598,837 (*net position*). The City reported negative unrestricted net position of \$(55,581,918). The number is negative following the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68, which required the City to recognize as a long term liability, its proportionate share of the net pension liability of the South Carolina Retirement System and the Police Officers Retirement System and GASB Statement No. 75, which required the City to recognize as a long term liability an amount actuarially determined to be owed for future retiree health insurance costs, also known as other post-employment benefits (OPEB). During the current year, the City significantly increased its accrual of employee compensated absences payable in accordance with GASB Statement No. 101, which reduced the discretion of governments to project future employee usage of leave and payments for unused leave.
- The City's total net position increased by \$16,671,332.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$44,337,413, a decrease of \$8,362,847 from the prior year. Approximately 42.5 percent of the total amount, \$18,830,540, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$19,467,386, or 15.8 percent of the total fund expenditures.
- The City's debt increased to \$614.8 million from \$610.5 million last year as the City issued state revolving fund loans and limited obligation bonds to build a sports complex annex and start work on a new regional park.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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.

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 *Statement of Net Position* presents information on all of the City's assets, deferred inflows and outflows of resources and liabilities, with the difference reported as *net position*. Over time, increases and decreases in the 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 government'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 change occurs, *regardless of the timing of related 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended 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, public safety, economic development, and parks and recreation. The business-type activities of the City include electric, water, sewer and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate housing corporation which is fiscally dependent on the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Two legally separate recreation organizations, which are under the control of the City, are included as an integral part of the primary government.

The government-wide financial statements can be found on pages 23 - 24 of this 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 funds of the City can be divided into these categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial 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 a government's near-term financing requirements.

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 *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is required to be shown as a major fund. Beginning in the fiscal year ended June 30, 2021, the City broke out its Consolidated TIF fund as a major fund. The City did this as part of an agreement with York County, no matter whether the fund met the definition of a major fund. Data from the other twenty governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these 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 statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25 - 28 of this report. The statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund can be found on page 29.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The City uses enterprise funds to account for its electric, water, sewer and storm water operations.

Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, and storm water operations. The electric, water and sewer funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 30 - 33 of this report.

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 to the financial statements can be found on pages 34 - 77 of this report.

Other supplemental information. In addition to the basic financial statements and accompanying notes, the report also presents certain *required supplementary information* in this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the basic financial statements as required supplementary information. Combining and individual fund statements and schedules can be found on pages 88 – 94 of this report.

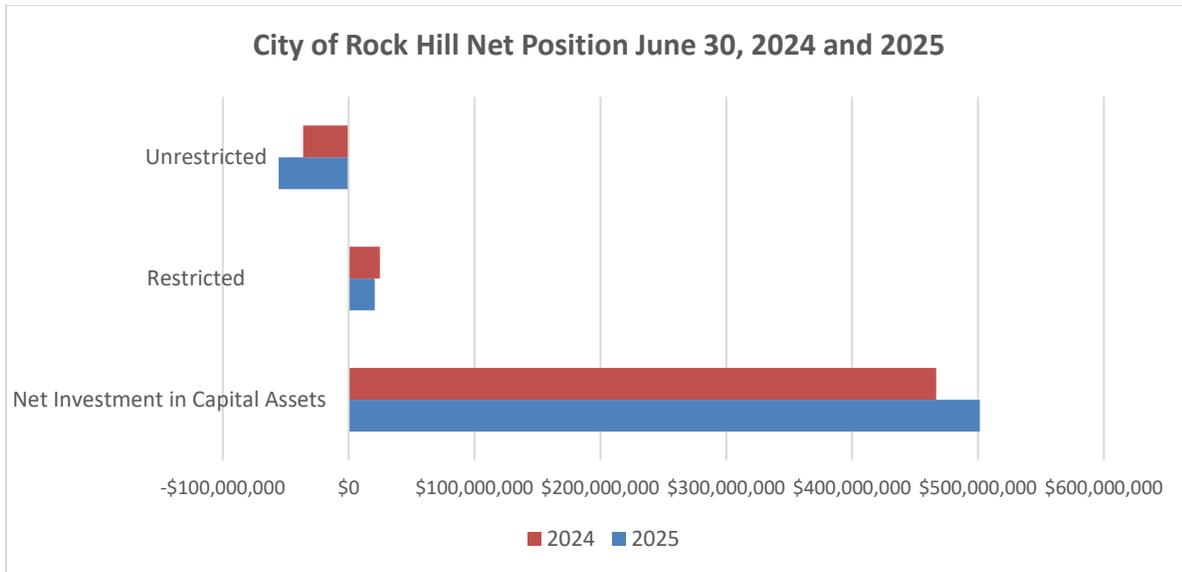
Government-wide Financial Analysis

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 of resources exceeded liabilities and deferred inflows of resources by \$466,598,837 at the close of the most recent fiscal year.

City of Rock Hill's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 65,260,026	\$ 68,856,046	\$ 252,180,053	\$ 266,457,988	\$ 317,440,079	\$ 335,314,034
Capital assets	281,017,875	263,346,808	710,540,486	682,281,990	991,558,361	945,628,798
Total assets	346,277,901	332,202,854	962,720,539	948,739,978	1,308,998,440	1,280,942,832
Deferred outflows of resources	19,971,768	18,995,703	6,090,317	5,837,393	26,062,085	24,833,096
Long-term liabilities outstanding	273,226,800	264,417,223	522,803,638	523,878,612	796,030,438	788,295,835
Other liabilities	19,000,680	14,847,902	39,357,727	38,671,143	58,358,407	53,519,045
Total liabilities	292,227,480	279,265,125	562,161,365	562,549,755	854,388,845	841,814,880
Deferred inflows of resources	10,463,760	5,488,052	3,609,083	2,890,479	14,072,843	8,378,531
Net position:						
Net investment in capital assets	125,671,920	120,357,774	375,696,580	346,428,882	501,368,500	466,786,656
Restricted	4,272,412	7,758,091	16,539,843	17,133,096	20,812,255	24,891,187
Unrestricted	(66,385,903)	(61,670,485)	10,803,985	25,575,159	(55,581,918)	(36,095,326)
Total net position	\$ 63,558,429	\$ 66,445,380	\$ 403,040,408	\$ 389,137,137	\$ 466,598,837	\$ 455,582,517

By far the largest portion of the City’s net position reflects its investment in capital assets (e.g. land, building, machinery, and equipment), less any related debt used to acquire those assets that is 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.

At the end of the current fiscal year, the City reports positive balances in two categories of net position, both for the government as a whole as well as its separate business-type activities. The same situation held true for the prior fiscal year. The balance of governmental activities unrestricted net position is negative primarily because of the change requiring it to accrue net pension liabilities, net OPEB liabilities and for unused employee vacation, sick and compensatory days in accordance with GAAP.

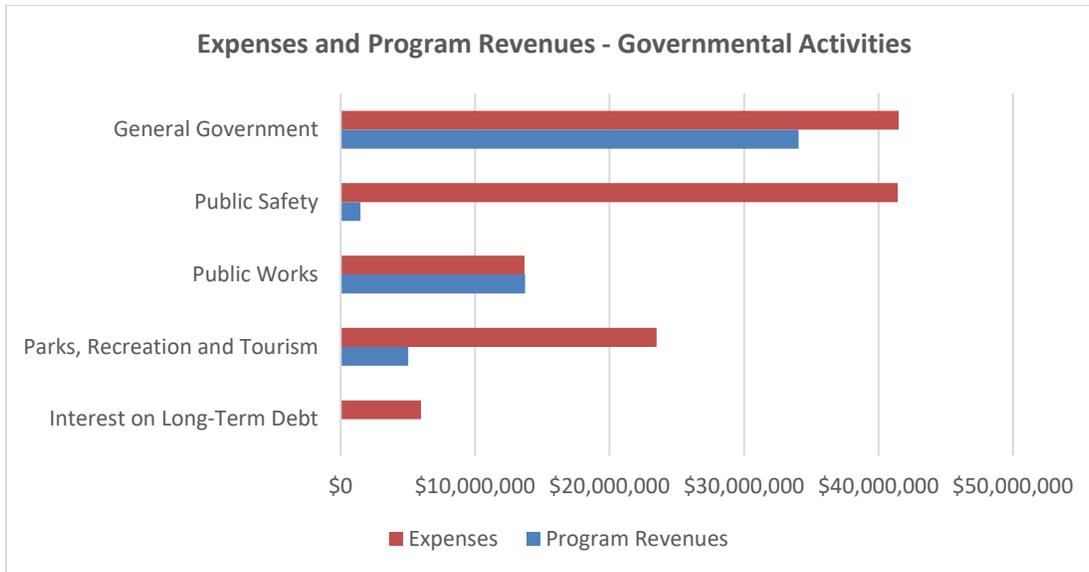


Governmental activities. Governmental activities increased the City’s net position by \$1,541,729 and accounted for 9.3% of the total growth in the net position of the City. Key elements of the increase are as follows:

- Real property and vehicle property tax revenues exceeded the previous year’s total by \$5,675,000. The City increased tax rates from 93.5 mils to 96.5 mils primarily to offset the negative effect of state legislation allowing some apartment complexes to claim exemption from property taxes due to their non-profit ownership status. There is currently legislation in both SC chambers to address this negative effect. The City has been closely monitoring the progress of the bills.
- Business license revenues increased over the prior year continuing year-to-year gains. Business growth along with new and increased collections efforts resulted in about \$1,300,000 more license fees.
- Depreciation of governmental capital assets reduced net position by approximately \$18,231
- The liability for accumulated untaken leave for governmental employees increased by over \$6,170,000. Increased pay rates multiplied by unused leave hours and an expanded leave policy granting more annual leave to employees adopted by City Council played a role, but the adoption of GASB Statement No. 101 forced the City to recalculate its leave liability and implement a one-time adjustment of \$5,655,012 to comply with the standard.
- The City pays its own health and dental claims as administered by a third-party administrator. During the current year, claims expenses increased by more than \$1,000,000 from the prior year. The increased costs were primarily related to a few high-cost claimants, which activated the stop loss carrier. These increased costs affected all departments and served to reduce net position for both governmental and business-type funds.
- Just under \$33,175,000 of governmental expenditures were capitalized and increased the City’s net position invested in capital assets. In addition to capital expenses using financed purchase proceeds for vehicles, and heavy equipment, construction expenses of \$1,713,000 on Armory Park and on the initial design of a new regional park, \$1,076,000 on Airport taxiway, parking and localizer improvements, just under \$7,000,000 on renovations to McGirt Auditorium and \$12,000,000 on an annex facility to the Sports and Events Center to accommodate overflow athletic events were the largest of several construction projects.
- Investment earnings continued their strong performance as market interest rates decreased more slowly than many expected.
- The City received approximately \$5,500,000 of donated water and sewer lines as developers completed neighborhood buildouts.
- The City received a \$1,126,000 settlement payment for long-term water supply damages from microplastics in the form of PFAS (polyfluoroalkyl substances) increasing net position. This settlement will be used to offset planned capital project expenses in a future year.
- The City incurred certain capital expenses for parks and related equipment before related bond and

financed purchases payable issuances that it expects to complete in the spring of 2026. These expenses temporarily used operating cash which will be restored within the following fiscal year.

City of Rock Hill's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2023
Revenues:						
Program revenues:						
Charges for services	\$ 39,389,620	\$ 36,917,205	\$ 184,048,846	\$ 175,283,114	\$ 223,438,466	\$ 212,200,319
Operating grants and contributions	12,062,558	13,032,223	5,341,207	1,078,265	17,403,765	14,110,488
Capital grants and contributions	2,810,694	1,342,126	5,542,777	5,040,217	8,353,471	6,382,343
General Revenues:						
Property taxes	49,604,836	44,518,468	-	-	49,604,836	44,518,468
Accommodations and hospitality taxes	9,646,217	9,140,747	-	-	9,646,217	9,140,747
Legal settlement proceeds	-	-	-	27,500,000	-	27,500,000
Investment income	1,558,284	1,592,771	10,042,114	6,087,304	11,600,398	7,680,075
Unrestricted intergovernmental revenue	1,944,840	1,852,619	-	-	1,944,840	1,852,619
Payments to component unit	-	-	-	-	-	-
Miscellaneous	1,531,728	1,990,630	-	-	1,531,728	1,990,630
Total revenues	118,548,777	110,386,789	204,974,944	214,988,900	323,523,721	325,375,689
Expenses						
General government	41,479,027	41,359,149	-	-	41,479,027	41,359,149
Public safety	41,416,028	39,413,188	-	-	41,416,028	39,413,188
Public works	13,666,084	13,052,741	-	-	13,666,084	13,052,741
Parks, recreation & tourism	23,498,582	23,165,441	-	-	23,498,582	23,165,441
Interest on long-term debt	5,978,596	4,662,508	-	-	5,978,596	4,662,508
Electric	-	-	113,713,684	109,465,352	113,713,684	109,465,352
Water	-	-	27,516,880	25,697,612	27,516,880	25,697,612
Sewer	-	-	34,324,482	29,086,300	34,324,482	29,086,300
Stormwater	-	-	5,259,026	5,261,336	5,259,026	5,261,336
Total expenses	126,038,317	121,653,027	180,814,072	169,510,600	306,852,389	291,163,627
Increase (decrease) in net position						
before transfers	(7,489,540)	(11,266,238)	24,160,872	45,478,300	16,671,332	34,212,062
Transfers	9,031,269	9,305,232	(9,031,269)	(9,305,232)	-	-
Change in net position	1,541,729	(1,961,006)	15,129,603	36,173,068	16,671,332	34,212,062
Net position -- beginning	66,445,380	68,406,386	389,137,137	352,964,069	455,582,517	410,172,657
Restatement of Beginning Net Position	(4,428,680)	-	(1,226,332)	-	(5,655,012)	-
Net position -- ending	\$ 63,558,429	\$ 66,445,380	\$ 403,040,408	\$ 389,137,137	\$ 466,598,837	\$ 444,384,719



Business-type activities. Business-type activities increased the City’s net position by \$15,129,603 accounting for 90.7% of the total growth in the City’s net position. Net position invested in capital assets increased as improvements and expansions were made to the electric, water and wastewater systems. Amounts held by bond trustees for upcoming debt service totaled \$16,539,843. That amount is shown as restricted fund balance. Key elements of changes other than capital and restricted net position are as follows:

- In wastewater, significant amounts intended for capital improvements of over \$2,500,000, were not spent as project bids were considered unreasonable or contractors were unavailable to do the work. Some of these unspent funds may be reappropriated in future years for capital improvements.
- Approximately \$8,984,000 spent from operating funds were capitalized as construction in progress and served to increase unrestricted net position.
- Electric “margins”, or total electricity sales minus the cost of purchased power, reduced net position by about \$3,300,000. Sales were less than expected, resulting from milder than expected weather patterns. Purchased power was a bit higher than expected as peak demand days were more severe than expected.
- The City’s budget forecasts were highly accurate for both water sales and sewer charges, as both came in just about exactly on budget.
- \$257,000 in costs of issuance on two new State Revolving Fund (SRF) loans slightly reduced net position.
- Investment earnings continued strong as market interest rates remained higher than expected throughout most of the year.

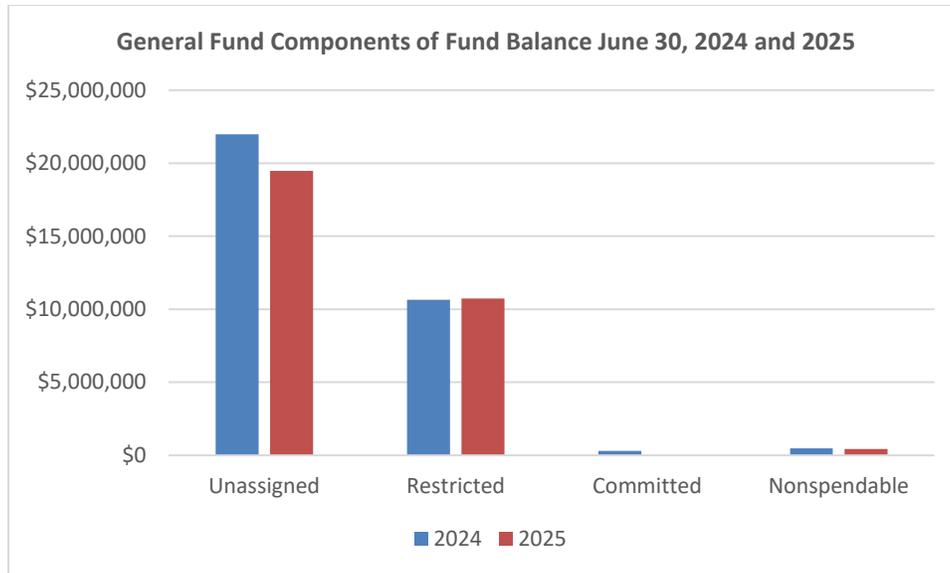
Financial Analysis of Governmental Funds

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 discretionary use as they represent the portion of fund balance that has not yet been limited to use by any of an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$44,337,413, a decrease of \$8,362,847 from the prior fiscal year. A major component of the decrease was the

spenddown on capital projects of funds from previously issued bonds. Approximately 48.0 percent of total fund balance, \$21,258,423, constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. Unassigned fund balance decreased by \$725,142 for the year. This was primarily due to temporary negative fund balances for two non-major funds who will receive revenues to restore their fund balances in 2026. The remainder of fund balance is *nonspendable, restricted or committed* to indicate that it is not available for new spending either because it is non-spendable as inventory on hand or represents the principal donated for public beautification projects or it is restricted for 1) government grant programs, 2) debt service, 3) State victim assistance, law enforcement federal and State asset forfeiture funds, 4) State and local accommodations taxes, 5) Capital projects or 6) bond issue construction/financed purchase funds.



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19,467,386, while total fund balance was \$30,645,272. As a measure of the general fund’s liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 15.8 percent of total general fund expenditures, while total fund balance represents 24.8 percent of those same expenditures.

Total fund balance of the City’s general fund decreased by \$2,778,138 during the current fiscal year. The most significant factors in this net increase are as follows:

- As mentioned earlier, medical claims expenses throughout the year exceeded budget and were shared among all departments.
- Real property and vehicle tax revenues exceeded the previous year’s total by over \$2,034,000. Residential and apartment construction resulted in more and newer real property.
- Business license revenues continued to grow at a healthy rate but still finished about \$310,000 under its substantially increased 2025 budget.
- The City received \$836,000 in opioid settlement funds that were not spent prior to fiscal year end.
- Legal claim settlements for various issues consumed over \$800,000 of operating funds. Related fees for attorney services also went over budget.
- As mentioned earlier, the City began using operating funds for the initial construction and equipment acquisition for several recreation facilities. These expenditures temporarily reduced fund balance in 2025, but planned debt issuances in 2026 should restore these funds.

The consolidated TIF fund was created to hold and account for funds related to a specific Downtown/Textile Corridor tax increment financing district. Although amounts generally do not rise to a level high enough for

consideration as a major fund, the City has an agreement with York County to show all the activity as a major fund. Total fund balance for the consolidated TIF fund remained nearly the same. This is typical for this fund, because its revenues and expenditures are usually known well in advance and rarely deviate from expectations.

White Street Rec LLC was formed by the City as a partnership whose purpose is to build an annex facility to the Sports and Events Center. The developer doing the construction is a partner. He expects to obtain certain income tax credits for the construction. These tax credits are expected to reduce the cost to the City of the project.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric, water, sewer, and storm water operations at the end of the fiscal year amounted to \$10,803,985. The total growth in net position was \$15,129,603. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget for the fiscal year ended June 30, 2025.

- Vehicle property tax revenues exceeded budget by over \$249,000 as discussed above in governmental activities.
- Real property tax revenues exceeded budget by over \$1,785,000 as discussed above in governmental activities.
- Business license revenues were under budget by \$310,000 as discussed above.

On the expenditure side, health claims, lawsuit settlements, and workers comp claims negatively affected budgetary results in several departments. Capital expenditures include the purchase of over \$7,049,000 of vehicles, other equipment and building use rights acquired using financed purchase payables. Since the proceeds from these financing arrangements (including unspent proceeds from prior years' financings) offset the expenditure for purchases, neither item is budgeted. Several departments experienced higher than normal equipment maintenance and repair expenditures as the City sought to extend the life of existing vehicles and heavy equipment. Legal services for general matters as well as for TIF districts and other projects were over budget. Market-driven personnel increases during the year were somewhat offset by position vacancies. A major hailstorm in April, 2024 still consumed funds during 2025 although most of the damages were covered by insurance.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$501,368,500 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and roads. The total increase in the City's investment in capital assets for the current fiscal year was 4.2 percent (a 1.6 percent increase for governmental activities and a 5.0 percent increase for business-type activities). These numbers reflect the inclusion of infrastructure, in accordance with GASB Statement No. 34.

Major capital asset events during the current year include the following:

- The City continued the major improvements to McGirt Auditorium and started and neared completion of the annex to the Sports and Events Center
- The City's electric, water, sewer and stormwater departments invested nearly \$9,000,000 of operating revenues into additions to plant in service.
- Using a combination of revenue bonds and state revolving fund loans, the City continued and began new major expansions of its water filter plant and its wastewater treatment plant.

City of Rock Hill's Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 26,337,957	\$ 26,337,957	\$ 9,821,317	\$ 9,821,317	\$ 36,159,274	\$ 36,159,274
Buildings and land improvements	102,654,844	94,962,820	26,492,566	26,768,803	129,147,410	121,731,623
Machinery, equipment and vehicles	14,751,031	17,868,103	3,593,319	4,608,357	18,344,350	22,476,460
Infrastructure	114,900,369	109,410,637	-	-	114,900,369	109,410,637
Subscription-based IT arrangements	-	-	970,561	-	970,561	-
Utility distribution and collections systems	-	-	403,210,553	394,350,888	403,210,553	394,350,888
Construction in progress	22,373,674	14,767,291	266,452,170	246,732,625	288,825,844	261,499,916
Total	\$ 281,017,875	\$ 263,346,808	\$ 710,540,486	\$ 682,281,990	\$ 991,558,361	\$ 945,628,798

Additional information on the City's capital assets can be found in Note IV.C of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$613,840,743. Of this amount \$9,755,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds, storm water loans, local accommodations tax revenue, developer assessments and tax increment bonds).

City of Rock Hill's Long-Term Debt						
Bonds Payable						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Tax increment bonds	\$ 27,117,000	\$ 29,461,000	\$ -	\$ -	\$ 27,117,000	\$ 29,461,000
General obligation bonds	9,755,000	10,535,000	-	-	9,755,000	10,535,000
Limited obligation bonds	27,298,000	17,017,000	-	-	27,298,000	17,017,000
Municipal improvement district bonds	2,197,000	2,719,000	-	-	2,197,000	2,719,000
HUD Section 108 loan	459,000	601,000	-	-	459,000	601,000
SC DHEC HUD loan	270,476	403,704	-	-	270,476	403,704
Installment purchase revenue bonds	63,926,000	65,236,000	-	-	63,926,000	65,236,000
SC JEDA bonds	17,990,000	18,920,000	-	-	17,990,000	18,920,000
Utility revenue bonds	-	-	362,003,000	371,308,000	362,003,000	371,308,000
State revolving fund loans	-	-	102,825,267	94,282,459	102,825,267	94,282,459
SBITA	-	-	970,562	-	970,562	-
Total	\$ 149,012,476	\$ 144,892,704	\$ 465,798,829	\$ 465,590,459	\$ 614,811,305	\$ 610,483,163

The City's total bonded debt increased by \$4,328,142 during the current fiscal year. Aside from the normal payment of existing bonds, the City issued \$12,433,291 of state revolving fund loans for improvements to its water, and wastewater facilities. The City also issued \$12,000,000 of limited obligation bonds to build a basketball courts facility and to begin work on a new regional park. A new software agreement added \$970,562 of SBITA debt.

The City's underlying rating on general obligation debt was "AA-" from Standard & Poor's and "Aa3" from Moody's. The City's underlying rating on its combined utility system revenue bonds was "A+" from Standard & Poor's and "A2" from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$35,314,711, which was \$25,559,711 more than the City's outstanding general obligation debt on June 30, 2025.

Additional information on the City's long-term debt can be found in Note IV.E. of this report.

Economic Factors and Next Year's Budgets and Rates

Along with much of the nation, the local economy continued a healthy expansion in the last fiscal year. As mentioned in the introductory section, the number of building permits decreased and the value of building permits decreased over the previous year. Earlier years had spiked as several very large commercial sites got permitted. The City's unemployment rate decreased along with the pickup of overall economic activity. After spiking as high as 15.4% in May 2020, it has dropped to 5.0% as of June 2025. The City developed a budget for 2025/2026 that included moderate rate increases for the City's citizens and customers:

- Unemployment in Rock Hill is typically slightly higher than in York County and the State of South Carolina, due to strict annexation laws and many who commute to Charlotte, NC. Certain areas of Rock Hill have a higher concentration of unemployment rates - particularly the older downtown core.
- Since 2013, the City has operated an in-house wellness clinic for employees and retirees and their covered dependents that offers services for minor illnesses and injuries, prescription refills and vaccinations. This service has reduced the cost of routine doctor visits.
- The City has higher income figures compared to other cities in the State. Rock Hill is not only the premier "Ring City" in the Charlotte Metropolitan Statistical Area (MSA), but is the heart of the Catawba Region, a four-county area consisting of York, Chester, Lancaster, and Union counties. In this region, Rock Hill continues to have the highest income levels of cities in the four counties and exceeds State averages.
- For the 2025/2026 budget year, the City enacted an 8.1% increase in wastewater rates. Electric and water rates were unchanged. Stormwater rates were unchanged.
- Following York County's reassessment, the millage rate for the 2025/2026 budget was rolled back from 96.5 to 94.7 mils, resulting in a revenue neutral reassessment.
- For the 2025/2026 budget year, the City enacted a 3.0% increase in sanitation rates to offset increasing landfill tipping fees assessed by York County.

All these factors were considered in preparing the City's general fund budget for the 2025/2026 fiscal year. Amounts available for appropriation in the general fund are \$96.61 million, an increase of 7.6 percent over the final fiscal year 2024/2025 budget. For the 2025/2026 year, the employee pay-for-performance program will have available a budget of 3.0% for raises to base pay. The pay for performance program is not assured for any future years.

The City's budgetary balance is expected to remain stable at the close of the 2025/2026 fiscal year.

As for the City's business-type activities, we expect that future results will remain stable in fiscal year 2026. It is widely accepted that the City's key business service areas must cover their costs. As the City has moved toward this "cost to serve" concept there have been small, incremental increases in some rates and fees. Over the last 10 years, the City has worked to ensure that these fees outpaced the Consumer Price Index. City staff performs regular studies to compare Rock Hill's rates with 28 other cities to make certain that the City remains competitive. The budget serves as an ongoing work plan to reach cost to serve levels in key utility businesses. Good business practice requires these services to charge fees that sufficiently recover costs associated with the service. The City continues to move toward cost to serve in all these service areas while keeping rates competitive.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Rock Hill, Finance Department, PO Box 11706, Rock Hill, South Carolina, 29731-1706.

[THIS PAGE INTENTIONALLY LEFT BLANK]

BASIC FINANCIAL STATEMENTS

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 34,251,044	\$ 27,544,337	\$ 61,795,381	\$ 1,264,600
Receivables (net of allowance for uncollectibles)				
Taxes and assessments	1,938,612	-	1,938,612	-
Intergovernmental	1,014,133	-	1,014,133	17,660
Utility accounts	-	20,458,881	20,458,881	-
Leases	2,253,686	842,053	3,095,739	-
Other	5,570,872	12,984,999	18,555,871	31,283
Due from component unit	1,619,900	-	1,619,900	-
Prepays	80,339	314,067	394,406	-
Inventories	359,710	13,494,484	13,854,194	-
Real estate held for sale	-	-	-	4,999,156
Restricted assets:				
Cash and cash equivalents	18,171,730	176,541,232	194,712,962	-
Capital assets not being depreciated:				
Land	26,337,957	9,821,317	36,159,274	-
Construction in progress	22,373,674	266,452,170	288,825,844	-
Capital assets, net of accumulated depreciation:				
Buildings and land improvements	102,654,844	26,492,566	129,147,410	-
Machinery, equipment and vehicles	14,751,031	3,593,319	18,344,350	-
Infrastructure	114,900,369	-	114,900,369	-
Utility distribution and collection systems	-	403,210,553	403,210,553	-
SBITA assets	-	970,561	970,561	-
Total assets	<u>346,277,901</u>	<u>962,720,539</u>	<u>1,308,998,440</u>	<u>6,312,699</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension charges	16,364,589	4,753,224	21,117,813	-
Deferred other post-employment benefit charges	2,744,674	815,322	3,559,996	-
Deferred charge on refunding	862,505	521,771	1,384,276	-
Total deferred outflows of resources	<u>19,971,768</u>	<u>6,090,317</u>	<u>26,062,085</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	13,953,428	17,170,273	31,123,701	109,131
Due to primary government	-	-	-	1,619,900
Utility deposits	-	4,491,718	4,491,718	-
Accrued interest payable	1,343,056	8,182,720	9,525,776	-
Contract retainage payable	726,924	4,870,483	5,597,407	-
Developer deposits held for project completion	2,579,646	-	2,579,646	-
Current portion of long-term liabilities	21,435,097	18,438,938	39,874,035	1,048
Unearned revenues	397,626	4,642,533	5,040,159	-
Noncurrent liabilities:				
Net pension liability	76,334,403	26,479,228	102,813,631	-
Net other post-employment benefit liability	9,421,758	2,909,658	12,331,416	-
Noncurrent portion of long-term liabilities	166,035,542	474,975,814	641,011,356	238,843
Total liabilities	<u>292,227,480</u>	<u>562,161,365</u>	<u>854,388,845</u>	<u>1,968,922</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	5,047,066	1,053,114	6,100,180	-
Deferred gains on refunding	-	799,240	799,240	-
Leases	2,096,185	767,249	2,863,434	-
Deferred other post-employment benefit inflows	3,320,509	989,480	4,309,989	-
Total deferred inflows of resources	<u>10,463,760</u>	<u>3,609,083</u>	<u>14,072,843</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	125,671,920	375,696,580	501,368,500	-
Restricted for:				
Debt service	179,343	16,539,843	16,719,186	-
Federal and state grant programs	363,303	-	363,303	-
Accommodations and hospitality	3,247,926	-	3,247,926	-
Law enforcement	181,110	-	181,110	-
Perpetual care				
Expendible	275,730	-	275,730	-
Nonexpendable	25,000	-	25,000	-
Unrestricted	(66,385,903)	10,803,985	(55,581,918)	4,343,777
Total net position	<u>\$ 63,558,429</u>	<u>\$ 403,040,408</u>	<u>\$ 466,598,837</u>	<u>\$ 4,343,777</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 41,479,027	\$ 27,412,919	\$ 4,602,624	\$ 2,035,434	\$ (7,428,050)	\$ -	\$ (7,428,050)	\$ -
Public safety	41,416,028	896,656	574,122	-	(39,945,250)	-	(39,945,250)	-
Public works	13,666,084	9,626,961	4,092,867	-	53,744	-	53,744	-
Parks, recreation and tourism	23,498,582	1,453,084	2,792,945	775,260	(18,477,293)	-	(18,477,293)	-
Interest on long-term debt	5,978,596	-	-	-	(5,978,596)	-	(5,978,596)	-
Total governmental activities	<u>126,038,317</u>	<u>39,389,620</u>	<u>12,062,558</u>	<u>2,810,694</u>	<u>(71,775,445)</u>		<u>(71,775,445)</u>	<u>-</u>
Business-type activities:								
Electric	113,713,684	112,849,976	117,187	12,219	-	(734,302)	(734,302)	-
Water	27,516,880	30,181,232	2,997,246	1,144,120	-	6,805,718	6,805,718	-
Sewer	34,324,482	35,808,556	2,226,774	2,907,964	-	6,618,812	6,618,812	-
Stormwater	5,259,026	5,209,082	-	1,478,474	-	1,428,530	1,428,530	-
Total business-type activities	<u>180,814,072</u>	<u>184,048,846</u>	<u>5,341,207</u>	<u>5,542,777</u>	<u>-</u>	<u>14,118,758</u>	<u>14,118,758</u>	<u>-</u>
Total primary government	<u>\$ 306,852,389</u>	<u>\$ 223,438,466</u>	<u>\$ 17,403,765</u>	<u>\$ 8,353,471</u>	<u>(71,775,445)</u>	<u>14,118,758</u>	<u>(57,656,687)</u>	<u>-</u>
Component unit:								
Housing Development Corporation of Rock Hill	\$ 700,920	\$ -	\$ 1,022,936	\$ -	-	-	-	322,016
General revenues								
Property taxes					49,604,836	-	49,604,836	-
Accommodations and hospitality taxes					9,646,217	-	9,646,217	-
Investment income					1,558,284	10,042,114	11,600,398	-
Unrestricted intergovernmental revenue					1,944,840	-	1,944,840	-
Miscellaneous					1,531,728	-	1,531,728	-
Transfers					9,031,269	(9,031,269)	-	-
Total general revenues and transfers					<u>73,317,174</u>	<u>1,010,845</u>	<u>74,328,019</u>	<u>-</u>
Change in net position					<u>1,541,729</u>	<u>15,129,603</u>	<u>16,671,332</u>	<u>322,016</u>
Net position - beginning of year, as previously reported					66,445,380	389,137,137	455,582,517	3,808,334
Restatement of Beginning Net Position					<u>(4,428,680)</u>	<u>(1,226,332)</u>	<u>(5,655,012)</u>	<u>-</u>
Net position - beginning of year - as restated					<u>62,016,700</u>	<u>387,910,805</u>	<u>449,927,505</u>	<u>4,021,761</u>
Net position - end of year					<u>\$ 63,558,429</u>	<u>\$ 403,040,408</u>	<u>\$ 466,598,837</u>	<u>\$ 4,343,777</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	General	Downtown and Textile Corridor TIF Fund	White Street Rec LLC	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 28,890,954	\$ 57,793	\$ -	\$ 5,302,497	\$ 34,251,244
Receivables (net of allowances for uncollectible accounts):					
Taxes and assessments	1,938,612	-	-	-	1,938,612
Intergovernmental	-	-	-	1,014,133	1,014,133
Leases	2,253,686	-	-	-	2,253,686
Other	3,178,085	-	-	2,392,787	5,570,872
Due from other funds	2,040,103	-	1,466,598	-	3,506,701
Due from component unit	1,058,253	-	-	561,647	1,619,900
Prepays	80,339	-	-	-	80,339
Inventories	359,710	-	-	-	359,710
Restricted assets:					
Cash and cash equivalents	5,214,994	-	1,484	12,955,252	18,171,730
TOTAL ASSETS	\$ 45,014,736	\$ 57,793	\$ 1,468,082	\$ 22,226,316	\$ 68,766,927
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 8,501,000	\$ -	\$ 1,468,082	\$ 3,984,546	\$ 13,953,628
Due to other funds	-	-	-	3,506,701	3,506,701
Contract retainage payable	-	-	604,790	122,134	726,924
Unearned revenues	23,829	-	-	373,797	397,626
Reimbursements payable to developers	2,579,646	-	-	-	2,579,646
TOTAL LIABILITIES	11,104,475	-	2,072,872	7,987,178	21,164,525
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,168,804	-	-	-	1,168,804
Leases receipts	2,096,185	-	-	-	2,096,185
	3,264,989	-	-	-	3,264,989
FUND BALANCES					
Non-spendable:					
Inventory on hand and prepaids	440,049	-	-	-	440,049
Donated restricted principal	-	-	-	25,000	25,000
Restricted for:					
Federal and state grant programs	-	-	-	395,359	395,359
Debt service	-	-	-	179,343	179,343
Law enforcement	181,110	-	-	-	181,110
Bond issue construction	4,922,929	-	-	9,671,098	14,594,027
Accommodations tax projects	3,247,926	-	-	-	3,247,926
Capital projects	-	57,793	-	2,395,827	2,453,620
Constrained by external donors	2,385,872	-	-	1,604,567	3,990,439
Committed	-	-	-	-	-
Unassigned	19,467,386	-	(604,790)	(32,056)	18,830,540
TOTAL FUND BALANCES	30,645,272	57,793	(604,790)	14,239,138	44,337,413
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,014,736	\$ 57,793	\$ 1,468,082	\$ 22,226,316	\$ 68,766,927

The notes to the financial statements are an integral part of this statement

CITY OF ROCK HILL, SOUTH CAROLINA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances for governmental funds	\$ 44,337,413
Total net assets reported for governmental activities in the statement of net asset is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	281,017,875
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,168,804
The City's proportional shares of the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plans and its retiree health insurance plans are not recorded in the governmental funds but are recorded in the statement of net position.	(75,014,473)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(187,951,190)</u>
Net position of governmental activities	<u>\$ 63,558,429</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	General	Downtown and Textile Corridor TIF Fund	White Street Rec LLC	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 44,123,710	\$ 5,358,240	\$ -	\$ -	\$ 49,481,950
Accommodations and hospitality taxes	9,646,217	-	-	-	9,646,217
Licenses and permits	18,478,732	-	-	-	18,478,732
Fines and forfeitures	488,975	-	-	-	488,975
Intergovernmental	5,259,306	-	-	4,825,347	10,084,653
Charges for services	18,273,926	-	-	-	18,273,926
Impact fees	-	-	-	230,850	230,850
Investment earnings	722,377	-	-	835,906	1,558,283
Program income	-	-	-	38,171	38,171
Scrap and equipment sales	952,553	-	-	-	952,553
Other	4,136,114	-	-	669,000	4,805,114
Total revenues	<u>102,081,910</u>	<u>5,358,240</u>	<u>-</u>	<u>6,599,274</u>	<u>114,039,424</u>
EXPENDITURES					
Current:					
General government	30,220,218	-	-	877,234	31,097,452
Housing	-	-	-	20,125	20,125
Public safety	39,814,568	-	-	421,472	40,236,040
Public works	11,333,543	-	-	-	11,333,543
Parks, recreation and tourism	19,878,061	-	-	1,758	19,879,819
Capital outlay					
General	3,471,666	465,471	12,650,996	9,536,264	26,124,397
Financed purchases of vehicles and equipment	7,049,876	-	-	-	7,049,876
Debt service:					
Principal	5,149,000	2,589,228	-	142,000	7,880,228
Interest and fees	2,390,188	2,298,785	-	1,221,263	5,910,236
Costs of issuance	-	-	-	303,426	303,426
Financed purchases payments	4,127,225	-	-	-	4,127,225
Total expenditures	<u>123,434,345</u>	<u>5,353,484</u>	<u>12,650,996</u>	<u>12,523,542</u>	<u>153,962,367</u>
REVENUES (UNDER) EXPENDITURES	<u>(21,352,435)</u>	<u>4,756</u>	<u>(12,650,996)</u>	<u>(5,924,268)</u>	<u>(39,922,943)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,384,904	1,050,000	12,046,206	-	24,481,110
Transfers out	(1,050,000)	(1,050,000)	-	(12,046,206)	(14,146,206)
Limited obligation bonds issued	-	-	-	12,000,000	12,000,000
Original issue premium on limited obligation bonds	-	-	-	985,799	985,799
Issuance of financed purchases payable	8,239,393	-	-	-	8,239,393
Total other financing sources (uses)	<u>18,574,297</u>	<u>-</u>	<u>12,046,206</u>	<u>939,593</u>	<u>31,560,096</u>
NET CHANGE IN FUND BALANCE	(2,778,138)	4,756	(604,790)	(4,984,675)	(8,362,847)
FUND BALANCE, BEGINNING OF YEAR	<u>33,423,410</u>	<u>53,037</u>	<u>-</u>	<u>19,223,813</u>	<u>52,700,260</u>
FUND BALANCE, END OF YEAR	<u>\$ 30,645,272</u>	<u>\$ 57,793</u>	<u>\$ (604,790)</u>	<u>\$ 14,239,138</u>	<u>\$ 44,337,413</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds \$ (8,362,847)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 17,691,557

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) is to decrease net assets. (20,490)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 457,286

The issuance of long-term debt (e.g., bonds, financed purchases payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of new long-term debt issued and repayments of existing long-term debt. (9,374,644)

Changes in the City's proportional shares of the net pension liability, net OPEB liability, deferred outflows of resources, deferred inflows of resources related to its participation in the State pension plans and its retiree health insurance plan are not recorded in the governmental funds but are recorded in the statement of activities. 1,183,158

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (32,291)

Change in net position of governmental activities \$ 1,541,729

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$ 41,237,821	\$ 44,123,710	\$ 2,885,889
Accommodations and hospitality taxes	10,063,917	9,646,217	(417,700)
Licenses and permits	18,726,717	18,478,732	(247,985)
Fines and forfeitures	482,392	488,975	6,583
Intergovernmental	5,358,081	5,259,306	(98,775)
Charges for services	18,018,683	18,273,926	255,243
Investment earnings	750,652	722,377	(28,275)
Scrap and equipment sales	1,073,007	952,553	(120,454)
Other	1,182,159	4,136,114	2,953,955
Total revenues	<u>96,893,429</u>	<u>102,081,910</u>	<u>5,188,481</u>
EXPENDITURES			
Current:			
General government	26,941,972	30,220,218	(3,278,246)
Public safety	36,522,387	39,814,568	(3,292,181)
Public works	11,049,963	11,333,543	(283,580)
Parks, recreation and tourism	17,859,668	19,878,061	(2,018,393)
Capital outlay:			
Operating budget capital	1,685,755	3,471,666	(1,785,911)
Finance purchases vehicles and equipment	-	7,049,876	(7,049,876)
Debt service:			
Principal	6,024,033	5,444,000	580,033
Interest and fees	2,866,640	2,300,264	566,376
Financed purchases payments	4,159,576	3,922,149	237,427
Total expenditures	<u>107,109,994</u>	<u>123,434,345</u>	<u>(16,324,351)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,216,565)</u>	<u>(21,352,435)</u>	<u>(11,135,870)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	10,606,085	11,384,904	778,819
Transfers out	(389,520)	(1,050,000)	(660,480)
Issuance of financed purchases payable	-	8,239,393	8,239,393
Total other financing sources	<u>10,216,565</u>	<u>18,574,297</u>	<u>8,357,732</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	(2,778,138)	(2,778,138)
FUND BALANCE, BEGINNING OF YEAR	<u>33,423,410</u>	<u>33,423,410</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 33,423,410</u>	<u>\$ 30,645,272</u>	<u>\$ (2,778,138)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2025

	Electric, Water and Sewer	Nonmajor Stormwater	Totals
ASSETS			
Cash and cash equivalents	\$ 26,680,663	\$ 863,674	\$ 27,544,337
Receivables (net of allowance for uncollectible accounts):			
Utility accounts	20,458,881	-	20,458,881
Leases	842,053	-	842,053
Other	12,984,999	-	12,984,999
Prepays	314,067	-	314,067
Inventories	13,494,484	-	13,494,484
Total current assets	<u>74,775,147</u>	<u>863,674</u>	<u>75,638,821</u>
Restricted assets, cash and equivalents	175,757,729	783,503	176,541,232
Capital assets - net	419,538,997	24,549,319	444,088,316
Construction in progress	260,990,962	5,461,208	266,452,170
Total noncurrent assets	<u>856,287,688</u>	<u>30,794,030</u>	<u>887,081,718</u>
Total assets	<u>931,062,835</u>	<u>31,657,704</u>	<u>962,720,539</u>
			710,540,486
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	4,461,724	291,500	4,753,224
Deferred OPEB charges	747,729	67,593	815,322
Deferred charge on refunding	521,771	-	521,771
Total deferred outflows of resources	<u>5,731,224</u>	<u>359,093</u>	<u>6,090,317</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	17,054,096	116,177	17,170,273
Utility deposits	4,491,718	-	4,491,718
Accrued interest payable	8,142,007	40,713	8,182,720
Contract retainage payable	4,870,483	-	4,870,483
Unearned revenue	4,642,533	-	4,642,533
Current portion of long-term obligations	17,546,893	892,045	18,438,938
Total current liabilities	<u>56,747,730</u>	<u>1,048,935</u>	<u>57,796,665</u>
Noncurrent liabilities			
Net pension liability	24,855,344	1,623,884	26,479,228
Net OPEB liability	2,684,974	224,684	2,909,658
Noncurrent liabilities due in more than one year	463,584,469	11,391,345	474,975,814
Total noncurrent liabilities	<u>491,124,787</u>	<u>13,239,913</u>	<u>504,364,700</u>
Total liabilities	<u>547,872,517</u>	<u>14,288,848</u>	<u>562,161,365</u>
DEFERRED INFLOWS OF RESOURCES			
Lease receipts	767,249	-	767,249
Deferred gains on refunding	799,240	-	799,240
Deferred pension credits	988,530	64,584	1,053,114
Deferred other post-employment benefits credits	902,491	86,989	989,480
Total deferred inflows of resources	<u>3,457,510</u>	<u>151,573</u>	<u>3,609,083</u>
NET POSITION			
Invested in capital assets, net of related debt	357,572,363	18,124,217	375,696,580
Restricted for debt service	15,756,340	783,503	16,539,843
Unrestricted	12,135,329	(1,331,344)	10,803,985
Total net position	<u>\$ 385,464,032</u>	<u>\$ 17,576,376</u>	<u>\$ 403,040,408</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Electric, Water and Sewer	Nonmajor Stormwater	Totals
OPERATING REVENUES:			
Electric sales	\$ 106,120,624	\$ -	\$ 106,120,624
Water sales	28,059,858	-	28,059,858
Sewer charges	34,703,080	-	34,703,080
Impact fees	812,535	-	812,535
Government grants	5,832,307	-	5,832,307
Stormwater fees	-	5,098,394	5,098,394
Other user charges	9,956,202	110,688	10,066,890
Total operating revenues	<u>185,484,606</u>	<u>5,209,082</u>	<u>190,693,688</u>
OPERATING EXPENSES:			
Purchased power	79,676,152	-	79,676,152
System operations	45,979,278	2,400,619	48,379,897
Depreciation and amortization	18,919,956	1,696,594	20,616,550
General and administrative	13,882,102	850,427	14,732,529
Total operating expenses	<u>158,457,488</u>	<u>4,947,640</u>	<u>163,405,128</u>
OPERATING INCOME (LOSS)	<u>27,027,118</u>	<u>261,442</u>	<u>27,288,560</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	9,988,706	53,408	10,042,114
Interest expense	<u>(17,097,558)</u>	<u>(311,386)</u>	<u>(17,408,944)</u>
Total nonoperating revenues (expenses)	<u>(7,108,852)</u>	<u>(257,978)</u>	<u>(7,366,830)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	19,918,266	3,464	19,921,730
CAPITAL CONTRIBUTIONS	4,064,303	1,478,474	5,542,777
TRANSFERS IN	1,050,000	-	1,050,000
TRANSFERS OUT	<u>(11,384,904)</u>	<u>-</u>	<u>(11,384,904)</u>
CHANGE IN NET POSITION	13,647,665	1,481,938	15,129,603
TOTAL NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED	372,903,626	16,233,511	389,137,137
Restatement of Beginning Net Position	<u>(1,087,259)</u>	<u>(139,073)</u>	<u>(1,226,332)</u>
TOTAL NET POSITION - BEGINNING, AS RESTATED	<u>371,816,367</u>	<u>16,094,438</u>	<u>387,910,805</u>
TOTAL NET POSITION - END	<u>\$ 385,464,032</u>	<u>\$ 17,576,376</u>	<u>\$ 403,040,408</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Nonmajor Stormwater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from external customers	\$ 161,800,990	\$ 5,098,394	\$ 166,899,384
Cash receipts from internal customers	7,519,323	-	7,519,323
Cash payments to employees for services	(15,593,893)	(1,061,925)	(16,655,818)
Cash payments to other suppliers of goods or services	(120,670,486)	(2,408,634)	(123,079,120)
Other operating cash receipts	9,956,202	110,688	10,066,890
Net cash provided by operating activities	<u>43,012,136</u>	<u>1,738,523</u>	<u>44,750,659</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Impact Fees	812,535	-	812,535
Legal settlement proceeds	-	-	-
Transfers from the general fund	1,050,000	-	1,050,000
Transfers to the general fund	(11,384,904)	-	(11,384,904)
Net cash used in noncapital financing activities	<u>(9,522,369)</u>	<u>-</u>	<u>(9,522,369)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(43,864,252)	(420,685)	(44,284,937)
Issuance of utility revenue bonds	12,433,291	-	12,433,291
Payment of bonds	(12,322,773)	(872,710)	(13,195,483)
Payment of financed purchases payable	(2,243,226)	(318,799)	(2,562,025)
Interest paid on bonds and financed purchases payable	(16,593,724)	(315,192)	(16,908,916)
Net cash used in capital and related financing activities	<u>(62,590,684)</u>	<u>(1,927,386)</u>	<u>(64,518,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	9,988,706	53,408	10,042,114
Net cash provided by investing activities	<u>9,988,706</u>	<u>53,408</u>	<u>10,042,114</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,112,211)	(135,455)	(19,247,666)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>221,550,603</u>	<u>1,782,632</u>	<u>223,333,235</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 202,438,392</u>	<u>\$ 1,647,177</u>	<u>\$ 204,085,569</u>
RECONCILIATION TO STATEMENT OF NET POSITION			
Cash and cash equivalents	\$ 26,680,663	\$ 863,674	\$ 27,544,337
Restricted cash and cash equivalents	175,757,729	783,503	176,541,232
Total cash and cash equivalents	<u>\$ 202,438,392</u>	<u>\$ 1,647,177</u>	<u>\$ 204,085,569</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROCK HILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Business-type Activities - Enterprise Funds		
	Electric, Water and Sewer	Stormwater	Totals
Operating income	\$ 27,027,118	\$ 261,442	\$ 27,288,560
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	18,919,956	1,696,594	20,616,550
Impact fees	(812,535)	-	(812,535)
Changes in assets and liabilities:			
Decrease in utility receivables	1,314,545	-	1,314,545
Increase in other receivables	(6,714,977)	-	(6,714,977)
Increase in due to other funds	(136,489)	-	(136,489)
Decrease in prepaid expenses	190,072	-	190,072
Decrease in inventories	329,053	-	329,053
Increase (decrease) in accounts payable and accrued liabilities	1,835,305	(197,737)	1,637,568
Decrease in unearned revenues	(53,636)	-	(53,636)
Increase in leases	(88,424)	-	(88,424)
Increase in lease receipts	19,840	-	19,840
Increase in utility deposits	127,096	-	127,096
Non-cash pension-related liabilities, deferred inflows and deferred outflows	710,170	(87,987)	622,183
Non-cash OPEB-related liabilities, deferred inflows and deferred outflows	99,670	9,634	109,304
Decrease in liability for compensated absences	245,372	56,577	301,949
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 43,012,136	\$ 1,738,523	\$ 44,750,659

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions of capital assets from developers	\$ 2,760,668	\$ 1,478,474	\$ 4,239,142
Contributions of capital assets from City's governmental funds	1,303,635	-	1,303,635
Retainage payable on open construction contracts	4,870,483	-	4,870,483
Subscription-based information technology arrangements	1,485,149	-	1,485,149

CITY OF ROCK HILL, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rock Hill, South Carolina (the "City") is a municipal corporation incorporated in 1892 and governed by an elected mayor and six-member council with an appointed manager. The basic financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying basic financial statements include all City funds, governmental functions, and other entities, which are considered to be component units of the City. The primary criterion for determining inclusion or exclusion of a legally separate entity 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. If either or both foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all three 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.
- C) Issue bonded debt without approval by the City.

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 or incomplete.

Discretely presented component unit

The Housing Development Corporation of Rock Hill (the "Housing Corporation") was established to improve communities in the City by providing safe and affordable housing and a suitable living environment, principally for persons of low and moderate income. The Housing Corporation is administered by a twenty-one-member Board of Directors (the "Housing Board") that includes two City officials, one member of City Council and one staff person. Members of the Housing Board are appointed by an executive committee, which is composed of seven members. One member of City Council and one City staff person are among the executive committee's seven members.

The Housing Corporation receives a substantial portion of its funding from a grant from the U.S. Department of Housing and Urban Development and has accumulated net position from prior program income that it can use for any lawful purpose its board sees fit. The City is neither responsible for deficiencies nor entitled to surpluses of the Housing Corporation. Also, the Housing Corporation is not accountable to the City for fiscal matters nor is the City responsible for debts or other obligations of the Housing Corporation. Although the Housing Corporation is legally separate from the City, and the City is not responsible for any Housing Corporation debts or obligations, the Housing Corporation is included in the City's reporting entity because in management's professional judgement, the Housing Corporation should be included in the City's financial reporting entity due to its close relation to the City and its exclusion would render the City's financial statements misleading.

Complete financial statements for the Housing Corporation are available from the City's Housing Division.

Blended Component Units

The University Center Facilities Corporation III (“UCFC III”) described herein as the “Indoor Sports Arena “ was established by the City in 2018 primarily to issue debt in the form of South Carolina Jobs Economic Development Authority (“SC JEDA”) Bonds for construction of an indoor sports arena to be used for amateur sporting events. UCFC III is governed by a three-member board of directors comprised of the City’s City Manager, Deputy City Manager and Chief Financial Officer. In view of the fact that UCFC III is completely under the control of the City and receives all its funding from City hospitality taxes, it is included in the City’s financial statements as a blended component unit. The City does not prepare separately issued financial statements for UCFC III.

White Street Rec LLC (“White Street Rec”) was established by the City in 2025 as an entity to partner with a developer to build a sports complex annex. White Street Rec is governed by a three-member board of directors comprised of the City’s City Manager, Deputy City Manager and Chief Financial Officer. Since White Street Rec is completely under the control of the City and receives all its funding from City hospitality bond funds, it is included in the City’s financial statements as a blended component unit. The City does not prepare separately issued financial statements for White Street Rec.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the 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. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and are susceptible to accrual as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for principal payments on debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Real and personal property taxes and certain grant revenues associated with the current fiscal period are all considered to be susceptible to accrual and so 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 government.

The City reports the following major governmental funds:

The general fund is the government'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 Downtown and Textile Corridor TIF Fund was established by the City in 2021 to report activities of a city, county, school district tax increment district separate from the general activities of the City as required by an intergovernmental agreement with York County.

White Street Rec LLC ("White Street Rec") was established by the City in 2025 as an entity to partner with a developer to build a sports complex annex. Its total revenues and expenditures for 2025 qualify it to be a major fund.

The City reports the following major proprietary fund:

The Electric, Water and Sewer fund, or the combined utility system fund, accounts for the activities of the City's electric, water and sewer operations.

The City reports the following nonmajor governmental fund types:

Special revenue funds are used to account for funding that is restricted by an external grantor agency. Capital projects funds are used to account for funding from governmental bond issues and impact fees. A permanent fund is used to account for a donated beautification fund and a cemetery perpetual care fund.

The City reports the following nonmajor proprietary fund:

The Stormwater fund accounts for the activities of the City's stormwater operations.

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 among the City's electric, water and sewer functions 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund, the combined utility system fund and the storm water fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, deferred outflows, deferred inflows and net position or fund balance

1. Deposits and investments

The City's cash includes demand deposits as well as cash equivalents and short-term investments with a maturity date within three months of the date acquired by the City.

Investments with a readily determined fair value are stated at fair value which approximates cost. State statutes authorize the City to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its political subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposits collaterally secured, repurchase agreements secured by the foregoing obligations, and the South Carolina Local Government Investment Pool (LGIP). The LGIP is an investment mechanism authorized by the South Carolina State Legislature and is not registered with the SEC as an investment company. There is no regulatory oversight of the pool. The pool's primary objective is to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions. The total fair value of the investment pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Investments in the pool are stated at fair value which approximates cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables, including those for the Housing Corporation, are shown net of an allowance for uncollectibles.

The City Code of Ordinances provides for the taxation of all real and personal property located within the City's corporate limits on the first day of January. Motor vehicle taxes are billed and collected by York County and remitted to the City monthly during the year. Other personal and real property taxes are billed and collected by York County in October of each year and become due and payable immediately upon receipt by the taxpayer. Collections are remitted to the City monthly. Real property taxes are delinquent after January 15 with penalties assessed of 3% if paid after January 15, 10% if paid after January 31, and 15% if paid after March 15. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2024 is 96.5 mills.

3. Inventories

Inventories of the general and enterprise funds consist of supplies held for consumption and are recorded as expenditures at the time the items are consumed rather than when purchased. All inventories are valued at cost using the first in first out method.

4. Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) and right-to-use subscription-based IT assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life longer than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment, infrastructure and right-to-use subscription-based IT arrangements assets of the primary government are depreciated and amortized using the straight-line method over the following estimated useful lives:

Buildings	30 years
Infrastructure	30 years
Electric plant in service	26 to 59 years

6. Subscription-Based IT Arrangements (SBITAs)

The City has a noncancellable SBITA of IT software. The City recognizes a subscription liability and an intangible right-to-use subscription asset in the Proprietary Funds Balance Sheet and the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$100,000 or more.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of the SBITA payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain implementation and conversion costs, if applicable. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments:

- The City uses the interest rate of 4% as the discount rate. Since the interest rate charged by the SBITA vendor was not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the subscription liability are composed of fixed payments and purchase option prices that the SBITA is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term liabilities on the Statement of Net Position.

Water plant in service	10 to 100 years
Sewer plant in service	25 to 100 years
Storm water plant in service	30 years
Vehicles and equipment	5 to 10 years
Right-to-use SBITA assets	3 years

7. Compensated absences

Vacation, sick, compensatory time and holiday leave liabilities are recorded in the general fund for governmental employees and in the enterprise fund for utility employees. City employees are permitted to accumulate up to 90 vacation leave days and an unlimited number of sick leave days. Compensatory time and holiday time can accumulate without limit but are typically paid out in cash only to nonexempt employees who are unable to take the leave before termination. Vacation benefits are paid when taken, except for any unused portion of vacation leave (up to a 45-day maximum), which is payable to an employee upon retirement or death. Sick leave benefits are paid when taken. Additionally, employees who retire with either 28 years of service or who are age 65 or older with 20 years of service with the City (Public Safety employee requirements with 25 years of service or 55 years of age with 20 years of service) are eligible to be paid in cash for up to 45 sick days accrued and not taken upon retirement. Liabilities from compensated absences are retired by General Fund resources for governmental employees and by Electric, Water and Sewer Utility Enterprise Fund resources for utility employees.

8. Leases

Lessor

The City is the lessor for certain noncancellable lease of real property and spaces within existing City buildings. The City recognizes a lease receivable and a deferred inflow of resources for deferred lease receipts in accordance with these transactions.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments made at or before the lease commencement date, less certain other amounts to be paid by the City (if any). Subsequently, the deferred inflow of resources is amortized into lease revenue on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The lease agreements entered into by the City as lessor do not include stated interest rates. Therefore, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments that the County will receive over the term of the lease agreement.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease.

9. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

10. Deferred outflows and inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has six (6) items that qualify for reporting in this category. The first (1) item relates to the City's deferred charge on refunding in its Statement of Net Position in connection with net losses on refinancing of bonds. These deferred charges are amortized using the effective interest method over the remaining lives of the related debt as general government expenses. The remaining items relate to the City's Retirement Plan and Other Postemployment Benefits (OPEB) Plan and are reported in the government-wide Statement of Net Position. (2) Experience losses result from periodic studies by the Plans' actuary, which adjust the net pension and OPEB liabilities for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension and OPEB expense over the expected remaining service lives of the Plan members. (3) The differences between projected investment return on pension and OPEB investments and actual return on those investments are deferred and amortized against pension and OPEB expense over a five-year period. (4) Changes in actuarial assumptions adjust the net pension and OPEB liabilities and are amortized into pension and OPEB expense over the expected remaining service lives of Plan members. (5) Any contributions made by the City to the pension and OPEB plan before year end but subsequent to the measurement date of the City's net pension and OPEB liabilities are reported as deferred outflows of resources. (6) Changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) types of items that qualify for reporting in this category, one of which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Deferred inflows from lease receipts are reported in the Governmental Funds Balance Sheet as well as the government-wide Statement of Net Position. The City reports deferred inflows from lease receipts, and they are amortized into lease revenues over the remaining life of the lease.

The other two items relate to the City's Retirement and OPEB Plans and are reported in the government-wide Statement of Net Position. (1) Certain experience gains (discussed in a previous paragraph) are deferred and amortized against pension and OPEB expense over a five-year period, resulting in recognition as deferred inflows of resources. (2) Changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions are reported as deferred inflows of resources and will be recognized as an increase of the net pension liability.

11. Fund balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are either not in spendable form, such as supplies inventories, or are legally or contractually required to be maintained intact, such as principal donated to the City to be invested and held in a permanent fund from which only the investment earnings can be spent. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by an adopted ordinance of City Council. 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, adopting a new ordinance, which it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts would represent intended uses established by City Council or uses for which City Council has given the City Manager authority to assign. As of June 30, 2025, the City reported no assigned fund balances.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The City’s special revenue funds are the Community Development Block Grant fund, the HOME Grant fund and the Other Federal Grants fund, all with revenues consisting of grants from the federal government and program income earned in conjunction with the continuing administration of those grants. As of June 30, 2025, the Other Federal Fund reported deficit fund balance of \$32,056. This deficit fund balance will be replenished in future years by reimbursement of grant expenditures and transfers from other funds. White Street Rec LLC also reported a deficit fund balance of \$604,790. This deficit arose due only to a year-end accrual of contract retainage payable. Once the retainage is paid, the corporation will receive funding to zero out the deficit.

12. Net position

Net position represents the difference between assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. 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. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction

or improvement of those assets.

Details of net investment in capital assets are:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Capital assets, net of depreciation	\$ 281,017,875	\$ 710,540,483
Deduct capital-related debt		
Bonds, notes, loans and SBITAs	(149,012,476)	(465,798,829)
Premiums and discounts	(2,792,727)	(16,533,614)
Deferred charges on bond refundings	862,505	521,771
Deferred gains on bond refundings	-	(799,240)
Financed purchases payable	(21,318,991)	(7,364,898)
Contract retainage payable	(726,924)	(4,870,483)
Add: unspent debt proceeds	<u>17,642,658</u>	<u>160,001,390</u>
Net investment in capital assets	<u>\$ 125,671,920</u>	<u>\$ 375,696,580</u>

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the government-wide Statement of Net Position:

The Governmental Fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position.

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds, notes and loans payable	\$ (151,805,203)
Accrued interest	(1,343,056)
Deferred losses on bond refundings	862,505
Financed purchases payable	(21,318,991)
Compensated absences	<u>(14,346,445)</u>
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (187,951,190)</u>

Another element of that reconciliation states “capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” Explanation of this difference is as follows:

Total capital assets, not being depreciated	\$ 48,711,631
Total capital assets, being depreciated	436,501,528
Accumulated depreciation	<u>(204,195,284)</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 281,017,875</u>

Another element of that reconciliation states “other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable or unearned in the funds.” Explanation of this difference is as follows:

Property taxes	\$ 1,168,804
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 1,168,804</u>

Another element of that reconciliation states “The City’s proportional shares of the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plans and its future retiree health care obligations are not recorded in the governmental funds but are recorded in the Statement of Net Position.” Explanation of this difference is as follows:

Deferred outflows on pensions	\$ 16,364,589
Deferred outflows on other post employment benefits	2,744,674
Deferred inflows on pensions	(5,047,066)
Deferred inflows on other post employment benefits	(3,320,509)
Net pension liability	(76,334,403)
Net OPEB liability	<u>(9,421,758)</u>
Net adjustment to reduce <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (75,014,473)</u>

B. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities.

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 33,174,273
Capital assets donated by developers	4,052,067
Completed construction donated to business-type funds	(1,303,635)
Depreciation expense	<u>(18,231,148)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 17,691,557</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.” The details are as follows:

Loss on asset disposals	\$ (20,490)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (20,490)</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this difference are as follows:

Taxes receivable - current year	\$ 1,168,804
Taxes receivable - reverse prior year	<u>(711,518)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 457,286</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g. bonds, financed purchases payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.” The details of this are as follows:

Limited obligation bonds issued	\$ (12,000,000)
Limited obligation bonds original issue premium	(985,799)
Principal repayments on bonds	7,605,000
Principal repayments on HUD Section 108 loans	142,000
Principal repayments on SC DHEC loans	133,228
Accrued interest on bonds	(156,505)
Financed purchases payable borrowings	(8,239,793)
Financed purchases payable repayments	<u>4,127,225</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (9,374,644)</u>

Another element of that reconciliation states that “Changes in the City's proportional shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the statement of activities.” The details of this difference are as follows:

Pension expense	\$ 1,541,807
OPEB expense	<u>(358,649)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,183,158</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of

this difference are as follows:

Amortization expense on deferred charges	\$ (123,810)
Amortization expense on original issue discounts	(15,189)
Recognition, as a reduction of interest expense, of premium on bond issuance	391,571
Compensated absences	<u>(284,863)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (32,291)</u></u>

III. Stewardship, compliance and accountability

A. Budgetary information

In February, the budget process begins with a special comprehensive work session in which the Finance Department Budget Division and City Manager's Office meet with department heads to discuss current and future trends, needs and goals of the City. All department heads submit comprehensive lists of programs, projects and initiatives to be considered in the upcoming budget and meet with Budget and Finance department staff and the City Manager's Office. During April and May, formal budget workshops are held. The Council holds public hearings and prepares and adopts a final budget no later than June 30.

Budgets are prepared at the fund, function and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the City Manager, as delegated by City Council, may make line item transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval. During the year, no supplemental appropriations were adopted by the City Council. During the fiscal year, the total expenditures of several departments finished over budget. The City used prior fund balances to offset the overages.

B. Encumbrances

Encumbrances represent commitments related to open purchase orders and contracts for goods or services. Encumbrance accounting is utilized in the governmental funds. For June 30, 2025, no encumbrances were recorded.

IV. Detailed notes on all funds

A. Cash, deposits and investments

Deposits

The State of South Carolina General Statutes permit the City to invest in only the following types of instruments:

1. Obligations of the United States, its agencies and instrumentalities.
2. Obligations of the State of South Carolina or any of its political subdivisions.
3. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
4. Certificates of deposit and repurchase agreements provided the collateral is of the types described in 1 and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian.

5. Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.
6. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the City if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items 1, 2 and 5 above and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

Custodial Credit Risk

Custodial credit risk, for deposits, is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All the deposits of the City are either insured by federal depository insurance or collateralized with securities (of the type described in 1., above) held by third party banks other than the banks that hold the deposits. At June 30, 2025, the Housing Development Corporation held a total of \$782,299 of deposits that were uninsured and uncollateralized. At June 30, 2025, the City had a balance of \$76,419,249 on deposit with the South Carolina Local Government Investment Pool (the "investment pool"). The investment pool is managed by the South Carolina State Treasurer. It is an unrated money market pool. The assets of the investment pool are fully collateralized with underlying securities all held by third party financial institutions. The fair value of the City's position in the pool is the same as the value of the pool shares. Please refer to the Annual Comprehensive Financial Report of the State of South Carolina for more detailed information about the investment pool.

The book value of total deposits for the City, at June 30, 2025, was \$256,496,833, including amounts in the investment pool. The bank balances for those deposits totaled \$258,787,731. All the deposits were either insured by federal depository insurance or collateralized with securities (of the type described in 1, above) held by third party banks other than the banks that hold the deposits.

Restricted cash includes \$18,355,873 held for debt service reserve funds as required by various bond indentures, \$174,897,628 in unspent bond construction proceeds and \$2,746,420 in unspent financed purchase payable proceeds.

The investment pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code of Laws. The investment pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GAAP, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the investment pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by investment pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the investment pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, PO Box 11778, Columbia, South Carolina 29211-1950.

Investments

The City is authorized to invest as described above under deposits in six types of instruments. The City's held no investments other than those with the South Carolina Local Government Investment Pool at June 30, 2025. All investments are presented by investment type and by maturity. The Housing Development Corporation also had no investments at June 30, 2025.

The City's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets.

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may

include inputs in markets that are not considered to be active.
 Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Money market mutual funds classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3 are valued based on developed models in which there are few, if any, observable inputs. The City has none that would be disclosed in the fair market value hierarchy.

Custodial Credit Risk

Custodial credit risk, for investments, is the risk that, in the event of the failure of a counterparty to a transaction, the City will not be able to recover the value of investments or will not be able to recover collateral securities that are in the possession of an outside party.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no policy regarding credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that it may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The City has no policy on interest rate risk and manages interest rate risk using the specific identification method.

The following schedule reconciles cash and investments as reported on the statement of net position to footnote disclosure provided for deposits and investments:

<u>Statement of Net Position</u>	<u>Primary Government</u>
Cash and cash equivalents	\$ 61,795,381
Cash and cash equivalents - restricted for debt service and construction	194,712,962
Total	<u>\$ 256,508,343</u>
 <u>Disclosure, Deposits and Investments</u>	
Carrying value of deposits	
Held by State Treasurer	\$ 76,419,249
Other	180,077,584
Investments, reported amount	
Cash on hand	11,510
Total disclosure, deposits and investments	<u>\$ 256,508,343</u>

Fair Value Measurements

The LGIP is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. The certificates of deposit are reported at amortized cost which approximates fair value. As a result, the City does not disclose investments in the LGIP or certificates of deposits within the fair value hierarchy.

B. Receivables

Receivables at June 30, 2025, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental			Enterprise	Total
	General	Consolidated TIF Fund	Nonmajor Funds	Electric, Water, Wastewater	
Receivables					
Property taxes and assessments	\$ 3,748,620	\$ -	\$ -	\$ -	\$ 3,748,620
Intergovernmental	-	-	1,014,133	-	1,014,133
Utility accounts		-	-	21,108,881	21,108,881
Court fines	4,571,664	-	-	-	4,571,664
Leases	2,253,686	-	-	842,053	3,095,739
Other	3,178,085	-	2,392,787	12,984,999	18,555,871
Gross receivables	13,752,055	-	3,406,920	34,935,933	52,094,908
Less: allowance for uncollectible accounts	(6,381,672)	-	-	(650,000)	(7,031,672)
Net total receivables	<u>\$ 7,370,383</u>	<u>\$ -</u>	<u>\$ 3,406,920</u>	<u>\$ 34,285,933</u>	<u>\$ 45,063,236</u>

Intergovernmental receivables are comprised of grants due from the Federal government for the special revenue fund and Federal and State grants for the capital projects fund. Other receivables in the nonmajor funds column are amounts due from York County for paving projects and for housing rehabilitation loans.

The payments receivable to maturity for the leases receivable at June 30, 2025, are as follows:

Year Ending	Governmental		Enterprise	
	Principal	Interest	Principal	Interest
June 30:				
2026	\$ 183,327	\$ 81,166	\$ 188,558	\$ 26,485
2027	194,459	73,973	112,447	21,048
2028	206,153	66,337	87,762	17,538
2029	218,434	58,236	90,884	14,416
2030	169,335	50,057	94,116	11,184
2031-2035	359,356	202,074	204,263	27,187
2036-2040	337,607	143,950	64,023	1,979
2041-2045	216,670	87,841	-	-
2046-2050	110,077	63,200	-	-
2051-2055	106,941	41,657	-	-
2056-2060	77,324	24,273	-	-
2061-2065	74,003	7,520	-	-
	<u>\$ 2,253,686</u>	<u>\$ 900,284</u>	<u>\$ 842,053</u>	<u>\$ 119,837</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2025 is as follows:

Primary Government

Governmental activities:

Asset Class	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 26,337,957	\$ -	\$ -	\$ -	\$ 26,337,957
Construction in progress	14,767,291	24,668,237	-	(17,061,854)	22,373,674
Total capital assets, not being depreciated	<u>41,105,248</u>	<u>24,668,237</u>	<u>-</u>	<u>(17,061,854)</u>	<u>48,711,631</u>
Capital assets, being depreciated					
Buildings and improvements	101,497,496	5,079,864	-	7,818,953	114,396,313
Land improvements	44,306,398	238,791	-	62,809	44,607,998
Infrastructure	188,944,959	4,052,067	-	7,396,814	200,393,840
Machinery and equipment	72,512,476	3,187,381	(1,666,517)	479,643	74,512,983
Furniture and fixtures	2,590,394	-	-	-	2,590,394
Total capital assets, being depreciated	<u>409,851,723</u>	<u>12,558,103</u>	<u>(1,666,517)</u>	<u>15,758,219</u>	<u>436,501,528</u>
Less accumulated depreciation for:					
Buildings and improvements	(36,422,778)	(4,676,095)	-	-	(41,098,873)
Land improvements	(14,418,296)	(832,298)	-	-	(15,250,594)
Infrastructure	(79,534,322)	(5,959,149)	-	-	(85,493,471)
Machinery and equipment	(55,444,713)	(6,603,888)	1,646,027	-	(60,402,574)
Furniture and fixtures	(1,790,054)	(159,718)	-	-	(1,949,772)
Total accumulated depreciation	<u>(187,610,163)</u>	<u>(18,231,148)</u>	<u>1,646,027</u>	<u>-</u>	<u>(204,195,284)</u>
Total capital assets being depreciated, net	<u>222,241,560</u>	<u>(5,673,045)</u>	<u>(20,490)</u>	<u>15,758,219</u>	<u>232,306,244</u>
Governmental capital asset activities, net	<u>\$ 263,346,808</u>	<u>\$ 18,995,192</u>	<u>\$ (20,490)</u>	<u>\$ (1,303,635)</u>	<u>\$ 281,017,875</u>

Depreciation expense was charged to functions/departments for governmental activities:

Governmental activities:

General government	\$ 4,190,615
Public safety	2,130,018
Public works	8,309,508
Parks, recreation and tourism	3,601,007
Total depreciation expense - governmental activities	<u>\$ 18,231,148</u>

Business-type activities:

Asset Class	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 9,821,317	\$ -	\$ -		\$ 9,821,317
Construction in progress	246,732,625	36,949,618	-	(17,230,073)	266,452,170
Total capital assets, not being depreciated	256,553,942	36,949,618	-	(17,230,073)	276,273,487
Capital assets, being depreciated					
Electric plant in service	258,096,256	3,766,239	-	2,800,187	264,662,682
Water plant in service	177,423,113	1,128,736	-	566,906	179,118,755
Sewer plant in service	181,347,568	1,604,159	-	13,076,035	196,027,762
Stormwater plant in service	38,173,519	1,478,474	-	821,856	40,473,849
Subscription-based IT arrangement	804,593	1,485,149	(804,593)	-	1,485,149
Buildings	68,540,035	-	-	1,268,724	69,808,759
Machinery and equipment	20,034,860	1,159,036	(747,201)	-	20,446,695
Total capital assets, being depreciated	744,419,944	10,621,793	(1,551,794)	18,533,708	772,023,651
Less accumulated depreciation for:					
Electric plant in service	(104,001,494)	(7,028,243)	-	-	(111,029,737)
Water plant in service	(62,366,623)	(3,920,756)	-	-	(66,287,379)
Sewer plant in service	(78,233,348)	(4,140,673)	-	-	(82,374,021)
Stormwater plant in service	(16,088,103)	(1,293,255)	-	-	(17,381,358)
Subscription-based IT arrangement	(804,593)	(514,588)	804,593	-	(514,588)
Buildings	(41,771,232)	(1,544,961)	-	-	(43,316,193)
Machinery and equipment	(15,426,503)	(2,174,074)	747,201	-	(16,853,376)
Total accumulated depreciation	(318,691,896)	(20,616,550)	1,551,794	-	(337,756,652)
Total capital assets being depreciated, net	425,728,048	(9,994,757)	-	18,533,708	434,266,999
Business-type capital asset activities, net	\$ 682,281,990	\$ 26,954,861	\$ -	\$ 1,303,635	\$ 710,540,486

Depreciation expense was charged to departments for business-type activities:

Business-type activities:

Electric	\$ 8,915,231
Water	4,597,172
Sewer	5,407,554
Stormwater	1,696,593
Total depreciation expense - business-type activities	<u>\$ 20,616,550</u>

Amortization of subscription-based IT arrangements assets of \$514,588 was charged to electric activities.

D. Interfund receivables, payables and transfers

Due to / from other funds

Receivable fund	Payable fund	
White Street Rec LLC	Nonmajor governmental funds	\$ 1,466,598
General fund	Nonmajor governmental funds	2,040,103
	Total	<u>\$ 3,506,701</u>

Amounts due to other funds represent temporary borrowings of cash pending the receipt of a funding source such as a grant or bond issuance. The amounts described above are expected to be repaid within the following fiscal year.

Interfund transfers:

Transfer out:	Transfer in:				Total
	General fund	Downtown and Textile Corridor TIF fund	White Street Rec LLC	Enterprise fund	
General fund	\$ (1,050,000)	\$ 1,050,000	\$ -	\$ -	\$ -
Downtown and Textile Corridor TIF fund	-	(1,050,000)	-	1,050,000	-
Nonmajor governmental funds	(12,046,206)	-	12,046,206	-	-
Enterprise fund	11,384,904	-	-	(11,384,904)	-
Total transfers out	<u>\$ (1,711,302)</u>	<u>\$ -</u>	<u>\$ 12,046,206</u>	<u>\$ (10,334,904)</u>	<u>\$ -</u>

The transfers from the electric, water and sewer fund to the general fund are annual budgeted payments and are calculated based on a payment in lieu of tax of 5% of the estimated assessed value of their capital assets, a 5% franchise fee and a 5% rate-of-return fee on all water and sewer revenues and on other electric revenues. The transfer from the general fund to the downtown and textile corridor TIF fund was to restore expenditures that had been made to the school district for school resource officers. The further transfer of those funds to the enterprise was to transfer MID assessments received in prior years to the economic development incentive fund. The transfer from the nonmajor governmental funds to White Street Rec LLC was for construction expenditures on the sports annex facility as envisioned by the funding plan when the limited obligation bonds were issued.

E. Long-term liabilities

A summary of long-term liabilities for governmental activities as of June 30, 2025, is as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
2015 Riverwalk tax increment bonds	\$ 3,564,000	\$ -	\$ (675,000)	\$ 2,889,000	\$ 693,000
2015B Riverwalk tax increment bonds	3,425,000	-	(523,000)	2,902,000	541,000
2020A Downtown tax increment bonds	15,378,000	-	(784,000)	14,594,000	814,000
2020B Textile corridor tax increment bonds	7,094,000	-	(362,000)	6,732,000	376,000
2019 Riverwalk MID assessment bonds	2,719,000	-	(522,000)	2,197,000	532,000
2013A General obligation bonds	960,000	-	(90,000)	870,000	95,000
2021 General obligation bonds	9,575,000	-	(690,000)	8,885,000	720,000
2013 Limited obligation bonds	3,885,000	-	(1,010,000)	2,875,000	300,000
2016 Limited obligation bonds	4,095,000	-	(550,000)	3,545,000	560,000
2017 Limited obligation bonds	1,037,000	-	(159,000)	878,000	165,000
2024A Limited obligation bonds	8,000,000	-	-	8,000,000	265,000
2024B Limited obligation bonds	-	12,000,000	-	12,000,000	395,000
HUD Section 108 loan	601,000	-	(142,000)	459,000	147,000
SC Dept of Health and Environmental Control	403,704	-	(133,228)	270,476	134,563
South Carolina JEDA Tax Exempt, 2018A	18,920,000	-	(930,000)	17,990,000	975,000
Installment Purchase Revenue Bonds, 2018A	15,340,000	-	(100,000)	15,240,000	105,000
Installment Purchase Revenue Bonds, 2018B	11,540,000	-	(1,210,000)	10,330,000	1,260,000
Installment Purchase Revenue Bonds, 2020	12,686,000	-	-	12,686,000	741,000
Installment Purchase Revenue Bonds, 2023	25,670,000	-	-	25,670,000	1,508,000
Premium	2,363,107	985,799	(391,571)	2,957,335	-
Discount	(179,797)	-	15,189	(164,608)	-
Total bonds payable	147,076,014	12,985,799	(8,256,610)	151,805,203	10,326,563
Compensated absences	14,061,582	6,693,838	(6,408,975)	14,346,445	6,601,244
Financed purchases payable	17,206,423	8,239,793	(4,127,225)	21,318,991	4,507,290
Net pension liability	80,909,270	-	(4,574,867)	76,334,403	-
Net other postemployment benefit liability	9,592,614	-	(170,856)	9,421,758	-
Governmental activities					
Long-term liabilities	<u>\$268,845,903</u>	<u>\$ 27,919,430</u>	<u>\$ (23,538,533)</u>	<u>\$ 273,226,800</u>	<u>\$ 21,435,097</u>

The General Fund has primarily been used to liquidate the liability for compensated absences, the net pension liability and the net OPEB liability for the City's governmental activities while the Electric, Water and Sewer Utility System Fund and the Stormwater Fund have primarily been used to liquidate these liabilities for the City's business-type activities. The Electric fund liquidates the SBITA liability.

A summary of long-term liabilities for business-type activities as of June 30, 2025, is as follows:

Business-type activities:	Beginning			Ending	Due Within
Bonds payable:	Balance	Additions	Reductions	Balance	One Year
Utility revenue bonds, Series 2016	\$ 82,605,000	\$ -	\$ (2,295,000)	\$ 80,310,000	\$ 3,405,000
Utility revenue bonds, Series 2017	4,274,000	-	(961,000)	3,313,000	986,000
Utility revenue bonds, Series 2019	70,990,000	-	(1,255,000)	69,735,000	1,320,000
Utility revenue bonds, Series 2020	16,480,000	-	(1,702,000)	14,778,000	534,000
Utility revenue bonds, Series 2022A	13,655,000	-	(2,249,000)	11,406,000	2,294,000
Utility revenue bonds, Series 2022C	11,096,000	-	(455,000)	10,641,000	470,000
Utility revenue bonds, Series 2022D	10,208,000	-	(388,000)	9,820,000	404,000
Utility revenue bonds, Series 2024A	162,000,000	-	-	162,000,000	-
State Revolving Fund loans - Laurel Street and Tank	2,802,959	-	(210,005)	2,592,954	214,024
State Revolving Fund loans - High Service Pump	2,648,195	-	(215,110)	2,433,085	218,851
State Revolving Fund loans - Lake Intake/Treatment	13,218,040	20,390	(772,306)	12,466,124	788,651
State Revolving Fund loans - Mt. Gallant Water	3,053,838	-	(171,762)	2,882,076	175,398
State Revolving Fund loans - WWTP Headworks	52,041,470	641,327	(1,275,269)	51,407,528	1,308,751
State Revolving Fund loans - TechPark Sewer	9,010,267	2,720,404	(373,321)	11,357,350	318,408
State Revolving Fund loans - Alum Sludge Dewaterin	-	909,656	-	909,656	-
State Revolving Fund loans - Wildcat Creek Force M.	-	3,142,762	-	3,142,762	191,948
State Revolving Fund loans - WWTP Biosolids	-	4,998,752	-	4,998,752	-
State Revolving Fund loans - Stormwater 2006	658,407	-	(325,510)	332,897	332,897
State Revolving Fund loans - Stormwater 2007	389,955	-	(170,885)	219,070	174,763
State Revolving Fund loans - Stormwater 2015	2,731,367	-	(102,758)	2,628,609	104,829
State Revolving Fund loans - Stormwater 2017	3,718,669	-	(126,683)	3,591,986	128,979
State Revolving Fund loans - Stormwater 2022	4,009,292	-	(146,874)	3,862,418	150,577
Premium	17,553,160	-	(1,019,546)	16,533,614	-
Total bonds payable	483,143,619	12,433,291	(14,215,029)	481,361,881	13,521,076
Compensated absences	3,415,462	2,130,462	(1,828,513)	3,717,411	1,883,368
Subscription-based IT arrangements	-	1,485,149	(514,587)	970,562	475,765
Financed purchases payable	9,198,787	728,136	(2,562,025)	7,364,898	2,558,729
Net pension liability	26,383,094	96,134	-	26,479,228	-
Net other postemployment benefit liability	2,961,728	-	(52,070)	2,909,658	-
Business-type activities:					
Long-term liabilities	<u>\$ 525,102,690</u>	<u>\$ 16,873,172</u>	<u>\$ (19,172,224)</u>	<u>\$ 522,803,638</u>	<u>\$ 18,438,938</u>

Financed purchases

The City finances vehicles and heavy equipment pieces used for sanitation, street cleaning, and public safety and as well as vehicles for electric, water, wastewater, and stormwater.

The debt service requirements to maturity for obligations related to governmental and business-type activities obligations at June 30, 2025, are as follows:

Year Ending June 30	Governmental		Business-type	
	Principal	Interest	Principal	Interest
2026	\$ 4,507,290	\$ 642,636	\$ 2,558,729	\$ 160,639
2027	3,785,372	576,358	1,926,328	116,806
2028	3,428,820	465,255	1,751,860	74,453
2029	3,004,533	359,391	489,995	34,326
2030	1,404,295	253,938	369,299	23,449
2031-2035	3,738,277	643,446	268,687	28,251
2036-2040	1,450,404	154,678	-	-
	<u>\$ 21,318,991</u>	<u>\$ 3,095,702</u>	<u>\$ 7,364,898</u>	<u>\$ 437,924</u>

Governmental activities

The City issues general obligation bonds and tax increment financing bonds to provide funds for the acquisition and construction of major governmental capital facilities. The original amount of all the outstanding governmental activities bonds issued through June 30, 2025 was \$196,193,000.

The tax increment financing bonds are secured by incremental property tax revenues being derived from economic development in the Textile Corridor, Downtown and Red River (Riverwalk) tax increment districts, respectively. To the extent that debt service requirements on the bonds exceed the incremental property tax revenues, utility net revenues are pledged, subordinate to pledges of such utility revenues for the combined utility system revenue bonds and the Piedmont Municipal Power Agency (PMPA) agreement (see Note 12). The 2020A tax increment financing bonds bear interest at rates of 3.65% with annual principal payments of \$244,000 to \$1,307,000 through May 1, 2039. The 2020B tax increment financing bonds bear interest at rates of 3.65% with annual principal payments of \$98,000 to \$603,000 through May 1, 2039. The 2015 tax increment financing bonds bear interest at the rate of 2.74% with annual principal payments of \$606,000 to \$752,000 through May 1, 2029. The 2015B tax increment financing bonds bear interest at the rate of 3.49% with annual principal payments of \$456,000 to \$651,000 through May 1, 2030.

The general obligation bonds are secured by the full faith, credit and taxing power of the City. The bonds bear interest at rates from 2.72% to 5.125% with annual principal payments through April 1, 2036.

Advanced refunding

The City issued \$5,215,000 in 2019 Riverwalk Municipal Improvement District A bonds in 2019 with an interest rate of 2.07%. A portion of the proceeds, along with the City's own resources, were used to advance refund \$1,588,000 of outstanding 2012 Municipal Improvement District bonds, which had an interest rate of 5% and \$2,371,000 of outstanding 2016 Municipal Improvement District bonds, which had an interest rate of 4%. For the 2012 bonds, the net proceeds of \$1,122,917 (after providing for a debt service reserve fund of \$105,600 and costs of issuance of \$35,483) and City resources were used to redeem the 2012 bonds on their May 1, 2020, annual payment date. For the 2016 bonds, the net proceeds of \$1,674,450 (after providing for a debt service reserve fund of \$156,200 and costs of issuance of \$52,709) and City resources were used to redeem the 2016 bonds on their May 1, 2020, annual payment date. As a result, the 2012 and 2016 bonds are considered defeased and the liability for those bonds has been removed from the City's financial statements. The refunding reduced the City's total debt service payments by \$266,271 for the 2012 bonds and \$211,136 for the 2016 bonds and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$235,769 on the 2012 bonds and \$233,101 on the 2016 bonds. The City issued the \$10,755,000 2021 General Obligation Bonds with an interest rate of 5.00%. The bonds were used, along with the City's own resources, to advance refund \$715,000, \$7,800,000, \$2,352,000 and \$1,511,000 of the 2008, 2011, 2017 and 2019 General Obligation Bonds, respectively. The refunding resulted in a cashflow difference of \$2,087,316 and an economic gain of \$2,052,279.

Defeased debt

The City has defeased its 2012 Textile Corridor, 2013A Downtown and 2013B Textile Corridor and 2014 Textile Corridor tax increment financing bonds in the current year by placing proceeds from its 2020A Downtown and 2020B Textile Corridor tax increment financing bonds into irrevocable trust accounts to provide for all future debt service requirements through May 1, 2023, on the old 2013A and 2013B bonds at which time the old bonds will be redeemed. Funds from the trust were used to redeem the 2012 and 2014 bonds on June 11, 2020. Accordingly, the trust account assets for 2013A and 2013B bonds and the liability for those defeased bonds are not included in the City's financial statements. The refundings increased the City's total debt service payments by \$374,950 for the 2012 bonds, \$176,360 for the 2013A bonds and \$606,764 for the 2014 bonds, while decreasing total debt service payments by \$45,418 for the 2013B bonds and resulted in an economic gain (loss) (difference between the present values of the debt service payments on the old and new debt) of \$42,763 on the 2012 bonds, (\$121,882) on the 2013A bonds \$120,914 on the 2013B bonds, and (\$108,031) on the 2014 bonds.

The debt service requirements to maturity for obligations related to primary governmental activities obligations at June 30, 2025, are as follows:

Year Ending June 30	General Obligation Bonds		Tax Increment Bonds		SC DHEC		HUD Section 108 Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 815,000	\$ 361,119	\$ 2,424,000	\$ 958,837	\$ 134,563	\$ 2,369	\$ 147,000	\$ 18,869
2027	860,000	321,319	2,504,000	877,533	135,913	1,020	237,000	6,328
2028	895,000	279,319	2,590,000	793,513	-	-	75,000	1,159
2029	945,000	235,569	2,679,000	706,567	-	-	-	-
2030	990,000	189,238	1,997,000	718,129	-	-	-	-
2031-2035	4,545,000	367,825	7,682,000	2,183,138	-	-	-	-
2036-2040	705,000	14,100	7,241,000	672,805	-	-	-	-
2040-2044	-	-	-	-	-	-	-	-
Total	\$ 9,755,000	\$ 1,768,489	\$ 27,117,000	\$ 6,910,522	\$ 270,476	\$ 3,389	\$ 459,000	\$ 26,356

The debt service requirements to maturity for obligations related to blended component unit obligations at June 30, 2025, are as follows:

Year Ending June 30	Limited Obligation Bonds		SC JEDA 2018		Riverwalk MID A Bonds		IPRB Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,685,000	\$ 1,219,765	\$ 975,000	\$ 697,650	\$ 532,000	\$ 56,283	\$ 3,614,000	\$ 2,588,249
2027	1,750,000	1,154,858	1,025,000	648,900	544,000	45,478	3,757,000	2,441,461
2028	1,815,000	1,087,232	1,075,000	597,650	554,000	34,466	3,914,000	2,289,143
2029	1,886,000	1,016,722	1,130,000	543,900	567,000	23,205	4,070,000	2,128,832
2030	1,962,000	943,063	1,165,000	510,000	-	-	4,245,000	1,960,261
2031-2035	6,465,000	3,675,304	6,505,000	1,862,838	-	-	24,028,000	6,992,300
2036-2040	5,900,000	2,260,344	6,115,000	588,175	-	-	20,298,000	1,884,893
2041-2044	5,835,000	689,925	-	-	-	-	-	-
Total	\$ 27,298,000	\$12,047,213	\$ 17,990,000	\$ 5,449,113	\$ 2,197,000	\$ 159,432	\$63,926,000	\$ 20,285,139

The City has borrowed a total of \$2,250,000 in Section 108 loans from the US Department of Housing and Urban Development. The proceeds of the loans were used to make improvements to the Saluda Street Corridor. The City was required to pledge as collateral for the loan two real properties owned by the City which have total appraised value in excess of the loan amount. The loan is to be repaid from Community Development Block grant funds in annual installments of \$75,000 to \$237,000 plus interest at 5.89% through August 1, 2026.

In January 2017, the City borrowed \$1,500,000 of Brownfields cleanup loans through SC DHEC to assist with the further cleanup of the Rock Hill Printing and Finishing Company Bleachery site. Upon completion of the work at the site, SC DHEC forgave \$200,000 of the loan. The remaining loan of \$1,300,000 is to be repaid in semiannual installments through May 2027 plus interest at a rate of 1.00%.

In August 2014, the City issued Series 2013A general obligation bonds in the amount of \$1,800,000 for the purpose of building an addition to the Law Center. The 2013A bonds are to be repaid in annual installments of \$90,000 to \$125,000 plus interest of 3.74% through April 1, 2033.

As described above under advanced refunding, in September 2019, the City issued the 2019 Riverwalk Municipal Improvement District A bonds in the amount of \$5,215,000 for the purpose of building streets and other infrastructure in a portion of the Riverwalk residential area and to refund the 2012 and 2016 Municipal Improvement District A bonds. The 2019 bonds are to be repaid in annual installments of \$522,000 to \$567,000 plus interest of 2.07% through May 1, 2029. Annually, the City bills the developer or the subsequent property owners an assessment on the properties in the area. The assessments are used to pay principal and interest on the bonds.

On May 10, 2013, the City issued the limited obligation bonds, Series 2013 in the amount of \$15,160,000 for the purpose of building a portion of a BMX bicycle racing facility and to refund the 2005 Certificates of Participation (COPS) related to the Manchester Meadows soccer complex and a financed purchase payable related to Glencairn Gardens. The 2013 bonds are to be repaid in annual installments of \$410,000 to \$1,560,000 plus interest at 2.00% to 5.00% through April 1, 2033. On February 16, 2016, the City issued the limited obligation bonds, Series 2016 in the

amount of \$8,100,000 for the purpose of building and improving several park and recreation facilities. The 2016 bonds are to be repaid in annual installments of \$505,000 to \$620,000 plus interest at 2.05% through April 1, 2031. On December 22, 2017, the City issued limited obligation bonds for \$1,625,000 to pay off a portion of the Cycling Corporation debt. The 2017 bonds are to be repaid in annual installments of \$140,000 to \$187,000 plus interest at 3.24% through October 1, 2029. The 2021 General Obligation Bonds in the amount of \$10,755,000 were issued with a premium of \$1,903,475 on April 1, 2021, to refinance the 2008, 2011, 2017 and 2019 general obligation bonds. The 2021 bonds are to be repaid in annual installments of \$690,000 to \$970,000 plus interest at 5.00% through April 1, 2036.

In March 2018, the City issued SC JEDA Revenue bonds, Series A for \$20,810,000 and Series B (taxable) for \$485,000 to construct an indoor sports arena in the Knowledge Park development. The bonds are to be repaid in annual installments of \$930,000 to \$1,615,000 plus interest at 3.00% to 5.00% through June 1, 2039.

In October 2018, the City issued Installment Purchase Revenue Bonds, Series A for \$15,785,000 and Series B (taxable) for \$13,175,000 to construct a parking deck in the Knowledge Park development, to make other infrastructure improvements in the area and to refund \$6,500,000 of 2017 limited obligation bonds. The bonds are to be repaid in annual installments of \$1,315,000 to \$2,355,000 plus interest at 3.00% to 4.828% through October 1, 2039.

In December 2020, the City issued Installment Purchase Revenue Bonds, Series 2020 to construct a parking deck in the Knowledge Park area. The bonds are to be repaid in annual installments of \$741,000 to \$1,093,000 plus interest at 2.99% through May 1, 2029.

In January 2023, the City issued \$25,670,000 of Installment Purchase Revenue Bonds to buy and develop property on Hutchison Road, adjacent to I-77. The bonds are to be repaid in annual installments of \$1,508,000 to \$2,520,000 plus interest at 4.37% through February 1, 2038.

In June 2024, the City issued \$8,000,000 of Limited Obligation Bonds to make improvements to McGirt Auditorium and to begin design and engineering work on a regional park. The bonds are to be repaid in annual installments of \$265,000 to \$615,000 plus interest at 4.00% to 5.00% through April 1, 2044.

In November 2024, the City issued \$12,000,000 of Limited Obligation Bonds to build an annex to its Sports and Events Center in order to increase capacity for indoor sports and to continue design and engineering work on a regional park. The bonds are to be repaid in annual installments of \$395,000 to \$945,000 plus interest at 5.00% through April 1, 2044.

Business-type activities

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of all the outstanding business-type activities bonds issued through June 30, 2025 was \$565,311,916.

The debt service requirements to maturity for obligations related to business-type activities obligations at June 30, 2025, are as follows:

Year Ending June 30	Business-Type Activities					
	Utility Revenue Bonds		State Revolving Fund Loans			
	Principal	Interest	Water and Sewer		Stormwater	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 9,413,000	\$ 15,378,564	\$ 3,216,031	\$ 2,088,537	\$ 892,045	\$ 233,214
2027	11,358,000	15,018,150	3,754,585	2,257,966	436,939	217,060
2028	11,827,000	14,563,606	4,228,361	2,503,764	401,061	208,382
2029	11,998,000	14,088,654	4,311,434	2,585,119	409,675	199,769
2030	12,286,000	13,589,969	4,365,658	2,438,328	418,477	190,966
31-35	62,827,000	60,396,041	21,993,569	9,873,710	2,231,344	815,872
36-40	54,289,000	48,139,611	17,246,812	5,643,683	2,482,326	564,890
41-45	52,525,000	36,996,261	12,339,870	3,529,611	2,382,122	298,490
46-50	42,485,000	26,838,838	13,390,875	1,943,725	980,991	71,969
51-55	26,640,000	19,517,688	7,343,092	314,041	-	-
56-60	33,350,000	12,898,613	-	-	-	-
61-65	33,005,000	4,228,500	-	-	-	-
Total	\$ 362,003,000	\$ 281,654,495	\$ 92,190,287	\$ 33,178,484	\$ 10,634,980	\$ 2,800,612

In October 2016, the City issued \$90,040,000 Combined Utility System Revenue Bonds, Series 2016. The proceeds from this issue were used to make various improvements to the electric, water and sewer systems. The Series 2016 bonds are due in annual installments of \$2,295,000 to \$4,345,000 plus interest at 3.00% to 5.00% through January 1, 2047.

In December 2017, the City issued \$8,047,000 Combined Utility System Revenue Bonds, Series 2017. The proceeds from this issue were used to refund a portion of the 2009A bonds. The issue price of the 2017 bonds less the reacquisition price of the refunded 2009A bonds resulted in a deferred loss on refinancing of \$169,827. This deferred loss will be amortized over the remaining life of the refunded bonds using the effective interest method.

The difference in the present value of the old debt requirements and the present value of the new debt service requirements, discounted at the effective interest rate of 2.59%, resulted in an economic gain of \$328,315. The Series 2017 bonds are due in annual installments of \$277,000 to \$1,039,000 plus interest at 2.59% through January 1, 2029.

In May 2019, the City issued \$76,225,000 Combined Utility System Revenue Bonds, Series 2019. A portion of the proceeds from this issue were used to refund the 2009B bonds. The issue price of the 2019 refunding bonds less the reacquisition price of the refunded 2009B bonds resulted in a deferred loss on refinancing of \$564,315. This deferred loss will be amortized over the remaining life of the refunded bonds using the effective interest method. The difference in the present value of the old debt requirements and the present value of the new debt service requirements, discounted at the effective interest rate of 3.09%, resulted in an economic gain of \$2,022,760. The construction fund portion of the 2019 bonds will be used to expand the water filter plant and do initial design and engineering on an expansion of the wastewater treatment plant. The 2019 bonds are due in annual installments of \$1,255,000 to \$4,045,000 plus interest at 3.00% to 5.00% through January 1, 2049.

The net revenues of the utility system carry a senior pledge for repayment of PMPA debt, Combined Utility System Revenue bond principal and interest, and junior pledges for tax increment financing bond principal and interest and for state revolving fund loan principal and interest.

In March 2020, the City issued \$22,483,000 Combined Utility System Revenue Bonds, Series 2020. All the proceeds from this issue were used to redeem the 2013A and 2013B variable rate bonds on their next monthly repricing date, April 1, 2020. The 2020 bonds are due in annual installments of \$534,000 to \$3,885,000 plus interest at 1.79% through January 1, 2033. The refunding reduced the City's total debt service payments by \$161,355 for the 2013A bonds and \$42,222 for the 2013B bonds and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$149,145 on the 2013A bonds and \$39,624 on the 2013B bonds.

In June 2022, the City issued \$18,558,000 Combined Utility System Revenue Bonds, Series 2022A. All the proceeds

from this issue were used to redeem the 2012A bonds on their next monthly repricing date. The 2022A bonds are due in annual installments of \$1,873,000 to \$2,483,000 plus interest at 2.43% through January 1, 2030. The refunding reduced the City's total debt service payments by \$1,480,498 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,335,437.

In October 2022, the City issued \$11,574,000 Combined Utility System Revenue Bonds, Series 2022C. All the proceeds from this issue were used to redeem the 2012B bonds on their next monthly repricing date. The 2022C bonds are due in annual installments of \$455,000 to \$812,000 plus interest at 3.48% through January 1, 2042. The refunding reduced the City's total debt service payments by \$1,100,655 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$789,494.

In October 2022, the City issued \$10,580,000 Combined Utility System Revenue Bonds, Series 2022D. The proceeds from this issue, net of costs of issuance, and along with available operating funds, were used to pay off the 2022 bond anticipation notes the same day the bonds were issued. The 2022D bonds are due in annual installments of \$372,000 to \$791,000 plus interest at 4.20% through January 1, 2042.

In 2024, the City issued \$162,000,000 Combined Utility System Revenue Bonds, Series 2024. The proceeds from this issue, net of costs of issuance, will be used primarily to finish an expansion of the wastewater treatment plant. Some proceeds will be used for smaller electric and water capital improvements. The 2024 bonds are due in annual installments of \$1,555,000 to \$8,880,000 plus interest at 4.68% through January 1, 2064.

During fiscal year ended June 30, 2025, the City received final approval from the SC Rural Infrastructure Agency for three new South Carolina State Revolving Fund (SRF) loans. The first loan is for a water plant alum sludge dewatering facility. The total approved loan is \$10,555,846. It is to be repaid in quarterly installments of \$161,932 through May 1, 2046 plus including interest at the rate of 2.1%. The second loan is for an upgrade to the Wildcat Creek sewer force main. The total approved loan is \$7,168,698. It is to be repaid in quarterly installments of \$70,979 to \$80,852 through May 1, 2055 including interest at the rates of 1.4% to 1.9%. The third loan is for a wastewater treatment plant biosolids dewatering facility. The total approved loan is \$28,434,516. It is to be repaid in quarterly installments of \$246,864 to \$359,779 through November 1, 2057 including interest at the rates of 2.1% to 2.4%.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant financial limitations and restrictions.

The City owes \$10,634,980 to the South Carolina State Revolving Fund (SRF) for improvements to its stormwater management system. The loans are secured by stormwater revenues and will be paid back in quarterly installments of \$226,222 through August 1, 2048, including interest at 1.8% to 2.25%. The City also owes SRF \$2,433,085 for water plant high service pumping modifications, \$2,592,954 for the Laurel Street water lines and a new elevated water storage tank, \$12,466,124 for Lake Wylie intake facilities and the water treatment plant, \$2,882,076 for Mt. Gallant Road water improvements, \$51,407,528 for the Manchester Creek Wastewater Treatment Plant Headworks project and \$11,357,350 for the Tech Park Sewer Outfall. The loans are secured by water and sewer revenues and will be paid back in quarterly installments of \$455,415 through December 1, 2053, including interest at 1.73% to 2.10%. The debt service requirements to maturity table above shows all payments due in the future for the SRF loans. As of June 30, 2025, the Lake Wylie Intake, Manchester Headworks and Tech Park Sewer loans have not been fully drawn down.

F Subscription-based information technology arrangements

The City has an agreement for a three-year subscription for a multi-seat Microsoft 365 license obtained through a third-party technology reseller. The agreement commenced effective January 1, 2025 and ends on December 31, 2027. Annual payments of \$514,588 are made at the beginning of each calendar year of the contract. Payments may vary slightly based on the number of users of the software. While the agreement does not have a stated interest rate, the City has assumed that an interest rate of 4% would be typical of its normal borrowing costs for a similar arrangement. As of

June 30, 2025, the subscription asset value was \$1,485,149 and its accumulated amortization was \$514,588, resulting in a net subscription asset of \$970,562. The remaining principal amount remaining on the arrangement at June 30, 2025 was \$970,562.

The debt service requirements to maturity for obligations related to SBITA obligations at June 30, 2025, are as follows:

June 30	SBITA Obligation	
	Principal	Interest
2026	\$ 475,765	\$ 38,823
2027	494,797	19,791
Total	\$ 970,562	\$ 58,614

V. Other information

A. Risk management

The City's risk management combines elements of both self-insurance and purchased insurance policies divided into coverage for comprehensive general liability, automobile liability, automobile physical damage, workers' compensation, property, crime insurance, employee health care insurance, and "all risk" insurance including theft, flood and earthquake. The costs of these policies are accounted for in the general fund.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance purchased from one of three pools sponsored by the Municipal Association of South Carolina. The City purchases property and casualty insurance through an independent brokerage firm, Willis Pooling Practice. The South Carolina Municipal Insurance Trust Fund carries workers' compensation. The City contracts with Blue Cross Blue Shield for employee health care. See note V.E. for further discussion of this arrangement. The Willis Pooling Practice carries the remaining policies. The City is subject to a \$25,000 deductible requirement on all insured properties, "all risk" and crime policies only, a \$100,000 deductible per claim for workers' compensation, as well as a \$150,000 deductible per claim for general liability and auto liability claims.

The workers' compensation policy provides coverage as required by statute. The automobile liability policy covers up to \$5,000,000 per accident. The comprehensive general liability policy covers up to \$5,000,000 per occurrence, and the crime policy covers up to \$200,000 per theft occurrence and \$1,000,000 per fraud. The other policies essentially cover the amount of the loss. In the event a claim is settled for an amount exceeding the limits of these policies, the City would have to pay the excess. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The City has \$3,000,000 in cyber insurance coverage with an annual deductible of \$250,000.

B. Post-employment benefits other than pensions

Plan Description

In addition to the pension benefits described in Note V.C., the City provides post-retirement healthcare benefits (the "Plan"), on a sliding cost scale based on years of service with the City, to all retirees who meet certain length of service requirements, depending on whether they were hired on or after January 1, 1991. This program is authorized by the City's Personnel Resolution, which is approved by City Council. The contributions of the City and the plan members are established and amended by City Council. These contributions are neither guaranteed nor mandatory. City Council has retained the right to unilaterally modify its payments toward retiree health care benefits.

Management of the Plan is vested in the City of Rock Hill City Council.

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (“SC ORBET”), an agent multiple-employer investment plan administered by the Municipal Association of South Carolina. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, PO Box 12109, Columbia, SC 29211, telephone number (803) 933-1258.

Plan Membership

As of June 30, 2025, measurement date of December 31, 2024, the Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	149
Active employees	<u>911</u>
Total	<u><u>1060</u></u>

Benefits Provided & Contributions

Health care and dental insurance are offered in the City’s Other Post-Employment Benefit Plan until the retiree becomes eligible for Medicare, after which time the retiree continues to receive the City subsidy, if any, but must seek coverage from a third party. Retirees must pay the full premium for dental coverage. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates whenever the retiree or dependent becomes eligible for Medicare.

An employee who works at least 30 hours per week or an elected official leaving City service with a minimum of 25 years of government service, of which five years were with the City, may be eligible to purchase health insurance at the City’s cost upon leaving. A participant with at least 10 years of eligible continuous City service who becomes totally disables before normal retirement age is eligible to receive the same health insurance coverage explained above. If the participant is a member of PORS and the disability is job related, the service requirement is waived, and the City pays 100% of the participant’s premiums. After age 65 or the Medicare eligibility, the City will contribute \$200 per month toward Medicare supplement coverage. For retirees, only service prior to retirement is considered for OPEB plan eligibility and benefits. The City will contribute up to \$200 towards the single member monthly health insurance premium for retired employees depending on their date of hire and years of City service as follows:

Years of Service	Amount Paid by the City	
	Hired before Jan. 1, 1991	Hired on or after Jan. 1, 1991
28 or more	\$ 200	\$ 200
27	190	190
26	180	180
25	170	170
24	160	-
23	150	-
22	140	-
21	130	-
20	120	-
19	110	-
18	100	-
17	90	-
16	80	-
15	70	-
5-14	60	-

Investments

Investment Policy

SC ORBET (the “Trust”) can only invest in instruments allowed under state law, similar to those defined above in IV,

A, Deposits. The Trust cannot currently invest in equities. The primary objective of the investment policy is to maintain a portfolio of investment assets that meet both its short-term and long-term needs. In evaluating investments, the Trust considers potential volatility, specific safety, liquidity and yield, given current market conditions. The portfolio selected should seek to meet or exceed the return provided by the following portfolio benchmarks i) the Barclay’s Capital Government Bond Index; and (ii) a blended benchmark of 60% Barclay’s Capital Government Bond Index and 40% Barclay’s Capital U.S. MBS Index. Three to five-year returns will be used for performance evaluation.

There are no maturity limitations on individual bonds. However, the portfolio’s weighted average maturity, as expressed by its effective duration, should be equal to the effective duration of the Blended Benchmark of 60% Barclay’s Capital Government Bond Index and 40% Barclay’s Capital U.S. MBS Index +/- 25 percent as market conditions warrant. No single issue should comprise more than five percent of the portfolio nor should any issuer comprise more than ten percent of the portfolio except treasury and agency issues. Funds are considered “available for sale” depending upon market conditions and opportunities with a bias towards a “buy and hold” strategy. Management will invest short-term operating funds only in allowable instruments and will keep the primary objective of preservation of capital in mind when making such decisions.

Rate of return

For the year ended December 31, 2024 (the measurement date) the annual money weighted rate of return on investments, net of investment expense, was 2.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City of Rock Hill

The components of the net OPEB Liability of the City as of December 31, 2024 (the measurement date) were as follows:

Total OPEB Liability	\$ 20,351,476
Plan fiduciary net position	<u>8,020,060</u>
City's net OPEB liability	<u>\$ 12,331,416</u>

Plan fiduciary net position as a percentage of the total OPEB liability: 39.41%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases, including inflation	
SCRS	3.00% - 9.65%
PORS	3.50% - 11.00%
Investment Rate of Return	4.75% includes inflation at 2.25%
Medical Cost Trend Rate	7.00% - 4.50%
Ultimate Trend Rate	4.50%
Year of Ultimate Trend Rate	2033

The discount rate used to measure the TOL was based upon the long-term expected rate of return.

Mortality rates were based on the PUB-2010 Mortality Table for Employees with a 135% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the

December 31, 2022 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the December 31, 2022 valuation were based on a review of recent plan experience done concurrently with the December 31, 2022 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
US Government Agencies	58.00%
US Govt MBS/CMO/CMBS	40.00%
Cash and cash equivalents	2.00%
Total	<u>100.00%</u>

Note: In accepting the long-term expected return for the Plan, the actuary performed a high-level review of the information provided by the Plan. Their review indicates the long-term expected rate of return assumption of 4.75% is reasonable.

Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 4.33%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of December 31, 2022. In addition to the actuarial methods and assumptions of the December 31, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full ADEC through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2057 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 4.75% on Plan investments was applied to periods through 2052 and the Municipal Bond Index Rate at the Measurement Date (4.08%) was applied to periods on and after City of Rock Hill, resulting in an SEIR at the Measurement Date (4.47%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 4.33% at the Prior Measurement Date to 4.47% at the Measurement Date.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and

assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the net OPEB liability to changes in the health care cost trend rates. The following exhibit presents the NOL of the Plan, calculated using current health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates.

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Discount Rate	1% Increase
Net OPEB liability	\$ 10,519,577	\$ 12,331,416	\$ 14,536,229

Sensitivity of the net OPEB liability to changes in the discount rate. The following exhibits present the NOL of the Plan, calculated using the discount rate of 4.75%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current	1% Increase
	3.47%	Discount Rate 4.75%	5.47%
Net OPEB liability	\$ 14,970,624	\$ 12,331,416	\$ 10,073,450

Deferred outflows of resources. Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense, they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 506,528	\$ 3,641,985
Changes in assumptions or other inputs	1,279,185	668,004
Net difference between projected and actual earnings on plan investments	878,619	-
City contributions subsequent to the measurement date	895,664	-
Total	<u>\$ 3,559,996</u>	<u>\$ 4,309,989</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Period ended	
<u>June 30:</u>	
2026	\$ 173,466
2027	41,740
2028	(277,581)
2029	(496,859)
2030	(454,516)
Thereafter	<u>(631,907)</u>
Total	<u>\$ (1,645,657)</u>

Amounts reported as Deferred Outflows of Resources for direct claims and City contributions subsequent to the measurement date will all be recognized in OPEB Expense next year.

The OPEB Expense (OE) consists of a number of different items. GASB 75 refers to the first item as Service Cost which is the Normal Cost using the Entry Age Normal actuarial funding method. The second item is interest on the TOL at 4.75%, the Discount Rate in effect as of the Prior Measurement Date.

The next three items refer to any changes that occurred in the TOL due to: benefit changes, or actual versus expected experience, or changes in assumptions or other inputs.

Benefit changes, which are reflected immediately, will increase OE, if there is a benefit improvement for existing Plan members, or decrease OE, if there is a benefit reduction. For the measurement period ended December 31, 2023, there were no benefit changes to be recognized.

The next item to be recognized is the portion of current year changes in TOL due to actual versus expected Plan experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership at the beginning of the measurement period. The average expected remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts (not less than 1 year), or 8.90 years.

The last item under changes in TOL is changes in assumptions or other inputs. There was a change in the TOL arising from the change in medical trend. Therefore, the change in TOL resulting from the change in assumptions is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 8.74 years, using the same approach applied to Plan experience as described in the prior paragraph.

The current year portions of previously determined experience and assumption amounts, recognized as Deferred Outflows of Resources and Deferred Inflows of Resources are included below. Deferred Outflows of Resources are added to the OE while Deferred Inflows of Resources are subtracted from the OE. Finally, other miscellaneous items are included. The components of the net OPEB liability measured as of December 31, 2024 (reported as of the City's June 30, 2025 fiscal year ended) are:

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2023	\$ 20,030,422	\$ 7,476,080	12,554,342
Changes for the year:			
Services cost at the end of the year	704,706	-	704,706
Interest on TOL and cash flows	863,091	-	863,091
Difference between expected and actual experience	(417,365)	-	(417,365)
Changes of assumptions or other inputs	(632,091)	-	(632,091)
Contributions - employer	-	571,713	(571,713)
Net investment income	-	169,554	(169,554)
Benefit payments and implicit subsidy credit	(197,287)	(197,287)	-
Plan administrative expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net changes	<u>321,054</u>	<u>543,980</u>	<u>(222,926)</u>
Balance as of December 31, 2024	<u>\$ 20,351,476</u>	<u>\$ 8,020,060</u>	<u>\$ 12,331,416</u>

The calculation of the OPEB expense for the year ended June 30, 2025 is shown in the following table:

OPEB Expense
For the Year Ended June 30, 2025

Service Cost at end of year*	\$	704,706
Interest on the Total OPEB Liability and Cash Flow		863,091
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability		(49,044)
Expensed portion of current-period changes in assumptions or other inputs		(74,276)
Projected earnings on plan investments		(363,903)
Expensed portion of current-period difference between actual and projected earnings on plan investments		38,870
Administrative costs		-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense		841,596
Recognition of beginning Deferred Outflows of Resources as OPEB Expense		<u>(594,681)</u>
OPEB Expense	\$	<u>1,366,359</u>

*The service cost includes interest for the year.

Anticipated Plan Participation

The assumed annual rates of plan participation and spouse coverage are as follows:

Years of Service Retirement	Participation
Less than 25	20.00%
25 years or more	95.00%
Spouse coverage	20.00%

Additionally, it is assumed 100% of PORS employees retiring due to line of duty disability will elect coverage.

For public safety employees, participants with at least 10 years of eligible continuous City service who become disabled before normal retirement age are eligible to receive the same health insurance benefit as a non-disabled retiree with the same amount of eligible continuous City service. If the disability is job-related and occurs after 10 years of eligible continuous City service, the service requirement is waived, and the City pays 100% of the participant's cost of single coverage. The participant is responsible for any spouse or dependent costs.

The City's annual other post-employment benefits (OPEB) cost (expense) is calculated based on the annual determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 22 years. The current ADC rate assumes payroll increasing at a level annual rate of 3.5% to 6.0%.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

C. Employee retirement plans and pension plans

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the South Carolina Retirement System's Pension Trust Funds. The ACFR 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 ACFR of the state.

Plan descriptions:

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership:

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

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

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

Benefits:

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

South Carolina Retirement System - 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 8 or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Police Officers Retirement System - 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 one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions:

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

- Required **employee** contribution rates for fiscal year ended June 30, 2025 are as follows:

SCRS

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

PORS

Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

- Required **employer** contributions for fiscal year ended June 30, 2025 are as follows:

SCRS

Employer Class Two	18.41% of earnable compensation
Employer Class Three	18.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class Two	20.84% of earnable compensation
Employer Class Three	20.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Net Pension Liability:

The June 30, 2024, (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2023, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2023. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67, less that system’s fiduciary net position. As of June 30, 2025, (measurement date of June 30, 2024), the net pension liability amounts for the City’s proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	City's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 192,203,485	\$ 118,759,679	\$ 73,443,852	61.8%	0.313189%
PORS	99,648,095	70,278,306	29,369,779	70.5%	0.979063%

At June 30, 2025, the City reported liabilities of \$73,443,852 and \$29,369,779 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2024, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2023 projected forward to June 30, 2024. The City’s proportionate shares of the net pension liabilities were based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the City’s proportionate shares of the SCRS and PORS plans were 0.313189% and 0.979063%. At June 30, 2023, the City’s proportionate shares of the SCRS and PORS plans were 0.312407% and 1.043344%.

For the year ended June 30, 2025, the City recognized pension expense for the SCRS and PORS plans of \$8,252,433 and \$3,727,860 respectively.

Deferred inflows of resources and deferred outflows of resources:

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

The \$8,505,057 and \$4,397,375 reported as deferred outflows of resources related to pensions resulting from City contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2024 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2025.

Actuarial assumptions and methods:

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina State statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the systems

was most recently issued as of June 30, 2019.

The following table provides a summary of the actuarial assumptions and methods used to measure the total pension liability for the SCRS and PORS plans administered by PEBA as of June 30, 2024.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale UMP projected from the year 2020.

Assumptions use in the determination of the June 30, 2024 TPL are as follows:

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males Multiplied by 127%	2020 PRSC Females multiplied by 107%

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.0 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

<u>Allocation / Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Public Equity	46%	6.23%	2.86%
Bonds	26%	2.60%	0.68%
Private Equity	9%	9.60%	0.86%
Private Debt	7%	6.90%	0.48%
Real Assets	12%		
Real Estate	9%	4.30%	0.39%
Infrastructure	3%	7.30%	0.22%
Total Expected Return	<u>100%</u>		5.49%
Inflation for Actuarial Purposes			2.25%
Expected Rate of Return			<u>7.74%</u>

Discount rate:

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity analysis:

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

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

<u>System</u>	<u>1.00% Decrease 6.0%</u>	<u>Discount Rate 7.0%</u>	<u>1.00% Increase 8.0%</u>
SCRS	\$ 95,174,934	\$ 73,443,852	\$ 53,431,246
PORS	42,551,186	29,369,779	18,573,524

Pension Expense:

For the year ended June 30, 2025, the City recognized its proportionate share of collective pension expense of \$7,088,817 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$1,163,616 for a total of \$8,252,433 for the SCRS plan. Additionally, for the year ended June 30, 2025, the City recognized its proportionate share of collective pension expense of \$3,727,860 and recognition of deferred amounts from changes in proportionate share and differences between employer

contributions and the proportionate share of total plan employer contributions of \$1,753 for a total of \$3,729,613 for the PORS plan. Total pension expense for the City, included for both the SCRS and PORS plans, was \$11,982,046.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

	SCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,413,625	\$ 91,148
Changes of assumptions	1,294,802	-
Net difference between projected and actual earnings on pension plan investments	-	2,829,812
Changes in proportion and differences between employer contributions and proportionate share of contributions	970,249	-
Employer contributions subsequent to the measurement date	8,505,057	-
Total	<u>\$ 13,183,733</u>	<u>\$ 2,920,960</u>

	PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,758,204	\$ 168,382
Changes of assumptions	639,432	-
Net difference between projected and actual earnings on pension plan investments	-	1,646,586
Changes in proportion and differences between employer contributions and proportionate share of contributions	139,069	1,364,252
Employer contributions subsequent to the measurement date	4,397,375	-
Total	<u>\$ 7,934,080</u>	<u>\$ 3,179,220</u>

City contributions subsequent to the measurement date of \$8,505,057 and \$4,397,375 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
June 30:	SCRS	PORS
2026	\$ 674,787	\$ 85,832
2027	584,089	107,996
2028	(329,748)	(11,440)
2029	855,832	156,578
2030	(27,069)	18,553

D. Commitments

The City has committed itself on several construction contracts for various water and sewer lines and a water treatment plant upgrade in the enterprise fund and for street and trail construction in the capital projects funds. As of June 30, 2025, the outstanding commitments total \$95,533,357 in the enterprise funds and \$6,232,645 in the capital projects funds.

E. Contingencies

The City has a long-term agreement to purchase electrical power from the Piedmont Municipal Power Agency (PMPA), a governmental corporation organized under the laws of the State of South Carolina. The agreement expires between 2022 and 2035 depending on certain contingencies. PMPA's generating capacity is committed to a group of ten municipalities, who have their own electrical utility operations, of which the City is the largest participant. The City is committed to purchase annually 28.5% (its participant's share) of the power made available by PMPA to the group and has pledged its electric system revenues as security for this commitment over the term of the agreement. In the year ended June 30, 2025, the cost of power purchased under this agreement amounted to \$78,025,906 (the remainder of the City's wholesale power cost of \$1,650,246 was purchased from the U.S. Department of Energy's Southeastern Power Administration). Because of the nature of the agreement, the aggregate commitments over future years cannot be determined.

By letter dated March 20, 2019, the City notified PMPA of certain defaults under the Supplemental Agreement and the Catawba Project Agreement disputing allocations of purchased power costs. Although the City preferred resolution without litigation, certain PMPA members filed a lawsuit on June 13, 2019 against the City and other PMPA members. During the year ended June 30 2024, the cities and PMPA reached a settlement of the lawsuit. As part of the settlement, the City received a payment of \$27,500,000 from PMPA.

The City participates in a number of Federal grant programs which are subject to financial and compliance audits. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the agreement. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is party to a number of civil lawsuits and other legal actions. In the opinion of the City's attorney and management, the ultimate outcome of these suits is not expected to have a significant impact upon the City's financial position.

Beginning in February 2006, the City began directly paying employee and retiree health care. For health insurance claims, the City contracts with Blue Cross Blue Shield of South Carolina to administer actual claims incurred by City employees and retirees. A purchased policy covers employee health claims when individual claims exceed \$175,000. In such cases, the reinsurer pays the excess on an individual claim basis.

The claims liability reported in the general fund at June 30, 2025 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities have been calculated based on actual claims processed after year end with a service date of June 30, 2025 or earlier. The liability for medical claims, \$863,736, is reported in the general fund in accounts payable and accrued liabilities. Changes in the balance of claims liabilities were as follows:

Fiscal Year Ended June 30,	Unpaid Claims, Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Unpaid Claims, End of Year
2024	\$ 310,368	\$ 11,683,467	\$ 11,171,773	\$ 822,062
2025	822,062	14,174,270	14,132,596	863,736

F. Tax Abatements

Infrastructure Reimbursement Agreement:

The City, acting by and through its City Council is authorized by Sections 4-1-175 and 4-29-68 of the Code of Laws of South Carolina, 1976, as amended, to provide a credit against or payment derived from the revenues received and retained by the city from a payment in lieu of taxes pursuant to Section 13 of Article VIII of the South Carolina Constitution and Section 4-1-170 of the Code of Laws of South Carolina, 1976, as amended, for the purpose of paying the cost of designing, acquiring, constructing, improving, or expanding, among other things: (a) the infrastructure serving the issuer or the project, and (b) for improved or unimproved real estate and personal property including the machinery and equipment used in the operation of a manufacturing or commercial enterprise, which property is determined by the City to enhance the economic development of the City.

For the fiscal year ended June 30, 2025 the City reimbursed no property taxes under this program.

FEE IN LIEU OF TAXES:

The City of Rock Hill enters into property tax abatement agreements through York County under South Carolina Code Title 12, Chapter 44. Under that legislation, counties may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within the jurisdiction.

For the fiscal year ended June 30, 2025, the City taxes abated through Fee-in-Lieu of tax agreements were as follows:

Infrastructure Reimbursement Agreement:

Name:

None in FY2025

Amount Reimbursed

\$ -

\$ -

Fee In Lieu of Taxes:

<u>Name</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>	<u>City Ad Valorem Tax without a FILOT</u>
3D FIELDS LLC	15.14%	\$ 7,214	\$ 47,660
3D SYSTEMS CORPORATION	16.32%	3,836	23,504
3D SYSTEMS INC.	51.51%	1,850	3,592
ACP SOUTH CROSS OWNER LLC	8.19%	995	12,148
BACCALARE ROCK HILL LLC	84.13%	278,107	330,571
BRADMAN LAKE INC.	49.87%	748	1,500
CIP REAL ESTATE LLC	16.55%	2,905	17,561
COMPOSITE RESOURCES INC.	49.90%	763	1,528
COROPLAST TAPE CORPORATION	51.25%	132,191	257,929
CRYSTAL DISTRIBUTION INC.	49.88%	6,230	12,490
DIRTT ENVIRONMENTAL SOLUTIONS	75.95%	53,638	70,621
ES REIT I LLC	20.34%	9,133	44,901
EXEL INC.	33.27%	1,707	5,130
FARMERS NEW WORLD LIFE INSURANCE COMPANY	59.72%	62,649	104,899
GOLDENROD INC.	49.95%	112,828	225,895
INDUS REALTY TRUST INC FKA GRIFFIN INDUSTRIAL REAL	15.83%	15,377	97,127
LINDE HYDRAULICS CORPORATION	75.70%	(28,047)	(37,049)
LIT INDUSTRIAL LP	18.40%	47,121	256,059
MCKESSON MEDICAL SURGICAL INC.	19.51%	26,892	137,869
MS INTERNATIONAL USA INC.	49.95%	31,626	63,318
OBRIEN ROCK HILL LLC	49.88%	27,275	54,679
OERLIKON BALZERS COATING USA INC	37.00%	301	814
PDM REAL ESTATE LLC	52.39%	25,275	48,247
PDM US LLC	52.39%	80,380	153,434
PFG CUSTOMIZED SOUTH CAROLINA LLC	32.35%	27,992	86,539
POSSEHL CONNECTOR SERVICES SC	51.02%	10,129	19,854
POWER TECHNIQUE NORTH AMERICA LLC	49.95%	8,010	16,037
PULCRA CHEMICALS LLC	50.76%	16,227	31,969
RETFORD INVESTMENTS LLC	47.55%	13,547	28,492
RH APEX LLC	49.95%	27,649	55,357
RIVERWALK GRH TKC LLC	20.34%	9,104	44,754
ROCK HILL 4	75.58%	332,570	440,003
ROSS DRESS FOR LESS INC.	12.33%	123,252	999,266
SELECT INCOME REIT	15.14%	27,448	181,338
SOUTHWOOD CORPORATION	59.61%	5,475	9,185
THE HARTZ GROUP INC.	12.41%	7,674	61,848
TRANSAXLE MANUFACTURING OF AMERICA CORP.	49.41%	111,799	226,257
WINBRO GROUP TECHNOLOGIES LLC	50.84%	12,442	24,471
WORKSPACE RESOURCES LLC	49.90%	36,725	73,602
	39.47%	\$ 1,671,037	\$ 4,233,399

G. Accounting changes and error corrections

Change in an accounting principle in previously issued financial statements

During the fiscal year, the City implemented the provisions of GASB Statement No. 101 that required more extensive recognition of employee compensated absences. The new calculations resulted in a significant increase in the cumulative balances of compensated absences that would have been effective in prior years. As a result, the City restated its opening net position in both its governmental activities and its business-type funds. Details of the reduction in net position are in the following table:

	June 30, 2024 As Previously Reported	Change in Accounting Principle	June 30, 2024 As Restated
Governmental Activities			
Governmental activities	\$ 66,445,380	\$ (4,428,680)	\$ 62,016,700
Total Governmental Activities	<u>\$ 66,445,380</u>	<u>\$ (4,428,680)</u>	<u>\$ 62,016,700</u>
Business-Type Funds			
Major Fund:			
Electric, Water and Sewer fund	\$ 372,903,626	\$ (1,087,259)	\$ 371,816,367
Nonmajor Fund:			
Stormwater fund	16,233,511	(139,073)	16,094,438
Total Business-Type Funds/Activities	<u>\$ 389,137,137</u>	<u>\$ (1,226,332)</u>	<u>\$ 387,910,805</u>

H.

The City maintains the following funds and accounts in accordance with Amended and Restated General Bond Ordinance No. 2024-03.

	<u>June 30, 2024</u>	<u>June 30, 2025</u>
Revenue fund and operation & maintenance fund	\$ 31,896,646	\$ 13,445,873
Depreciation fund	5,804,151	9,700,306
Contingent fund	3,972,551	3,682,164
Bond and interest redemption fund	16,366,600	15,756,340
Junior bond and interest redemption fund	-	-
Construction fund / cost of issuance fund	<u>163,510,655</u>	<u>160,001,390</u>
Total Utility System Cash / Bank Balances	<u>\$ 221,550,603</u>	<u>\$ 202,586,072</u>

I. Enterprise fund detail information

The City maintains one group of general ledger enterprise funds to account for electric, water and sewer services (the “combined utility system”), and another general ledger enterprise fund to account for storm water management. The majority of enterprise fund activities are financed by user charges. The following provides detail information for the electric, water, sewer and storm water operations for the year ended June 30, 2025:

	Electric	Water	Sewer	Stormwater	Total
Operating revenues					
Sales and primary service charges	\$ 106,120,624	\$ 28,059,858	\$ 34,703,080	\$ 5,098,394	\$ 173,981,956
Impact fees	-	276,595	535,940	-	812,535
Government grants	117,187	4,024,286	1,690,834	-	5,832,307
Other user charges	6,729,352	2,121,374	1,105,476	110,688	10,066,890
Total operating revenues	112,967,163	34,482,113	38,035,330	5,209,082	190,693,688
Operating expenses					
Purchased power	79,676,152	-	-	-	79,676,152
System operations	17,377,192	14,483,391	14,118,695	2,400,619	48,379,897
Depreciation and amortization	8,915,230	4,597,172	5,407,554	1,696,594	20,616,550
General and administrative	5,903,179	4,414,775	3,564,148	850,427	14,732,529
Total operating expenses	111,871,753	23,495,338	23,090,397	4,947,640	163,405,128
Operating income	1,095,410	10,986,775	14,944,933	261,442	27,288,560
Nonoperating revenues (expenses)					
Interest income	1,467,601	1,173,659	7,347,446	53,408	10,042,114
Interest expense	(1,841,931)	(4,021,542)	(11,234,085)	(311,386)	(17,408,944)
Legal settlement proceeds	-	-	-	-	-
Total nonoperating revenues (expenses)	(374,330)	(2,847,883)	(3,886,639)	(257,978)	(7,366,830)
Income before contributions and transfers	721,080	8,138,892	11,058,294	3,464	19,921,730
Capital contributions from developers	12,219	1,144,120	2,907,964	1,478,474	5,542,777
Transfers from the general fund	1,050,000	-	-	-	1,050,000
Transfers to the general fund	(2,286,130)	(4,063,052)	(5,035,722)	-	(11,384,904)
Net income	\$ (502,831)	\$ 5,219,960	\$ 8,930,536	\$ 1,481,938	\$ 15,129,603

The City maintains enterprise fund statement of fund net position accounts on a combined basis within the enterprise fund and cannot be divided by type of operation. Bondholders and creditors in general have claims against the combined utility system as a whole and not against any one operation.

REQUIRED SUPPLEMENTARY INFORMATION

City of Rock Hill, South Carolina
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30,

South Carolina Retirement System					
Fiscal Year Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	0.313189%	\$ 73,443,852	\$ 43,041,755	170.63%	61.80%
2023	0.312407%	75,531,982	39,498,529	191.23%	58.60%
2022	0.310040%	75,160,427	36,918,518	203.58%	57.10%
2021	0.297531%	64,389,534	33,485,589	192.29%	60.70%
2020	0.293933%	75,104,960	32,766,960	229.21%	50.70%
2019	0.285313%	65,148,672	30,155,156	216.04%	54.40%
2018	0.286077%	64,100,700	29,317,574	218.64%	54.10%
2017	0.295970%	66,627,607	29,167,341	228.43%	53.30%
2016	0.282141%	60,264,901	27,321,600	220.58%	52.90%
2015	0.275223%	52,197,369	25,787,986	202.41%	57.00%

Police Officers Retirement System					
Fiscal Year Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	0.979063%	\$ 29,369,779	\$ 19,311,782	152.08%	70.50%
2023	1.043344%	31,760,382	18,280,349	173.74%	67.80%
2022	1.042279%	31,257,723	16,495,259	189.50%	66.40%
2021	1.030025%	26,501,657	15,488,376	171.11%	70.40%
2020	9.755950%	32,352,811	14,737,808	219.52%	58.80%
2019	9.570090%	27,427,306	13,881,027	197.59%	62.70%
2018	0.972092%	27,544,641	13,455,213	204.71%	61.70%
2017	1.026180%	28,112,798	13,431,124	209.31%	60.90%
2016	1.010220%	25,624,051	12,878,996	198.96%	60.40%
2015	0.987890%	21,531,049	12,238,600	175.93%	64.60%

City of Rock Hill, South Carolina
Required Supplementary Information
Schedule of the City's Pension Contributions
For the Fiscal Year Ended June 30,

South Carolina Retirement System

Fiscal Year Ended June 30,	Actuarially required contribution	Contributions in relation to the			City's covered payroll	Contributions as a percentage of covered payroll
		actuarially required contribution	Contribution deficiency (excess)			
2025	\$ 8,505,057	\$ 8,505,057	\$ -	\$ 45,824,661	18.56%	
2024	7,988,550	7,988,550	-	43,041,755	18.56%	
2023	6,935,942	6,935,942	-	39,498,531	17.56%	
2022	6,113,707	6,113,707	-	36,918,518	16.56%	
2021	5,210,358	5,210,358	-	33,485,588	15.56%	
2020	5,098,539	5,098,539	-	32,766,960	15.56%	
2019	4,390,591	4,390,591	-	30,155,156	14.56%	
2018	3,975,463	3,975,463	-	29,317,574	13.56%	
2017	3,400,912	3,400,912	-	29,167,341	11.66%	
2016	3,021,769	3,021,769	-	27,321,600	11.06%	

Police Officers Retirement System

Fiscal Year Ended June 30,	Actuarially required contribution	Contributions in relation to the			City's covered payroll	Contributions as a percentage of covered payroll
		actuarially required contribution	Contribution deficiency (excess)			
2025	\$ 4,397,375	\$ 4,397,375	\$ -	\$ 20,703,273	21.24%	
2024	4,101,822	4,101,822	-	19,311,782	21.24%	
2023	3,699,943	3,699,943	-	18,280,351	20.24%	
2022	3,173,688	3,173,688	-	16,495,260	19.24%	
2021	2,825,080	2,825,080	-	15,488,376	18.24%	
2020	2,688,176	2,688,176	-	14,737,808	18.24%	
2019	2,393,089	2,393,089	-	13,881,027	17.24%	
2018	2,131,306	2,131,306	-	13,455,213	15.84%	
2017	1,912,306	1,912,306	-	13,431,124	14.24%	
2016	1,769,592	1,769,592	-	12,878,996	13.74%	

**City of Rock Hill, South Carolina
 Required Supplementary Information
 Notes to the Schedule of the City's Pension Contributions
 For the Fiscal Year Ended June 30,**

System	SCRS	PORS
Actuarial Valuation Date	July 1, 2022	July 1, 2022
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	5-year smoothed	5-year smoothed
Amortization method	Level % of pay	Level % of pay
Amortization period	25 year maximum, closed period	25 year maximum, closed period
Investment return	7.00%	7.00%
Inflation	2.25%	2.25%
Salary increases	3.0% plus step-rate increases for members with less than 21 years of service	3.5% plus step-rate increases for members with less than 21 years of service
Mortality	The 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale UMP from the year 2020. Male rates multiplied by 97% for non-educators. Female rates multiplied by 107% for non-educators and 94% for educators.	The 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at UMP from the year 2020. Male rates are multiplied by 127% and female rates are multiplied by 107%.

**City of Rock Hill, South Carolina
Required Supplementary Information
Schedule of Changes in the
City's Net OPEB Liability**

Year ending December 31,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 704,706	\$ 699,412	\$ 640,307	\$ 694,297	\$ 672,403	\$ 533,397	\$ 516,569	\$ 500,277
Interest	863,091	919,681	900,203	952,968	911,483	776,558	742,713	709,560
Differences between expected and actual experience	(417,365)	(2,570,334)	(197,935)	(2,000,057)	(150,509)	1,412,931	88,620	243,919
Changes in assumptions or other inputs	(632,091)	918,196	556,168	(203,173)	-	615,834	-	-
Benefit payments	(197,287)	(560,720)	(447,205)	(660,074)	(462,243)	(533,322)	(735,087)	(776,024)
Net change in total OPEB liability	321,054	(593,765)	1,451,538	(1,216,039)	971,134	2,805,398	612,815	677,732
Total OPEB liability - beginning	20,030,422	20,624,187	19,172,649	20,388,688	19,417,554	16,612,156	15,999,341	15,321,609
Total OPEB liability - ending (a)	\$ 20,351,476	\$ 20,030,422	\$ 20,624,187	\$ 19,172,649	\$ 20,388,688	\$ 19,417,554	\$ 16,612,156	\$ 15,999,341
Plan fiduciary net position								
Contributions - employer	\$ 571,713	\$ 935,146	\$ 821,631	\$ 1,034,500	\$ 836,669	\$ 906,859	\$ 1,450,330	\$ 1,512,693
Net investment income	169,554	286,684	(1,105,666)	(173,466)	393,545	321,357	60,192	122,922
Benefit payments *	(197,287)	(560,720)	(447,205)	(660,074)	(462,243)	(533,322)	(735,087)	(776,024)
Administrative expense	-	(1,000)	(10,920)	(1,250)	(10,307)	-	-	(23,586)
Net change in plan fiduciary net position	543,980	660,110	(742,160)	199,710	757,664	694,894	775,435	836,005
Plan fiduciary net position - beginning	7,476,080	6,815,970	7,558,130	7,358,420	6,600,756	5,905,862	5,130,427	4,294,422
Plan fiduciary net position - ending (b)	\$ 8,020,060	\$ 7,476,080	\$ 6,815,970	\$ 7,558,130	\$ 7,358,420	\$ 6,600,756	\$ 5,905,862	\$ 5,130,427
City's net OPEB liability - ending (a) - (b)	\$ 12,331,416	\$ 12,554,342	\$ 13,808,217	\$ 11,614,519	\$ 13,030,268	\$ 12,816,798	\$ 10,706,294	\$ 10,868,914
Plan fiduciary net position as a percentage of the total OPEB liability	39.41%	37.32%	33.05%	39.42%	36.09%	33.99%	35.99%	32.07%
Covered payroll	\$ 56,083,283	\$ 54,449,789	\$ 47,973,471	\$ 46,576,185	\$ 42,273,912	\$ 41,042,633	\$ 39,685,359	\$ 38,529,475
Net OPEB liability as a percentage of covered payroll	21.99%	23.06%	28.78%	24.94%	30.82%	31.23%	26.98%	28.21%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

City of Rock Hill, South Carolina
Schedule of the City OPEB Contributions
Last Seven Fiscal Years

Year ending December 31,	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined employer contribution (ADEC)	\$ 1,361,578	\$ 1,402,938	\$ 1,450,369	\$ 1,433,265	\$ 1,418,333	\$ 1,268,656	\$ 1,126,552	\$ 1,015,787
Contributions in relation to the ADEC	571,713	935,146	821,631	1,034,500	836,669	906,859	1,450,330	1,512,693
Contribution deficiency (excess)	<u>\$ 789,865</u>	<u>\$ 467,792</u>	<u>\$ 628,738</u>	<u>\$ 398,765</u>	<u>\$ 581,664</u>	<u>\$ 361,797</u>	<u>\$ (323,778)</u>	<u>\$ (496,906)</u>
Covered payroll	\$ 56,167,408	\$ 54,531,464	\$ 48,045,431	\$ 46,646,049	\$ 42,337,323	\$ 41,104,197	\$ 39,744,887	\$ 38,587,269
Actual contributions as a percentage of covered payroll	1.02%	1.71%	1.71%	2.22%	1.98%	2.21%	3.65%	3.92%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

City of Rock Hill, South Carolina
Schedule of Investment Returns

Year ending June 30,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money weighted rate of return, net of investment expenses	2.30%	0.47%	1.31%	4.75%	6.10%	5.52%	4.73%	-1.24%

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

THE CITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE CITY

General Description

The City of Rock Hill, South Carolina (the "City"), founded in 1852 and incorporated in 1892, is located in the eastern central area of York County, South Carolina (the "County"), 20 miles south of Charlotte, North Carolina, and encompasses approximately 43.16 square miles. The U.S. Census Bureau 2020 population for the City was 74,372 with a total of 282,090 people living in York County. Based on the 2020 population, the City is the fifth most populous city in the State of South Carolina (the "State").

Form of Government

The City operates under the Council-Manager form of government. The governing body is composed of a Mayor elected at large, and a six-member City Council (the "Council") elected by ward, each for four-year staggered terms, through a single-member district plan first adopted in 1989 and revised in 1993. The Council is a legislative body which establishes policies with recommendations by the City Manager who administers all departments of the City. All department heads are appointed by the City Manager.

The present Mayor and members of the Council, their occupations and their numbers of years on Council are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Number of Years on Council</u>
John P. Gettys, Jr., Mayor	Attorney	16*
John A. Black, III	Investment Consultant	16
C. Brent Faulkenberry	Executive Placement Firm	2
Nikita L. Jackson	Volunteer Manager	4**
Derrick L. Lindsay	Restaurant Operator	6
Kevin H. Sutton	Marketing and Sales	31
Sarah E. Vining	Small Business Owner	<1

*Years of service include 8 years of previous service as a Council member.

**Years of service include 4 years of previous service as a Council member.

Mayor. The Honorable John P. Gettys, Jr. was elected Mayor in 2017 and took office effective January 8, 2018. Prior to his election as Mayor, he served on Council from 2002 to 2010. Mayor Gettys received a Bachelor of Arts degree in History from Erskine College in 1991 and a Master's degree in Public Administration and a Juris Doctor degree from the University of South Carolina in 1995. He has previously served on many local and statewide boards and commissions, including serving as Chairman of the Rock Hill Sports Commission. Mayor Gettys is a Liberty Fellow and is the founder and managing partner of Morton & Gettys law firm in Rock Hill.

City Manager. Mr. David B. Vehaun was appointed City Manager in October 2010. Prior to his appointment, Mr. Vehaun served as Assistant City Manager from March 2009 to October 2010, as Management Services Administrator from 2004 to 2009, and as Finance Director since April 1999. He previously served as the City's Budget Officer beginning in 1989. Mr. Vehaun received a Bachelor of Science degree in Government and Public Service with an emphasis in Business Administration from Winthrop University in 1986 and a Master's degree in Public Administration from The University of North Carolina at Chapel Hill with an emphasis in Finance and Budget Administration in 1989. Mr. Vehaun previously served on the Government Finance Officers Association ("GFOA"), National Executive Board and Debt Committee and served as ex-officio on the GFOA's National Committee on Economic Development and Capital Planning.

Deputy City Manager. Mr. James G. Bagley, Jr. was appointed Deputy City Manager in July 2011 and Assistant City Manager in October 2010. Prior to his promotion, Mr. Bagley served as Public Services Administrator/CIO from 2009 to 2010 and as Chief Information Officer from 2008 to 2009. He previously served as the City's Utilities Director beginning in 1989. Mr. Bagley received a Bachelor of Science degree in Electrical

Engineering from Clemson University and a Master's degree in Business Administration from Winthrop University. Mr. Bagley is a Past President of the SC Society of Professional Engineers, Catawba Chapter and the SC Association of Municipal Power Systems Board and is a member of the American Public Power Association Transmission and Distribution Committee. He also serves on the Board of Directors of Piedmont Municipal Power Agency and on the Board of Directors of the Catawba Wateree Water Management Group. Mr. Bagley is a Certified Government Chief Information Officer.

Deputy City Manager. Mr. Steven Gibson was appointed Deputy City Manager in October 2017, having previously been appointed Assistant City Manager in January 2016. Prior to his promotion, he served as the Office of Management and Budget (OMB) Director from 2010 to 2015 and has been employed with the City since 1990. Mr. Gibson is a Past President of the GFOA Executive Board, and is the former Chair of the GFOA National Budget Committee. He is also Past President of the Municipal Finance Officers, Clerks and Treasurers Association of South Carolina. Mr. Gibson earned a Bachelor of Science with emphasis in Business Administration from Winthrop University and a Certificate from the Advanced Government Finance Institute, University of Wisconsin School of Business.

Assistant City Manager. Mrs. Deana G. Keever was appointed Assistant City Manager on December 29, 2025. She previously served as the Human Resources Director for the City from 2018 to 2025. Prior to joining the City, Mrs. Keever served as the Director of Operations for York County Natural Gas from 2016 to 2018 and held various leadership roles in engineering, human resources and operations with Piedmont Natural Gas in Charlotte, North Carolina from 2003 to 2015. Mrs. Keever holds a Bachelor of Science degree in Business Administration and a Master's degree in Business Administration from Winthrop University. Mrs. Keever received both her Professional Human Resources from the Human Resources Certification Institute and Society for Human Resources Senior Certified Professional designation. Mrs. Keever currently serves as a board member for the Municipal Association of South Carolina's Human Resource group and leads a working group for Human Resource leaders for the larger municipalities across the State.

Chief Financial Officer. Mrs. Maddison P. Wilkerson was appointed Chief Finance Officer/Municipal Clerk in May 2025. She previously served the City as the Budget Officer from 2018 to 2022. Prior to rejoining the City in 2025, Mrs. Wilkerson served as Chief Financial Officer for School District Five of Lexington and Richland Counties and Director of Budget and Performance Management for Richland County. Mrs. Wilkerson received a Bachelor of Science degree in Business Administration from the University of South Carolina and a Master's degree in Business Administration from Winthrop University. She received her Certified Public Accountant license in 2016 and her designation as a Certified Government Finance Officer in 2022. Mrs. Wilkerson graduated from GFOA's Leadership Academy in 2021 and the National Association of Counties' (NACo) High Performance Leadership Academy in 2024. She is a current member of GFOA's Committee on Governmental Budgeting and Fiscal Policy and a former member of the Committee on Governmental Debt Management.

Services Provided

Tax-Supported Services

The City provides various local services which are funded primarily from the City's *ad valorem* tax levy. These services include public services and engineering, parks and recreation, police, fire, and development services. The City also collects fees and user charges to offset the cost of providing certain of these services. See "FINANCIAL INFORMATION" herein.

To provide these services, the City employs 1,007 full-time employees as of July 1, 2025, consisting of:

<u>Department</u>	<u>Full Time</u>
General Government	192
Judicial	17
Finance	34
Planning & Development	41
Public Safety	355
Parks, Recreation & Tourism	112
Public Works	69
Utilities	170
Parking	2
Transit	<u>15</u>
Total	1,007

Under State law, the City is not allowed to negotiate with collective bargaining groups. The City considers itself to have good relations with its employees.

Revenue-Supported Services

The City owns and operates a combined utility system (the "System") which provides water, wastewater, and electrical service within the City and its surrounding areas. Rates are set by Council and are subject to adjustment by the City Manager to reflect changes in wholesale power costs. The System presently serves approximately 111,000 people, including the residential and commercial parts of the City and its suburbs. The System is managed by the Utility Department which consists of electric services; water distribution and wastewater collection; water and wastewater treatment; stormwater; and engineering, technology, and administration services. There are presently 45 employees of the water system, 53 of the wastewater system, 71 of the electric system, 19 of the stormwater system, 21 technology employees, and 8 administrative employees of the System. In addition, the Finance Department employs 26 people for utility bill collection and customer service.

Investment Policies

The City holds and invests all operating funds directly. Proceeds of general obligation bonds and tax collections used to pay debt service on general obligation bonds also are held and invested by the City. In both cases, the funds may be invested only in investments specified under Section 6-5-10 of the Code of Laws of South Carolina 1976, as amended, or the South Carolina Local Government Investment Pool. Section 6-5-10 provides the following investments: (1) obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States; (2) obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations; (3)(i) general obligations of the State or any of its political units; (ii) revenue obligations of the State or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations; (4) savings and loan associations to the extent that the same are insured by an agency of the federal government; (5) certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government; (6) repurchase agreements when collateralized by securities as set forth above; and (7) no load open- end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or

agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) above, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method. The South Carolina Local Government Investment Pool is managed by the South Carolina State Treasurer. In addition to the kinds of investments provided for in Section 6-5-10, the State Treasurer may also invest in obligations of private corporations so long as the obligations bear any of the three highest ratings from at least two nationally recognized rating services.

Fringe Benefits, Retirement and Health Insurance

Generally, all employees of the City participate in one of two defined benefit pension plans administered by the State of South Carolina, the South Carolina Retirement System ("SCRS") and the Police Officers Retirement System ("PORS"), both of which are cost-sharing, multiple-employer public employee retirement plans. The total payroll for employees covered by the SCRS for the year ended June 30, 2025 was \$45,824,661. The total payroll for employees covered by the PORS for the year ended June 30, 2025 was \$20,703,272. The SCRS and PORS offer retirement and disability benefits, cost-of-living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The plans' provisions are established under Title 9 of the Code of Laws of South Carolina 1976, as amended ("Title 9").

Both employees and the City are required to contribute to the SCRS and the PORS at rates established under the authority of Title 9. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employee's annual earnings. For the Fiscal Years ended June 30, 2024 and 2025, the City contributed 100% of the required contributions at the rates and in the amounts set forth in the following table:

<u>Fiscal Year</u>	<u>SCRS</u>		<u>PORS</u>	
	<u>Employer Contribution Rate</u>	<u>Employer Contribution Amount</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution Amount</u>
2024	18.56%	\$7,923,987	21.24%	\$4,024,575
2025	18.56	8,252,433	21.24	3,729,613

Act No. 13 of 2017 ("Act No. 13") was signed by the Governor of the State on April 25, 2017. This new law increased the employer contribution rate to 13.56% for SCRS and 16.24% for PORS beginning July 1, 2017. Employer rates continued to increase annually by 1% through July 1, 2023, which resulted in the employer rates totaling 18.56% for SCRS and 21.24% for PORS for fiscal year 2024 and thereafter. The legislation also increases and caps the employee contribution rates to 9% for SCRS and 9.75% for PORS, permits, after June 30, 2027, a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of retirement system assets and the actuarial value of retirement system liabilities is equal to or greater than 85%, lowers the assumed annual rate of return on pension investments from 7.50% to 7.25%, and for some years reduces the funding period of unfunded liabilities from 30 years to 20 years.

The City has paid all required contributions for fringe benefits and insurance as they have come due. There are no liabilities for underfunding of such benefits.

Accounting for Other Postemployment Benefits

To comply with the requirements of the Governmental Accounting Standards Board Statement No. 75 ("GASB 75"), which requires state and local governments to account for and report other postemployment benefits ("OPEB") costs during employees' actual employment term, the City contracted with Cavanaugh MacDonald Consulting, LLC to compute the City's Net OPEB Liability ("NOL") and Actuarially Determined Employer Contributions ("ADEC"). For Fiscal Year 2024-25, the City paid all the liability for actual retiree claims incurred during the calendar year that are a part of the ADEC, which the City estimates to be approximately \$1,040,000. In Fiscal Year 2024-25, the City paid \$374,794 which it estimates will be nearly half of the remaining estimated \$789,865 of the ADEC, the portion intended to amortize its NOL. The City has budgeted another \$325,000 in Fiscal Year 2025-26. In addition, the City is a member of the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"),

a trust established for the purpose of sharing administrative and investment related expenses in meeting the requirements of GASB 75. The balance held in escrow with SC ORBET for the City was \$8,020,060 on June 30, 2025.

Liability Insurance

Subject to specific immunity set forth in the South Carolina Tort Claims Act, local governments, including the City, are liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate. No punitive or exemplary damages are permitted under the Tort Claims Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund established by the South Carolina State Budget and Control Board, private carriers, self-insurance or pooled self-insurance funds. The City currently is insured by Old Republic against tort liability under the South Carolina Tort Claims Act.

Cyber Security

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

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

Demographic Characteristics

The population of the City and the County for the preceding five decennial years are set forth in the following table:

<u>Year</u>	<u>City</u>	<u>County</u>
1980	35,327	106,720
1990	42,112	131,497
2000	49,765	164,614
2010	66,154	226,073
2020	74,372	282,090

Source: United States Department of Commerce, Bureau of the Census; Division of Research and Statistical Services, South Carolina State Budget and Control Board

The estimated population of the City of Rock Hill for 2024 was 75,971 and 298,320 for York County.

Per Capita Income

The per capita income in York County, the State and the MSA for the most recent years available is set forth below:

<u>Year</u>	<u>County Per Capita Income</u>	<u>State Per Capita Income</u>	<u>Charlotte/Gastonia Rock Hill MSA</u>
2020	\$52,349	\$48,770	\$58,135
2021	57,107	53,224	63,408
2022	59,433	54,429	66,223
2023	62,604	57,332	69,588
2024	N/A	60,776	N/A

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

Major Employers

The following table sets forth the ten largest employers located in the County as of December 2024, their products or services, and the approximate number of employees:

<u>Employer</u>	<u>Service Provided or Type of Business</u>	<u>Employees</u>
Ross Stores Inc.	Distribution	3,300
LPL Financial LLC	Financial Services	3,242
Fort Mill School District	School District	2,517
Rock Hill School District	School District	2,510
Piedmont Medical Center	Healthcare	2,000
Winthrop University	College/University	1,637
Clover School District	School District	1,385
York County Government	Government	1,337
Schaeffler Group, USA	Nuclear Power Generation	1,006
Comporium, Inc.	Communication Services	986

Sources: York County Annual Comprehensive Financial Report

Unemployment Rates

The average unemployment rates for the City, County, State and United States for each of the last five years for which information is available is set forth in the following table:

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2020	7.2%	5.9%	6.0%	8.1%
2021	3.1	3.7	3.9	5.3
2022	3.1	3.1	3.2	3.6
2023	3.1	2.9	3.0	3.6
2024	4.6	4.0	4.1	4.0

Source: United States Bureau of Labor
South Carolina Department of Employment and Workforce

The average unemployment rates for the City, County, State and United States for each of the months of 2025 for which information is available are shown below:

<u>Month</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
January 2025	4.6%	4.1%	4.3%	4.4%
February 2025	4.9	4.4	4.5	4.5
March 2025	4.9	4.1	4.1	4.2
April 2025	4.7	3.8	3.8	3.9
May 2025	4.5	3.7	3.7	4.0
June 2025	5.3	4.4	4.4	4.4
July 2025	5.8	4.8	4.7	4.6
August 2025	5.4	4.9	4.9	4.3
September 2025	5.4	4.4	4.5	4.4
October 2025	*	*	*	*
November 2025	5.0	5.0	5.0	4.3
December 2025	N/A	4.8	4.9	4.1

*The October unemployment rate was not generated due to the Federal Government shutdown.

Source: United States Bureau of Labor

South Carolina Department of Employment and Workforce

Retail Sales

The following table shows retail sales of businesses located in the City and County for the most recent five years:

<u>Calendar Year</u>	<u>County</u>	<u>City</u>
2021	\$8,217,300,639	\$2,770,967,405
2022	8,956,950,219	3,152,939,213
2023	9,060,337,478	3,160,060,549
2024	9,451,573,224	3,389,908,771
2025	9,604,814,285	3,411,211,648

Source: South Carolina Department of Revenue

Note: County sales include City of Rock Hill sales.

Capital Investments

The following table sets forth the total capital investment for new and expanded industry within York County for the years 2021 to 2025:

<u>Calendar Year</u>	<u>New Investment</u>	<u>New Employment</u>
2021	\$ 63,394,600	689
2022	140,317,967	274
2023	1,203,210,000*	1,069
2024	60,105,000	244
2025	N/A	N/A

Source: South Carolina Department of Commerce, York County Economic Development

*Includes \$1,166,000,000 investment by QTS Data Center, a global provider of data center infrastructure.

New Business Development

Businesses locating or expanding within the City between 2021 and 2025 are as follows:

<u>Calendar Year</u>	<u>Company</u>	<u>Announced Investment</u>	<u>Announced Employment</u>
2021	Scentsy, Inc.	6,000,000	200
	MLILY USA	2,800,000	100
	Southwood Corporation	6,400,000	73
	3D Systems – Headquarters - Expansion	13,000,000	50
2022	STIWA U.S., Inc.	30,000,000	48
	Nucycle	15,830,000	41
	Hymec Aerospace	6,990,000	40
	PDM	18,500,000	25
	Strategic Capital Partners	59,000,000	0
2023	CL&D Graphics, Inc.	11,000,000	26
	C-A-T Resources, LLC	17,000,000	0
2024	None		
2025	CAT Resources	18,600,000	0
	Hissho Sushi	5,000,000	146
	Schneeberger	3,200,000	101
	Riverstone Logistics	16,400,000	159
	Pratt Industries	92,500,000	116

Source: City of Rock Hill Economic Development

This investment and job creation has fueled growth in the number of hotels, restaurants and retail establishment to support residents and employees.

Construction Activity

The following table shows the number of building permits issued in the City and the approximate cost of construction represented by those permits in the most recent five years:

<u>Calendar Year</u>	<u>No. of Commercial Permits</u>	<u>Approx. Construction Costs</u>	<u>No. of Residential Permits</u>	<u>Approx. Construction Costs</u>	<u>No. of Misc. Permits</u>	<u>Approx. Construction Costs</u>	<u>Total Permits</u>	<u>Total Approximate Construction Costs</u>
2021	24	\$112,850,234	272	\$108,718,005	3,172	\$117,575,799	3,468	\$339,144,038
2022	24	130,860,827	254	105,840,452	3,132	92,410,593	3,410	329,111,872
2023	12	139,120,372	213	100,028,359	3,191	128,922,934	3,416	368,071,665
2024*	47	170,576,788	180	69,754,268	7,512	198,668,917	7,739	438,999,973
2025	28	78,791,347	193	168,964,110	3,485	335,624,417	3,706	583,379,874

*The number of permits in 2024 increased dramatically due to roof and other property damage stemming from hail storm event.

Source: City of Rock Hill, Planning and Development Department

Facilities Located Within the County

Transportation – Interstate Highway 77, U.S. Highway 21 and a network of South Carolina highways run through the City. Rail service is provided by Southern Railway. The Charlotte/Douglas International Airport, located 21 miles from the City, is the sixth largest operating airport in the nation and averages 850 daily departures and over 50 million passengers annually. The Rock Hill/York County Municipal Airport serves the City's general aviation aircraft needs. *My Ride Rock Hill* is a bus transit system added in July 2019 which has four fixed routes traveling along key corridors and is free to the rider.

Medical and Health Services – There are three hospitals located in or near the City, Piedmont Health Care System, Rock Hill and Mercy South/Carolina Medical Center, Pineville, North Carolina. Piedmont Medical Center has completed a new 100-bed medical center facility in Fort Mill in York County.

Financial Institutions – Twelve commercial banking institutions as well as three federal credit unions have numerous branches located in the City. Twenty miles north of the City is Charlotte, North Carolina, which is one of the largest financial centers in the United States. The corporate headquarters for LPL Financial is also located just north of the City.

Besides being the home to major corporate operations of commercial banks, the Charlotte region also houses many large operational and customer service centers for companies like CitiFinancial, Synchrony/Lowe's Credit.

Utilities – Electricity for industrial, residential and commercial consumption is provided by the City of Rock Hill, Duke Energy and York Electric Cooperative. Natural gas is provided by York County Natural Gas. Water and sewer service is provided by the City inside the City limits, as well as to portions of the County.

Recreation – The City offers many opportunities for recreation and leisure activities. Local cultural organizations, such as the Center for the Arts, the Fort Mill Community Playhouse, the Culture and Heritage Museum, Historic Brattonsville, and the Historical Center of York County, encompass all facets of artistic endeavors and performing arts. The City is home to several parks such as Glencairn Garden, Huckle Grove, Confederate Park, River Park, Riverwalk and Ebenezer Park. The Catawba Cultural Center on the Catawba Indian Reservation seeks to preserve the Catawba heritage and culture. Lake Wylie, a 12,000-acre lake, provides opportunities for fishing and water sports. Rock Hill Sports and Events Center, Cherry Park, Manchester Meadows Soccer Complex, Rock Hill Tennis Center, The Giordana Velodrome, The Rock Hill BMX Supercross Track and Winthrop University Coliseum/Sports Complex offer a wide range of sports activities for both spectators and participants and offer numerous special events.

The Rock Hill Outdoor Center, a dynamic collection of recreation amenities, consists of approximately 250 acres of public recreation space. The Outdoor Center is in the Riverwalk development which received the 2017 Excellence in Economic Development (Public-Private Partnerships), Gold Award from the International Economic Development Council. The Piedmont Medical Center Trail opened in July 2010 and is available year-round, offering beautiful views of the Catawba River. The first of several cycling venues, the Giordana Velodrome, opened in March, 2012 and the Riverwalk Carolinas Mountain Bike Trails opened in late 2012. The Rock Hill BMX Supercross Track opened in 2014 and hosted the UCI World Championship in July 2017 with approximately 4,000 riders representing 40 countries participating in the five-day event. The BMX Supercross Track hosted the UCI World Championships again in May 2024.

The Rock Hill Sports and Event Center is a 170,000 square foot indoor facility completed in December 2019. The facility is set up to host large scale basketball and volleyball tournaments as well as conferences/conventions, cornhole and many other athletic events. The facility is booked nearly every weekend during the year and annually hosts top high school basketball talent for the 3Stripes Select Basketball tournament presented by Adidas. The facility is also featured annually on ESPN during the American Cornhole League World Championships. The City recently completed construction of an approximately 40,000 square foot facility adjacent to the Sports and Event Center which includes four basketball courts, eight volleyball courts and 12 pickleball courts.

Education – There were approximately 48,067 students enrolled in the public school system in York County for the 2024-2025 school year including two public charter schools, York Preparatory Academy and Riverwalk

Academy. All public schools are fully accredited and all teachers fully certified by the South Carolina Department of Education. Winthrop University, a four-year state-supported institution, is located in the City and has a student body of approximately 6,073 consisting of 5,014 undergraduates and 1,059 graduate students.

TAX INFORMATION

Property Taxation and Assessment

Article X, Section 1 of the State Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

(1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 10.5% of fair market value. Certain real property owned by, or leased to, manufacturers for use in "research and development," office buildings and warehousing and wholesale distribution of wearing apparel is excluded from this classification, and would be subject to the six percent assessment ratio for other real property. Certain new industrial facilities may be entitled to pay a "fee-in-lieu-of-taxes" computed on an assessment ratio of not less than 4% of original cost less depreciation. See "Exempt Manufacturing Property" herein;

(2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business – 9.5% of fair market value;

(3) Legal residence and not more than five contiguous acres – 4% of fair market value (if the property owner makes proper application and qualifies);

(4) Agricultural real property used for such purposes owned by individuals and certain corporations – 4% of use value (if the property owner makes proper application and qualifies);

(5) Agricultural property and timberlands belonging to corporations having more than ten shareholders – 6% use value (if property owner makes proper application and qualifies);

(6) All other real property – 6% of fair market value;

(7) Business inventories – 6% of fair market value (as of 1988, an exemption is available from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is considered in determining total assessed value for purposes of the bonded debt limit); and

(8) Vehicles – 6% of fair market value.

The South Carolina Department of Revenue ("DOR") has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the County. State statutes provide that, notwithstanding any other provision of law, each county will appraise and equalize the properties within its jurisdiction once every five years. The latest reassessment in the County was completed in 2024 and was effective for the 2025 tax year.

Legislation adopted by the General Assembly in its 1996 session limits the level of millage which may be imposed by a political subdivision or school district for the year in which the reassessment is implemented to the "rollback" millage. The intended effect of rollback millage is to limit the millage rate to that millage rate which, following a reassessment, will produce the same revenues as were produced in the year preceding reassessment. The rollback millage may be increased by the percentage increase in the consumer price index for the year immediately preceding the year of reassessment. The rollback millage limitation is inapplicable to millage necessary to pay general obligation debt.

Legislation adopted by the General Assembly in its 1997 session required local governments such as the City to hold a public hearing prior to an increase in millage levied for operations and maintenance and approve the increase by a "positive majority" of the governing body. In 2006, the shift in tax burden caused by the 1997 legislation resulted in a constitutional amendment, Act 388. Act 388 set statewide assessment caps on property tax and increased the state sales tax to fund further relief for homeowners from school property taxes. In addition, Act 388 provided a new method for limiting millage to the consumer price index plus increase in the City population and eliminated the City's ability to override the millage limitation by a positive majority vote of Council. While Act 388 has had a material impact on some local governments, primarily schools, the City of Rock Hill has not been materially affected by Act 388.

The County Assessor appraises and assesses all the real property and mobile homes located within the County and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The Department of Revenue furnishes guides for use by the County in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

Each year the Department of Revenue certifies its assessments to the County Auditor who prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

Budget and Tax Collection Procedure

The annual budget serves as the operational guide for the City's financial planning and control. All departments are required to submit requests for appropriations to the City Manager in the spring of each year. The City Manager uses these requests along with the Strategic Goals developed by the Council as the foundation for developing a proposed budget. The City Manager reviews and revises these budget requests in March, and then submits a proposed operating budget in April to Council for final approval prior to the beginning of each fiscal year on July 1. The operating budget includes proposed expenditures and means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The City Manager is authorized to administer the budget and may authorize the transfer of appropriated funds within and between departments and funds as necessary to achieve the goals of the budget.

The budget is monitored monthly and revisions are made as necessary to account for changes in anticipated revenues and expenditures.

In the County, taxes are collected for county, municipal and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar-year basis. Real and personal property taxes in the County (except for taxes on motor vehicles which are due on the last day of the month the motor vehicle license expires) are payable on or before January 15 of each year. If taxes are not paid by January 15, a penalty of three percent is added. If taxes are not paid on or before February 1, an additional penalty of seven percent is added thereon. If taxes are not paid on or before March 16, an additional penalty of five percent is added thereon and the property goes into execution. The County Treasurer is responsible for the collection of delinquent taxes and is empowered to sell so much of the defaulting taxpayer's estate, real, personal or both, as may be sufficient to satisfy the taxes.

Assessed Value of Taxable Property

The assessed values and estimated actual values of all taxable real and personal property in the City for each of the most recent five years is set forth in the following table:

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>	
		<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
2021	2022	\$286,376,906	\$5,679,808,633	\$ 99,282,244	\$1,209,097,557	\$385,659,150	\$6,888,906,190
2022	2023	302,753,091	6,029,832,392	106,645,813	1,291,248,318	409,398,904	7,321,080,710
2023	2024	326,885,278	6,506,927,033	114,932,640	1,383,377,231	441,817,918	7,890,304,264
2024	2025	338,104,422	6,762,088,440	116,327,784	1,411,026,769	454,432,206	8,173,115,209
2025*	2026*	402,196,016	8,043,920,320	118,113,000	1,416,243,607	520,309,016	9,460,163,927

*Estimated

Source: York County Auditor and City Finance Department

<u>Classification of Property</u>	<u>Fiscal Year 2026 Assessed Value</u>
Real Property (Nonmanufacturing)	\$402,196,016
Vehicles	42,000,000
Manufacturing (Real/Personal)	21,200,000
Fee-In-Lieu	26,000,000
Marine/Aircraft	1,118,000
Business Personal Property	17,795,000
Utilities	<u>10,000,000</u>
Total	\$520,309,016

Source: York County Auditor

Exempt Manufacturing Property

Article X, Section 3 of the State Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (more than \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may by ordinance grant a similar exemption to manufacturing establishments.

Tax Rates

The following table sets forth the millage levied for City purposes in each of the last five years.

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>City Operations</u>
2021	2022	93.5
2022	2023	93.5
2023	2024	93.5
2024	2025	96.5
2025	2026	94.7

Source: City Finance Department

Tax Collections for Last Five Years

The following table sets forth the amount of City taxes levied, current taxes collected and the amount of delinquent City taxes for the last five years.

Tax Year	Fiscal Year	Total Tax Levy*	Fiscal year Current Tax Collections	Fiscal year Percent of Levy Collected	Delinquent Collections*	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes
2020	2021	\$34,511,567	\$32,991,806	95.60%	\$1,259,355	\$34,251,161	99.25%	\$260,406
2021	2022	35,941,034	34,626,294	96.34	953,297	35,579,591	98.99	361,444
2022	2023	37,784,790	36,671,340	97.05	855,017	37,526,357	99.32	258,433
2023	2024	40,563,201	39,325,703	96.95	1,389,130	40,714,833	100.37	0
2024	2025	43,093,822	42,055,647	97.59	929,737	42,985,385	99.75	108,437

Source: City of Rock Hill Finance Department, York County Treasurer

*Includes taxes levied in the year shown but collected after the due date. Excludes vehicle taxes for all years.

Ten Largest Taxpayers in the City

The ten largest taxpayers in the City and the amount of City taxes paid by each in tax year 2024 (Fiscal Year 2025) are set forth in the following table:

Taxpayer	Type of Business	Fiscal Year 2025 Property Taxes	Assessed Value	Percentage of Total City Taxable Assessed Value
Ross Dress for Less, Inc	Distribution	\$ 876,014	\$ 9,077,863	1.99%
Comporium, Inc.	Communications Provider	719,512	7,456,086	1.64
Rock Hill Hutchinson Road Ind LLC	Manufacturer	481,206	4,986,558	1.09
Amisub of South Carolina Inc.	Medical Facility	379,317	3,930,750	0.86
1817 Paces River Ave LLC	Apartments	363,983	3,771,844	0.83
SL Williams Industrial LLC	Manufacturer	284,342	2,946,546	0.65
West Shore Riverwalk LLC	Apartments	243,440	2,522,694	0.55
Triangle Gateway at Rock Hill LLC	Apartments	241,870	2,506,429	0.55
RH Apartments QOZB LLC	Apartments	214,068	2,218,318	0.49
LIT Industrial LP	Manufacturer	208,939	2,165,166	0.48
Total		\$4,012,688	\$41,582,254	9.13%

Source: York County Treasurer

Sales Tax Referenda

South Carolina law provides that, upon a county-wide referendum favorable thereto, there will be imposed a one percent sales and use tax within such county. An amount not to exceed five percent of the collections from such tax will be withheld for distribution to other counties if the county imposing the tax collects \$5,000,000 or more in a particular year. The remainder is divided between a Property Tax Credit Fund and a County/Municipal Revenue Fund. The distribution between those two funds would begin at 63 percent to the Property Tax Credit Fund, 37 percent to the County/Municipal Revenue Fund, changing over a five-year period to 71 percent to the Property Tax Credit Fund and 29 percent to the County/Municipal Revenue Fund. Collections deposited to a Property Tax Credit Fund would be distributed 67 percent to the county and 33 percent to the municipalities in the county based on their respective populations. Collections deposited to the County/Municipal Revenue Fund would be allocated among the county and the municipalities in the county area with 50 percent of such allocation based upon the location of the sale and 50 percent of the allocation based on population. Collections deposited to the Property Tax Credit Fund would be used by the receiving county or municipality to provide a credit against the property tax liability of taxpayers in the county or municipality. Moneys received by a county or municipality from the County/Municipal Revenue Fund may be

used for additional expenditures or for a further property tax credit. In practical effect, if the level of expenditures is a given, either use of the moneys would result in a lower tax millage levy than otherwise. If a municipality has adopted a redevelopment plan for a tax increment-financed redevelopment project pursuant to the Tax Increment Financing Law, Title 31, Chapter 6, Code of Laws of South Carolina 1976, as amended, a deficiency resulting from the application of the Property Tax Credit Fund to lower tax millage levies must be funded from the municipality's allocation from the County/Municipal Revenue Fund each year so as to provide full funding for the project. A referendum was held in the County on November 6, 1990 at which time the voters in the County rejected the imposition of a local option sales tax.

In November 1997, York County voters approved a one-cent sales tax for the purpose of generating funds for roadway improvements throughout the County for a period expiring on May 1, 2004. On November 4, 2003, voters approved extending the one-cent sales tax for roadway improvements. On August 2, 2011, voters approved a second extension of the one-cent sales tax for a period not to exceed seven years. On November 7, 2017, voters approved a third extension of the one-cent sales tax for a period not to exceed seven years. A fourth extension of the one-cent sales tax was approved on November 5, 2024 with 71% affirmative vote. This approval extends the sales tax for another seven years.

State Appropriations Subject to Withholding

Under Article X, Section 14, South Carolina Constitution for the current fiscal year, the total anticipated State Appropriations subject to withholding consists of the Aid to Subdivisions funds (\$1,944,840) and the State Accommodations Taxes (\$1,057,222) received by the City. For the fiscal year 2024-25, the total amounts of these two sources are \$3,002,062.

Local Accommodations and Hospitality Fees and State Accommodations Tax

The City has imposed a 3% local accommodations fee (the "Accommodations Fee") since 1997 and a 2% local hospitality fee on the sale of prepared meals and beverages served within the City (the "Hospitality Fee") since 2002. The State also imposes a 7% sales tax on accommodations (the "State Accommodations Tax"), a portion of which is allocated to the City. The amounts of Local Hospitality and Accommodations Fees and State Accommodations Taxes collected during the past five years are shown in the following table:

<u>Fiscal Year</u>	2% Hospitality Food and Beverage Fees <u>Collected</u>	3% Local Accommodations <u>Fees Collected</u>	State Accommodations Taxes Allocated <u>to City</u>	Total Fees <u>Collected</u>
2021	\$5,546,334	\$1,084,699	\$605,302	\$ 7,236,335
2022	6,371,542	1,526,959	870,347	8,768,848
2023	7,097,199	1,682,963	894,008	9,674,170
2024	7,392,257	1,595,466	934,502	9,922,225
2025	7,751,712	1,759,854	1,057,222	10,568,788

DEBT INFORMATION

General Obligation Debt

Under the provisions of Article X, Section 14 of the State Constitution, an incorporated municipality may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitation as to amount, and incur, without an election, general obligation debt (in addition to bonded indebtedness existing on November 30, 1977, bonded indebtedness authorized by a majority vote of qualified electors and bonded indebtedness issued in anticipation of the collection of ad valorem taxes) in an amount not exceeding eight percent of the assessed value of all taxable property therein.

The City's debt limitation is calculated as set forth in the following table.

FY 25-26 Assessed Value of Taxable Property	\$520,309,016
	<u> x 8%</u>
Constitutional Debt Limit	41,624,721
Outstanding Debt Applicable to Debt Limit	<u>(9,755,000)</u>
Available Debt Limit	\$ 31,869,721

Source: York County Auditor and City Finance Department

Miscellaneous Debt Information. The City has not defaulted in the payment of principal or interest, or in any other material respect, with respect to any of its securities at any time within the last 25 years, nor has the City within such time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on any of its securities then outstanding. The City has not used the proceeds of any bonds or other securities (other than tax anticipation notes) for current operating expenses at any time within the last 25 years.

Other Obligations

The City has issued its \$2,250,000 maximum principal amount HUD-Guaranteed Note, dated June 13, 2007 (the "HUD Note"). The HUD Note is payable solely from grants received from time to time by the City pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, and matures on August 1, 2026.

The City entered into a Municipal Facilities Purchase and Occupancy Agreement dated as of October 1, 2018 (the "2018 Facilities Agreement") with University Center Facilities Corporation V ("UCFC V") pursuant to which UCFC V agreed to sell certain parking facilities (defined as the "Facilities" in the 2018 Facilities Agreement) to the City upon payment by the City of Acquisition Payments (as defined in the 2018 Facilities Agreement) to UCFC V. Such Acquisition Payments are payable on or before April 15 and October 15 of each year commencing April 15, 2019 and ending April 15, 2039, and each payment of Acquisition Payments is in consideration for the conveyance of title to the City of an undivided interest in the Facilities. In connection with the 2018 Facilities Agreement, UCFC V issued its \$15,785,000 Installment Purchase Revenue Bonds (City of Rock Hill Project) Series 2018A and \$13,175,000 Installment Purchase Revenue Bonds (City of Rock Hill Project) Taxable Series 2018B dated October 24, 2018 (collectively, the "2018 IPRBs") pursuant to a Trust Agreement dated as of October 1, 2018 by and between UCFC V and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Trust Estate established by the Trust Agreement for payment and security of the 2018 IPRBs includes, among other things, UCFC V's interest in the 2018 Facilities Agreement and the Acquisition Payments paid thereunder.

The City entered into a Lease and Payment Agreement dated as of April 18, 2018 (the "Lease Agreement") with University Center Facilities Corporation III ("UCFC III") pursuant to which UCFC III agreed to lease certain facilities comprising the Rock Hill Sports and Event Center (defined as the "Premises" in the Lease Agreement) to the City upon payment by the City of Payments (as defined in the Lease Agreement) to UCFC III. Such Payments are payable on or before May 15 and November 15 of each year commencing November 15, 2018 and ending May 15, 2039. In connection with the financing of the Rock Hill Sports and Event Center, UCFC III entered into a Loan Agreement (the "Loan Agreement") with the South Carolina Jobs-Economic Development Authority ("JEDA") dated as of April 1, 2018, pursuant to which JEDA loaned to UCFC III the proceeds of its \$20,810,000 Tax-Exempt Revenue Bonds (City of Rock Hill Project) Series 2018A and \$485,000 Taxable Revenue Bonds (City of Rock Hill Project) Series 2018B (the "JEDA Bonds"), and UCFC III agreed to make loan payments to JEDA derived, in part, from the City's Payments under the Lease Agreement. The JEDA Bonds were issued pursuant to a Trust Indenture dated as of April 1, 2018 by and between JEDA and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Trust Estate established by the Trust Indenture for payment and security of the JEDA Bonds includes, among other things, JEDA's interests in the Loan Agreement, including UCFC III's rights to the Payments paid by the City under the Lease Agreement.

The City entered into a Municipal Facilities Purchase and Occupancy Agreement dated as of December 17, 2020 (the "2020 Facilities Agreement") with UCFC V pursuant to which UCFC V agreed to sell certain parking facilities (defined as the "Facilities" in the 2020 Facilities Agreement) to the City upon payment by the City of Acquisition Payments (as defined in the 2020 Facilities Agreement) to UCFC V. Such Acquisition Payments are

payable on or before April 15 and October 15 of each year commencing April 15, 2021 and ending April 15, 2039, and each payment of Acquisition Payments is in consideration for the conveyance of title to the City of an undivided interest in the Facilities. In connection with the 2020 Facilities Agreement, UCFC V issued its \$12,686,000 Installment Purchase Revenue Bond (City of Rock Hill Project) Series 2020 (the "2020 IPRB") pursuant to a Trust Agreement dated as of December 17, 2020 by and between UCFC V and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Trust Estate established by the Trust Agreement for payment and security of the 2020 IPRB includes, among other things, UCFC V's interest in the 2020 Facilities Agreement and the Acquisition Payments paid thereunder.

The City entered into a Municipal Facilities Purchase and Occupancy Agreement dated as of January 26, 2023 (the "2023 Facilities Agreement") with Public Facilities Corporation for the City of Rock Hill ("PFC") pursuant to which PFC agreed to sell certain facilities (defined as the "Facilities" in the 2023 Facilities Agreement) to the City upon payment by the City of Acquisition Payments (as defined in the 2023 Facilities Agreement) to PFC. Such Acquisition Payments are payable on or before January 15 and July 15 of each year commencing July 15, 2025 and ending January 15, 2038, and each payment of Acquisition Payments is in consideration for the conveyance of title to the City of an undivided interest in the Facilities. In connection with the 2023 Facilities Agreement, PFC issued its \$25,670,000 Installment Purchase Revenue Bond, Taxable Series 2023 (the "2023 IPRB") pursuant to a Trust Agreement dated as of January 26, 2023 by and between PFC and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Trust Estate established by the Trust Agreement for payment and security of the 2023 IPRB includes, among other things, PFC's interest in the 2023 Facilities Agreement and the Acquisition Payments paid thereunder.

The City also has outstanding capital lease obligations in the amount of \$20,541,000.

REVENUE OBLIGATIONS OF THE CITY

Combined Utility System Revenue Bonds. From time to time the City issues Combined Utility System Revenue Bonds (the "Revenue Bonds") which are payable solely from the revenues derived from the operation of the System after first paying the costs and expenses of operating and maintaining the System. The City is issuing its \$52,900,000 original principal amount Combined Utility System Refunding Revenue Bonds, Series 2026 (the "Series 2026 Revenue Bonds") on March 10, 2026 to refund a portion of the City's outstanding Combined Utility System Revenue Bonds, Series 2016 (the "Refunded Bonds"). Upon the issuance of the Series 2026 Revenue Bonds and the refunding of the Refunded Bonds, the City will have outstanding Revenue Bonds in the principal amount of \$476,881,384.

State Revolving Fund Notes. The City currently has outstanding promissory notes payable to the South Carolina Water Quality Revolving Fund Authority outstanding in the principal amount of \$10,794,066 which were issued to finance improvements to the City's stormwater system (the "Stormwater System") and are payable from all revenues derived by the City from the operation of the Stormwater System.

Tax Increment Bonds. The City currently has outstanding tax increment bonds in the principal amount of \$27,117,000 which are secured by a pledge of incremental taxes levied upon certain portions of the City.

FINANCIAL INFORMATION

Financial Statements

The financial statements of the City for the Fiscal Years ended June 30, 2021 through June 30, 2025 have been audited by Mauldin & Jenkins LLC. A copy of the general purpose financial statements of the City for the Fiscal Year ended June 30, 2025, is attached as Appendix A to this Official Statement as the Annual Comprehensive Financial Report. Copies of complete audited financial statements for the Fiscal Year ended June 30, 2025 and prior years are available on the City website (www.cityofrockhill.com) or upon request from Maddison Wilkerson, Chief Financial Officer, (803) 329-8775.

Five-Year Summary of General Fund Operations

The following table sets forth a summary of the City's General Fund operations for the Fiscal Years 2021 through 2025. Information has been derived from the City's audited financial statements for the Fiscal Years 2021 through 2025.

CITY OF ROCK HILL, SOUTH CAROLINA Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund For Fiscal Years 2021-2025

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-2024</u>	<u>2024-2025</u>
Revenues					
Property taxes	\$33,399,493	\$36,014,781	\$ 38,769,837	\$ 41,219,375	\$ 44,123,710
Accommodations and hospitality taxes	6,741,933	8,043,551	8,909,912	9,140,747	9,646,217
License and permits	14,659,817	15,130,072	16,711,641	17,442,867	18,478,732
Fines and forfeitures	562,402	529,465	508,997	432,533	488,975
Intergovernmental revenue	5,364,290	9,402,144	4,955,248	4,681,077	5,259,306
Charges for services	14,732,841	15,079,529	16,664,679	18,268,505	18,273,926
Investment earnings	60,137	23,619	751,247	1,028,631	722,377
Other revenues	<u>6,264,553</u>	<u>4,448,689</u>	<u>3,911,718</u>	<u>3,980,345</u>	<u>5,088,667</u>
Total Revenues	\$81,785,466	\$88,671,850	\$ 91,183,279	\$ 96,194,080	\$102,081,910
Expenditures					
Current:					
General government	\$20,664,858	\$20,080,186	\$ 20,430,795	\$ 26,616,740	\$ 29,438,040
Public safety	27,930,926	30,785,029	33,429,879	35,813,590	39,814,568
Public works	9,216,118	11,697,932	10,627,056	10,633,491	11,333,543
Parks, recreation and tourism	13,451,590	15,526,970	16,902,941	19,407,585	19,878,061
Capital outlay	1,861,187	8,772,278	11,248,129	5,573,455	11,303,720
Debt service:					
Principal	4,437,990	7,124,590	4,641,990	5,602,750	5,149,000
Interest and fees	2,487,278	2,853,408	2,169,136	1,962,792	2,390,188
Capital lease payments	<u>4,826,013</u>	<u> </u>	<u>3,867,489</u>	<u>3,662,407</u>	<u>4,127,225</u>
Total expenditures	\$84,875,960	\$96,840,393	\$103,317,415	\$109,272,810	\$123,434,345
Excess (deficiency) of revenues over (under) expenditures	\$ (3,090,494)	\$ (8,168,543)	\$ (12,134,136)	\$(13,078,730)	\$ (21,352,435)
Other financing sources (uses):					
Transfers in	\$11,189,437	\$ 9,789,112	\$ 10,151,899	\$ 10,664,614	\$ 11,384,904
Transfers (out)	(734,459)	(218,697)	(82,711)	0	(1,050,000)
Issuance of financed purchases payable	0	0	0	5,403,442	8,239,393
Proceeds from capital leases	<u>1,301,213</u>	<u>5,124,093</u>	<u>5,293,129</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses):	\$11,756,191	\$14,694,508	\$ 15,362,317	\$ 16,068,056	\$ 18,574,297
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	\$ 8,665,697	\$ 6,525,965	\$ 3,228,181	\$ 2,989,326	\$ (2,778,138)
Beginning fund balance	\$12,014,241	\$20,679,938	\$27,205,903	\$ 30,434,084	\$ 33,423,410
Ending fund balance	\$20,679,938	\$27,205,903	\$30,434,084	\$ 33,423,410	\$ 30,645,272

General Fund Budget for 2025-2026 Fiscal Year

The following is a summary of the City's general fund budget for the 2025-2026 Fiscal Year, which was adopted by the City on June 23, 2025.

	<u>2025-2026 Budget</u>
<u>Revenues</u>	
General property taxes	\$45,062,187
License and permits	17,113,787
Intergovernmental revenue	17,156,483
Charges for services	16,318,555
Fines and forfeitures	342,752
Other revenues	<u>620,461</u>
 Total Revenues	 \$96,614,225
 <u>Expenditures</u>	
General government	\$30,544,039
Public safety	42,009,358
Public works	13,866,839
Parks, recreation & tourism	12,579,189
Non-Departmental	(4,052,048)
Debt service:	
Principal	764,600
Interest and fees	<u>902,248</u>
 Total expenditures	 \$96,614,225
 Excess (deficiency) of revenues over (under) expenditures	 0

Prepared by: City of Rock Hill Office of Finance

APPENDIX C

GENERAL BOND ORDINANCE AND SIXTH SUPPLEMENTAL ORDINANCE

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

(This Table of Contents for this General Bond Ordinance is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provision of this General Bond Ordinance).

ARTICLE I. DEFINITIONS..... 1

ARTICLE II. FINDINGS AND DETERMINATIONS..... 7

ARTICLE III. AUTHORIZATION AND ISSUANCE OF BONDS 9

 Section 3.1. Authorization of Bonds 9

 Section 3.2. General Provisions for Issuance of Bonds 9

 Section 3.3. Conditions for the Issuance of Bonds under the Ordinance

 Other than Refunding Bonds 10

 Section 3.4. Refunding Bonds 11

 Section 3.5. Junior Bonds 11

ARTICLE IV. THE BONDS 12

 Section 4.1. Execution 12

 Section 4.2. Authentication..... 12

 Section 4.3. Registration and Transfer of Bonds; Persons Treated as Holders..... 12

 Section 4.4. Form of Bonds; Denominations; Medium of Payment 12

 Section 4.5. Numbers, Date, and Payment Provisions..... 13

 Section 4.6. Exchange of Bonds 13

 Section 4.7. Regulations with Respect to Exchanges and Transfer 13

 Section 4.8. Mutilated, Lost, Stolen or Destroyed Bonds 13

ARTICLE V. REDEMPTION OF BONDS 15

 Section 5.1. Redemption of Bonds 15

 Section 5.2. Selection of Bonds for Redemption..... 15

 Section 5.3. Notice of Redemption 15

 Section 5.4. Partial Redemption of Bond..... 15

 Section 5.5. Effect of Redemption..... 15

 Section 5.6. Cancellation 16

ARTICLE VI. ESTABLISHMENT OF FUNDS; SECURITY FOR AND PAYMENT

 OF THE BONDS; INVESTMENT OF MONEYS..... 17

 Section 6.1. Listing of Funds and Accounts 17

 Section 6.2. Disposition of Hospitality Fees..... 17

 Section 6.3. Security for and Payment of the Bonds 17

 Section 6.4. Accounting Methods..... 18

 Section 6.5. Hospitality Fee Fund..... 18

 Section 6.6. Debt Service Funds 18

 Section 6.7. Debt Service Reserve Fund..... 21

 Section 6.8. Appropriation of Moneys for Debt Service 22

 Section 6.9. Establishment of Construction Fund..... 23

 Section 6.10. Distribution of Remaining Hospitality Fees 23

 Section 6.11. Investment of Funds..... 23

CITY OF ROCK HILL, SOUTH CAROLINA

GENERAL BOND ORDINANCE NO. 2013-14

AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF LIMITED OBLIGATION BONDS (HOSPITALITY FEE PLEDGE) OF THE CITY OF ROCK HILL, SOUTH CAROLINA; PRESCRIBING THE FORM OF BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS FROM THE SOURCES PROVIDED HEREIN; CREATING CERTAIN FUNDS AND PROVIDING FOR PAYMENTS INTO SUCH FUNDS; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING; AND OTHER MATTERS RELATING THERETO.

Enacted: April 8, 2013

ARTICLE VII. COVENANTS	25
Section 7.1. Pledge of Hospitality Fees for Payment of Bonds	25
Section 7.2. To Pay Principal, Premium, and Interest on the Bonds	25
Section 7.3. Records, Accounts and Audits	25
Section 7.4. Covenants with Respect to 2005 Certificates	25
ARTICLE VIII. TRUSTEE; CUSTODIANS	26
Section 8.1. Trustee	26
Section 8.2. Resignation of Trustee	28
Section 8.3. Removal of Trustee	29
Section 8.4. Custodians	29
Section 8.5. Duties and Obligations of Trustee and Custodians	29
Section 8.6. Trustee and Custodians Protected in Relying upon Ordinances, etc	30
ARTICLE IX. AMENDMENTS OR SUPPLEMENTS TO THE ORDINANCE	31
ARTICLE X. EVENTS OF DEFAULT	32
ARTICLE XI. REMEDIES UPON EVENT OF DEFAULT	33
Section 11.1. Declaration of Principal and Interest as Due	33
Section 11.2. Suits at Law or in Equity and Mandamus	33
Section 11.3. Remedies Not Exclusive; Effect of Waiver of Default; Effect of Abandonment of Proceedings or Adverse Determination	33
Section 11.4. Restrictions on Bondholder's Action	34
Section 11.5. Application of Hospitality Fees and Other Moneys After Default	34
ARTICLE XII. DEFEASANCE	36
ARTICLE XIII. MISCELLANEOUS	38
Section 13.1. Benefits of Ordinance Limited to the City, and Holder of the Bonds	38
Section 13.2. Ordinance Binding Upon Successors or Assigns of the City	38
Section 13.3. No Personal Liability	38
Section 13.4. Effect of Saturdays, Sundays and Legal Holidays	38
Section 13.5. Partial Invalidity	38
Section 13.6. Law and Place of Enforcement of Resolution	39
Section 13.7. Effect of Article and Section Headings and Table of Contents	39
Section 13.8. Repeal of Inconsistent Ordinances	39
Section 13.9. Notices	39
Section 13.10. Codification	40
Section 13.11. Severability	40
Section 13.12. Effective Date	40

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCK HILL, SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context shall clearly indicate some other meaning, the terms defined in this Section shall, for all purposes of this Ordinance and of any ordinance, resolution, certificate, opinion, instrument or other document herein or therein mentioned, have the meanings herein specified. The definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined and vice versa. The term:

“2005 Certificates” shall mean the City of Rock Hill, South Carolina, Rock Hill Public Facilities Corporation \$11,925,000 original principal amount Certificates of Participation Evidencing Undivided Proportionate Interests in Base Fee Payments under an Installment Sale Agreement (Hospitality Fee Pledge), Series 2005, dated March 1, 2005, presently outstanding in the principal amount of \$8,090,000.

“2005 Installment Sale Agreement” shall mean the Installment Sale Agreement, dated as of March 1, 2005, between the City and the Corporation, relating to the 2005 Certificates.

“2005 Trust Agreement” shall mean the Trust Agreement, dated as of March 1, 2005, between the Corporation and The Bank of New York Trust Company, N.A., as Trustee, relating to the 2005 Certificates.

“2008 Project Lease Agreement” shall mean the Project Lease Agreement, dated August 28, 2008, between the City and Branch Banking and Trust Company.

“Accountant” shall mean an independent certified public accountant or a firm of independent certified public accountants selected by the City.

“Bond” or “Bonds” shall mean any of the Limited Obligation Bonds (Hospitality Fee Pledge), some of the Bonds or all of the Bonds issued under and pursuant to Article III hereof, excluding bonds or other indebtedness issued under Section 3.5 hereof.

“Bond Act” shall mean Title 6, Chapter 17 of the S.C. Code, and all other statutory authorizations, now or hereinafter enacted, authorizing and enabling the City to provide for the issuance of the Bonds.

“Bond Counsel” shall mean any attorney or firm of attorneys of nationally recognized standing in 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.

“Bondholders” or the term “Holders” or any similar term shall mean the registered owner or owners of any Outstanding Bond or Bonds.

“Bond Redemption Account” shall mean the account by that name created within each respective Debt Service Fund.

“Books of Registry” shall mean the registration books maintained by the Registrar, as bond registrar, in accordance with Section 4.3 hereof.

“Business Day” shall mean, 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 shall be in the State or the

state in which the respective corporate trust offices of the Trustee, the Paying Agent or the Registrar are located a legal holiday or a day on which banking institutions are authorized by law or executive order to close or a day on which the payment system of the Federal Reserve is not operational.

“City” shall mean the City of Rock Hill, South Carolina.

“City Representative” shall mean the person or custodian/persons at the time designated to act on behalf of the City for the purpose of performing any act under this Ordinance or any Supplemental Ordinance by a written certificate furnished to the Trustee or Custodian containing the specimen signature of such person or persons and signed on behalf of the City by the Mayor, City Manager or Municipal Clerk of the City.

“Construction Fund” shall mean any fund established with and maintained by the Custodian selected by the City as provided in Section 6.9 hereof, and funded with certain of the proceeds of the sale of a Series of Bonds and intended to defray the costs of all or a portion of any Projects and to pay all Costs of Acquisition and Construction and Costs of Issuance in connection therewith, as established in a Supplemental Ordinance authorizing the issuance of such Series of Bonds.

“Corporation” shall mean Rock Hill Public Facilities Corporation, a nonprofit corporation organized and existing under the laws of the State, and an instrumentality of the City.

“Costs of Acquisition and Construction” shall mean, to the extent permitted by the Hospitality Fee Act, all costs of acquiring, constructing, repairing, renovating, developing, equipping or otherwise improving any Project or Projects, including capitalized interest on any Series of Bonds. Costs of Acquisition and Construction shall include the reimbursement of funds previously advanced by the City with respect to the Projects, and the payment of amounts due on bond anticipation notes, the proceeds of which were used for Costs of Acquisition and Construction.

“Costs of Issuance” shall mean all items of expense, directly or indirectly payable or reimbursable by or to the City or the Council 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 Trustee, Custodian, Registrar, Paying Agent or escrow 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 bond insurance, surety bonds, letters of credit, or any other forms of credit enhancement relating to the issuance of Bonds, financing charges, accrued interest with respect to the initial investment of proceeds of Bonds and any other costs, charges or fees in connection with the original issuance of Bonds.

“Council” shall mean the City Council of the City of Rock Hill, South Carolina.

“Custodian” shall mean any bank, depository or trust company duly qualified and doing business within the State selected by the City as a depository of moneys or securities held in the Construction Fund.

“Debt Service” shall mean, 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 Debt Service 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, however that:

- (a) 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 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 any prospective calculation, interest on Variable Rate Indebtedness then Outstanding and proposed to be issued (if applicable) shall be calculated at the lesser of (a) the 25-Bond Revenue Index published by *The Bond Buyer* (or if no longer published, any reasonably equivalent nationally recognized index published for the periods in question selected by the City) no more than two weeks prior to the date of calculation; or (b) the maximum interest rate allowable on such Variable Rate Indebtedness;
- (c) In the case of Bonds which have been or shall be issued as obligations for which the City has or shall be entitled to receive a payment or other form of credit that effectively reduces the City's debt service payment obligation therefor, the amount to be paid or set aside in the applicable Debt Service Fund in each Fiscal Year for such payment of Debt Service shall be reduced by the payment that the City has or shall be entitled to receive for such purpose.

“Debt Service Fund” shall mean each of the respective funds of that name established pursuant to Section 6.6 of this 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 this Ordinance and such Supplemental Ordinance as the same respectively become due and payable.

“Debt Service Reserve Fund” shall mean each of the respective funds, if any, of that name established pursuant to Section 6.7 of this Ordinance and so designated pursuant to a Supplemental Ordinance.

“Default” or “Event of Default” shall mean any of those Events of Default specified in and defined by Article X hereof.

“First Supplemental Ordinance” shall mean the Supplemental Ordinance enacted by the Council on the date hereof, authorizing the issuance of the Series 2013 Bonds.

“Fiscal Year” shall mean the fiscal year for the City 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” shall mean, except as otherwise provided in a Supplemental Ordinance, and to the extent such obligations constitute Permitted Investments: (1) United States Treasury Obligations – State and Local Government Series; (2) United States Treasury bills, notes, bonds or zero coupon treasury bonds all as traded on the open market; (3) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, including CATS, TIGRS and similar securities; (4) obligations of any agencies or instrumentalities which are backed by the full faith and credit of the United States of America; (5) bonds or debentures issued by any Federal Home Loan Bank or consolidated bonds or debentures issued by the Federal Home Loan Bank Board; (6) obligations of the Federal National Mortgage Association; (7)(i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations; or (8) any legally permissible combination of any of the foregoing. Government Obligations must be redeemable only at the option of the holder thereof.

“Hospitality Fee” means the local hospitality fee imposed by the City pursuant to S.C. Code Sections 6-1-700 to 6-1-770 and the Hospitality Fee Ordinance (identified in the Hospitality Fee Ordinance as a hospitality tax), which is equal to two percent (2%) on the gross proceeds derived from the sale of all prepared meals and beverages served within the City by any establishments.

“Hospitality Fee Act” means Title 6, Chapter 1, Article 7 of the S.C. Code, as such Act may be amended from time to time.

“Hospitality Fee Fund” shall mean the “City of Rock Hill Local Hospitality Tax Fund” established by the Hospitality Fee Ordinance.

“Hospitality Fee Ordinance” means Ordinance No. 2002-46 enacted by the Council on August 12, 2002, which imposed the Hospitality Fee, as such ordinance may be amended from time to time.

“Interest Account” shall mean the account by that name created within each respective Debt Service Fund.

“Interest Payment Date” shall mean the respective interest payment dates for a Series of Bonds as determined by a Supplemental Ordinance.

“Junior Bonds” shall mean either (a) bonds or bond anticipation notes secured by a pledge of Hospitality Fees junior and subordinate in all respects to the pledge securing the Bonds or (b) any other form of indebtedness secured by a pledge of Hospitality Fees after provision has been made for all payments required to be made with respect to the Bonds, which bonds or indebtedness may be authorized by an ordinance of Council which is not supplemental to this Ordinance.

“Maximum Debt Service” shall mean 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 the then current or any future Fiscal Year. In the case of determining the Maximum Debt Service for purposes of Section 3.3 of this Ordinance, the provisions of items (b) and (c) in the definition of “Debt Service” shall apply, as applicable.

“Ordinance” shall mean this ordinance as from time to time amended or supplemented by one or more Supplemental Ordinances.

“Outstanding” when used with respect to any Bond shall have the construction given to such word in Article XII hereof; *i.e.*, a Bond shall not be 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 said Article XII.

“Paving Agent” shall mean for each Series of Bonds the respective paying agent or paying agents appointed pursuant to the proceedings authorizing such Series of Bonds.

“Permitted Investments” shall mean, except as limited with respect to the funds and accounts relating 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 of the S.C. Code, as amended and in effect from time to time, or any authorization relating to the investment of City funds hereunder; and (b) the South Carolina Pooled Investment Fund or similar State administered pool investment fund.

“Principal Account” shall mean the account by that name created within each respective Debt Service Fund.

“Principal Payment Date” shall mean the respective principal payment dates for a Series of Bonds as determined by a Supplemental Ordinance.

“Projects” shall mean any project or projects authorized or permitted to be acquired, constructed or financed with Hospitality Fees, as described in the Hospitality Fee Ordinance and the Hospitality Fee Act including, but not limited to the following:

- (1) tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;
- (2) tourism-related cultural, recreational, or historic facilities;
- (3) beach access, renourishment, or other tourism-related lands and water access;
- (4) highways, roads, streets, and bridges providing access to tourist destinations;
- (5) advertisements and promotions related to tourism development; or
- (6) water and sewer infrastructure to serve tourism-related demand.

“Record Date” shall mean with respect to any Series of Bonds the fifteenth (15th) day (whether or not a Business Day) of the calendar month immediately preceding an Interest Payment Date or such other day as may be provided in the Supplemental Ordinance authorizing the issuance of such Series of Bonds.

“Registrar” shall mean for each Series of Bonds the registrar appointed pursuant to the proceedings authorizing such Series of Bonds.

“Reserve Fund Requirement” shall mean, 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.

“S.C. Code” shall mean the Code of Laws of South Carolina 1976, as amended.

“Serial Bonds” shall mean Bonds which are not Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” shall mean 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 this Ordinance.

“Series 2013 Bonds” shall mean the not exceeding \$18,500,000 City of Rock Hill, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), in one or more series, authorized to be issued pursuant to this Ordinance and the First Supplemental Ordinance.

“State” shall mean the State of South Carolina.

“Supplemental Ordinance” shall mean any ordinance by the City providing for the issuance of a Series of Bonds and any ordinance enacted by Council pursuant to and in compliance with the provisions of Article IX hereof amending or supplementing the provisions of this Ordinance.

“Term Bonds” shall mean any Bonds designated by the Supplemental Ordinance providing for their issuance as being subject to retirement or redemption from moneys credited to the applicable Bond Redemption Account as sinking fund installments.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., and any successor Trustee appointed in accordance with Section 8.2 hereof.

“Variable Rate Indebtedness” shall mean 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.

[End of Article I]

ARTICLE II
FINDINGS AND DETERMINATIONS

Section 2.1. Findings and Determinations. The Council hereby finds and determines:

- (a) The City is an incorporated municipality located in York County, South Carolina, and as such has all powers granted to municipalities by the Constitution and general laws of the State.
- (b) Section 5-7-30 of the S.C. Code provides, in part, that municipalities may enact ordinances, not inconsistent with the Constitution and general law of the State, respecting any subject which appears necessary and proper for the security, general welfare, and convenience of the municipality and for the preservation of the general health, peace, order and good government in the municipality, and further, under the case of Williams v. Town of Hilton Head, 429 S.E.2d 802 (S.C. 1993) a municipality may enact regulations (ordinances) without the requirement for further specific statutory authorization so long as such regulations are not inconsistent with the Constitution and general law of the State.
- (c) Pursuant to the authorization granted by the General Assembly to municipalities in the Hospitality Fee Act, the Council imposed the Hospitality Fee. While the General Assembly utilized the words “local hospitality tax” in the Hospitality Fee Act as a means by which to designate the charge authorized to be imposed on the sales of prepared meals and beverages, it was the intent of the Council to impose such charges as fees pursuant to the provisions of the Hospitality Fee Ordinance.
- (d) It is a well established principle of South Carolina law that the use of a particular word is not determinative of its characterization. Jackson v. Breeland, 88 S.E. 128 (S.C. 1915). As set forth in Brown v. County of Horry, 417 S.E.2d 565 (S.C. 1992), the factors that are of paramount importance to the analysis of whether a charge constitutes a “tax” or a “fee” are the following: (i) the purpose behind its imposition; (ii) the intended portion of the community that will be charged; and (iii) the dedication of the sums so collected to the purpose for which it is charged. The Council finds that its actions in imposing the Hospitality Fee and segregating the collections received from such fees in order that such sums be utilized according to the Hospitality Fee Act meet the test enunciated in Brown such that the charges imposed pursuant to the provisions of the Hospitality Fee Ordinance constitute fees.
- (e) A vibrant tourism industry fosters and enhances the economic growth and well being of a community and its residents. Tourism has been and continues to be a growing industry for the City. The City is initiating efforts to promote tourism to the City and to the City’s facilities and attractions. Moreover, as the City’s tourism industry grows and expands, the City must make provision to increase municipal services and facilities in order to accommodate the needs of tourists and to attract additional tourism. Tourists enjoy and utilize the special benefits which the City provides. The Council has been advised and recognizes that Hospitality Fees must be used exclusively for Projects or otherwise for purposes permitted by the Hospitality Fee Ordinance and the Hospitality Fee Act.
- (f) Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended, provides that municipalities may incur indebtedness payable solely from a revenue-producing project or special source which source does not involve revenues from any tax or license.
- (g) Section 6-1-760(B) of the S.C. Code provides that a municipality is authorized to issue bonds, pursuant to Section 14(10), Article X of the Constitution of the State, utilizing the procedures of the Bond Act, for the purposes enumerated in Section 6-1-530 of the S.C. Code, to pledge as security for such bonds and to retire such bonds with the proceeds of, among other sources, local hospitality fees imposed under the Hospitality Fee Act, and the pledge of such other nontax revenues as may be available for those purposes for capital projects used to attract and support tourists.

(h) The Corporation has heretofore issued the 2005 Certificates, evidencing undivided proportionate interests in the Base Fee Payments (as defined in the 2005 Installment Sale Agreement) paid by the City under the 2005 Installment Sale Agreement.

(i) Pursuant to the 2005 Installment Sale Agreement, the City has heretofore pledged the Hospitality Fees to secure its obligation to pay Base Fee Payments and Additional Fee Payments (as defined in the 2005 Installment Sale Agreement) in connection with the issuance of the 2005 Certificates. The 2005 Installment Sale Agreement provides that, upon compliance with certain conditions set forth therein, the City may issue "Other Obligations" secured by a pledge of Hospitality Fees on a parity with the pledge thereof securing payment of amounts due under the 2005 Installment Sale Agreement in connection with the 2005 Certificates. "Other Obligations" are defined in the 2005 Installment Sale Agreement as any obligation of the City (other than its obligation with respect to the 2005 Certificates) constituting indebtedness under generally accepted accounting principles, and any other payment obligation with established or fixed annual or periodic payments, for the payment of which Hospitality Fees have been or are to be pledged.

(j) The 2008 Project Lease Agreement does not constitute an "Other Obligation" (within the meaning of the 2005 Installment Sale Agreement) because Hospitality Fees are not pledged for the payment of amounts due under the 2008 Project Lease Agreement, but instead such Hospitality Fees are subject to annual appropriation thereof for payment of amounts due under the 2008 Project Lease Agreement. Payments under the 2008 Project Lease Agreement from Hospitality Fees are subordinate and inferior to (1) the payment of amounts due under the 2005 Installment Sale Agreement, and (2) the payment of amounts due on any future "Other Obligations" issued on a parity with the 2005 Installment Sale Agreement.

(k) By the enactment of this Ordinance, the City intends to provide for the issuance of Series of Bonds at the time and on the terms and conditions set forth in this Ordinance and Supplemental Ordinances hereto.

[End of Article II]

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS

Section 3.1. Authorization of Bonds. There is hereby authorized to be issued Bonds of the City to be known as "City of Rock Hill, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge)" or such other designations as may be provided in the Supplemental Ordinance authorizing such Bonds, which Bonds may be issued pursuant to this Ordinance and in accordance with the terms, conditions and limitations set forth herein; in Series; and in such amounts and from time to time as the City may deem to be necessary or advisable for any one or more of the following purposes: (a) paying the Costs of Acquisition and Construction of one or more Projects, (b) refunding or refinancing Bonds, Junior Bonds or any other obligations or indebtedness of the City which are payable from Hospitality Fees (including the 2005 Certificates and the 2008 Project Lease Agreement), (c) funding one or more Debt Service Reserve Funds and (d) paying Costs of Issuance.

Section 3.2. General Provisions For Issuance of Bonds. (a) The Bonds shall be issued in Series by means of Supplemental Ordinances enacted by the Council in accordance with the provisions of this Article and Article IX hereof. Each Supplemental Ordinance shall designate the Bonds provided thereby with an appropriate Series designation and with such further particular designations, if any, as the City deems appropriate. Each Supplemental Ordinance shall, unless or except as is otherwise set forth herein, also specify: (i) the authorized principal amount of such Series of Bonds; (ii) the purpose or purposes for which the Bonds of such Series are being issued, which shall be one or more of the purposes set forth in Sections 3.3 or 3.4 hereof; (iii) if the Bonds of the Series are being issued for a purpose specified in Section 3.3 hereof, the Projects for which such Bonds are being issued; (iv) an estimate of the Costs of Acquisition and Construction for any Projects, if any, to be financed by such Series of Bonds, and, in the event of the acquisition by purchase or condemnation of any facilities already constructed, a determination of what repairs, replacements, additions and betterments will be necessary in order that such facilities may be effective for their purpose and an estimate of the costs required therefor; (v) the date or dates of the Bonds of the Series; (vi) the maturity date or dates of the Bonds of the Series and the sinking fund installment amounts and due dates for the Term Bonds of the Series, if any; (vii) the interest rate or rates of the Bonds of such Series, or the manner of determining such rate or rates, the initial Interest Payment Date therefor, and the subsequent Interest Payment Dates; (viii) the denominations of (if other than as provided in this Ordinance), and manner of numbering and lettering, the Bonds of such Series; (ix) the redemption premium or premiums, if any, or the redemption price or prices to be paid upon the redemption of the Bonds of such Series, the period or periods, if any, during which such premiums or prices shall be payable, and the terms and conditions, if any, of such redemption; (x) the place or places of payment of the Bonds of the Series and interest thereon, and the Paying Agent and Registrar therefor and any Custodian of the funds and accounts created with respect thereto; (xi) the provisions for the sale or other disposition of the Bonds of the Series and the use, application and investment, if any, of the proceeds of such sale or other disposition, which use, application and investment shall not be inconsistent or in conflict with the provisions hereof; (xii) whether such Series of Bonds will be subject to a Reserve Fund Requirement and the manner of satisfaction of such Reserve Fund Requirement; (xiii) any other provisions which may be required to be inserted therein by other provisions of this Ordinance; and (xiv) any other necessary or desirable provisions not inconsistent or in conflict with the provisions of this Ordinance. Each Supplemental Ordinance may authorize the Mayor, the City Manager, or any other appropriate officer of the City to determine any of the foregoing items following the date of enactment of such Supplemental Ordinance.

(b) Bonds of a Series may be executed and delivered to the Registrar by the City and authenticated and delivered by the Registrar to the City or, upon its order, upon compliance with Section 3.3 or 3.4 hereof.

Bonds issued upon compliance with this Section and Section 3.3 or Section 3.4 hereof shall be issued on a parity with the pledge of and lien upon the Hospitality Fees *inter sese*, but not with respect to the

particular Debt Service Fund or Debt Service Reserve Fund, if any, created for the benefit of the Holders of the Bonds of a Series, notwithstanding, that they may be in different form, and bear different dates, interest rates, number, date of issuance or date of execution or are payable at different times. In all such instances, the pledge of Hospitality Fees made hereunder, and the covenants and remedies hereby granted, shall be applicable and available to the Holders of such Bonds.

Section 3.3. Conditions for the Issuance of Bonds under this Ordinance Other than Refunding Bonds or Junior Bonds. Any time and from time to time, one or more Series of Bonds (exclusive of refunding Bonds and Junior Bonds) may be issued for such purposes as may be permitted by the Hospitality Fee Act upon compliance with the provisions of Section 3.2 hereof and this Section 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 authorized to be financed under the Hospitality Fee Act with Bonds and upon compliance with the following conditions:

A. Except for the issuance of the Series 2013 Bonds, there shall be executed and filed with the Trustee a certificate of the Chief Financial Officer or the City Manager of the City stating: (i) either: (a) that no Default exists in the payment of 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 shall 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 this Ordinance, or (b) setting forth the circumstances of each such Default known to him or her.

B. If a certificate filed pursuant to part (A) of this Section should disclose a Default or Defaults hereunder, there shall be filed with the City and the Trustee an opinion of Bond Counsel that, in the case of any Default disclosed in a certificate filed pursuant to part (A) of this Section, each such Default does not deprive the Bondholders of the security afforded by this Ordinance in any material respect.

C. For the issuance of Bonds to finance the Costs of Acquisition and Construction, or a portion thereof, of any Projects (other than the Series 2013 Bonds issued pursuant to this Ordinance and the First Supplemental Ordinance), there shall be delivered a certificate or report from the City Manager or the Chief Financial Officer of the City, which report need not be based upon audited financial statements of the City, stating that the amount of the Hospitality Fees collected by the City during any consecutive twelve (12) month period out of the last twenty-four (24) month period prior to the date on which the Bonds are proposed to be issued is not less than 120% of the sum of the Maximum Debt Service on Bonds then Outstanding and the Bonds then proposed to be issued.

D. Such Bonds shall be issued to secure funds to defray the Costs of Acquisition and Construction of Projects, or to refund Junior Bonds or any other notes, bonds, or other obligations issued to finance or to aid in financing the acquisition, construction, improvement, enlargement or repair of a Project.

E. The Supplemental Ordinance may provide for a deposit into the Debt Service Reserve Fund, if any, established with respect to such Series of Bonds of cash or securities or an insurance policy, surety bond or letter of credit, as provided in Section 6.7 hereof (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.

Section 3.4. Refunding Bonds. Without complying with the provisions of Section 3.3 hereof, except as otherwise provided herein and except for the Series 2013 Bonds, the City by means of a Supplemental Ordinance enacted in compliance with the procedures of the Bond Act, the Hospitality Fee Act, and any other

statutory provisions authorizing the issuance of refunding bonds, including advance refunding bonds, may issue hereunder refunding Bonds 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 Hospitality Fees are not available. Any Bonds issued for such purpose shall mature (or sinking fund installments therefor shall 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: (i) refunding (including by purchase) other Bonds, Junior Bonds, or some or all of the 2005 Certificates, (ii) refinancing the 2008 Project Lease Agreement, or (iii) refunding or refinancing any other obligations or indebtedness of the City payable from the Hospitality Fees, including amounts to pay principal, redemption premium and interest to the date of redemption (or purchase) of any of the foregoing; provided that: (A) the aggregate Debt Service on all Bonds or other obligations or indebtedness of the City payable from the Hospitality Fees then Outstanding and the Bonds then proposed to be issued after the issuance of the proposed Series of refunding Bonds shall not be greater than would have been prior to such issuance, or (B) the requirements of parts (A), (B), (C) and (E) of Section 3.3 hereof are met with respect to the refunding Series.

Section 3.5. Junior Bonds. The City may at any time issue Junior Bonds in such amount as it may from time to time determine, payable from Hospitality Fees, provided that such Junior Bonds are issued to secure funds to defray the costs of acquisition and construction of Projects or some part thereof, or to refund Bonds, Junior Bonds, some or all of the 2005 Certificates, the 2008 Project Lease Agreement, or any notes, bonds, or other obligations issued to finance or to aid in financing the costs of acquisition and construction of Projects, and provided further that the pledge of and lien on Hospitality Fees securing Junior Bonds shall at all times be subordinate and inferior to the pledge of and lien on Hospitality Fees securing the Bonds.

[End of Article III]

ARTICLE IV

THE BONDS

Section 4.1. Execution. Unless or except as is otherwise set forth in the Supplemental Ordinance providing for the issuance of a Series of Bonds, the Bonds shall be executed on behalf of the City by the Mayor of the City (or in his or her absence the Mayor Pro Tempore) by his or her manual or facsimile signature and the corporate seal of the City, or a facsimile thereof shall be impressed or reproduced thereon and attested by the Municipal Clerk by his or her manual or facsimile signature.

In case any officer whose signature or facsimile signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, as if he or she had remained in office until delivery.

Section 4.2. Authentication. Unless or except as is otherwise set forth in the Supplemental Ordinance providing for the issuance of a Series of Bonds, upon compliance with the provisions of Section 3.3 or 3.4 hereof and upon the order of the City, the Registrar shall authenticate Bonds authorized to be issued hereunder. Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed manually by the Registrar shall be entitled to any right or benefit under this Ordinance. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such executed certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered. The Registrar's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Registrar, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder or on all of the Bonds of a particular Series.

Section 4.3. Registration and Transfer of Bonds: Persons Treated as Holders. Unless and except as is otherwise set forth in the Supplemental Ordinance providing for the issuance of a Series of Bonds, each Bond shall be fully registered and transferable only upon the Books of Registry of the City, which shall be kept for that purpose at the office of the Registrar by the Holder thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder or his or her duly authorized attorney with such signature guaranteed by a participant in the Securities Transfer Agents in Medallion Program ("STAMP") or similar program. Upon the transfer of any Bond, the City shall issue, subject to the provisions of Section 4.6 hereof, in the name of the transferee, a new Bond or Bonds of the same Series and of the same aggregate principal amount, interest rate and maturity as the unpaid principal amount of the surrendered Bond.

Any Bondholder requesting any transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the Holder and absolute owner thereof for all purposes, and payment of or on account of the principal, redemption premium, if any, and interest on any Bond shall be made only to or upon the order of the Bondholder thereof, or his duly authorized attorney, and neither the City nor the Registrar shall be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 4.4. Form of Bonds; Denominations; Medium of Payment. Unless or except as is otherwise provided in the Supplemental Ordinance authorizing their issuance, the Bonds of each Series: (a) shall be in fully registered form without coupons, provided such Bonds may be issued in book-entry form; (b) shall be issued in denominations of \$5,000, or any integral multiple thereof, provided that, upon partial redemption of a Bond requiring surrender thereof and the issuance of a new Bond, such new Bond may be in the denomination of the unredeemed balance; and (c) shall be payable with respect to principal, interest, and

premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 4.5. Numbers, Date, and Payment Provisions.

(a) The Bonds shall be numbered and designated in such manner as the City, with the concurrence of the Registrar, shall determine. Each Bond of a Series shall bear interest from the Interest Payment Date immediately preceding the date of its authentication, unless authentication shall be upon an Interest Payment Date, in which case it shall bear interest from its authentication, or unless authentication shall precede the first Interest Payment Date for such Bond, in which case it shall bear interest as otherwise provided in the Supplemental Ordinance authorizing its issuance, provided, however, that if the date of authentication of any Bond of any Series is after a Record Date and before the corresponding Interest Payment Date therefor, such Bond shall bear interest from such succeeding Interest Payment Date; notwithstanding the foregoing, if at the time of authentication of any Bond any interest on such Bond is in default, such Bond shall bear interest from the date to which interest on such Bond has been paid or if no interest has been paid, such Bond shall bear interest from the date of delivery thereof or from its dated date, or as otherwise provided in the Supplemental Ordinance authorizing the issuance of such Bonds.

(b) Unless otherwise provided in a Supplemental Ordinance, the principal of and redemption premium, if any, on the Bonds shall be payable when due in lawful money of the United States of America upon presentation and surrender of such Bonds at the designated office of the Paying Agent described in the Supplemental Ordinance authorizing the issuance of such Bonds. Except as otherwise provided in a Supplemental Ordinance, payment of interest on Bonds shall be made by check or draft drawn upon the Paying Agent and mailed to the Holder at his or her address as it appears upon the Books of Registry. The Paying Agent shall maintain a record of the amount and date of any payment of principal and/or interest on the Bonds (whether at the maturity date or the redemption date prior to the maturity or upon the maturity thereof by declaration or otherwise).

Section 4.6. Exchange of Bonds. Unless or except as is otherwise provided in the Supplemental Ordinance authorizing their issuance, Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Bondholder or his duly authorized attorney with such signature guaranteed by a participant in STAMP or similar program, may, at the option of the Bondholder thereof, and upon payment by such Bondholder of any charges which the Registrar may make as provided in Section 4.7, be exchanged for a principal amount of Bonds of the same Series and maturity of any other authorized denomination equal to the unpaid principal amount of surrendered Bonds.

Section 4.7. Regulations with Respect to Exchanges and Transfer. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the City shall execute and the Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance or such Supplemental Ordinance authorizing the issuance thereof. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Registrar. There shall be no charge to the Bondholder for such exchange or transfer of Bonds except that the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Registrar shall be required (a) to exchange or transfer Bonds (i) from the Record Date to the succeeding Interest Payment Date or (ii) for a period of fifteen (15) days following any selection of Bonds to be redeemed or thereafter until after the first publication or mailing of any notice of redemption, or (b) to transfer any Bonds called for redemption.

Section 4.8. Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the Holder, the City shall execute and the Registrar shall authenticate and deliver at the office of the Registrar, or send by registered mail to the Holder thereof at his request, risk and expense a new Bond of the

same Series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event, the applicant for the issuance of a substitute Bond shall furnish the City and the Registrar (a) evidence or proof satisfactory to the City and the Registrar of the loss, destruction, mutilation, defacement or theft of the original Bond, and (b) of the ownership thereof, and (c) such security and indemnity as may be required by the laws of the State or such greater amount as may be required by the City and the Registrar. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Ordinance or any Supplemental Ordinance as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same series issued hereunder. Neither the City nor the Registrar nor any Paying Agent shall be required to treat both the original Bond and any duplicate Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same. In the event any such mutilated, lost, stolen or destroyed Bond shall have matured, instead of issuing a duplicate Bond the City may pay the same.

All expenses necessary for the providing of any duplicate Bond shall be borne by the applicant therefor.

[End of Article IV]

ARTICLE V REDEMPTION OF BONDS

Section 5.1. Redemption of Bonds. The Bonds of a Series may be subject to redemption prior to their stated maturities upon such terms and conditions and at such dates and redemption price or prices or premium or premiums as shall be set forth in the Supplemental Ordinance providing for the issuance of such Bonds, and upon the further terms and conditions as are hereinafter set forth.

Section 5.2. Selection of Bonds for Redemption. In the event of the redemption at any time of only part of the Bonds of a Series, the Bonds to be redeemed shall be redeemed in such order as is set forth in the Supplemental Ordinance providing for the issuance of such Bonds. Unless otherwise provided by Supplemental Ordinance, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Trustee; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, the Registrar shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000.

Section 5.3. Notice of Redemption. Unless or except as otherwise provided in the Supplemental Ordinance authorizing their issuance, the provisions of this Section 5.3 apply to each Series of Bonds.

In the event any of the Bonds or portions thereof are called for redemption, the Trustee shall give notice, in the name of the City, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry not less than 30 days and not more than 60 days prior to the date fixed for the redemption thereof. Such notice of redemption shall state: (a) the title of such Bonds to be redeemed, CUSIP numbers, if any, date of issue, the series designation (if any) thereof, the redemption date, the place or places of redemption and the redemption price or redemption premium, if any, payable upon such redemption; (b) if less than all such Bonds of a particular Series are to be redeemed, the distinctive number of such Bonds to be redeemed; (c) that the interest on such Bonds designated for redemption in such notice shall cease to accrue from and after such redemption date; and (d) that on such date there will become due and payable on each such Bond the principal amount thereof to be redeemed at the then applicable redemption price or redemption premium, if any, and the interest accrued on such principal amount to the redemption date. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, when mailed, whether or not the Holder thereof receives the notice. The notice shall further state that if money for the redemption of all the Bonds being redeemed at that time is held by the Trustee on the redemption date, interest shall cease to accrue on such Bonds on and after the redemption date. The notice may further state that the redemption of the Bonds being called for redemption is conditioned upon the Trustee receiving on or before the redemption date of sufficient money for the redemption thereof.

Section 5.4. Partial Redemption of Bond. In the event that only part of the principal sum of a Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Bond to the Registrar. Upon surrender of such Bond, the City shall execute and the Registrar shall authenticate and deliver to the Holder thereof, at the office of the Trustee, or send to such Holder by registered mail at his request, risk and expense, a new fully executed Bond or Bonds, of authorized principal sums equal in aggregate principal amount to, and of the same Series, maturity and interest rate as, the unredeemed portion of the Bond surrendered.

Section 5.5. Effect of Redemption. If a 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 hereinbefore provided and if moneys for the payment of such Bond at the then applicable redemption price or together with the then applicable redemption premium, if any, and the interest to accrue to the redemption date on such Bond are held for the purpose of such payment by the Trustee for the Series of Bonds of which

such Bond is one, then such Bond so called for redemption shall, on the redemption date designated in such notice, become due and payable. Interest on the Bond so called for redemption shall cease to accrue.

Section 5.6. Cancellation. All Bonds which have been redeemed shall be canceled and either maintained or destroyed by the Registrar and shall not be reissued. A counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Registrar to the City upon the written request of the City.

[End of Article V]

ARTICLE VI

ESTABLISHMENT OF FUNDS; SECURITY FOR AND PAYMENT OF THE BONDS; INVESTMENT OF MONEYS

Section 6.1. Listing of Funds and Accounts. In addition to the Hospitality Fee Fund (established pursuant to the Hospitality Fee Ordinance), the following are the funds created and established by this Ordinance:

- (i) Debt Service Fund for each Series of Bonds to be held by the Trustee, including an Interest Account, Principal Account and Bond Redemption Account.
- (ii) Debt Service Reserve Fund, if any, for each Series of Bonds, to be held by the Trustee.
- (iii) Construction Fund, if applicable, for each Series of Bonds issued to pay Costs of Acquisition and Construction of one or more Projects, to be held by the City or the Custodian.

One or more accounts may, by written direction of the City or by the terms of a Supplemental Ordinance, be established within any of the above funds.

It is intended by this Ordinance that the funds and accounts referred to in this Article (other than the Construction Fund) shall remain in existence for so long a time as any sum remains due and payable by way of principal of and interest on the applicable Series of Bonds, and that deposits and withdrawals therefrom be made in the manner herein prescribed and in the order of priority hereinafter set forth in Section 6.2 hereof.

Section 6.2. Disposition of Hospitality Fees. The Hospitality Fees shall be applied in the amounts, if any, and for the purposes as provided or permitted by this Ordinance, and in the following order of priority:

First, there shall be transferred (1) into the respective Debt Service Funds, the amounts required by this Ordinance or any Supplemental Ordinance, and (2) 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 this Ordinance or any Supplemental Ordinance;

Second, provision 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 Section 6.7 hereof;

Third, provisions shall be made for the payment of any Junior Bonds; and

Fourth, the remaining Hospitality Fees shall be disposed of as provided in Section 6.10 hereof.

Section 6.3. Security for and Payment of the Bonds. Each Series of Bonds, together with the interest thereon, shall be payable solely from and secured equally and ratably by a pledge of the Hospitality Fees which shall be and hereby are irrevocably pledged to the payment of the principal of, redemption premium, if any, and interest on any Series of Bonds authorized by the Supplemental Ordinances; provided, however, that (1) funds held by the Trustee in the respective Debt Service Funds and Debt Service Reserve Funds are hereby pledged for the benefit of the respective Bondholders as security for the Bonds of the Series to which such funds relate; and (2) this provision shall not preclude the issuance of Junior Bonds if such Junior Bonds be issued in conformity with the provisions of Section 3.5 hereof, but the pledge herein made shall preclude the issuance of bonds payable from or secured by a pledge of or lien on Hospitality Fees superior to that herein made to secure the 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 shall 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 herein set forth to be performed by the City shall 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 herein or in the Bonds. Except as aforesaid, all Bonds shall rank *pari passu* and shall be secured equally and ratably hereunder without discrimination or preference whatsoever.

Section 6.4. Accounting Methods. The designation of the Hospitality Fee Fund referenced in and by this Ordinance shall 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 Hospitality Fees for certain purposes and to establish certain priorities for application of such Hospitality Fees as herein provided.

The cash required to be accounted for in the Hospitality Fee Fund referenced herein may be deposited in a single bank account, into which Hospitality Fees shall be deposited, 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 herein.

Section 6.5. Hospitality Fee Fund. Pursuant to the Hospitality Fee Ordinance, there has been established and is hereby referenced a Hospitality Fee Fund into which shall be deposited all revenues received from the Hospitality Fee as well as all interest which accrues thereon. Moneys in the Hospitality Fee Fund shall be used, subject to Section 7.4 hereof, only in the manner specified in this Article VI and the Hospitality Fee Ordinance and in the order of priority set forth in Section 6.2 hereof. Moneys held in the Hospitality Fee Fund may be invested, from time to time, in Permitted Investments; provided, however, that such Hospitality Fees in the Hospitality Fee Fund shall be transferred to the Trustee, as required and in the amounts, if any, required to be made by this Article VI, each Supplemental Ordinance and the Hospitality Fee Ordinance.

Section 6.6. Debt Service Funds. There shall be established and maintained special funds of the City to be designated the Debt Service Fund for each Series of Bonds then Outstanding which shall be kept on deposit with the Trustee, and withdrawals therefrom shall be made for the purposes provided in this Ordinance. Each Debt Service Fund shall bear a separate series designation as may be necessary to distinguish such Debt Service Fund.

The respective Debt Service 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 shall be made in the manner prescribed by this Ordinance and all moneys in the respective Debt Service Funds shall be used solely to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds, and for no other purpose, and withdrawals therefrom shall 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 Debt Service Fund, including the accounts therein, shall be added to and become a part of such respective Funds and the accounts therein.

The City shall transfer or cause to be transferred to the Trustee from the Hospitality Fee Fund for deposit into the respective Debt Service Funds and ratably with respect to separate Series of Bonds for credit

to the Interest Account, the Principal Account or the Bond Redemption Account, as the case may be, sufficient moneys so as to comply with the following provisions for the payment of the Bonds then Outstanding.

(a) **Interest Account.** There shall be established and maintained for the purpose of paying the interest on each Series of Bonds as the same becomes due and payable an Interest Account in the respective Debt Service Funds. Unless and except as is otherwise set forth herein or in a Supplemental Ordinance, not later than the tenth (10th) Business Day preceding an Interest Payment Date, the City shall transfer or cause to be transferred to the Trustee for deposit into the respective Debt Service Funds and ratably with respect to separate Series of Bonds to the credit of the Interest Account Hospitality Fees in an amount which will, together with any other funds on deposit from whatever source in the Interest Account of the respective Debt Service Fund, on such 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 shall 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. To the extent moneys derived from other sources have been transferred or allocated for credit to the Interest Account on or before ten (10) Business Days prior to the Interest Payment Date as described above, the amount of Hospitality Fees to be transferred or allocated for credit to such Interest Account shall be reduced or eliminated by the amount of such moneys transferred or allocated for credit to the Interest Account. To the extent the provisions of Section 6.8 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, if at any time the Chief Financial Officer of the City determines that sufficient Hospitality Fees or other amounts will not be available for transfer to the Trustee for deposit into the applicable Interest Account relating to such Series of Bonds by the tenth (10th) Business Day prior to an Interest Payment Date, the Chief Financial Officer of the City or the City Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.8 hereof, the City shall, on or before the fifth (5th) Business Day prior to such Interest Payment Date, transfer amounts to the Trustee for deposit into the applicable Interest Account (until the moneys on deposit therein equal the amount needed) such that 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.

(b) **Principal Account.** There shall be established and maintained for the purpose of paying the principal of each Series of Bonds as they mature a Principal Account in the respective Debt Service Funds. Unless and except as is otherwise set forth herein or in a Supplemental Ordinance, not later than the tenth (10th) Business Day preceding any Principal Payment Date, the City shall transfer or cause to be transferred to the Trustee for deposit into the respective Debt Service Funds and ratably with respect to separate Series of Bonds to the credit of the Principal Account Hospitality Fees in an amount which will, together with any other funds on deposit from whatever source in the Principal Account of the respective Debt Service Fund, provide sufficient funds to pay the aggregate amount of the principal of Bonds coming due on such Principal Payment Date. In making any of the deposits to the Principal Account required by this paragraph (b), consideration shall be given to and allowance made for any other credits otherwise made to such Principal Account. To the extent moneys derived from other sources have been transferred or allocated for credit to the Principal Account on or before ten (10) Business Days prior to the Principal Payment Date as described above, the amount of Hospitality Fees to be transferred or allocated for credit to such Principal Account shall be reduced or eliminated by the amount of such moneys transferred or allocated for credit to the Principal Account. To the extent the provisions of Section 6.8 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, if at any time the Chief Financial Officer of the City determines that sufficient Hospitality Fees or other amounts will not be available for transfer to the Trustee for deposit into the applicable Principal Payment Account relating to such Series of bonds by the tenth (10th) Business Day prior to a Principal Payment Date, the Chief Financial Officer of the City or the City Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.8 hereof, the City shall,

on or before the fifth (5th) Business Day prior to such Principal Payment Date, transfer amounts to the Trustee for deposit into the applicable Principal Account (until the moneys on deposit therein equal the amount needed) such that 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.

(c) *Bond Redemption Account.* There shall 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 Debt Service Fund. Unless and except as is otherwise set forth herein or in a Supplemental Ordinance, not later than the tenth (10th) Business Day preceding the date a sinking fund installment of Term Bonds of each Series falls due the City shall transfer or cause to be transferred to the Trustee for deposit into the respective Debt Service Fund and ratably with respect to separate Series of Bonds to the credit of the Bond Redemption Account Hospitality Fees in an amount that would be equal to the sinking fund installment of principal then falling due on the respective Series of Term Bonds then Outstanding. The Trustee shall 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 Trustee shall keep and retain accurate records of application of each deposit of funds under this paragraph (c). The Trustee shall give notice of all such redemptions in the name and on the behalf of the City in accordance with the provisions of Article V hereof. In making any of the deposits to the Bond Redemption Account required by this paragraph (c), consideration shall be given to and allowance made for any other credits otherwise made to such Bond Redemption Account. To the extent moneys derived from other sources have been transferred or allocated for credit to the Bond Redemption Account on or before ten (10) Business Days prior to the date a sinking fund installment of Term Bonds of each Series falls due as described above, the amount of Hospitality Fees to be transferred or allocated for credit to such Bond Redemption Account shall be reduced or eliminated by the amount of such moneys transferred or allocated for credit to the Bond Redemption Account. To the extent the provisions of Section 6.8 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, if at any time the Chief Financial Officer of the City determines that sufficient Hospitality Fees or other amounts will not be available for transfer to the Trustee for deposit into the applicable Bond Redemption Account relating to such Series of Bonds by the tenth (10th) Business Day preceding the date a sinking fund installment is due, the Chief Financial Officer of the City or the City Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.8 hereof, the City shall, on or before the fifth (5th) Business Day prior to the date such sinking fund installment is due, transfer amounts to the Trustee for deposit into the applicable Bond Redemption Account (until the moneys on deposit therein equal the amount needed) such that the aggregate of the amounts so paid and credited to the Bond Redemption Account would on the date such sinking fund installment is due be equal to the sinking fund installment then falling due on the respective Series of Bonds then Outstanding.

(d) If, on the dates when the payments required by paragraphs (a), (b) and (c) of this Section are to be made, the aggregate of (i) the payments actually made pursuant to said paragraphs (a), (b) and (c), and (ii) the remaining payments to be made prior to the next succeeding date on which principal or interest, or both, as the case may be, will be due and payable, are less than the sum required to be transferred to a Debt Service Fund to effect the payment of the succeeding installment of principal or interest, or both, as the case may be, moneys in the applicable Debt Service Reserve Fund, if any, equal to such deficiency shall be added to the payment to be made pursuant to said paragraphs (a), (b) and (c). In the event of such transfer, the Trustee shall promptly give telephonic notice of such transfer to the City and, within ten days after making the transfer, provide written notice to the City of the amount and date of such transfer.

Moneys in the respective Debt Service Funds shall 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 shall be used and applied in accordance with the provisions of this Section 6.6 and this Ordinance

and the Supplemental Ordinance providing for the issuance of such Series of Bonds. The moneys paid into the respective Debt Service Fund shall be held by the Trustee 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 shall be made by the Trustee in order to transfer such moneys to the Paying Agent for the respective Series of Bonds. Such withdrawals shall be made so that the necessary moneys shall be available to the Paying Agent not later than one (1) 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.

Section 6.7. Debt Service Reserve Fund. (a) A Supplemental Ordinance may provide for the establishment of a Debt Service Reserve Fund for any Series of Bonds. Each Debt Service Reserve Fund shall bear a separate Series designation as may be necessary to distinguish such Debt Service Reserve Fund and shall, subject to certain provisions of this 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 shall be 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 shall be kept on deposit with the Trustee, and withdrawals therefrom shall be made for the purposes provided in this Ordinance.

(b) Moneys in each Debt Service Reserve Fund shall be used for the following purposes, and for no other:

(1) To prevent a Default in the payment of the principal of or interest on the applicable Series of Bonds, by reason of the fact that moneys in the applicable Debt Service Fund are insufficient for such purposes;

(2) 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;

(3) To effect partial redemption of the applicable Series of Bonds, provided that such redemption be undertaken in accordance with the provisions of this 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 shall not be less than the Reserve Fund Requirement following such partial redemption; or

(4) To effect the retirement of a Series of Bonds through purchase under the conditions herein prescribed.

(c) Unless otherwise provided in a Supplemental Ordinance, whenever the cash and market value of the securities (determined as of the valuation dates and in accordance with the method specified in Section 6.10 hereof) in the applicable Debt Service Reserve Fund shall exceed the Reserve Fund Requirement, such excess may at the written 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 Hospitality Fee Fund or, at the option of the City, to the Construction Fund established with respect to the applicable Series of Bonds during the period of construction or acquisition of a Project. Purchases of Bonds shall be effected by the City through the Trustee, and whenever Bonds shall have been purchased pursuant to this authorization, it shall be the duty of the Registrar to cancel and destroy such Bonds and to deliver certificates evidencing such act to the City.

(d) Unless otherwise provided in a Supplemental Ordinance, if the Trustee sends written notice to the City stating that a deficiency exists in the applicable Debt Service Reserve Fund (whether due to a transfer therefrom pursuant to Section 6.6(d) or a valuation thereof determined as of the valuation dates and

in accordance with the method specified in Section 6.11 hereof), then there shall be deposited from available Hospitality Fees (remaining after required deposits have been made into the Debt Service Funds) into the applicable Debt Service Reserve Fund over the next succeeding twelve (12) months, successive equal monthly installments of the amount necessary to re-establish in the applicable Debt Service Reserve Fund its respective Reserve Fund Requirement (upon receipt of each of which installments, the Trustee shall promptly send an updated written notice to the City as to the remaining deficiency therein). To the extent the provisions of Section 6.8 hereof are incorporated into the Supplemental Ordinance relating to a particular Series of Bonds, in the event sufficient Hospitality Fees or other amounts have not been transferred to the Trustee for deposit into the applicable Debt Service Reserve Fund relating to such Series of Bonds by the end of the twelve (12) month period set forth above, the Chief Financial Officer of the City or the City Manager shall request Council to make a budgetary appropriation from sources or funds lawfully available in the amount of the insufficiency and, subject to the provisions of Section 6.8 hereof, the City shall, within thirty (30) Business Days of the end of such twelve (12) month period, transfer sufficient amounts to the Trustee for deposit into the applicable Debt Service Reserve Fund so that the moneys on deposit therein equal the applicable Reserve Fund Requirement relating thereto.

(e) 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 Trustee for the benefit of the Holders of the applicable Series of 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 shall be reduced by the amount of the surety bond, insurance policy, or letter of credit. The surety bond, insurance policy, or letter of credit shall be payable (upon the giving of notice as required thereunder) on any 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 that Series but only to the extent that withdrawals cannot be made from funds then credited to the 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 in the respective Debt Service Reserve Funds shall be transferred, at the written direction of the City, to the applicable Construction Fund, or if one does not exist, be deposited as the City deems advisable.

Section 6.8. Appropriation of Moneys for Debt Service. A Supplemental Ordinance may incorporate by reference the provisions of this Section 6.8. If prior to any Interest Payment Date or Principal Payment Date, or both, there are insufficient Hospitality Fees to make the transfers required by Section 6.6 hereof to any Debt Service Fund or required by Section 6.7 hereof to any Debt Service Reserve Fund, subject to appropriation by Council, by ordinance duly enacted, from sources or funds lawfully available therefor, the City shall transfer to the Trustee, on or prior to the date a payment is due to such Debt Service Fund or Debt Service Reserve Fund, an amount equal to such shortfall, for further credit or allocation by the Trustee to the appropriate accounts in the applicable Debt Service Funds or Debt Service Reserve Funds. The payment obligation described in this Section 6.8 shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness of the City, nor shall anything contained herein constitute a pledge of the general tax revenues, funds, moneys or credit of the City. Any such budgetary appropriation shall be subject in all respects to the discretion of Council, and any failure to make such an appropriation, notwithstanding any provision of this Ordinance or a Supplemental Ordinance to the contrary, shall not constitute a default or Event of Default under this Ordinance or a Supplemental Ordinance.

Section 6.9. Establishment of Construction Fund. There shall be established with the Custodian a Construction Fund with respect to each Series of Bonds (other than for Bonds issued pursuant to Section 3.4 hereof, if applicable) in the Supplemental Ordinance providing for their issuance, the moneys in which shall

be used to defray the costs of any Projects and to pay any Costs of Acquisition and Construction with respect to the facilities so financed and Costs of Issuance. On the occasion of the delivery of any Series of Bonds, the proceeds therefrom shall 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 shall not be made except as provided in the Supplemental Ordinance establishing such Construction Fund.

There may be established in a Construction Fund from time to time a capitalized interest account to provide for the payment of interest on the related Series of Bonds as may be permitted hereunder. Any such account shall 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 shall be deposited in the Construction Fund created by the Supplemental Ordinance relating to such Bonds or, if such Construction Fund has been terminated, such earnings shall be transferred to the appropriate Debt Service Fund.

Section 6.10. Distribution of Remaining Hospitality Fees. After making payments of (i) amounts required to be deposited into the applicable Debt Service Funds, and (ii) amounts required to be deposited into the applicable Debt Service Reserve Funds, remaining Hospitality Fees shall then be used, first, 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 by Section 6.7 hereof; second, for the payment of Junior Bonds or to meet any other obligations of the City which are or which shall become charges, liens or encumbrances upon the Hospitality Fees; and third, disposed of by the City as it may determine from time to time to be for any lawful purpose under the Hospitality Fee Act and the Hospitality Fee Ordinance.

Section 6.11. Investment of Funds. Moneys held for the credit of the respective Debt Service Funds, Debt Service Reserve Funds and any other funds and accounts established by this Ordinance shall be invested, to the fullest extent practicable and reasonable, in Permitted Investments. Any investment of money held to the credit of the above-mentioned funds and accounts shall mature, be available or be redeemable at the option of the owner or holder thereof at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such funds. Written investment instructions shall be given to the Trustee and the Custodian by a City Representative.

The Trustee shall evaluate on an annual basis Permitted Investments in the Debt Service Reserve Fund, if any, established by this Ordinance and forward such valuation to the City. Until changed pursuant to written instructions from the City, such valuation shall be made not less than one time each calendar year. The Trustee shall provide written notice to the City of any deficiency in the amount, if any, on deposit in the Debt Service Reserve Funds. Where the amount that exists in the Debt Service Reserve Funds is less than the applicable Reserve Fund Requirement on the date of valuation by the Trustee, any moneys received by the Trustee and designated by the City Representative as a payment made pursuant to Section 6.7(d) hereof shall be deposited in the applicable Debt Service Reserve Fund. Deficiencies in the amount on deposit in the Debt Service Reserve Funds resulting from a decline in market value shall be restored in equal, successive monthly installments within twelve (12) months of such shortage.

The value of Permitted Investments (except investment agreements) shall be determined by the Trustee or the Custodian or other depository at the market value or the amortized cost thereof, whichever is lower, exclusive of accrued interest, provided, however, Permitted Investments in any Debt Service Reserve Fund shall be valued at the original cost thereof if the maturity thereof is one year or less and shall be valued at market value and marked to market annually if the maturity thereof is longer than one (1) year.

The Trustee may conclusively rely upon the City's written instructions as to both the suitability and legality of the directed investments. In the absence of written investment instructions from the City, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in Permitted Investments. The Trustee may make any and all such investments through its own investment

department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades. Broker confirmations of investments are not required to be issued by the Trustee to the City for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The Trustee shall 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.

Notwithstanding anything contained herein to the contrary, the Trustee shall have no obligation to enter into any investment contract, forward delivery investment agreement, repurchase agreement contract or any similar agreements with respect to the investment of any monies held under the Ordinance unless: (i) such agreement is in form and content reasonably acceptable to the Trustee in the course of ordinary business practice; (ii) any liability of the Trustee under such agreement is limited to loss occasioned by the gross negligence or willful misconduct of the Trustee; (iii) the Trustee is not liable under any circumstances for any termination or similar amount under such agreement; and (iv) the City pays to the Trustee such fees and expenses as established by the Trustee from time to time.

Except as otherwise provided herein, all interest earnings on amounts in the Hospitality Fee Fund when realized shall be considered Hospitality Fees.

[End of Article VI]

ARTICLE VII

COVENANTS

Section 7.1. Pledge of Hospitality Fees for Payment of Bonds. The City will not issue any obligations, the payment of which shall have any pledge of the Hospitality Fees prior or superior to the pledge hereof for the payment of the Bonds. In order to insure that the City shall at all times required hereby have sufficient moneys available to deposit amounts, when and as required, into the respective Debt Service Funds and Debt Service Reserve Funds established for a Series of Bonds, to provide for payment of amounts advanced pursuant to Section 6.7 and to provide for payment of Junior Bonds (all as described in Section 6.2 hereof), the City covenants and agrees that it shall not at any time while any Bonds are outstanding reduce the amounts assessed for Hospitality Fees to a level not sufficient to permit the City to discharge its obligations hereunder or otherwise require or permit Hospitality Fees (whether through a subsequent amendment of the Hospitality Fee Ordinance or otherwise) to be used or set aside except pursuant to or as permitted by Section 6.2 hereof.

Section 7.2 To Pay Principal, Premium, and Interest on the Bonds. The City covenants and agrees to punctually pay, or cause to be paid, out of the Hospitality Fees pledged to such payment in Article VI hereof, the principal of, redemption premium, if any, and the interest on each and every Bond issued under the provisions of this Ordinance, at the place, on the dates and in the manner provided herein.

Section 7.3. Records, Accounts and Audits. The City covenants and agrees to keep proper books of records and accounts (separate from all other records and accounts), in which complete and correct entries shall be made of all transactions relating to the Hospitality Fees. Such records shall be kept in accordance with the standards from time to time prescribed by the Governmental Accounting Standards Board or its successor. The City will cause to be furnished to any Holder of any of the Bonds, who makes written request therefor, copies of financial statements certified by an Accountant. The Trustee shall not be responsible for obtaining audits of the City. Additionally, the Trustee shall have no duty to review or analyze any financial statements delivered to it hereunder and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein or Event of Default which may be disclosed therein in any manner.

Section 7.4 Covenants with Respect to 2005 Certificates. The pledge of Hospitality Fees securing the payment of Bonds issued hereunder shall be on a parity with the pledge thereof securing the payment of Base Fee Payments and Additional Fee Payments, if any, due under the 2005 Installment Sale Agreement while the 2005 Certificates are outstanding (as such term is defined in the 2005 Trust Agreement). On and after the date of delivery of any of the Series 2013 Bonds issued pursuant to this Ordinance and the First Supplemental Ordinance, the City covenants, agrees and confirms for the benefit of the Holders of the Bonds that it will not make any pledge of Hospitality Fees for the payment of Other Obligations (as defined in the 2005 Installment Sale Agreement) which are on a parity with the 2005 Certificates or any Additional Certificates (as defined in the 2005 Trust Agreement). Further, while any of the 2005 Certificates remain outstanding (as such term is defined in the 2005 Trust Agreement): (a) the issuance of Bonds secured by a pledge of Hospitality Fees on a parity with the pledge thereof for payment of amounts due under the 2005 Installment Sale Agreement shall be subject to compliance with the conditions for the issuance of "Other Obligations" (as defined in the 2005 Installment Sale Agreement) on a parity basis set forth in Section 5.9 of the 2005 Installment Sale Agreement, and (b) Hospitality Fees shall be transferred to the Trustee (as defined in the 2005 Trust Agreement) in the amounts required by the 2005 Installment Sale Agreement, if any, on a parity basis with the transfer of Hospitality Fees into the respective Debt Service Funds and Debt Service Reserve Funds required by this Ordinance or any Supplemental Ordinance.

[End of Article VII]

ARTICLE VIII

TRUSTEE; CUSTODIANS

Section 8.1. Trustee. The Council hereby designates The Bank of New York Mellon Trust Company, N.A., as Trustee under this Ordinance. On or prior to the delivery of the initial Series of Bonds, the Trustee shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Ordinance by executing and delivering to the City a written instrument of acceptance.

The Trustee shall (a) prior to the occurrence of an Event of Default of which the Trustee has actual knowledge, 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 shall be read into the Ordinance against the Trustee, and (b) during the existence of any Event of Default of which the Trustee has actual knowledge (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 shall be construed to relieve the Trustee from liability for its own negligence, intentionally wrongful action or failure to act.

At all times, (1) the Trustee shall not be liable for any error of judgment made in good faith by an officer or employee of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; (2) the Trustee shall 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 this 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 Trustee, or exercising any trust or power conferred upon the Trustee under the Ordinance; (3) in the administration of the trusts of this Ordinance, the Trustee may execute any of the trusts or powers hereof directly or through its agents or attorneys. The Trustee may consult with counsel and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

The Trustee may conclusively rely upon the authenticity of, and the truth of the statements and the correctness of the opinions expressed in, and shall be fully protected in acting upon any notice, Ordinance, request, consent order, certificate, report, opinion, note, or other paper or document furnished to it pursuant to any provision of this Ordinance, believed by it to be genuine and to have been signed and presented by the proper party.

The Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any Event of Default specified in Article X hereof other than a payment default under Sections 10.1.A or 10.1.B unless the Trustee shall receive from the City or the registered owner of any Bond written notice stating that an Event of Default hereunder has occurred and specifying the same, and, in the absence of such notice, the Trustee may conclusively assume that there is no such Event of Default.

The Trustee shall be entitled to payment of and reimbursement by the City for reasonable fees for its services rendered hereunder and all advances and counsel fees, costs and expenses, reasonably and necessarily made or incurred by the Trustee in connection with such services. Additionally, the City shall pay the Trustee for any extraordinary services or extraordinary expenses performed or incurred by the Trustee in connection with its duties under this Ordinance or any Supplemental Ordinance if notified in writing prior to the performance of those services or the incurring of those expenses so as to allow the City to appropriate sufficient funds for their payment.

The Trustee shall not, in any event, be required to take, defend, or appear in any legal action or proceeding hereunder or to exercise any of the trusts or powers hereof unless it shall first be adequately indemnified to its satisfaction 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 Trustee shall be subject to the provisions hereof.

The Trustee shall not be accountable for the use or application by the City of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Ordinance or any Supplemental Ordinance. The permissive right of the Trustee to do things enumerated in this Ordinance or any Supplemental Ordinance shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to any Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with any Bonds.

None of the provisions of this Ordinance or any Supplemental Ordinance shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Ordinance or any Supplemental Ordinance arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

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

In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of this Ordinance, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

The Trustee shall not be (i) required to hold any policies of insurance, (ii) responsible for the filing of any documents, security agreements or financing statements regarding the creation or perfection of any interest in the Hospitality Fees or other security for the Bonds; or (iii) responsible for any information contained in any financing statements.

The Trustee's immunities and protections from liability in connection with the performance of its duties under this Ordinance shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Ordinance and final payment of the Bonds.

The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of the City therein, the security provided thereby or by the Ordinance or the tax-exempt status of the Bonds.

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

Any request, direction, order or demand of the City under this the Ordinance shall be sufficiently evidenced by a certificate of the City Representative (unless other evidence thereof is specifically prescribed).

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

The Trustee may in all cases pay such reasonable compensation as it deems proper to all agents, attorneys and receivers reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent, attorney or receiver appointed with due care by it.

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

Whether or not expressly so provided, every provision of the Ordinance relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Article.

Section 8.2. Resignation of Trustee. The Trustee may resign at any time by giving 30 days' written notice to the City and by giving notice to the registered owners of the Bonds of such resignation. No resignation will become effective until a successor Trustee has been appointed and accepts such appointment as provided below. Upon receiving notice of resignation, the City shall promptly appoint such successor Trustee by an instrument in writing. In the event a successor Trustee has not been appointed within 60 days of the date notice of resignation is given, the Trustee, at the City's expense, may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall, 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 \$75,000,000.

Any successor Trustee appointed as provided in this section, shall execute, acknowledge and deliver to the City and its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor of the trust hereunder. Upon the request of any such successor Trustee, the City shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties. Upon acceptance of appointment by a successor Trustee, the City shall notify the registered owner of each Bond then Outstanding by first-class mail, postage prepaid.

The predecessor Trustee shall execute any and all documents reasonably necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee shall promptly transfer all funds to the successor Trustee and deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Any corporation or association into which the Trustee 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 Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Each, every and all funds and accounts held by the Trustee shall be impressed with a trust for the benefit of the registered owners of the Bonds, under the provisions of this Ordinance and of the Bond Act.

Section 8.3. Removal of Trustee. Upon 30 days' written notice, the City, at its sole discretion, provided that an Event of Default shall not have occurred and be continuing, may remove the Trustee. The removal of the Trustee under this Section 8.3 shall not be effective until a successor Trustee has been appointed and has accepted the duties of Trustee.

The Holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, upon 30 days' written notice to the Trustee and the City, remove the Trustee and appoint a successor Trustee by instrument or instruments in writing signed by such Holders of the Bonds.

Section 8.4. Custodians. The Construction Fund shall at the option of the City be held by a bank, a trust company, a national banking association or a national association as Custodian under this Ordinance or a Supplemental Ordinance.

Section 8.5. Duties and Obligations of Trustee and Custodians. The recitals of fact made in the Ordinance and in the Bonds shall be taken as statements of the City, and neither the Trustee nor Custodian shall be deemed to have made any representation as to the correctness of the same. Nor shall the Trustee or any Custodian be deemed to have made any representation whatsoever as to the validity or sufficiency of the Ordinance or of the Bonds issued hereunder. Nor shall the Trustee 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 herein, or in a Supplemental Ordinance. Nor shall the Trustee or any Custodian 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 hereunder, or to advance any of its own moneys, unless properly indemnified to its satisfaction. Nor shall the Trustee or any Custodian be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 8.6. Trustee and Custodians Protected in Relying upon Ordinances, etc. The Trustee and all Custodians shall at all times be protected in acting upon any notice, ordinance, request, consent, order, certificate, statement, opinion, bond, or other paper or document believed to be genuine and to have been signed by the proper party or parties.

[End of Article VIII]

ARTICLE IX

AMENDMENTS OR SUPPLEMENTS TO THIS ORDINANCE

Section 9.1. Amendments or Supplements to Ordinance. The City shall not amend this Ordinance except in accordance with the provisions of this Article.

A. The City may, from time to time and without the consent of any Holder of the Bonds enact an ordinance amendatory hereof or supplemental hereto for the purpose of: (a) providing for the issuance of Bonds pursuant to the provisions of Article III hereof, or (b) (i) making any amendments or modifications hereto which may be required to permit this Ordinance to be qualified under the Trust Indenture Act of 1939, as amended; (ii) making any modification or amendment to this Ordinance not inconsistent herewith required for the correction of language or to cure any ambiguity or defective provisions, omission, mistake or manifest error herein contained; (iii) making any amendments or supplements hereto 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 (iv) to add to the security of the Holders of the Bonds.

B. From time to time the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing signed by such Holders and filed with the City and the Trustee, shall have power to assent to and authorize any modification or amendment to the provisions of this Ordinance that may be proposed by the City or of the rights and obligations of the City and of the Holders of Bonds issued hereunder. Any action herein authorized to be taken with the assent and authority given as aforesaid of the Holders of at least fifty-one percent (51%) in principal amount of the Bonds at the time Outstanding shall be effective and binding upon all of the Holders of Bonds Outstanding and upon the City as fully as though such action were specifically and expressly authorized by the terms of this Ordinance; provided always, that without the consent of the Holder of each Bond affected thereby, no such modification shall be made which will: (a) 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 (b) give to any Bond or Bonds any preference over any other Bond or Bonds, or (c) authorize the creation of any pledge prior to or, except as provided herein for the issuance of Series of Bonds, on a parity with the pledge afforded by this Ordinance, or (d) reduce the percentage in principal amount of the Bonds required to assent to or authorize any such modification to this Ordinance. For the purpose of computations required by this paragraph, Bonds directly or indirectly owned or controlled by the City shall be disregarded. By ordinance duly enacted and filed with the Trustee, the City may, at any time, increase the percentage of principal amount of the Bonds then Outstanding necessary for Holders thereof to assent to and authorize any modification or amendment to the provisions of this Ordinance. 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 this General Bond Ordinance as contemplated by this paragraph in the same manner as the Holders of the Bonds. Any modification or amendment or supplement to the provisions of this Ordinance or of any Supplemental Ordinance supplemental hereto shall be set forth in an ordinance to be enacted by the City.

The Trustee is hereby authorized to accept the delivery of a certified copy of any amendatory or supplemental ordinance referred to and permitted or authorized by this Section 9.1 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in accepting such ordinance and taking such action, shall receive and be fully protected in relying on an opinion of counsel (which may be an opinion of counsel to the City) that such amendatory or supplemental ordinance is authorized or permitted by the provisions of this Ordinance. No such amendatory or supplemental ordinance shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

[End of Article IX]

ARTICLE X

EVENTS OF DEFAULT

Section 10.1. Events of Default. With respect to the Bonds, the following shall constitute “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, is not made by the City after the same has become 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 shall fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in this Ordinance or in any Supplemental Ordinance on the part of the City to be performed, and such failure continues for 90 days after written notice specifying such failure and requiring the same to be remedied has been given to the City by the Trustee, or the Holders of not less than 20% in principal amount of the Bonds then Outstanding or any trustee or committee therefor; 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 Hospitality Fees or any other moneys pledged and charged in this 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 the City is for any reason rendered incapable of fulfilling its obligations hereunder in any material respect.

Subject to the provisions, limitations and conditions of Sections 11.1 and 11.2 hereof, insofar as the remedies provided in said provisions are concerned, nothing in Section 11.3 hereof or in this Article, and particularly nothing in subparagraph C of this Section 10.1, shall 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 this Ordinance (including, without limiting the generality of the foregoing, the duties imposed by or referred to in Section 11.3 hereof) 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” as defined in this Article.

[End of Article X]

ARTICLE XI

REMEDIES UPON EVENT OF DEFAULT

Section 11.1 Declaration of Principal and Interest as Due. 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 Trustee 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, shall 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 shall 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 hereby, 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 twenty-five percent (25%) in principal amount of the Bonds then Outstanding, by notice in writing delivered to the Trustee and the City, may waive such Default and its consequences and rescind and annul such declaration. No such waiver or rescission or annulment shall extend to or affect any subsequent Default or impair or exhaust any right or power related to such subsequent Default.

Section 11.2. Suits at Law or in Equity and Mandamus. In case any one or more of the Events of Default shall happen and be continuing, then and in every such case, but subject to the provisions, limitations and conditions of Section 11.1 hereof so far as the remedies provided in said provisions are concerned, the Holder of any Bond at the time Outstanding, or Trustee 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 equity, enforce such Bondholder'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 this 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.

Section 11.3. Remedies Not Exclusive; Effect of Waiver of Default; Effect of Abandonment of Proceedings or Adverse Determination. The Holders from time to time of the Bonds shall be entitled to all the remedies and benefits of this Ordinance as are and as shall be provided by law, and, subject to the provisions of Sections 11.1 and 11.2 hereof, nothing herein shall 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 this Article upon any Holder of any Bond is intended to be exclusive of any other remedy. Each and every such remedy shall be cumulative and shall 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 this Article or by any other law now or hereafter existing. 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 shall extend to or affect any subsequent Default or breach of duty or contract, or shall 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 shall impair any such right or power or shall 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 shall be brought or taken and then discontinued or abandoned, or shall be determined adversely to Holders of the Bonds then and in every such case, the City and such Holders shall be restored to their former positions and rights and remedies as if no suit, action or proceeding had been brought or taken.

When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 11.4. Restrictions on Bondholder's Action.

A. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Ordinance or the execution of any trust under this Ordinance or for any remedy under this Ordinance unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default and the Holders of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee and shall have offered the Trustee reasonable opportunity, either to exercise the powers granted in this Ordinance or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, fees (including reasonable attorneys' fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity. No one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Ordinance, or to enforce any right under this Ordinance, except in the manner herein provided. All proceedings at law or in equity to enforce any provision of this Ordinance shall be instituted, had and maintained in the manner provided in this Ordinance and for the equal benefit of all Holders of the Outstanding Bonds.

B. Nothing contained in this Ordinance or in the Bonds contained shall 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.

Section 11.5. Application of Hospitality Fees and Other Moneys After Default. During the continuance of an Event of Default, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of moneys and of the fees, expenses and advances of, incurred or made by the Trustee with respect thereto, be deposited in the respective Debt Service Funds, and all amounts held by the Trustee hereunder shall be applied as follows (provided if more than one Debt Service Fund has been established, such amounts shall be paid ratably):

A. Unless the principal of all Outstanding Bonds shall 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 shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the 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 shall have become due (other than Bonds previously called for redemption in accordance with the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the 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 shall 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 shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article XI, then, subject to the provisions of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (A) of this Section.

D. Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall 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 Trustee shall apply such moneys, it shall fix the date (which shall be a Principal Payment Date or an Interest Payment Date unless it shall deem 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 shall cease to accrue. The Trustee shall 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 shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee 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 this Section and all expenses and charges of the Trustee have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the City or as a court of competent jurisdiction may direct.

[End of Article XI]

ARTICLE XII
DEFEASANCE

Section 12.1. Defeasance. The obligations of the City under this Ordinance and the liens, pledges, charges, trusts, covenants and agreements of the City herein made or provided for, shall be fully discharged and satisfied as to any Bond; and, unless or except as otherwise provided in the Supplemental Ordinance providing for the issuance of any Series of Bonds, such Bond or Series of Bonds shall no longer be deemed to be Outstanding hereunder when:

A. Such Bond or Series of Bonds shall have been purchased by the City and surrendered to the Trustee or the Registrar for cancellation or otherwise surrendered to the City, the Trustee or the Registrar, and is canceled or subject to cancellation by the City, the Trustee or the Registrar, or

B. Payment of the principal of, redemption premium, if any, and interest on such Bond or Series of Bonds, either: (a) shall have been made or caused to be made in accordance with the terms thereof; or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment: (i) moneys sufficient to make such payment, (ii) 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, or (iii) a combination of the items described (i) and (ii) sufficient to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee, Paying Agent and the Registrar together with either: (A) a verification report, satisfactory to the Trustee, to the effect that such securities and/or cash, together with earnings thereon, will be sufficient to pay interest and principal (and applicable premium, if any) on the Bonds to redemption or maturity, or (B) an opinion of Counsel, satisfactory to the Trustee, to the effect that all conditions precedent to the defeasance of the Bonds have been satisfied; provided however, that no such verification report or opinion shall be required in the event of a gross defeasance (where the cash deposited alone is sufficient to pay the debt service on the Bonds) or a current refunding (where the Bonds are to be redeemed within ninety (90) days of the funding of the escrow). At such time as a Bond or Series of Bonds shall no longer be deemed to be Outstanding hereunder, as aforesaid, such Bond or Series of Bonds shall cease to draw interest from the maturity date or redemption date thereof, and, except for the purposes of any such payment from such moneys or Government Obligations, shall no longer be secured by or entitled to the benefits of this Ordinance.

Any moneys so deposited with the Trustee as provided in this Article may at the written direction of the City also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of such Trustee which is not required for the payment of the Bonds or Series of Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be treated as Hospitality Fees.

Notwithstanding any provision hereof which may be contrary to the provisions of this Article, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds or Series of Bonds shall 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 hereof to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of the Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Bondholder of each Bond or Series of Bonds affected thereby.

If moneys or Government Obligations have been deposited with the Trustee pursuant to Section 12.1(B) 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 shall be selected by the Trustee by lot by such method as shall 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 shall be made within seven days after the moneys or Government Obligations have been deposited with the Trustee. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Bonds in Article V. 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 this Ordinance) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The City shall provide such CUSIP number or other designation to the Trustee. The Trustee shall notify Bondholders whose Bonds (or portions thereof) have been selected for payment from the moneys or Government Obligations on deposit and shall direct such Bondholders to surrender their Bonds to the Trustee in exchange for Bonds with the appropriate designation. The selection of Bonds for payment from such deposit pursuant to this Section 12.1 shall be conclusive and binding on the City.

[End of Article XII]

ARTICLE XIII
MISCELLANEOUS

Section 13.1. Benefits of Ordinance Limited to the City, the Trustee and Holders of the Bonds. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Ordinance or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Trustee and the Holders of the Bonds, any legal or equitable right, remedy or claim under or by reason of or in respect to this Ordinance or any covenant, condition, stipulation, promise, agreement or provision herein contained. This Ordinance and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Trustee and the Holders from time to time of the Bonds as herein and therein provided.

Section 13.2. Ordinance Binding Upon Successors or Assigns of the City. All the terms, provisions, conditions, covenants, warranties and agreements contained in this Ordinance shall be binding upon the successors and assigns of the City and shall inure to the benefit of the Trustee, its successors or substitutes in trust and assigns, and the Holders of the Bonds.

Section 13.3. No Personal Liability. No recourse shall be had for the enforcement of any obligation, covenant, promise or agreement of the City contained in this Ordinance or the Bonds, against any member of the Council, 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. It is expressly agreed and understood that this Ordinance and the Bonds are solely corporate obligations, and that no personal liability whatsoever shall 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 Trustee or the Bondholder or to be implied therefrom as being supplemental hereto or thereto. All personal liability of that character against every such member, officer and employee is, by the enactment of this Ordinance and the execution of the Bonds, and as a condition of, and as a part of the consideration for, the adoption of this Ordinance and the execution of the Bonds, expressly waived and released. The immunity of members, officers and employees of the City under the provisions contained in this Section 13.3 shall survive the termination of this Ordinance.

Section 13.4. Effect of Saturdays, Sundays and Legal Holidays. Whenever this Ordinance requires any action to be taken on a Saturday, Sunday, legal holiday or bank holiday in the State or the state in which the applicable office of the Trustee, Paying Agent or Registrar is located, such action shall be taken on the first Business Day occurring thereafter. Whenever in this 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 or the state in which the applicable office of the Trustee, Paying Agent or Registrar is located, such time shall continue to run until midnight on the succeeding Business Day.

Section 13.5. Partial Invalidity. If any one or more of the covenants or agreements or portions thereof provided in this Ordinance on the part of the City or the Trustee or any Paying Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements and portions thereof provided in this Ordinance and the invalidity thereof shall in no way affect the validity of the other provisions of this Ordinance or of the Bonds, but the Holders of the Bonds shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

If any provisions of this Ordinance shall be held or deemed to be or shall, in fact, be inoperative or unenforceable or invalid as applied in any particular case in any jurisdiction or jurisdictions or in all

jurisdictions, or in all cases because of conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatever.

Section 13.6. Law and Place of Enforcement of Ordinance. This Ordinance shall be construed and interpreted in accordance with the laws of the State without regard to conflict of law principles and all suits and actions arising out of this Ordinance shall be instituted in a court of competent jurisdiction in the State.

Section 13.7. Effect of Article and Section Headings and Table of Contents. The headings or titles of the several Articles and Sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Ordinance.

Section 13.8. Repeal of Inconsistent Ordinances. All ordinances and resolutions of the City, and any part of any ordinance or resolution, inconsistent with this Ordinance are hereby repealed to the extent of such inconsistency.

Section 13.9. Notices. All notices, certificates, or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by registered mail, postage prepaid, return receipt requested, or overnight delivery service, to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party to all other parties:

If to the City:

City of Rock Hill, South Carolina
Attn: City Manager
155 Johnston Street
Post Office Box 11706
Rock Hill, South Carolina 29731-1706

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
Attn: Corporate Trust
10161 Centurion Parkway
Jacksonville, Florida 32256

The City and the Trustee may, by notice given to the other party, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

The Trustee shall have the right to accept and act upon instructions or directions pursuant to this Ordinance, any Supplemental Ordinance or any other document reasonably relating to the Bonds sent by the City by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that the City shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and

directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the method(s) selected by it; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

Section 13.10. Codification. This Ordinance shall be forthwith codified in the Code of City Ordinances in the manner required by law and the name shall be indexed under the general heading "General Bond Ordinance – Limited Obligation Bonds (Hospitality Fee Pledge)."

Section 13.11. Severability. If any sections, phrase, sentence or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not attest the validity of the remaining portions thereof.

Section 13.12. Effective Date. This Ordinance shall be effective upon its adoption by the City Council for the City of Rock Hill, South Carolina; provided, however, that it shall not be necessary for the City to establish the funds and accounts created in Article VI hereof prior to the issuance of any Bonds.

[Signature page follows]

Be it ordained by the governing body of the City of Rock Hill in Council assembled.

CITY OF ROCK HILL, SOUTH CAROLINA

(SEAL)

A. Douglas Echols, Jr., Mayor

John A. Black, III, Mayor Pro Tempore

ATTEST:

Sandra Oborokumo, Councilmember

Anne P. Harty
Municipal Clerk

Kathy S. Pender, Councilmember

James C. Reno, Jr., Councilmember

Osbey Roddey, Councilmember

Kevin H. Sutton, Councilmember

Date of First Reading: March 11, 2013
Date of Second Reading: April 8, 2013

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCK HILL, SOUTH CAROLINA, IN COUNCIL ASSEMBLED:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in General Bond Ordinance No. 2013-14 (the “General Bond Ordinance”) enacted by the Council on April 8, 2013 (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the “Ordinance”) (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this Sixth Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

“Beneficial Owner” shall mean any purchaser who acquires beneficial ownership interest in any Initial Bond held by the Depository. In determining any Beneficial Owner, the City, the Trustee, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the City, the Trustee, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any New Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

“Bond of 2016” shall mean the \$8,100,000 original principal amount Limited Obligation Bond (Hospitality Fee Pledge), Series 2016, dated February 24, 2016, issued under the General Bond Ordinance and the Second Supplemental Ordinance and currently outstanding in the principal amount of \$3,545,000.

“Bond of 2017” shall mean the \$1,625,000 original principal amount Limited Obligation Bond (Hospitality Fee Pledge), Series 2017, dated December 21, 2017, issued under the General Bond Ordinance and the Fourth Supplemental Ordinance and currently outstanding in the principal amount of \$713,000.

“Bond Purchase Agreement” shall have the meaning given that term in Section 11 hereof.

“Bonds of 2013” shall mean the \$15,160,000 original principal amount Limited Obligation Bonds (Hospitality Fee Pledge), Series 2013, dated May 10, 2013, issued under the General Bond Ordinance and the First Supplemental Ordinance and currently outstanding in the principal amount of \$2,875,000.

“Bonds of 2024A” shall mean the \$8,000,000 original principal amount Limited Obligation Bonds (Hospitality Fee Pledge), Series 2024A, dated June 5, 2024, issued under the General Bond Ordinance and the Fifth Supplemental Ordinance and currently outstanding in the principal amount of \$8,000,000.

“Bonds of 2024B” shall mean the \$12,000,000 original principal amount Limited Obligation Bonds (Hospitality Fee Pledge), Series 2024B, dated December 11, 2024, issued under the General Bond Ordinance and the Fifth Supplemental Ordinance and currently outstanding in the principal amount of \$12,000,000.

“Bonds to be Refunded” shall mean all or any portion of the Bonds of 2013 to be refunded with a portion of the proceeds of the New Bonds, as determined by the City Manager pursuant to Section 11(a) hereof.

“Book-Entry Form” or “Book-Entry System” shall mean with respect to the New Bonds, a form or system, as applicable, under which: (a) the ownership of beneficial interests in the New Bonds may be transferred only through a book-entry; and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates “immobilized” in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the New Bonds, when subject to the Book-Entry System.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Construction Fund” shall mean the Fund or Funds established pursuant to Section 13 hereof.

“Depository” shall mean any securities depository that is 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, operating and maintaining, with its Participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the Initial Bonds, and to effect transfers of the Initial Bonds, in Book-

CITY OF ROCK HILL, SOUTH CAROLINA

SIXTH SUPPLEMENTAL ORDINANCE NO. _____

A SIXTH SUPPLEMENTAL ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF THE CITY OF ROCK HILL, SOUTH CAROLINA, LIMITED OBLIGATION BONDS (HOSPITALITY FEE PLEDGE), IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$32,000,000; AUTHORIZING THE MAYOR OR THE CITY MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; AND OTHER MATTERS RELATING THERETO.

Enacted: March 9, 2026

Entry Form, and includes and means initially The Depository Trust Company (a limited-purpose trust company), New York, New York.

“Fifth Supplemental Ordinance” shall mean Fifth Supplemental Ordinance No. 2024-04 enacted by the Council of the City on January 8, 2024, which authorized the issuance of Bonds of 2024A and the Bonds of 2024B.

“First Supplemental Ordinance” shall mean First Supplemental Ordinance No. 2013-15 enacted by the Council of the City on April 8, 2013, which authorized the issuance of the Bonds of 2013.

“Fourth Supplemental Ordinance” shall mean Fourth Supplemental Ordinance No. 2017-65 enacted by the Council of the City on December 11, 2017 authorizing the issuance of the Bond of 2017.

“General Bond Ordinance” shall mean General Bond Ordinance No. 2013-14 duly enacted on April 8, 2013, by the Council of the City authorizing and providing for the issuance of Limited Obligation Bonds (Hospitality Fee Pledge).

“Initial Bonds” shall mean the New Bonds initially issued in Book-Entry Form as provided in Section 4 hereof.

“Interest Payment Date or Dates” shall mean April 1 of each year, or April 1 and October 1 of each year, or such other date or dates as the Mayor or City Manager may determine, and commencing on such date as the Mayor or City Manager may determine, pursuant to Section 11 hereof.

“New Bonds” shall mean the City of Rock Hill, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), issued in one or more series, in the aggregate principal amount of not exceeding \$32,000,000 authorized to be issued hereunder.

“Paying Agent” shall mean The Bank of New York Mellon Trust Company, N.A., as Paying Agent for the New Bonds.

“Principal Payment Date” shall have the meaning given to such term in Section 3 hereof.

“Projects” shall mean the design, acquisition, construction, improvement, equipping and installation of all or a portion of any one or more of the following: (i) completion of construction of the Bleachery Fieldhouse, being an approximately 40,000 square foot facility adjacent to the City’s existing Sports and Event Center, which will accommodate additional basketball courts, volleyball courts and pickleball courts, together with any related infrastructure and equipment; and (ii) phase one of development of the Southside Regional Park to be constructed on the site of a former landfill and adjacent property, to include artificial turf fields for baseball, softball and football, batting cages, and an approximately 700 seat baseball stadium, an approximately 800 seat football stadium, multiple convertible fields, press boxes, concessions, restrooms, parking and lighting, together with any related infrastructure, improvements and equipment.

“Purchaser” shall mean the respective original purchasers of such New Bonds that are issued on a private placement basis, and their successors or assignees, with the intention of holding the applicable Series of New Bonds for its own account and not for resale to the general public.

“Refunding” shall mean the refunding of the Bonds to be Refunded.

“Reserve Fund Instrument” shall mean any surety bond, insurance policy, letter of credit or other instrument provided to meet, in whole or in part, a Series Reserve Fund Requirement for a Series Debt Service Reserve Fund established with respect to a Series of New Bonds, if any.

“Second Supplemental Ordinance” shall mean Second Supplemental Ordinance No. 2016-03 enacted by the Council of the City on January 11, 2016, which authorized the issuance of the Bond of 2016.

“Series Costs of Issuance Account” and “Series Costs of Issuance Accounts” shall mean and refer to the account(s) of such name described in Section 14 of this Sixth Supplemental Ordinance.

“Series Debt Service Fund” shall mean one or more funds established pursuant to Section 7 hereof to (a) provide for the payment of the principal of and interest on the New Bonds related thereto; and (b) provide for the redemption (as

applicable) of the New Bonds. Pursuant to Section 7, each Series Debt Service Fund shall be further identified or designated to relate to the specific Series of New Bonds issued hereunder.

“Series Debt Service Reserve Fund” shall mean one or more funds, if any, established pursuant to Section 8 hereof (a) to insure the timely payment of the principal and interest on applicable Series of New Bonds related thereto; and (b) to provide for the redemption of the applicable Series of New Bonds related thereto. Pursuant to Section 8, each Series Debt Service Reserve Fund shall be further identified or designated to relate to the specific Series of New Bonds issued hereunder.

“Series Reserve Fund Requirement” shall mean the amount, if any, established pursuant to Section 8 hereof, with respect to a specific Series of New Bonds issued hereunder.

“Sixth Supplemental Ordinance” shall mean this Sixth Supplemental Ordinance No. ____ enacted by the Council of the City on March 9, 2026, authorizing the issuance of the New Bonds.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., as Trustee for the Bonds.

“Underwriter” shall mean (i) in the case of a competitive sale, the bidder or syndicate of bidders to which a Series of New Bonds are awarded pursuant to this Sixth Supplemental Ordinance, or (ii) in the case of a negotiated sale, the underwriter or underwriters, or syndicate manager on behalf of an underwriting syndicate, with which the City enters into a Bond Purchase Agreement for the purchase of the applicable Series of New Bonds.

Section 2. Certain Findings and Determinations.

The City hereby finds and determines:

(a) The Bond Act, the Hospitality Fee Act and the General Bond Ordinance authorize the City to issue bonds in order to defray the cost of the Projects. This Sixth Supplemental Ordinance supplements the General Bond Ordinance, constitutes and is a “Supplemental Ordinance” within the meaning of such quoted term as defined and used in the General Bond Ordinance, and is enacted under and pursuant to the General Bond Ordinance.

(b) The New Bonds constitute and are “Bonds” within the meaning of the quoted word as defined and used in the General Bond Ordinance.

(c) The Hospitality Fees pledged under the Ordinance are not encumbered by any lien and charge thereon or pledge thereof, other than the pledge thereof created by the General Bond Ordinance and the First Supplemental Ordinance for the payment and security of the Bonds of 2013, the Second Supplemental Ordinance for the payment and security of the Bond of 2016, the Fourth Supplemental Ordinance for the payment and security of the Bond of 2017, the Fifth Supplemental Ordinance for the payment and security of the Bonds of 2024A and the Bonds of 2024B, and this Sixth Supplemental Ordinance for the payment and security of the New Bonds. Upon compliance with the provisions of the General Bond Ordinance for the issuance of Bonds, the City may issue the New Bonds.

(d) There does not exist an Event of Default (as defined in the General Bond Ordinance), nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The current estimated cost of the Refunding is approximately \$2,683,006, all or a portion of which will be financed with the proceeds of one or more Series of the New Bonds. Currently, a savings can be effected through the refunding of the Bonds to be Refunded.

(f) The estimated cost of the Costs of Acquisition and Construction of the Projects is \$29,000,000. The City proposes to issue the New Bonds in one or more Series (as defined in the General Bond Ordinance), for one or more of the following purposes: (i) defraying the Costs of Acquisition and Construction of any one or more of the Projects; (ii) refunding the Bonds to be Refunded; (iii) funding one or more Series Debt Service Reserve Funds (if any) in an amount equal to the applicable Series Reserve Fund Requirement through the deposit of cash, the purchase of a Reserve Fund Instrument, or any combination thereof; (iv) paying a portion of the interest coming due on one or more Series of New Bonds; and (v) paying the Costs of Issuance of the New Bonds, including, if applicable, premiums due on any Reserve Fund Instrument or municipal bond insurance policy for any Series of New Bonds.

(g) Acquisition and continued operation of the Projects will advance proper public and corporate purposes of the City, and will benefit the City as a whole. A vibrant tourism industry fosters and enhances the economic growth and well-being of a community and its residents. Tourism has been and continues to be a growing industry for the City. The City's Parks, Recreation and Tourism Department mission is to provide a wholesome program of leisure, recreational, tourism and cultural opportunities and facilities to enhance the quality of life for City residents and visitors. Examples of the City's achievement of this mission are: (i) the Cherry Park Recreational Facility, which has a history of hosting national softball tournaments; (ii) the Manchester Meadows soccer complex, which is a premier soccer facility for local, regional, and national soccer events; (iii) Glencairn Gardens which holds an annual spring festival which historically attracts more than 100,000 visitors each year and provides outdoor recreation activities, environmental education areas for classroom work in eco-tourism, labyrinth showcase gardens, including a Veterans Garden, and a performance venue for entertainment such as plays, musical performances and other special events; (iv) the Rock Hill Outdoor Center Cycling facilities which include a Velodrome, Mountain Bike Trails, a Cyclocross track, and a BMX facility, which opened in 2012 and which hosts local, state and national cycling races including the 2017 and 2024 UCI BMX Racing World Championships; (v) the Rock Hill Tennis Center which has hosted the USTA Women's Pro event; and (vi) and the Rock Hill Sports and Event Center which has hosted nationally televised ESPN events such as the American Cornhole League World Championships and ESPN The Ocho, as well as the Adidas 3SSB three-stop travel team exposure/recruitment circuit. The Rock Hill Sports and Event Center is booked nearly every weekend. The Projects include (i) completion of the Bleacher Fieldhouse, which will include an additional four court arena to enhance the existing arena tourism events hosted at the Rock Hill Sports and Event Center, as well as provide for local weekday indoor pickleball and other programming/camps; and (ii) phase one of the development of a new Southside Regional Park in the City, which will include a new baseball stadium and football stadium with related fields and infrastructure, enhancing the City's tourism facility offerings for youth sports.

Based in part on these successes, the City is acquiring the Projects to continue to attract tourists, including persons who do not reside in, but rather enter temporarily, for reasons of recreation or leisure, the corporate limits of the City. As the City's tourism industry grows and expands, the City must make provision to increase municipal services and facilities in order to accommodate the needs of tourists and to attract additional tourism. Tourists enjoy and utilize the special benefits which the City provides.

Accordingly, the City hereby determines that the issuance of the New Bonds and the use of the proceeds thereof to defray a portion of the cost of acquisition of the Projects will serve a public purpose because, among other things:

(i) The ultimate goals and benefits to the public intended by the Projects are multiple, including, but not limited to: the promotion of tourism to the City and the facilitation of tourism-related activities, the provision of facilities and opportunities for recreational activities to City residents, the enhancement of the economic development of the City, the creation of jobs, and benefits, both tangible and intangible, that will result from all of the foregoing.

(ii) The public will be the primary beneficiary of the Projects. While certain benefits of the Projects may accrue to private individuals or entities, such benefits will be incidental to the above-referenced public purposes. The city will have ownership and control of the Projects and, thereby, ensure that the Projects will be used as tourism-related facilities available to the public to conduct cycling-related events and other activities.

(iii) The benefits represented by the Projects are not speculative. The City's prior success in securing regional, national and international sporting events demonstrates that developing a collection of world-class recreational facilities and amenities will attract tourists to the City. The Projects enhance the City's reputation as a premier destination for sports-tourism.

(iv) The public interest of the City will be served to a substantial degree by the acquisition and continued operation of the Projects. The Projects will continue to attract regional and national sports tourists to the City, as well as provide a venue for enhanced recreational opportunities for City residents, all within an area of the City that has been targeted for redevelopment to attract private investment.

(h) The Council has been advised and recognizes that Hospitality Fees and the proceeds of the financing authorized by this Sixth Supplemental Ordinance must be used exclusively for capital projects used to attract and support

tourists, e.g., the Projects. The Council has given due consideration to the Projects, and the Council hereby further finds and determines that the Projects constitute capital projects used to attract and support tourists to the City and constitute tourism-related recreational facilities within the meaning of the Hospitality Fee Act. The acquisition of the Projects will promote additional tourism to the City. The Projects will allow the City to market and attract tourists to attend and participate in events held at the site of the Projects. Further, area businesses will benefit from the influx of attendees, participants and their families coming to the City to attend and participate in events held at the location of the Projects.

(i) It is necessary and in the best interest of the City to authorize the issuance of the New Bonds in one or more Series in the principal amount of not exceeding \$32,000,000 in accordance with the Bond Act, the Hospitality Fee Act, the General Bond Ordinance and this Sixth Supplemental Ordinance for any of the purposes set forth above. The use of proceeds of the New Bonds to assist with the acquisition of the Projects is proper, and will serve numerous, valid public purposes of the City.

(j) Article III of the General Bond Ordinance provides that one or more Series of Bonds may be issued for such purposes as may be permitted by the Hospitality Fee Act upon compliance with certain provisions of the General Bond Ordinance for the purposes of paying the Costs of Acquisition and Construction of one or more Projects and for refunding Bonds. Bonds issued upon compliance with Section 3.2 and Section 3.3 or Section 3.4 of the General Bond Ordinance shall be issued on a parity with the pledge of and lien upon the Hospitality Fees *inter sese*. On or prior to the date of delivery of the New Bonds, the City shall comply with the provisions of Section 3.3 and Section 3.4 of the General Bond Ordinance.

Section 3. Authorization and Details of New Bonds; Delegation of Authority to Determine Certain Matters Relating to the New Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds designated "City of Rock Hill, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026 [or year in which issued]" (the "New Bonds"), including such further words, numbers or letters as may be necessary or desirable to identify individual series thereof and the purposes thereof, in the aggregate principal amount of not exceeding \$32,000,000. The proceeds of the New Bonds shall be used for any of the purposes set forth in Section 12 hereof.

Unless otherwise determined by the Mayor or the City Manager pursuant to Section 11 hereof, the New Bonds shall mature on April 1 in each of the years (the "Principal Payment Dates") and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months), as determined by the Mayor or the City Manager pursuant to Section 11 hereof.

(b) Such of the New Bonds as the Mayor or the City Manager shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Mayor or the City Manager pursuant to Section 11 hereof.

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 Trustee for cancellation New 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 New 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 Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each New Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at one hundred percent (100%) of the principal amount thereof, to the obligation of the City on those respective mandatory redemption obligations in chronological order or such other manner as directed in writing by the City to the Trustee, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Trustee, without further authorization or direction from the City, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The New Bonds shall originally be dated the date of delivery of the New Bonds, or such other date as the Mayor or the City Manager shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in denominations of \$5,000 and integral multiples thereof, or in such other denominations determined by the Mayor or the

City Manager pursuant to Section 11 hereof. The New Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the New Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, and in the case of a Holder of \$1,000,000 or more in principal amount of New Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder. Except as otherwise provided in the New Bonds, payment of the principal of and interest on such New Bonds may be payable by the Holder thereof without presentation and surrender of such New Bonds; provided, the Paying Agent assumes no liability to any person in the event that the Holder should fail to return such New Bonds to the Paying Agent after final payment, and no obligation will be imposed upon the Paying Agent to seek the return of such New Bonds from the Holder thereof.

(f) The New Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the issuance of a Series of Bonds or as are otherwise permitted or required by law or by the General Bond Ordinance, including this Sixth Supplemental Ordinance, including, but not limited to, any variations, omissions and insertions made as a result of a determination that such Series of New Bonds shall not be issued pursuant to a Book-Entry System, or any other determination of the Mayor or City Manager in accordance with the authority granted herein. The New Bonds shall be executed in the name and on behalf of the City by the manual or facsimile signatures of the Mayor (or in his or her absence, the Mayor Pro Tempore) and the Municipal Clerk.

(g) A copy of the approving opinion to be rendered on the New Bonds may be attached to each such Bond. If so attached, preceding the same a certificate shall appear, which shall be signed on behalf of the City by a manual or facsimile signature of the Municipal Clerk of the City. Such certificate shall be in the form substantially as follows:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of Burr & Forman LLP, Greenville, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the City of Rock Hill, South Carolina.

CITY OF ROCK HILL, SOUTH CAROLINA

By: _____
Municipal Clerk

(h) In the event a municipal bond insurance policy is purchased with respect to a Series of New Bonds, a "statement of insurance" or similar provision may be attached to each applicable Series of New Bonds.

Section 4. Book-Entry System; Recording and Transfer of Ownership of the New Bonds.

(a) In the event a Series of New Bonds is not issued under the Book-Entry System of transfer, such New Bonds will be issued as a single Bond representing the entire principal amount of the applicable New Bonds in the name of the respective Purchaser thereof. The City, the Paying Agent and the Registrar may treat the respective Purchaser or subsequent Holder of such New Bonds as the sole and exclusive owner of such New Bonds registered in its name for the purpose of payment of the principal of, and interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to the Purchaser or subsequent Holder under the General Bond Ordinance or this Sixth Supplemental Ordinance, registering the transfer of the applicable New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected or by any notice to the contrary.

(b) In the event a Series of New Bonds is issued under the Book-Entry System of transfer, the following provisions under this Section 4 shall apply to such Bonds.

The Initial Bonds will be issued in fully registered form, as a single bond representing the entire principal amount of the New Bonds or one New Bond for each of the maturities of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the City shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this Sixth Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The City, the Trustee, the Registrar and the Paying Agent make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a timely basis, and the City, the Trustee, the Registrar and the Paying Agent shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The City, the Trustee, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this Sixth Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The City, the Trustee, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the City maintained by the Registrar as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the City, or (b) the City has advised the Depository of the City's determination that the Depository is incapable of discharging its duties, then the City shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the City or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the City shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the City is unable to retain a qualified successor to the Depository, or the City has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the City undertakes 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 New Bonds by mailing an appropriate notice to the Depository, upon receipt by the City of the Initial Bonds together with an assignment duly executed by the Depository, the City shall execute, authenticate and deliver to the Depository the New Bonds in fully-registered form, in authorized denomination; provided, however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission. Prior to any transfer of the New Bonds outside of the Book-Entry Only system (including, but not limited to, the initial transfer outside of the Book-Entry Only system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 5. Optional Redemption of New Bonds. Such of the New Bonds as may be determined by the Mayor or the City Manager, pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the City, in whole or in part at any time in such order of their maturities as the City shall determine and by lot within a maturity, at the respective redemption prices with respect to each New Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed together with redemption premium, if any, as shall be determined by the Mayor or the City Manager, pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption.

Section 6. Payment of the New Bonds. The New Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Hospitality Fees of the City in accordance with the provisions of the General Bond Ordinance and this Sixth Supplemental Ordinance. The New Bonds shall be secured by a pledge of Hospitality Fees on a parity with other Bonds issued in compliance with the provisions of the General Bond Ordinance, including, without limitation, the Bonds of 2013 other than the Bonds to be Refunded, the Bond of 2016, the Bond of 2017, the Bonds of 2024A and the Bonds of 2024B.

The New Bonds do not constitute an indebtedness of the City within any State constitutional provisions (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 New Bonds shall not be a debt of the City, nor a charge, lien or encumbrance, legal or equitable, upon any property of the City or upon any income, receipts or revenues thereof, other than the aforesaid Hospitality Fees of the City. No recourse shall be had for the payment of the New Bonds or the interest thereon against the general fund of the City, nor shall the credit or taxing power of the City 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 or of interest on the New Bonds.

Section 7. Establishment of Series Debt Service Funds. In accordance with Section 6.6 of the General Bond Ordinance, Series Debt Service Funds are hereby directed to be established by the Trustee on the date of the original delivery of the New Bonds for the benefit of the Holders of the New Bonds. In accordance with Section 6.6(a), (b) and (c) of the General Bond Ordinance, there is hereby directed to be established within each respective Series Debt Service Fund an Interest Account, a Principal Account and, if applicable, a Bond Redemption Account for the payment of interest, principal and sinking fund installment requirements of Term Bonds, respectively, on the New Bonds as the same become due and payable, and reimbursement to any bond insurer providing a municipal bond insurance policy with respect to a Series of New Bonds for principal and interest payments made by such bond insurer on any Bonds then Outstanding. In addition, to the extent it is determined by the City Manager pursuant to Section 11 that a portion of the proceeds of a Series of New Bonds shall be used to pay a portion of the interest due and payable on such Series of New Bonds, there may be established within the Interest Account of the applicable Series Debt Service Fund a capitalized interest account into which such proceeds shall be deposited.

Section 8. Establishment of Series Debt Service Reserve Funds. In accordance with Section 6.7 of the General Bond Ordinance, the Mayor or the City Manager may determine whether it is necessary or desirable to establish Series Debt Service Reserve Funds for the benefit of the Holders of one or more Series of New Bonds, and may determine the amount and timing of funding of the applicable Series Reserve Fund Requirement for each such Series, and, if so, such Series Debt Service Reserve Fund(s) shall be established on the date of the original delivery of such Series of New Bonds or funded from Hospitality Fees over a period of time thereafter and held by the Trustee, all as provided in the General Bond Ordinance; provided, however, that (1) upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the Series Debt Service Reserve Fund with respect to the related New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article XII of the General Bond Ordinance, then the Series Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then Outstanding principal amount of such Series. If a Series Debt Service Reserve Fund is established, the Series Reserve Fund Requirement initially will be satisfied by the City by the deposit of cash into the Series Debt Service Reserve Fund (which may, as determined by the Mayor or the City Manager pursuant to Section 11 hereof, be funded from the proceeds of the New Bonds on the date of delivery thereof or from the Hospitality Fees thereafter), with the provision of a Reserve Fund Instrument, or any combination of the foregoing, in each case for the benefit of the Holders of the applicable Series of New Bonds. A Series Reserve Fund Requirement shall be deemed permanently satisfied to the extent a Reserve Fund Instrument is deposited with the Trustee for the benefit of the Holders

of the applicable Series of New Bonds notwithstanding any downgrade to bond insurer ratings to the provider of such Reserve Fund Instrument.

Section 9. Authorization to Effect Refunding; Redemption of the Bonds to be Refunded. Upon delivery of the applicable Series of New Bonds to effect the Refunding, a portion of the proceeds thereof, together with amounts (if any) transferred from the debt service fund with respect to the Bonds of 2013 (and other available funds of the City) may be paid directly to the holder of the Bonds to be Refunded, may be paid to the paying agent for the Bonds to be Refunded, or may be deposited in one or more escrow funds held by an escrow agent pursuant to the terms of one or more escrow agreements. Subject to the terms of the applicable escrow agreement, it shall be the duty of the escrow agent to keep such proceeds invested and reinvested to the extent that it shall be practical in Government Obligations and to apply the principal and interest of the trust so established in the manner prescribed in such escrow agreement.

The Mayor and City Manager are hereby authorized and directed for and on behalf of the City to execute such agreements and give such directions as shall be necessary to carry out the provisions of this Sixth Supplemental Ordinance, including, if necessary, the execution and delivery of one or more escrow agreements. The applicable escrow agreement shall be dated the date of delivery of the respective Series of New Bonds to which it relates and shall be in such form as the City Manager approves. The execution thereof shall be evidence of the approval. The Mayor or City Manager is further authorized to deliver such items or notifications as may be necessary to the providers of any bond insurance policies or reserve fund instruments applicable to any of the Bonds to be Refunded.

The Trustee will be directed to call the Bonds to be Refunded for redemption on such dates as directed in writing by the Mayor or City Manager. If an escrow agreement is executed in connection with the refunding of the Bonds to be Refunded, the escrow agent is directed to pay the principal of and interest on the Bonds to be Refunded, when due and upon the redemption thereof, from the moneys and obligations deposited in the applicable escrow fund established pursuant to the provisions of the applicable escrow agreement authorized herein. All moneys and obligations deposited with the escrow agent pursuant to the applicable escrow agreement and the income therefrom shall be held, invested, and applied in accordance with the provisions of this Sixth Supplemental Ordinance and the escrow agreement. As permitted by Section 5.3 of the General Bond Ordinance, the notice to be provided to Holders of the Bonds to be Refunded of the Refunding may state that the redemption of the Bonds to be Refunded is conditioned upon the Trustee receiving on or before the redemption date sufficient money for the redemption thereof.

Section 10. Designation of Trustee, Registrar, Paying Agent and Custodian. Pursuant to the General Bond Ordinance, the Trustee is The Bank of New York Mellon Trust Company, N.A. The Council hereby designates The Bank of New York Mellon Trust Company, N.A. as Registrar and Paying Agent for the New Bonds. The Registrar and the Paying Agent shall signify their acceptances of their respective duties upon delivery of the New Bonds. The initial Custodian(s) of the Construction Fund and the Series Costs of Issuance Account, if any, shall be selected by the City Manager. The City Manager or the Chief Financial Officer of the City may, at any time, remove the initial Custodian of any Construction Fund or Series Costs of Issuance Account, and replace such initial Custodian with one or more alternate Custodians.

Section 11. Sale and Issuance of New Bonds; Authority of the Mayor or City Manager.

- (a) Without further authorization, the Council hereby authorizes the Mayor or City Manager to:
- (i) determine the respective sale date, original issue date and date of delivery for each Series of the New Bonds;
 - (ii) determine whether to issue the New Bonds in one or more series;
 - (iii) determine the aggregate principal amounts and authorized denominations of each Series of New Bonds;
 - (iv) determine the principal repayment schedule for the applicable New Bonds and the Principal Payment Dates of the applicable New Bonds if different from that set forth herein;
 - (v) determine the Interest Payment Dates and initial Interest Payment Date for the applicable New Bonds if different from that set forth herein;

(vi) determine the optional and mandatory redemption terms for the applicable New Bonds, and determine whether all or a portion of a Series of New Bonds shall be issued as term bonds and, if so, the principal amounts and maturity dates of the bonds subject to mandatory sinking fund redemption;

(vii) determine whether a Series Debt Service Reserve Fund will be established and funded with respect to each respective Series of New Bonds and, if so, the amount of the Series Reserve Fund Requirement and the manner and timing of which the Series Reserve Fund Requirement will be satisfied (including, but not limited to, whether to purchase a Reserve Fund Instrument);

(viii) determine whether a municipal bond insurance policy will be purchased with respect to the respective Series of New Bonds;

(ix) determine whether a portion of the proceeds of a Series of New Bonds shall be used to pay a portion of the interest due and payable on such Series of New Bonds, and, if so, whether such portion of the proceeds of such Series of New Bonds shall be deposited within the Interest Account of the applicable Series Debt Service Fund, and, if so, whether a capitalized interest subaccount shall be established within such Interest Account into which such portion of the proceeds shall be deposited, or whether such portion of the proceeds of such Series of New Bonds shall be deposited within a capitalized interest account to be established within the Construction Fund established in connection with such Series of New Bonds in accordance with the provisions of Section 6.9 of the General Bond Ordinance;

(x) determine whether a portion of the proceeds of a Series of New Bonds shall be used to pay all or a portion of the Costs of Issuance of such Series of New Bonds, and whether such proceeds shall be deposited in the Construction Fund established with respect to such Series of New Bonds, or shall be deposited in a Series Costs of Issuance Account within such Construction Fund or established separately from such Construction Fund;

(xi) determine the Bonds to be Refunded and the redemption date thereof if different than set forth herein;

(xii) determine the manner and terms of the sale of the applicable Series of New Bonds (i.e., whether such New Bonds shall be sold through a private placement transaction with a Purchaser, sold to an Underwriter in a negotiated sale pursuant to one or more Bond Purchase Agreements (as such term is defined below) or sold to an Underwriter in a competitive sale pursuant to a notice of sale or request for proposals published or distributed in connection with the sale of such Series of New Bonds), and determine whether the Book-Entry System of transfer will apply to such New Bonds;

(xiii) in the event a Series of New Bonds is sold to a Purchaser or Purchasers on a private placement basis (i.e., such Series of Bonds is not sold to an Underwriter in a negotiated sale or competitive sale):

1. negotiate the sale of the applicable Series of New Bonds with one or more prospective Purchasers on such terms as the Mayor or City Manager may determine to be most advantageous to the City, or, in the alternative, approve the forms of one or more requests for proposals with respect to the applicable New Bonds and the distribution of such requests for proposals to various banks and other financial institutions in the City and other areas as the Chief Financial Officer of the City determines;

2. determine the dates and times for receipt of bids under the applicable request for proposals;

3. award the sale of the applicable New Bonds to the bidder or bidders providing the most advantageous proposals therefor in accordance with the terms of the applicable request for proposals, or reject all bids and negotiate the sale of the applicable Series of New Bonds directly with one or more prospective Purchasers (without regard to whether such prospective Purchasers submitted proposals in response to a request for proposals) and award the sale of the applicable Series of New Bonds to one or more Purchasers on such terms as the Mayor or City Manager may determine to be most advantageous to the City;

(xiv) in the event a Series of New Bonds is sold to an Underwriter in a negotiated sale:

1. select such Underwriter, and execute such agreements or acknowledgements as may be necessary or useful in connection with the selection of such Underwriter for the sale of the applicable Series of New Bonds;

2. determine the date and time of sales of the respective New Bonds and the interest rates for each Series of 2026 Bonds;

3. approve any original issue discount or original issue premium at which each Series of New Bonds will be sold, or whether any Underwriter's discount or other fee will be paid to the purchasers of such Series of New Bonds;

4. enter into, on behalf of the City, one or more bond purchase agreements (each a "Bond Purchase Agreement") to be dated the date of their execution. Upon the submission of any such Bond Purchase Agreement by the Underwriter, the Mayor or City Manager shall further determine that the Bond Purchase Agreement is fair and reasonable and in the best interest of the City; that the applicable Series of New Bonds shall be sold to the Underwriter upon the terms and conditions set forth in such Bond Purchase Agreement and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Bond Purchase Agreement have been met. The Mayor or City Manager is authorized and directed to execute such Bond Purchase Agreement, and deliver such executed Bond Purchase Agreement to the Underwriter, the execution and delivery of the Bond Purchase Agreement constituting conclusive evidence of the Mayor's or City Manager's approval of the matters therein contained;

(xv) in the event a Series of New Bonds is sold to an Underwriter in a competitive sale:

1. approve the forms and time and method of publication or distribution of one or more notices of sale or requests for proposals to be distributed or published in connection with the sale of such New Bonds;

2. award the sale of the applicable Series of New Bonds to the Underwriter providing the most advantageous proposal(s) therefor in accordance with the terms of the applicable notice of sale or request for proposals, or reject any and all bids for the applicable Series of New Bonds and sell the applicable Series of New Bonds in another method of sale authorized by this Sixth Supplemental Ordinance or re-advertise the applicable Series of New Bonds for competitive sale;

(xvi) in the event a Series of New Bonds is sold to an Underwriter in either a competitive sale or a negotiated sale:

1. prepare and approve one or more Preliminary Official Statements relating to one or more Series of New Bonds, including the engagement of disclosure counsel to the City in connection with the preparation thereof in the case of a competitive sale. The Mayor or City Manager is hereby authorized to "deem final" the Preliminary Official Statement for purposes of complying with the requirements set forth in Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended;

2. approve a final Official Statement of the City to be dated of even date with the execution and delivery of the applicable Bond Purchase Agreement relating to the Series of New Bonds substantially in the form of the Preliminary Official Statement, with such modifications as the Mayor or City Manager may approve. The Mayor or City Manager is hereby authorized and directed to execute copies of the final Official Statement and deliver the same to the Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the City hereby authorizes the use of the Preliminary Official Statement, the final Official Statement, the General Bond Ordinance, this Sixth Supplemental Ordinance, and the information contained herein and therein in connection with the public offering and sale of a Series of New Bonds by the Underwriter;

(xvii) negotiate the terms of, execute in the name and on behalf of the City, and deliver any escrow agreements, investment agreements, forward delivery agreements, repurchase agreements, guaranteed investment contracts, municipal bond insurance agreements, Reserve Fund Instruments, letters of credit, surety bonds, and any other agreements (including agreements relating to any credit enhancement) in connection with each Series of New Bonds, to

prepare and solicit bids for providers of such agreements and to execute, in the name and on behalf of the City, written confirmations of any such agreements and other documents as may be necessary in connection therewith;

(xviii) determine whether any Series of New Bonds shall be issued on a federal tax-exempt basis and, if issued on a federal tax-exempt basis, whether any Series of New Bonds shall be designated as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code;

(xiv) determine whether the provisions of Section 6.8 of the General Bond Ordinance shall be applicable to the payment of the New Bonds; and

(xx) agree to any other covenants, terms, provisions and matters necessary or advisable to effect the issuance of the New Bonds, including such terms as may be requested by the respective Purchasers.

In the event any of the foregoing items (i) through (xx) have already been determined or undertaken by the Mayor or City Manager, such actions are hereby ratified by the Council.

(b) A copy of this Sixth Supplemental Ordinance shall be filed with the minutes of the meeting at which this Sixth Supplemental Ordinance was enacted.

(c) The Council hereby authorizes and directs all the officers and employees of the City to carry out or cause to be carried out all obligations of the City hereunder and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

Section 12. Disposition of Proceeds of New Bonds and Certain Other Moneys. The proceeds derived from the sale of the New Bonds, plus any original issue premium and net of any original issue discount or any Underwriter's discount shall be deposited with (or at the order of) the City, the Trustee or the Custodian, as applicable, and used for any of the following purposes:

(a) A portion of the proceeds derived from the sale of the New Bonds may be deposited in a Construction Fund established pursuant to Section 13 hereof to be used for and applied to the payment of Costs of Acquisition and Construction of one or more of the Projects. Portions of the proceeds deposited in the Construction Fund may also (i) be used to pay all or a portion of the Costs of Issuance of the New Bonds relating thereto (whether or not a Costs of Issuance Account is established within such Construction Fund) and (ii) be deposited within a capitalized interest account to be established within the Construction Fund for the New Bonds relating thereto to pay interest on such New Bonds, if so determined by the Mayor or City Manager.

(b) Either (i) there shall be paid over to the escrow agent for deposit under the applicable escrow agreement, (ii) there shall be paid to the paying agent for the Bonds to be Refunded, or (iii) there shall be paid directly to the holder of the Bonds to be Refunded, an amount which the Mayor or City Manager determine to be required, together with amounts (if any) transferred from the debt service fund for the Bonds to be Refunded or from other available funds, to provide for the payment of the principal of, redemption premium on and interest on the Bonds to be Refunded upon redemption thereof.

(c) If the Mayor or City Manager determine that a Series Debt Service Reserve Fund shall be established for a Series of New Bonds and the Series Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the Trustee for deposit into such Series Debt Service Reserve Fund an amount which, together with the other available funds, equals the Series Reserve Fund Requirement.

(d) If the Mayor or City Manager determine that a municipal bond insurance policy or Reserve Fund Instrument shall be acquired in connection with a Series of New Bonds, a portion of the proceeds may be paid directly to the provider of such municipal bond insurance policy or Reserve Fund Instrument.

(e) If the Mayor or City Manager determine that a portion of the proceeds of a Series of New Bonds shall be used to pay a portion of the interest due and payable on such Series of New Bonds and that such portion of the proceeds shall be deposited within the Interest Account of the applicable Series Debt Service Fund established with respect to such Series of New Bonds, then such amount shall be deposited with the Trustee for deposit into the applicable Interest Account within the applicable Series Debt Service Fund, or into a capitalized interest subaccount within such Interest Account, if such capitalized interest subaccount is established.

(f) A portion of the proceeds may be deposited into the Series Costs of Issuance Account established under Section 14 hereof to pay Costs of Issuance for such Series of New Bonds in the event such Costs of Issuance are not paid from the applicable Construction Fund as provided in subsection (a) of this Section 12.

The respective amounts specified in this Section 12 shall be determined by the City upon delivery of the applicable New Bonds.

Section 13. Construction Funds. There are hereby authorized to be created an established one or more Construction Funds with such further words, numbers or letters as may be necessary or desirable to distinguish such fund or funds, which fund or funds shall be held by one or more Custodians selected by the City. The moneys on deposit in the Construction Fund(s) shall be used and applied to the payment of the Costs of Acquisition and Construction of Projects and to pay Costs of Issuance.

Moneys held for the credit of any Construction Fund shall be invested, at the written direction of the City, to the fullest extent practicable and reasonable, in Permitted Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Construction Fund. Withdrawals from any Construction Fund shall be made in the manner withdrawals from other funds of the City are made.

If, after the payment in full of all Costs of Acquisition and Construction of the Projects and Costs of Issuance, any moneys remain in a Construction Fund, such excess shall, pursuant to written instructions of the City, be paid by the City to the Trustee, which shall deposit such moneys into a subaccount to be created in one or more Series Debt Service Funds established with respect to one or more Series of New Bonds, which shall be applied to pay the principal of or the interest on, or both, the applicable Series of New Bonds.

In making any such payment from a Construction Fund, the Custodian may rely on such directions, requisitions and certifications delivered to it pursuant to this Section, and the Custodian shall not have any liability with respect to making such payments in accordance with such directions, requisitions and certifications for any liability with respect to the proper application hereof by the City.

Section 14. Series Costs of Issuance Accounts. There is hereby authorized to be created and established Series Costs of Issuance Accounts which shall be held by a Custodian or other bank or financial institution selected by the City Manager or Chief Financial Officer of the City; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each separate fund or account will be considered the "Series Costs of Issuance Account" with respect to the related Series of New Bonds. The Series Costs of Issuance Account established for a particular Series of New Bonds shall be accounted for as a single fund, however the moneys on deposit therein may be held by one or more banks or other financial institutions designated by the City. The moneys on deposit in the Series Costs of Issuance Account shall be used and applied to pay Costs of Issuance incidental to the issuance and sale of the New Bonds.

Moneys held for the credit of a Series Costs of Issuance Account shall be invested, to the fullest extent practicable and reasonable, in Permitted Investments maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Series Costs of Issuance Account. Withdrawals from a Series Costs of Issuance Account shall be made in the manner withdrawals from other funds of the City are made.

If any moneys remain in the Series Costs of Issuance Account after the payment in full (or after adequate provision has been made therefor) of all Costs of Issuance, such excess shall be transferred to the Construction Fund for such New Bonds, if any, and used and applied therefrom to pay Costs of Acquisition and Construction of the Series Projects, or, in the absence of such a Construction Fund, shall be paid to the Trustee for deposit in the Series Debt Service Fund and shall be used only for the payment of the principal of or the interest on, or both, the applicable Series of New Bonds.

The Series Costs of Issuance Account for a given Series of New Bonds may be established within the Construction Fund established for such Series of New Bonds, or may be established separately from such Construction Fund, as determined by the Mayor or City Manager.

Section 15. Federal Tax Covenant; Written Procedures; Exemption from State Taxes. To the extent that the Mayor or City Manager determine that a Series of the New Bonds shall be issued on a federal tax-exempt basis under Section 11 above, the City hereby covenants and agrees with the Holders of the New Bonds that it will not take any action which will, or fail to take any action which failure will, cause interest on the New Bonds to become includable in the gross income of the Bondholders for federal income tax purposes pursuant to the applicable provisions of Section 103 and Sections 141 through 150 of the Code and the regulations promulgated thereunder in effect on the date of original issuance so long as any of the New Bonds are Outstanding. The City further covenants and agrees with the Holders of the New Bonds that no use of the proceeds of the New Bonds shall be made which, if such use had been reasonably expected on the date of issue of the New Bonds would have caused the New Bonds to be "arbitrage bonds," as defined in the Code; and to that end the City hereby shall:

- (a) 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 New Bonds are Outstanding;
- (b) 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 required rebate of certain amounts to the United States; and
- (c) make such reports of such information at the times and places required by the Code.

The City Manager and the Chief Financial Officer of the City, or either of them acting alone, are hereby authorized to adopt written procedures to ensure the City's compliance with federal tax matters relating to any Bonds, including the New Bonds, which are issued on a federal tax-exempt basis.

To the extent that the Mayor or City Manager determine that a Series of New Bonds will be designated as a "qualified tax-exempt obligation" as defined in Section 265 of the Code, the Mayor or City Manager are authorized and directed to make and deliver all necessary or desirable certifications and determinations on behalf of the City in connection with such designation.

This Sixth Supplemental Ordinance shall constitute the City's declaration of official intent pursuant to Regulation §1.150-2 of the Code to reimburse the City from a portion of the proceeds of the New Bonds for expenditures the City anticipates incurring (the "Expenditures") with respect to the Projects prior to the issuance of the Series of New Bonds relating thereto. Expenditures which may be reimbursed are limited to Expenditures which are: (a) properly chargeable to capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Regulation §1.150-2 of the Code) under general federal income tax principals; or (b) certain *de minimis* or preliminary Expenditures satisfying the requirements of Regulation §1.150-2(f) of the Code. The sources of funds for the Expenditures with respect to the Projects will be available Hospitality Fees and general funds of the City. To be eligible for reimbursement of the Expenditures, the reimbursement allocation must be made not later than 18 months after the later of (a) the date on which the Expenditures were paid; or (b) the date the applicable Projects were placed in service, but in no event more than three (3) years after the original Expenditures.

Section 16. Continuing Disclosure. To the extent that Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 applies to a particular Series of New Bonds, the Chief Financial Officer of the City is hereby authorized and directed to execute and deliver a Continuing Disclosure Certificate related to such Series of New Bonds as required by applicable law (each, a "Continuing Disclosure Certificate"), the execution and delivery of such Continuing Disclosure Certificate constituting conclusive evidence of the approval of the matters therein contained. Notwithstanding any other provision of the General Bond Ordinance or this Sixth Supplemental Ordinance, failure of the City to comply with the provisions of the Continuing Disclosure Certificate shall not be considered an Event of Default under the General Bond Ordinance or this Sixth Supplemental Ordinance, and no liability for damages shall attach therefor. The Continuing Disclosure Certificate shall be executed by the City Manager prior to the delivery of the Series of New Bonds. The City Manager or the Chief Financial Officer is authorized to adopt written procedures relating to compliance with continuing disclosure obligations in connection with the New Bonds.

The City covenants, so long as and to the extent required pursuant to Section 11-1-85, Code of Laws of South Carolina 1976, as amended, to file with a central repository for availability in the secondary bond market when requested:

- (i) an annual independent audit, within thirty (30) days of the City's receipt of the audit; and
- (ii) event specific information within thirty (30) days of an event adversely affecting more than five percent (5%) of the Revenues or the City's tax base.

The only remedy for failure by the City to comply with the covenant in this Section 15 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an "Event of Default" under the General Bond Ordinance or this Sixth Supplemental Ordinance. Notwithstanding anything to the contrary contained in the General Bond Ordinance, the Trustee, the Registrar and the Paying Agent shall have no responsibility to monitor the City's compliance with this covenant. The City specifically reserves the right to amend or delete this covenant in order to reflect any change in Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, without the consent of the Trustee, the Registrar and the Paying Agent or the Holder of any New Bonds.

Section 17. Further Actions. The Mayor, Mayor Pro-Tempore, City Manager, Chief Financial Officer, Municipal Clerk and City Attorney are hereby authorized and directed to take any and all such further actions as shall be deemed necessary in order to effectuate issuance of the New Bonds and to carry out the intentions of this Sixth Supplemental Ordinance.

Section 18. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Sixth Supplemental Ordinance.

Section 19. Notices. All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the City:

City of Rock Hill, South Carolina
Attn: City Manager
155 Johnston Street
Post Office Box 11706
Rock Hill, South Carolina 29731-1706

If to the Paying Agent, the Registrar or the Trustee:

The Bank of New York Mellon Trust Company, N.A.
Attn: Corporate Trust
4655 Salisbury Road, Suite 300
Jacksonville, Florida 32256

The City, the Paying Agent, the Registrar and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

The Trustee shall have the right to accept and act upon directions or instructions, including funds transfer instructions (collectively, "Instructions") delivered using Electronic Means (defined below); provided, however, that the City shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustees' understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that Instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such

Instructions conflict or are inconsistent with a subsequent written direction or written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

Section 20. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the City, and any part of any ordinance or resolution, inconsistent with this Sixth Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 21. Severability. If any sections, phrase, sentence or portion of this Sixth Supplemental Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not attest the validity of the remaining portions thereof.

Section 22. Effective Date. This Sixth Supplemental Ordinance shall become effective upon its enactment.

[Execution Page Follows]

Be it ordained by the governing body of the City of Rock Hill in Council assembled.

(SEAL)

ATTEST:

Maddison P. Wilkerson
Municipal Clerk

CITY OF ROCK HILL, SOUTH CAROLINA

John Pressly Gettys, Jr., Mayor

John A. Black, III, Mayor Pro Tempore

C. Brent Faulkenberry, Councilmember

Nikita L. Jackson, Councilmember

Derrick L. Lindsay, Councilmember

Kevin H. Sutton, Councilmember

Sarah E. Vining, Councilmember

First Reading: February 9, 2026

Second Reading: March 9, 2026

[Execution Page]

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL CREDIT NOR TAXING POWERS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF HAS BEEN PLEDGED THERETO.

EXHIBIT A

[Form of Bond]

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
CITY OF ROCK HILL
LIMITED OBLIGATION BONDS
(HOSPITALITY FEE PLEDGE), SERIES 20__

[FORM TO BE REVISED AS APPROPRIATE FOR ANY SERIES OF NEW BONDS
SOLD IN A PRIVATE PLACEMENT TRANSACTION]

No. R-1

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issue Date</u>	<u>CUSIP</u>
			772228__

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: (\$__) DOLLARS

THE CITY OF ROCK HILL, SOUTH CAROLINA (the "City") a public body corporate and politic and a political subdivision of the State of South Carolina (the "State"), created and existing by virtue of the laws of the State, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, Jacksonville, Florida, as trustee (the "Trustee"), and to pay interest on such Principal Amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the City with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond shall be payable in semiannual installments on April 1 and October 1 of each year beginning ____ (each, an "Interest Payment Date"), until maturity or earlier redemption. All payments shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month (each, a "Record Date") preceding each Interest Payment Date or Principal Payment Date (as defined in the hereinafter defined Ordinances). The payments shall be payable by check or draft mailed at the times provided herein to the person in whose name this Bond is registered at the address shown on the registration books of the City held by The Bank of New York Mellon Trust Company, N.A., as registrar (the "Registrar"), or, in the case of a Registered Holder of \$1,000,000 or more in principal amount of this Bond, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Registered Holder. The payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THIS BOND HAS BEEN ISSUED UNDER THE PROCEDURES OF TITLE 6, CHAPTER 17 AND THE PROVISIONS OF CHAPTER 1, ARTICLE 7, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED (COLLECTIVELY, THE "ACT"); THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (EXCEPT ARTICLE X, SECTION 14(10) OF THE STATE CONSTITUTION AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A SOURCE OF REVENUE DERIVED OTHER THAN A TAX OR LICENSE) OR STATUTORY LIMITATION. THE CITY IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM HOSPITALITY FEES (AS DEFINED IN THE ORDINANCES AS DEFINED BELOW). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF AND

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Registrar. Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Ordinances.

This Bond is one of an issue of bonds of the City in the aggregate principal amount of _____ Dollars (\$_____) (the "Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provisions, issued pursuant to and in accordance with the Constitution and statutes of the State, including particularly the Act, General Bond Ordinance No. 2013-14 (the "General Bond Ordinance") and Sixth Supplemental Ordinance No. ____ (the "Sixth Supplemental Ordinance") duly enacted by the City Council of the City on April 8, 2013 and March 9, 2026, respectively (the "Sixth Supplemental Ordinance", together with the General Bond Ordinance collectively referred to as the "Ordinances") for the purposes of: (a) _____; and (c) paying Costs of Issuance (as each of such terms are defined in the Ordinances).

The Ordinances contain provisions defining terms, set forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the Ordinances; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the Holder hereof with respect thereto; set forth the terms and conditions upon which and the extent to which the Ordinances may be altered, modified and amended; set forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the City thereunder; and set forth the terms and conditions upon which the pledge made in the Ordinances for the security of this Bond and upon which the covenants, agreements and other obligations of the City made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Ordinances. Reference is hereby made to the Ordinances to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the Act and the Ordinances shall be a contract with the holder of this Bond.

This Bond and the series of Bonds of which it is one and the interest thereon are limited obligations of the City and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Hospitality Fees imposed and collected by the City, on a parity with the pledge of and lien upon such Hospitality Fees for the payment of the Bonds of 2013 [not constituting Bonds to be Refunded], the Bond of 2016, the Bond of 2017, the Bonds of 2024A, and the Bonds of 2024B (as such terms are defined in the Sixth Supplemental Ordinance), and for payment of any other Bonds (as defined in the General Bond Ordinance) hereafter issued in compliance with the provisions of the General Bond Ordinance. In addition, subject to the limitations and provisions in Section 6.8 of the General Bond Ordinance, in the event there are insufficient Hospitality Fees to make the transfers required by the Ordinances to the Series Debt Service Fund established in connection with this Bond, subject to appropriation by Council, by ordinance duly enacted, from sources or funds lawfully available therefor, the City has agreed to transfer to the Trustee an amount equal to such shortfall, for further credit or allocation by the Trustee to the appropriate accounts in the Series Debt Service Fund. Such payment obligation constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness of the City, and such obligation shall not constitute a pledge of the general tax revenues, funds, moneys or credit of the City. Any such budgetary appropriation shall be subject in all respects to the discretion of the City Council of the City, and any failure to make such an appropriation shall not constitute a default or Event of Default under this Bond or the Ordinances.

This Bond and the series of which it is one which mature on and after April 1, 20[___], shall be subject to redemption prior to their stated maturities at the option of the City on or after April 1, 20[___], in whole or in part at any time in such order of their maturities as the City shall determine and by lot within a maturity, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed together with the interest accrued on such principal amount to the date fixed for redemption.

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected at random by the Trustee. In the event any of the Bonds or portions thereof are called for redemption, the

Trustee shall give notice, in the name of the City, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the City not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for the redemption thereof. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment thereof shall be duly made or provided for, interest hereon shall cease or accrue from and after the redemption date hereof.

[The Bonds maturing in the year ___ shall be retired by sinking fund installments which shall be accumulated in the Debt Service Fund in amounts sufficient to redeem on April 1 of each year shown below, at a redemption price equal to the principal amount of the Bond or Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, the principal amount of such Bonds specified for each of the years shown below:

<u>Year</u>	<u>Amounts</u>
-------------	----------------

⁴Maturity Redemption.

The amount of the sinking fund payments prescribed above shall be reduced in such order as the City shall determine (in minimum increments of \$5,000) to the extent the Bonds of the applicable maturity have been purchased or redeemed pursuant to the operation of the optional redemption provisions under the Bond Ordinances.]

This Bond is transferable, as provided in the Ordinances, only upon the registration books of the City kept for that purpose and maintained by the Registrar, by the Holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Bond and an assignment with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a Series 20__ Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Ordinances. The City, the Trustee and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the City or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

To the extent and in the manner permitted by the terms of the Ordinances, the provisions of this Bond or of the Ordinances, or any ordinance amendatory thereof or supplemental thereto, may be amended or modified by the City in certain circumstances described in the General Bond Ordinance without the consent of the Holders of any Bonds, and in other circumstances only with the written consent of the holders of at least fifty-one percent (51%) in principal amount of the Bonds then outstanding under the Ordinances; provided always, that without the consent of the Holder of each Bond affected thereby, no such modification shall be made which will: (a) extend the time of payment of principal or of 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 (b) give to any Bond or Bonds any preference over any other Bond or Bonds, or (c) authorize the creation of any pledge prior to or, except as in the General Bond Ordinance with respect to the issuance of Series of Bonds, on a parity with the pledge of Hospitality Fees to the payment of Bonds afforded by the General Bond Ordinance, or (d) reduce the percentage in principal amount of the Bonds required to assent to or authorize any such modification to the Ordinances.

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

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by such Constitution or statutes.

IN WITNESS WHEREOF, THE CITY OF ROCK HILL, SOUTH CAROLINA, has caused this Bond to be signed this ___ day of _____, 20___, with the manual/facsimile signature of the Mayor of the City, attested by the manual/facsimile signature of the Municipal Clerk of the City, and the seal of the City impressed, imprinted or reproduced hereon.

CITY OF ROCK HILL, SOUTH CAROLINA

Mayor

ATTEST:

Municipal Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Ordinance.

The Bank of New York Mellon Trust Company, N.A., as Registrar

By: _____
Its: _____

Date: _____

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

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

UNIF GIFT MIN ACT -
_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____ (state)

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Transferee)

the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

(Authorized Officer)

Notice: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agents Medallion Program ("STAMP") or similar program.

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

CERTIFICATE

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of Burr & Forman LLP, Greenville, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the City.

CITY OF ROCK HILL, SOUTH CAROLINA

Municipal Clerk

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF CONTINUING DISCLOSURE CERTIFICATE

City of Rock Hill, South Carolina
Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Rock Hill, South Carolina (the “City”), a municipal corporation organized and existing under the laws of the State of South Carolina (the “State”), in connection with the issuance of the \$ _____ original principal amount City of Rock Hill, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026, issued pursuant to General Bond Ordinance No. 2013-14 of the City enacted on April 8, 2013 and Sixth Supplemental Ordinance No. 2026-__ of the City enacted on March 9, 2026 (collectively, the “Ordinance”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the beneficial owners and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

“Bonds” shall mean the \$ _____ Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026, issued by the City of Rock Hill, South Carolina, dated _____, 2026.

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

“Financial Obligation” is defined by the Rule as and for purposes of this Disclosure Certificate shall mean: (1) a debt obligation, (2) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (3) a guarantee of either of the foregoing; provided, however, that a “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

“National Repository” shall mean for purposes of the Rule, the Electronic Municipal Market Access (EMMA) system created by the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean _____, and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City shall provide, or shall cause the Dissemination Agent to provide, not later than February 1 of each year, commencing in 2027, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to such date the City shall

provide the Annual Report to the Dissemination Agent, if other than the City; provided, that if the audited financial statements required pursuant to Section 4 hereof to be included in the Annual Report are not available for inclusion in the Annual Report as of such date, unaudited financial statements of the City may be included in such Annual Report in lieu thereof, and the City shall replace such unaudited financial statements with audited financial statements within fifteen (15) days after such audited financial statements become available for distribution. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report.

(b) If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to the National Repository and State Depository, if any, in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

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

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

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the most recent audited financial statements, which shall be prepared in conformity with generally accepted accounting principles (or, if not in such 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) applicable to governmental entities such as the City, and shall, in addition, contain or incorporate by reference the following:

(a) Financial data for each fiscal year which shall consist of the financial data generally consistent with the information contained in the tables in the Official Statement under the caption "Hospitality Fees."

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Repository. The City shall clearly identify each such other document so incorporated by reference. The City may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the Securities and Exchange Commission.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (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 security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;

- (9) Tender offers;
- (10) Defeasances;
- (11) Release, substitution, or sale of property securing repayment of the securities;
- (12) Rating changes;
- (13) Bankruptcy, insolvency, receivership or similar event of the City;
- (14) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City 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;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee;
- (16) Incurrence of a Financial Obligation of the City; or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders;
- (17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event described in subsections (a)(2), (7), (8), (11), (14), (15) or (16) above, the City shall as soon as possible determine if such event would be material under applicable federal securities laws. If the City determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the City shall promptly, and no later than 10 business days after the occurrence of the event, file a notice of such occurrence with the Repository.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (9), (10), (12), (13) or (17) above, the City shall promptly, and no later than 10 business days after the occurrence of the event, file a notice of such occurrence with the Repository.

(d) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8), (9), and (10) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds. For the purposes of the event identified in (a)(13) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the City, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City, or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the City, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the General Bond Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the City, or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

CITY OF ROCK HILL, SOUTH CAROLINA

By: _____
Chief Financial Officer

Dated: _____, 2026

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of City: City of Rock Hill, South Carolina

Name of Bond Issue: \$_____ Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026, of the City of Rock Hill, South Carolina

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that the City of Rock Hill, South Carolina (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate executed and delivered by the City as Dissemination Agent. The City has notified us in writing that the Annual Report will be filed by _____.

Dated: _____

CITY OF ROCK HILL, SOUTH CAROLINA

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E
FORM OF BOND COUNSEL'S OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

[Date of Delivery]

City Council of the City
of Rock Hill, South Carolina
Rock Hill, South Carolina

\$ _____
City of Rock Hill, South Carolina
Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026

We have acted as bond counsel to the City of Rock Hill, South Carolina (the “City”), in connection with the issuance of the City's \$ _____ Limited Obligation Bonds (Hospitality Fee Pledge), Series 2026 (the “Series 2026 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 Series 2026 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; the procedures of Title 6, Chapter 17, and the provisions of Title 6, Chapter 1, Article 7, Code of Laws of South Carolina 1976, as amended (collectively, the “Act”); and General Bond Ordinance No. 2013-14 enacted by the City Council of the City (the “City Council”) on April 8, 2013 (the “General Bond Ordinance”), as supplemented by Sixth Supplemental Ordinance No. 2026-___ enacted by the City Council on March 9, 2026 (the “Sixth Supplemental Ordinance”). The General Bond Ordinance and the Sixth Supplemental Ordinance are sometimes collectively referred to as the “Bond Ordinances”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Ordinances.

The Series 2026 Bonds are subject to optional [and mandatory] redemption prior to maturity as contemplated by the Bond Ordinances. The Series 2026 Bonds are immobilized in the custody of The Depository Trust Company (“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 further relied upon the opinions set forth in the letter of Spencer & Spencer, P.A., attorneys for the City, of even date herewith. 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 Series 2026 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 Series 2026 Bonds and of rendering the specific opinions 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 issuance of the Series 2026 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 Series 2026 Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We refer you to the Series 2026 Bonds and the Bond Ordinances for a further description of the Series 2026 Bonds, the purposes for which the Series 2026 Bonds are issued, the uses of the proceeds from the sale of the Series 2026 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 Series 2026 Bonds.
2. The Bond Ordinances have been duly enacted by the City Council and constitute valid and binding obligations of the City enforceable against the City.
3. The Series 2026 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 lien upon the Hospitality Fees (as defined in the General Bond Ordinance) on a parity with the pledge of Hospitality Fees securing other Bonds issued in compliance with the provisions of the General Bond Ordinance.
4. Interest on the Series 2026 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 and corporations, however, interest on the Series 2026 Bonds is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2026 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 Series 2026 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2026 Bonds.
5. Under the laws of the State, the Series 2026 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, amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Series 2026 Bonds.

The rights of the owners of the Series 2026 Bonds and the enforceability of the Series 2026 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 Series 2026 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Series 2026 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,

BURR & FORMAN LLP