

REQUEST FOR BOARD ACTION / CONTRACT CONTROL FORM

Tracking Number: _____

11,

Date of Request: October 2, 2007

Date Request Received: October 3, 2007

Board Meeting Date Requested: October 15, 2007

Board Meeting Date Assigned: October 15, 2007

Short Title: Resolution Of The Scott's Hill Water & Sewer District Accepting The Conditions In The June 20, 2007 Letter Of Conditions From U.S.D.A. Rural Development

Request Status:

- Request is proceeding to Board of Commissioners
- More information is needed – see attached
- Request on hold – no further information needed
- Other:

Background: The Scott's Hill Water & Sewer District was formed on May 1, 2006. In November of 2006, voters in this District approved a \$4,000,000 Bond Referendum to authorize construction and installation of water infrastructure.

(Administrative Use Only)

The water system has been designed and staff is preparing to launch a sign up campaign. USDA is initially prepared to offer a \$3,067,000 loan package to the County for this project. These documents must be approved in order to take advantage of the low interest loan (currently at 4.125%) that will be repaid over 40 years.

CONTRACT TYPE

- Renewal
- For Service(s)
- Intergovernmental – County as Grantee
 - Federal Grantor
 - State Grantor
 - Grantor
- County as Grantor
 - County Funds
 - Other Funds:
- Revision
- For Equipment

Specific Action Requested: The Board of Directors of the Scott's Hill Water & Sewer District is requested to accept the Conditions in the June 20, 2007 Letter of Conditions from USDA, Rural Development

PURCHASING

Date Rec'd: Budgeted Item: Yes No
 Reviewed and Approved
 Comments on Reverse

Date Sent:

Signed:

Requested by: Paul Parker
Department: Utilities
Title: Assistant County Manager
Contact Phone: 910.259.1280
Contact Fax: 910.259.1579

ATTORNEY

Date Rec'd: Reviewed and Approved
 Legal Problem(s)
 Comments on Reverse

Date Sent:

Signed:

FINANCE

Date Rec'd: Sufficient Funds Available Not Available
 Budget Amendment Necessary
 Budgeted Amendment is Attached
 Comments on Reverse

Date Sent:

Signed:

CLERK

Signature(s) Required:
 Board Chairman/County Manager
 Other:

Date Rec'd Approved by Board: Yes No
At meeting on

**RESOLUTION OF THE SCOTTS HILL WATER & SEWER DISTRICT
ACCEPTING THE CONDITIONS IN THE JUNE 20, 2007,
LETTER OF CONDITIONS FROM USDA, RURALDEVELOPMENT**

BE IT RESOLVED

That the Scotts Hill Water and Sewer District Board accepts the conditions set forth in a Letter of Conditions dated June 20, 2007 and RUS BULLETIN 1780-27, Loan Resolution (Public Body):

That the Chairman and the Secretary to the Board were given the authority on June 20, 2007 to execute all forms necessary to obtain a **loan** from Rural Development, including, but not limited to the following forms:

Form RD 1942-46	Letter of Intent to Meet Conditions
RUS Bulletin 1780-27	Loan Resolution
Form RD 400-1	Equal Opportunity Agreement
Form RD 400-4	Assurance Agreement
Form RD 1940-1	Request for Obligation of Funds
Form RD 1910-11	Applicant Certification Federal Collection Policies
Form AD-1047	Certification Regarding Debarment Primary Covered Transactions
1940-Q, Exhibit A-1	Certification for Contracts, Grants and Loans
Unnumbered Form	Certificate of Compliance

That if the interest rate charged by Rural Development should change between this date and the date of actual approval, the Chairman and Secretary be authorized to execute new forms reflecting the current interest rate and revised payments as required by Rural Development.

That Board elects to have the interest charged by Rural Development to be the lower of the rate in effect at either the time of loan approval or loan closing.

The Board hereby agrees to abide by the mitigation requirements in the Letter of Conditions.

This resolution is to become a part of the official minutes of the Scotts Hill Water and Sewer District Board meeting held on October 15, 2007.

MOTION MADE BY: _____ and
SECONDED BY : _____ THAT THE
RESOLUTION BE APPROVED.

MOTION PASSED _____ FOR AND _____ AGAINST.

BY: _____
(TYPE NAME AND TITLE)

Attest: _____ BY: _____
(Date) (TYPE NAME AND TITLE)



United States Department of Agriculture
Rural Development
Lumberton Area Office

September 20, 2007

Scotts Hill Water & Sewer District
Mr. Paul Parker, Assistant County Manager
P.O. Box 5
Burgaw, NC 28425

Subject: Water Distribution Facilities

Dear Mr. Parker:

Enclosed please find the following documents that will need to be signed if the Board accepts the Letter of Conditions for the above subject.

1. Letter of Conditions dated June 20, 2007
2. Resolution Accepting the Letter of Conditions
3. Form 1780-27, Loan Resolution
4. Form RD 1910-11, Applicant Certification Federal Collection Policies
5. Form RD 400-4, Assurance Agreement
6. Form RD 400-1, Equal Opportunity Agreement
7. Compliance Certification

Each document should be signed by the Board Chairman and Clerk including the District's seal. The signed documents should be returned to the following address:

USDA-Rural Development
P.O. Box 7426
Lumberton, NC 28359

If you have any questions, please call (910) 739-3349 Ext. 4.

Sincerely,


Steven H. Smith
Area Specialist

Enclosure

440C Caton Road PO Box 7426 Lumberton, North Carolina 28360
Phone: (910) 739-3349 • Fax: (910) 618-9444 • TDD: (919) 873-2003 • Web: <http://www.rurdev.usda.gov/nc>

Committed to the future of rural communities

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).



United States Department of Agriculture
Rural Development
Lumberton Area Office

June 20, 2007

COPY

Scotts Hill Water & Sewer District
Mr. F.D. Rivenbark, Chairman
P.O. Box 5
Burgaw, NC 28425

Dear Mr. Rivenbark:

This letter establishes conditions, which must be understood and agreed to by the Scotts Hill Water and Sewer District before further consideration may be given to the application. This loan will be administered on behalf of Rural Utilities Service (RUS) by the State and Area Office staff of USDA, Rural Development (RD).

Any changes in project costs, sources of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by the Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

This letter is not to be considered as loan approval, or as a representation as to the availability of funds. The docket may be completed based on a RUS loan not to exceed **\$3,067,000** and the **applicant's** contribution of **\$84,000** for a total proposed project cost of **\$3,151,000**.

If RUS makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing. If you choose otherwise, your written request should be submitted to this office as soon as practical, but no later than sixty (60) calendar days prior to loan closing.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-26, Letter of Intent to Meet Conditions, if you desire that further consideration be given your application.

If conditions set forth in this letter are not met within twelve (12) months from the date hereof, Rural Development reserves the right to discontinue processing of the application.

REPAYMENT SCHEDULE

The loan will be scheduled for repayment over a period of **forty (40) years**. The first two (2) installments will be for interest only. Each installment will be due and payable **June 1**, with the first installment being due on June 1st following the date of loan closing or delivery of the bond.

440C Caton Road PO Box 7426 Lumberton, North Carolina 28360
Phone: (910) 739-3349 • Fax: (910) 618-9444 • TDD: (919) 873-2003 • Web: <http://www.rurdev.usda.gov/nc>

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PREAUTHORIZED DEBIT PAYMENTS (PAD)

Prior to loan closing the District must complete U. S. Department of Treasury Form SF 5510, "Authorized Agreement for Preauthorized Payments." This form will authorize the government to electronically debit RUS loan payment(s) from the District's specified bank account on a predetermined date (date the payment is due). Preauthorized Debit is accomplished through the Automated Clearing House process providing for a cost-effective, secure, reliable and convenient payment method; thus eliminating the need to write a check for each payment, the expense of mailing the payment and allows the certainty of when the payment will be applied. This service is only provided for qualified borrowers.

SECURITY REQUIREMENTS

Security will consist of a **\$3,067,000 General Obligation Bond**, authorized and prepared in accordance with RUS Instruction 1780, paragraph 1780.14 and the Local Government Bond Act. RUS will negotiate the purchase of the bond with the District and the North Carolina Local Government Commission. The Commission reserves the right to require a public offering of the bond.

INTERIM FINANCING

The District will obtain interim construction financing in accordance with RUS Instruction 1780, paragraph 1780.39(d) and the Local Government Bond Act. Interim financing will be obtained through the sale of Bond Anticipation Notes (BAN) with the assistance of the North Carolina Local Government Commission. These funds will be deposited into an appropriate construction account.

APPLICANT'S CONTRIBUTION

Prior to loan closing or start of construction, whichever occurs first, the District will provide **\$84,000** from its own funds to be used for the project. These funds must be used first.

DISBURSEMENT OF FUNDS

The District's contribution in the amount of **\$84,000** shall be the first funds expended.

RUS loan funds will be delivered to the Local Government Commission at the time of loan closing. These loan funds will be used to pay-off the Bond Anticipation Notes.

Rural Development must approve disbursement of all project funds.

ORGANIZATION

The District must provide certification concerning its organization, authority to issue bonds and compliance with special laws and regulations in accordance with RUS Instruction 1780, Paragraph 1780.7(e).

AUDITS, MANAGEMENT REPORTS AND ACCOUNTING METHODS

The District's accounting methods and audits will be established and maintained as required by North Carolina General Statutes, RUS Instruction 1780, Paragraph 1780.47, and OMB Circular A-133.

The initial audit will be prepared in accordance with OMB Circular A-133 and a copy furnished to Rural Development. Subsequent audits and management reports will be performed and furnished in accordance with the above instructions.

The District must provide Rural Development a copy of its current contract for auditing and evidence from the North Carolina Local Government Commission that its auditing and accounting procedures comply with North Carolina General Statutes.

WATER PURCHASE CONTRACT

Prior to the start of construction, the District must submit a water purchase contract between the District and Rocky Point/Topsail Water and Sewer District for review and concurrence by RUS Development. The water purchase contract must provide water quantities sufficient to meet current and reasonable growth expectations for peak flow demands and for the life of the proposed Rural Utility Service loan.

INSURANCE AND BONDING

Insurance and fidelity bond coverage must be obtained as required by North Carolina General Statutes and RUS Instruction 1780, Paragraph 1780.39(g). The District must provide evidence of required coverage to Rural Development prior to loan closing or start of construction, whichever occurs first. Evidence that the above-mentioned coverage is being maintained must be provided to Rural Development annually thereafter.

The District must provide evidence of Fidelity Bond coverage for the positions of officials entrusted with the receipt and disbursement of its funds and the custody of valuable property. The amount of bond must be at least equal to the total annual debt service on all loans owed to RUS.

LOAN RESOLUTION, EQUAL OPPORTUNITY, AND ASSURANCE AGREEMENT

The District must formally adopt Form RD 1942-47, "Loan Resolution (Public Body)," Form RD 400-1 "Equal Opportunity Agreement," and Form RD 400-4, "Assurance Agreement" at a proper meeting of the governing body. Adoption of these documents should be made a part of the official minutes of the above meeting. A certified copy of the said minutes should be attached to the resolution and provided to Rural Development.

WATER RATE SCHEDULE

The District must formerly adopt a **water rate schedule** at a properly called meeting of the governing body. The water rate schedule must provide sufficient revenue to meet the requirements of the operating budget of the water system including debt service. Adoption of the Rate Schedule should be made a part of the official minutes of the above meeting. A certified copy of the said minutes should be attached to the resolution and provided to Rural Development.

RULES AND REGULATIONS

Rules and Regulations for the District's water system must be submitted to Rural Development for approval prior to loan closing. A certified copy of ordinance establishing the Rules and Regulations must be provided to Rural Development.

DEBARMENT CERTIFICATION

Prior to loan approval, the District must certify that they are not debarred or suspended for Federal Non-procurement Programs by the use of Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions." In addition, Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Covered Transactions," must be executed by lower tier parties (builders, contractors, dealers, suppliers, manufactures, and others) involved in transactions exceeding \$25,000.

DEBT COLLECTION POLICIES

Prior to loan closing, the District must acknowledge receipt of debt collection policies by executing Form RD 1910-11 "Application Certification, Federal Collection Policies for Consumer or Commercial Debts."

FINAL PLANS AND SPECIFICATIONS

The project described in the final plans, specifications must conform essentially in scope, and concept with the project as described in the most recent version of the Preliminary Engineering Report. If any significant change in the project should develop (i.e., major change in service area, change in type or source of treatment, source of supply, capacity of system, etc.), after RUS funding has been approved, the District will take immediate action, to stop incurring, to the extent practicable, any additional project costs or expenses. A supplement or addendum to the Preliminary Engineering Report will be prepared, which shall include a revised project cost summary and operating budget, if necessary, and submitted to Rural Development for review and concurrence.

Final plans and specifications shall be submitted to Rural Development and other appropriate agencies for review and approval within twelve (12) months from the date of this letter.

CONSTRUCTION CONTRACT DOCUMENTS

The construction contract documents must be completed in accordance with RUS 1780; Paragraph 1780.61 and 1780.75 for projects funded, in whole or part, with RUS funds. This includes projects jointly funded by RUS and other Federal, State or local agencies. Contract documents shall be the latest version of Rural Development documents in effect at the time the project is bid. Alternative methods of preparing contract documents or alternative contract documents for jointly funded projects may be considered and approved by Rural Development on a case-by-case basis, but only under extenuating circumstances.

The contract documents must take into consideration and allow the use of all materials and equipment normally used for the application described in the plans and specifications, unless prior concurrence is received from Rural Development to delete a particular type of material, brand, or model of equipment, etc. Specifications must not contain unfair clauses, performance requirements, construction requirements, etc. designed to prevent or eliminate the use of any particular material or piece of equipment.

PROCUREMENT OF CONSTRUCTION SERVICES AND SUPPLIES / EQUIPMENT

The project shall be formally advertised for bids in accordance with RUS Instruction 1780, Paragraph 1780.72(b) and state and local laws and regulations applicable to this type of procurement. Procurement by other than formal advertising may be used upon written concurrence by Rural Development in accordance with RUS Instruction 1780, Paragraph 1780.70 and 1780.72. Formal advertising may be used for any procurement; however, at the option of the **District**.

Contracts shall be awarded based on the lowest bid of acceptable materials and equipment and in accordance with 1780.70 (g) and 1780.70 (h). If the contract award is proposed to other than the lowest bidder, documentation for such must be provided to Rural Development. The Rural Development State Engineer must provide written concurrence prior to the awarding of any contract by the District.

GRADUATION

The District will refinance the unpaid balance, in whole or in part, of its RUS debt upon the request of the Government, if at any time it should appear to the Government that the District is able to refinance its indebtedness by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms.

EXCESS FUNDS

If there is a significant reduction in project cost because of redesign or bids received, funding needs for the project will be reassessed before loan closing.

WATER CONSERVATION PROGRAM

The applicant will develop and maintain a District conservation program emphasizing the efficient use of its water supply.

VULNERABILITY ASSESSMENT and EMERGENCY RESPONSE PLAN

The District must complete a Vulnerability Assessment and Emergency Response Plan in relationship to their water system. The **VA** and **ERP** must be completed within **six (6)** months of the date the water system begins operation. The District must provide written certification to Rural Development that the VA and ERP for the water system have been completed. (Do not provide a copy of the actual VA or ERP to Rural Development).

PROFESSIONAL SERVICES AND CONTRACTS

Contracts or other forms of agreement between the applicant and its professional and technical representatives are required and are subject to Rural Development concurrence.

MITIGATION MEASURES

The following mitigation measure identified in the environmental assessment and listed in that document in Section 4.1, Summary of Mitigation Measures Required by Rural Development, must be adopted by resolution by the governing body of the District prior to the beginning of construction (a certified copy of the said minutes should be attached to the resolution and provided to Rural Development):

The District will not install a new water service or will not otherwise agree to provide water service of any type to any structure or other improvement, which is located in whole or in any part within any designated 100-year floodplain. The latest version of flood insurance rate maps published by the Federal Emergency Management Agency (FEMA) will be used to determine the location of 100-year floodplains. An exception is to be made and service is to be provided upon request by the property owner when a building or structure located within a 100-yr. floodplain already exists or committed (all building permits obtained) before the delivery of the Letter of Conditions from Rural Development offering financial assistance for the project.

Other mitigating measures relating to actions to be taken during construction activities must be incorporated in the specifications and contract documents for the project.

CLOSING INSTRUCTIONS

The loan will be closed in accordance with instructions issued by the Office of General Counsel and applicable RUS Instructions issued by the Rural Development National and/or State Office.

OTHER CONDITIONS

All applicable items set out in Form RD 1942-13, "Processing Checklist (Public Body)," applies to this project and becomes a part of the Letter of Conditions.

All requirements of the following must be met:

- a) Compliance with all Federal, State, and Local laws and regulations in accordance with RUS Instruction 1780, paragraph 1780.15
- b) Compliance with State Pollution Control and/or Environmental Protection Agency standards
- c) Consistency with other development plans
- d) Compliance with State agency regulating water rights
- e) Compliance with the Civil Rights Act of 1964
- f) Compliance with Section 504 of the Rehabilitation Act of 1973
- g) Compliance with the Age Discrimination Act of 1975.
- h) Compliance with the American with Disabilities Act of 1990

Sincerely,

STEVEN H. SMITH
Area Specialist

**RESOLUTION OF THE SCOTTS HILL WATER & SEWER DISTRICT
ACCEPTING THE CONDITIONS IN THE JUNE 20, 2007,
LETTER OF CONDITIONS FROM USDA, RURALDEVELOPMENT**

BE IT RESOLVED

That the Scotts Hill Water and Sewer District Board accepts the conditions set forth in a Letter of Conditions dated June 20, 2007 and RUS BULLETIN 1780-27, Loan Resolution (Public Body):

That the Chairman and the Secretary to the Board were given the authority on June 20, 2007 to execute all forms necessary to obtain a **loan** from Rural Development, including, but not limited to the following forms:

Form RD 1942-46	Letter of Intent to Meet Conditions
RUS Bulletin 1780-27	Loan Resolution
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1940-Q, Exhibit A-1	Certification for Contracts, Grants and Loans
Unnumbered Form	Certificate of Compliance

That if the interest rate charged by Rural Development should change between this date and the date of actual approval, the Chairman and Secretary be authorized to execute new forms reflecting the current interest rate and revised payments as required by Rural Development.

That Board elects to have the interest charged by Rural Development to be the lower of the rate in effect at either the time of loan approval or loan closing.

The Board hereby agrees to abide by the mitigation requirements in the Letter of Conditions.

This resolution is to become a part of the official minutes of the Scotts Hill Water and Sewer District Board meeting held on October 15, 2007.

MOTION MADE BY: _____ and
SECONDED BY : _____ THAT THE
RESOLUTION BE APPROVED.

MOTION PASSED _____ FOR AND _____ AGAINST.

BY: _____
(TYPE NAME AND TITLE)

Attest: _____
(Date)

BY: _____
(TYPE NAME AND TITLE)

LOAN RESOLUTION
(Public Bodies)A RESOLUTION OF THE Board of DirectorsOF THE Scotts Hill Water and Sewer DistrictAUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS
Water

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

WHEREAS, it is necessary for the Scotts Hill Water and Sewer District
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

THREE MILLION SIXTY-SEVEN THOUSAND AND XX / 100 DOLLARS (\$3,067,000.00)pursuant to the provisions of NC General Statues ; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the Scotts Hill Water and Sewer District

hereby certify that the Board of Directors of such Association is composed of

_____ members, of whom _____ constituting a quorum, were present at a meeting thereof duly called and

held on the _____ day of _____, _____ ; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of _____, the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this _____ day of _____, _____

Title _____

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

APPLICANT CERTIFICATION
FEDERAL COLLECTION POLICIES FOR CONSUMER OR COMMERCIAL DEBTS

The Federal Government is authorized to check credit information about the applicant(s) including using the federal Credit Alert Interactive Voice Response System (CAIVRS) or its successors to check to see if the applicant(s) are delinquent or in default on a Federal debt.

The Federal Government is also authorized by law to take any or all of the following actions in the event your loan payments become delinquent or you default on your loan:

- Report your name and account information to a credit reporting agency, and the Credit Alert Interactive Voice Response System (CAIVRS).
- Assess interest and penalty charges for the period of time that payment is not made.
- Assess charges to cover additional administrative costs incurred by the government to service your account.
- Offset amounts to be paid to you from your Federal income tax refund.
- Offset amounts to be paid to you under other Federal Programs.
- Refer your account to a private collection agency to collect the amount due.
- Foreclosure on any security you have given for the loan.
- Pursue legal action to collect through the courts.
- Report any written off debt to the Internal Revenue Service as taxable income.
- If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits.
- Debar or suspend you from doing business with the Federal Government either as a participant or principal throughout the executive branch of the Federal Government for the period of debarment or suspension.
- Refer any debt that is delinquent to the Treasury Offset Program (TOP) in accordance with the Debt Collection Improvement Act of 1996.
- Refer any debt that is 180 days delinquent to the Treasury for cross servicing in accordance with the Debt Collection Improvement Act of 1996
- Garnish your wages as allowed by the Debt Collection Improvement Act of 1996.

Any or all of these actions may be used to recover any debts owed when it is determined to be in the interest of the Government to do so.

CERTIFICATION: I/we have read and I/we understand the actions the Federal Government may take in the event that I/we fail to make my/our scheduled payments in accordance with the terms and conditions of my/our agreement. I/we understand that the above list is not a inclusive and that the Federal Government may deem additional actions necessary to collect should I/we become delinquent

(Signature -Individual(s)) *(Date)* *(Signature-Individual(s))* *(Date)*

(SEAL)

6/20/2007

Date

Scotts Hill Water and Sewer District

(Name of Applicant)

(Signature of Authorized Entity Official)

F.D. Rivenbark
Chairman

(Title of Authorized Entity Official)

ATTEST:

807 South Walker Street

(Address)

(Signature of Attesting Official)

Burgaw NC 28425

(City, State, and Zip Code)

(Title of Attesting Official)

USDA-RD

Form RD 400-4

(Rev. 3-97)

ASSURANCE AGREEMENT

The Scotts Hill Water and Sewer District
(name of recipient)
807 South Walker Street Burgaw NC 28425
(address)

("Recipient" herein) hereby assures the U. S. Department of Agriculture that Recipient is in compliance with and will continue to comply with Title VI of the Civil Rights Act of 1964 (42 USC 2000d et. seq.), 7 CFR Part 15, and Rural Housing Service, Rural Business-Cooperative Service, Rural Utilities Service, or the Farm Service Agency, (hereafter known as the "Agency") regulations promulgated thereunder, 7 C.F.R. §1901.202. In accordance with that Act and the regulations referred to above, Recipient agrees that in connection with any program or activity for which Recipient receives Federal financial assistance (as such term is defined in 7 C.F.R. § 14.2) no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

1. Recipient agrees that any transfer of any aided facility, other than personal property, by sale, lease or other conveyance of contract, shall be, and shall be made expressly, subject to the obligations of this agreement and transferee's assumption thereof.
2. Recipient shall:
 - (a) Keep such records and submit to the Government such timely, complete, and accurate information as the Government may determine to be necessary to ascertain our/my compliance with this agreement and the regulations.
 - (b) Permit access by authorized employees of the Agency or the U.S. Department of Agriculture during normal business hours to such books, records, accounts and other sources of information and its facilities as may be pertinent to ascertaining such compliance.
 - (c) Make available to users, participants, beneficiaries and other interested persons such information regarding the provisions of this agreement and the regulations, and in such manner as the Agency or the U.S. Department of Agriculture finds necessary to inform such persons of the protection assured them against discrimination.
3. The obligations of this agreement shall continue:
 - (a) As to any real property, including any structure, acquired or improved with the aid of the Federal financial assistance, so long as such real property is used for the purpose for which the Federal financial assistance is made or for another purpose which affords similar services or benefits, or for as long as the Recipient retains ownership or possession of the property, whichever is longer.
 - (b) As to any personal property acquired, or improved with the aid of the Federal financial assistance, so long as Recipient retains ownership or possession of the property.
 - (c) As to any other aided facility or activity, until the last advance of funds under the loan or grant has been made.
4. Upon any breach or violation of this agreement the Government may at its option:
 - (a) Terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service or activity.
 - (b) Enforce this agreement by suit for specific performance or by any other available remedy under the laws of the United States or the State in which the breach or violation occurs.

Rights and remedies provided for under this agreement shall be cumulative.

In witness whereof, Scotts Hill Water and Sewer District on this
(name of recipient)

date has caused this agreement to be executed by its duly authorized officers and its seal affixed hereto, or, if a natural person, has hereunto executed this agreement.

(S E A L)

Scotts Hill Water and Sewer District

6/20/2007 Recipient

Date

F.D. Rivenbark

Chairman Title

Attest _____
Title

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0018. The time required to complete this information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

EQUAL OPPORTUNITY AGREEMENT

This agreement, dated 6/20/2007 between

Scotts Hill Water and Sewer District

(herein called "Recipient" whether one or more) and the United States Department of Agriculture (USDA), pursuant to the rules and regulations of the Secretary of Labor (herein called the "Secretary") issued under the authority of Executive Order 11246, as amended, witnesseth:

In consideration of financial assistance (whether by a loan, grant, loan guaranty, or other form of financial assistance) made or to be made by the USDA to Recipient, Recipient hereby agrees, if the cash cost of construction work performed by Recipient or a construction contract financed with such financial assistance exceeds \$10,000--unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965.

1. To incorporate or cause to be incorporated into any contract for construction work, or modification thereof, subject to the relevant rules, regulations, and orders of the Secretary or of any prior authority that remain in effect, which is paid for in whole or in part with the aid of such financial assistance, the following "Equal Opportunity Clause":

During the performance of the contract, the contractor agrees as follows:

- (a) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited, to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the USDA setting forth the provisions of this nondiscrimination clause.
- (b) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- (c) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the USDA, advising the said labor union or workers' representative of the contractor's commitments under this agreement as required pursuant to section 202(3)- of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (d) The contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and all rules, regulations and relevant orders of the Secretary of Labor.
- (e) The contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, rules, regulations, and orders, or pursuant thereto, and will permit access to his books, records, and accounts by the USDA Civil Rights Office of Director, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (f) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government Contracts of Federally Assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor or as provided by Law.
- (g) The contractor will include the provisions of paragraph 1 and paragraph (a) through (g) in every subcontract or purchase order, unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each such subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the USDA may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the USDA, the contractor may request the United States to enter into such litigation to protect the interest of the United States.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a persons is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0018. The time required to complete this information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

2. To be bound by the provisions of the Equal Opportunity Clause in construction work performed by Recipient and paid for in whole or in part with the aid of such financial assistance.

3. To notify all prospective contractors to file the required 'Compliance Statement', Form RD 400-6, with their bids.

4. Form AD-425, Instructions to Contractors, will accompany the notice of award of the contract. Bid conditions for all nonexempt Federal and Federally assisted construction contracts require inclusion of the appropriate "Hometown" or "Imposed" plan affirmative action and equal employment opportunity requirements. All bidders must comply with the bid conditions contained in the invitation to be considered responsible bidders and hence eligible for the award.

5. To assist and cooperate actively with USDA and the Secretary in obtaining the compliance of contractors and subcontractors with the provisions of the Equal Opportunity Clause and the said rules, regulations, and orders, to obtain and furnish to USDA and the Secretary, Form AD-560, Certification of Nonsegregated Facilities, to submit the Monthly Employment Utilization Report, Form CC-257, as required and such other information as they may require the supervision of such compliance, and to otherwise assist USDA in the discharge of its primary responsibility for securing compliance.

6. To refrain from entering into any contract, or extension or other modification of a contract, subject to such Executive Order with a contractor debarred from government contracts or federally assisted construction contracts pursuant to Part II, Subpart D, of such Executive Order or to prior authority; and to carry out such sanctions and penalties for violation of the provisions of the Equal Opportunity Clause as may be imposed upon contractors and subcontractors by USDA or the Secretary pursuant to such Subpart D.

7. That if Recipient fails or refuses to comply with these undertakings, USDA may take any and all of the following actions: (a) cancel, terminate, or suspend said financial assistance in whole or in part; (b) refrain from extending any further assistance under the program involved until satisfactory assurance of future compliance has been received from Recipient; and (c) refer the case to the Office of Federal Contract Compliance Program, U.S. Department of Labor.

Signed by the Recipient on the date first written above.

(CORPORATE SEAL)

Scotts Hill Water and Sewer District

Name of Corporate Recipient

Attest: _____

By _____

F.D. Rivenbark, Chairman

807 South Walker Street
Burgaw NC 28425

RURAL DEVELOPMENT, USDA
P.O. Box 7426
Lumberton NC 28359

Dear Sir:

This is to certify that the **Scotts Hill Water and Sewer District**
is in compliance with Federal, State, and Local requirements include the following:

- a. Compliance with special laws and regulations.
- b. Compliance with State Pollution Control or Environmental Protection Agency standards.
- c. Consistency with other development plans of the area.
- d. Compliance with State agency regulating water rights.
- e. Compliance with Civil Rights Act of 1964.
- f. Compliance with Title IX of the Education Amendments of 1972.
- g. Compliance with Section 504 of the Rehabilitation Act of 1973.
- h. Compliance with Age Discrimination Act of 1975.
- i. Compliance with A-133 audit requirements.

BY: _____

F.D. Rivenbark, Chairman

6/20/2007