

In the opinion of Bond Counsel, assuming continuing compliance by the District with certain covenants, interest on the Series 2023 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Series 2023 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "TAX EXEMPTION" for a brief description of certain federal income tax consequences to certain recipients of interest on the Series 2023 Bonds. The Series 2023 Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes. The Series 2023 Bonds have been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.



\$3,170,000
**STARR-IVA WATER AND SEWER DISTRICT,
SOUTH CAROLINA**
WATERWORKS AND SEWER SYSTEM REVENUE BONDS
SERIES 2023

Dated: Date of Delivery

Due: June 1 as shown below

The Starr-Iva Water and Sewer District, South Carolina Waterworks and Sewer System Revenue Bonds, Series 2023 (the "Series 2023 Bonds") will initially be issued to 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 2023 Bonds. The Series 2023 Bonds will be available to purchasers under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not be entitled to receive physical delivery of the Series 2023 Bonds. For so long as any purchaser is the beneficial owner of a Series 2023 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 2023 Bond. See "THE SERIES 2023 BONDS – Book-Entry-Only System" herein. U.S. Bank Trust Company, National Association is serving as Trustee for the Series 2023 Bonds.

The Series 2023 Bonds will be issued in fully-registered form in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2023 Bonds (payable each June 1 and December 1, commencing June 1, 2024) is payable by payment to DTC or its nominee as the registered owner of the Series 2023 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 2023 Bonds are being issued under the authority of the Constitution and laws of the State of South Carolina, including Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended, and pursuant to the provisions of a Bond Resolution and a Series Resolution adopted by the Board (the "Board"), the governing body of Starr-Iva Water and Sewer District, South Carolina (the "District"), a special purpose district and a political subdivision of the State of South Carolina.

The Series 2023 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. The Series 2023 Bonds are being issued (i) to defray the cost of the acquisition, construction, renovation, furnishing and equipping of various capital improvements to the waterworks and sewer system of the District (the "System"), including vehicles and equipment (collectively, the "Project"), and (ii) to pay costs of issuance. The Series 2023 Bonds are payable solely from and secured by a pledge of and lien upon the portion of Gross Revenues remaining after payment of the costs of operation and maintenance of the System and will be issued on a parity with the outstanding Waterworks and Sewer System Revenue Bonds of the District as described herein. See "SECURITY FOR THE SERIES 2023 BONDS" herein.

MATURITY SCHEDULE

Due <u>June 1</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2025	\$ 95,000	5.00%	4.02%	855610AW1
2026	100,000	5.00	4.07	855610AX9
2027	105,000	5.00	4.02	855610AY7
2028	110,000	5.00	4.00	855610AZ4
2029	115,000	5.00	4.02	855610BA8
2030	120,000	5.00	4.12	855610BB6
2031	130,000	5.00	4.21	855610BC4
2032	135,000	5.00	4.25	855610BD2
2033	140,000	5.00	4.30	855610BE0
2034	150,000	5.00	4.35	855610BF7

\$320,000 5.00% Term Bond Due June 1, 2036, Yield 4.58%, CUSIP 855610BG5
 \$350,000 5.00% Term Bond Due June 1, 2038, Yield 4.90%, CUSIP 855610BH3
 \$600,000 5.00% Term Bond Due June 1, 2041, Yield 5.03%, CUSIP 855610BJ9
 \$700,000 5.00% Term Bond Due June 1, 2044, Yield 5.08%, CUSIP 855610BK6

*Yield to June 1, 2034 call at 100%

THE SERIES 2023 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF STARR-IVA WATER AND SEWER DISTRICT, SOUTH CAROLINA 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. THE DISTRICT IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2023 BONDS OR THE INTEREST THEREON EXCEPT FROM REVENUES DERIVED FROM THE OPERATION OF THE SYSTEM. NO RECOURSE MAY BE HAD FOR THE PAYMENT OF THE SERIES 2023 BONDS AGAINST THE GENERAL FUND OF THE DISTRICT, AND THE FULL FAITH AND CREDIT OF THE DISTRICT SHALL NOT BE DEEMED PLEDGED TO THE PAYMENT OF THE SERIES 2023 BONDS. THE DISTRICT HAS NO TAXING POWER.

The Series 2023 Bonds are offered when, as and if issued and delivered to the Underwriter and are subject to the approval of legality and of certain other legal matters by Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Parker Poe Adams & Bernstein LLP, Columbia, South Carolina, and for the District by its counsel, Rame L. Campbell Law Office, Anderson, South Carolina. Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, is serving as Disclosure Counsel. Southern Municipal Advisors, Inc. serves as Municipal Advisor to the District. It is expected that the Series 2023 Bonds will be available for delivery through the facilities of DTC on or about November 15, 2023, against payment therefor. *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.*

STEPHENS INC.

November 2, 2023

*CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® numbers are provided for convenience of reference only. None of the District, the Municipal Advisor or the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP numbers are subject to being changed after the issuance of the Series 2023 Bonds as a result of various subsequent actions.

IN CONNECTION WITH THIS OFFERING, STEPHENS INC., AS UNDERWRITER (THE “*UNDERWRITER*”), MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2023 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2023 Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by Starr-Iva Water and Sewer District, South Carolina (the “*District*”) or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2023 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

Southern Municipal Advisors, Inc. (the “*Municipal Advisor*”), is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Upon execution and delivery, the Series 2023 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has approved or disapproved of the Series 2023 Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. U.S. Bank Trust Company, National Association., as Trustee, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2023 Bonds, or (iii) the tax exempt status of the interest on the Series 2023 Bonds.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur or fail to occur.

STARR-IVA WATER AND SEWER DISTRICT, SOUTH CAROLINA

Board

John Michael Thomas, Chairman
John R. Hawkins, Vice Chairman
Robert Stan Adams
Thomas C. Dickerson
James Levis Herron, Jr.
Billy Peele
Alex Powell

Starr-Iva Water and Sewer District

Patrick Jackson, General Manager

Counsel

District Counsel – Rame L. Campbell Law Firm
Bond & Disclosure Counsel – Haynsworth Sinkler Boyd, P.A.
Underwriter’s Counsel – Parker Poe Adams & Bernstein LLP

Municipal Advisor

Southern Municipal Advisors, Inc.

Trustee, Paying Agent and Registrar

U.S. Bank Trust Company, National Association

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SUMMARY STATEMENT

The following Summary Statement is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Official Statement and the Appendices hereto (collectively, the “*Official Statement*”). Unless otherwise defined in this Summary Statement, all capitalized terms used in this Summary Statement shall have the meanings ascribed to them elsewhere in the Official Statement and in APPENDIX C – “Form of the Bond Resolution.” The offering of the Series 2023 Bonds to potential investors is made only by means of this entire Official Statement, and no person is authorized to detach this Summary Statement from the Official Statement or to otherwise use it without the entire Official Statement.

The District	Starr-Iva Water and Sewer District, South Carolina (the “ <i>District</i> ”), located in Anderson County and Abbeville County, South Carolina, is a body politic and corporate and a political subdivision of the State of South Carolina (the “ <i>State</i> ”), and as such, possesses all general powers granted by the Constitution of the State of South Carolina, 1895, as amended, and laws of the State to political subdivisions including under Title 33, Chapter 36, Article 8 of the Code of Laws of South Carolina, 1976, as amended, including acquiring, constructing, owning and operating a waterworks and sewer system. The District has an area of approximately 161 square miles and provides services to customers located in Starr and Iva, South Carolina, and the surrounding rural areas in Anderson and Abbeville Counties. See “THE DISTRICT AND THE SYSTEM.”
The Series 2023 Bonds	The District’s \$3,170,000 Waterworks and Sewer System Revenue Bonds, Series 2023 (the “ <i>Series 2023 Bonds</i> ”) are being issued in book-entry form in principal amounts of \$5,000 or any integral multiple thereof. See “THE SERIES 2023 BONDS – General.”
Dated Date of Series 2023 Bonds	The Series 2023 Bonds will be initially dated the date of their delivery and will bear interest from such date. It is expected that the Series 2023 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about November 15, 2023.
Interest Payments	Interest on the Series 2023 Bonds (calculated on the basis of a 360-day year of twelve 30-day months) is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2024 (at which time the interest accruing from the date of delivery of the Series 2023 Bonds will be due).
Maturities	The Series 2023 Bonds mature as serial bonds due June 1, in the years 2025 through 2034, and as term bonds due June 1, 2036, June 1, 2038, June 1, 2041 and June 1, 2044, all as indicated on the front cover hereof.
Redemption	The Series 2023 Bonds maturing after June 1, 2034, shall be subject to redemption prior to maturity, at the option of the Board (the “ <i>Board</i> ”), the governing body of the District, on and after June 1, 2034, in whole or in part at any time and, if in part, in such order of maturities as designated by the Board upon not less than 30 days’ notice, at a redemption price equal to 100% of the principal amount of Series 2023 Bonds to be redeemed, together with accrued interest to the redemption date. The Series 2023 Bonds maturing on June 1, 2036, June 1, 2038, June 1, 2041 and June 1, 2044 are subject to mandatory sinking fund redemption, as set forth in “THE SERIES 2023 BONDS – Redemption – <i>Mandatory Sinking Fund Redemption</i> ” herein.
Security	The Series 2023 Bonds are payable from and secured by a pledge of and lien upon the portion of Gross Revenues of the System remaining after payment of costs of operation and maintenance of the waterworks and sewer system of the District (the “ <i>System</i> ”), which pledge and lien will be on a parity with the pledges and liens thereon securing the payment of the Outstanding Bonds and any Additional Bonds (as such terms are defined herein) issued under the Bond Resolution (collectively, the “ <i>Bonds</i> ”). See “SECURITY FOR THE SERIES 2023 BONDS” herein.

Purpose	The Series 2023 Bonds are being issued by the District (i) to provide the funds required to defray the costs of the Project (as defined herein); and (ii) to pay costs of issuance of the Series 2023 Bonds.
Tax Status of Interest on the Series 2023 Bonds	In the opinion of Bond Counsel, assuming continuing compliance by the District with certain covenants, interest on the Series 2023 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Series 2023 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See “TAX EXEMPTION” for a brief description of certain federal income tax consequences to certain recipients of interest on the Series 2023 Bonds. The Series 2023 Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State, except estate, transfer and certain franchise taxes.
Advisors	Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina, is serving as Bond Counsel and Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina is serving as Disclosure Counsel. Certain legal matters will be passed upon for the District by Rame L. Campbell Law Office, Anderson, South Carolina, and for the Underwriter by Parker Poe Adams & Bernstein LLP, Columbia, South Carolina. Southern Municipal Advisors, Inc. serves as the Municipal Advisor to the District. The financial statements of the District for the year ended December 31, 2022, included in APPENDIX B attached hereto were prepared by Martin Smith and Company CPAs PA, Greenville, South Carolina. U.S. Bank Trust Company, National Association is serving as Trustee, Paying Agent and Registrar.
Authorization	The Series 2023 Bonds are being issued pursuant to the provisions of the Constitution and laws of the State, including particularly Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the “ <i>Enabling Act</i> ”), the Bond Resolution and the Series Resolution (as defined herein). See “AUTHORIZATION AND PURPOSE – Authorization” herein.
Continuing Disclosure	In order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “ <i>Rule</i> ”), the District will undertake, pursuant to a Disclosure Dissemination Agent Agreement (the “ <i>Continuing Disclosure Agreement</i> ”) between the District and Digital Assurance Certification, L.L.C., to provide certain financial information and operating data of the System and notices of certain events. The form of the Continuing Disclosure Agreement is included as APPENDIX E attached hereto. See “CONTINUING DISCLOSURE” herein.
General	The Official Statement speaks only as of its date, and the information contained herein is subject to change.

OFFICIAL STATEMENT

\$3,170,000

STARR-IVA WATER AND SEWER DISTRICT, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM REVENUE BONDS SERIES 2023

INTRODUCTION

This Official Statement of Starr-Iva Water and Sewer District, South Carolina (the “*District*”), a body politic and corporate and a political subdivision of the State of South Carolina (the “*State*”), which includes the cover page hereof and the appendices hereto, provides information relating to the District and its \$3,170,000 Waterworks and Sewer System Revenue Bonds, Series 2023 (the “*Series 2023 Bonds*”). Included in this Official Statement are brief descriptions of the Series 2023 Bonds and the security therefor, the waterworks and sewer system of the District (the “*System*”), the District and the resolutions pursuant to which the Series 2023 Bonds are authorized and issued by the Board (the “*Board*”), the governing body of the District. Also included is certain financial information relating to the System and demographic information relating to Anderson County, South Carolina (the “*County*”). All summaries of documents herein are qualified by reference to such documents in their entirety. Capitalized terms used herein without specific definition are used as defined in APPENDIX C – “Form of the Bond Resolution.”

AUTHORIZATION AND PURPOSE

Authorization

The Series 2023 Bonds are authorized and issued pursuant to (i) the provisions of the Constitution and laws of the State, including particularly Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the “*Enabling Act*”), (ii) a General Bond Resolution adopted by the Board on November 10, 2020 (the “*Bond Resolution*”) and (iii) a Series Resolution adopted by the Board on October 3, 2023 (the “*Series Resolution*”).

Purpose

The Series 2023 Bonds are being issued by the District in order (i) to defray the cost of the acquisition, construction, renovation, furnishing and equipping of various capital improvements to the System, including vehicles and equipment (collectively, the “*Project*”), and (ii) to pay costs of issuance.

THE SERIES 2023 BONDS

General

The Series 2023 Bonds will be dated their date of delivery, and will mature and bear interest in the amounts and at the rates (calculated on the basis of a 360-day year of twelve 30-day months) set forth on the cover page of this Official Statement. The Series 2023 Bonds will be issued in fully registered form in the denomination of \$5,000 (or integral multiples thereof) not exceeding the principal amount of the Series 2023 Bonds maturing in each year, in the name of the registered owner (each a “*Holder*” or a “*Bondholder*”) as set forth on the registration books of the District (the “*Books of Registry*”) maintained at a designated corporate trust office of U.S. Bank Trust Company, National Association, as registrar (the “*Registrar*”). U.S. Bank Trust Company, National Association will also act as trustee (the “*Trustee*”) and as paying agent (the “*Paying Agent*”) with respect to the Series 2023 Bonds. Interest on the Series 2023 Bonds will be payable semiannually on June 1 and December 1 of each year (each, an “*Interest Payment Date*”) commencing June 1, 2024 (at which time the interest accruing from the date of delivery of the Series 2023 Bonds will be due).

The Series 2023 Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York (“*DTC*”), whose nominee, Cede & Co., will be the initial Holder of the Series 2023 Bonds. Principal of and interest on the Series 2023 Bonds held in book-entry form shall be payable as described herein under the heading “THE SERIES 2023 BONDS – Book-Entry-Only System.”

Should the Series 2023 Bonds no longer be held in book-entry form, interest on the Series 2023 Bonds will be paid by check or draft mailed from the office of the Paying Agent to each Holder of the Series 2023 Bonds at the address shown on the Books of Registry on the fifteenth day of the calendar month immediately preceding each Bond Payment Date (each a “**Record Date**”), or in the case of a Holder of \$1,000,000 or more in principal amount of the Series 2023 Bonds, by wire transfer to an account within the continental United States upon the written request of such Holder to the Paying Agent no later than the Record Date immediately preceding such Interest Payment Date. Principal will be payable upon presentation of the Series 2023 Bonds at maturity or upon earlier redemption thereof at a designated principal corporate trust office of the Paying Agent.

Redemption

Optional Redemption. The Series 2023 Bonds maturing after June 1, 2034, shall be subject to redemption prior to maturity, at the option of the Board, on and after June 1, 2034 in whole or in part at any time and, if in part, in such order of maturities as designated by the Board, at a redemption price equal to the principal amount of such Series 2023 Bonds to be so redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2023 Bonds maturing on June 1, 2036, June 1, 2038, June 1, 2041 and June 1, 2044 (the “**Term Bonds**”), are subject to mandatory redemption, and will be redeemed (to the extent not previously redeemed), at 100% of the principal amount, plus interest accrued to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

Term Bonds due June 1, 2036

<u>Year</u>	<u>Principal Amount</u>
2035	\$155,000
2036	165,000*

*Final maturity.

Term Bonds due June 1, 2038

<u>Year</u>	<u>Principal Amount</u>
2037	\$170,000
2038	180,000*

*Final maturity.

Term Bonds due June 1, 2041

<u>Year</u>	<u>Principal Amount</u>
2039	\$190,000
2040	200,000
2041	210,000*

*Final maturity.

Term Bonds due June 1, 2044

<u>Year</u>	<u>Principal Amount</u>
2042	\$220,000
2043	235,000
2044	245,000*

*Final maturity.

At its option, to be exercised on or before the forty-fifth (45th) day immediately preceding any mandatory redemption date, the Board may (i) deliver to the Trustee for cancellation Series 2023 Bonds of a maturity subject to mandatory redemption in part on such redemption date, in any aggregate principal amount desired, or (ii) receive a credit in respect of its mandatory redemption obligation for any Series 2023 Bonds of a maturity subject to mandatory redemption in part on such redemption date, which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Board and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each such Series 2023 Bond so delivered or previously purchased or redeemed will be credited by the Trustee at 100% of the principal amount thereof on the obligation of the District on such respective mandatory redemption obligations in chronological order, and the principal amount of such Series 2023 Bonds to be redeemed by operation of the mandatory redemption requirement will be accordingly reduced.

Notice of Redemption. For so long as DTC acts as securities depository for the Series 2023 Bonds under a book-entry-only system, the Trustee shall send notices of redemption only to DTC or Cede & Co., DTC's nominee. Any failure of DTC or a Participant or, where appropriate, an Indirect Participant, to convey a redemption notice to a Beneficial Owner (as such terms are hereinafter defined) of a Series 2023 Bond will not affect the sufficiency or the validity of the redemption of any other Series 2023 Bonds.

Should the Series 2023 Bonds no longer be held in book-entry form and if any of the Series 2023 Bonds, or portions thereof, are called for redemption, the Trustee shall give notice to the Holders of any Series 2023 Bonds to be redeemed, in the name of the District, of the redemption of such Series 2023 Bonds, or portions thereof. Notice of each redemption of the Series 2023 Bonds is required to be mailed by the Trustee by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date to each Holder of the Series 2023 Bond to be redeemed, at the address of such Holder recorded on the Books of Registry and to be otherwise given in accordance with the provisions of the Bond Resolution, which requires that notices contain identifying numbers of the Series 2023 Bonds being redeemed, the principal amount of each Series 2023 Bond to be redeemed (if less than all), the redemption date, the redemption price, the place or places where amounts due will be payable, and any other descriptive information required under the Bond Resolution or otherwise deemed necessary by the Trustee.

The failure of the Trustee to give notice to a Holder or any defect in such notice shall not affect the validity of the redemption of any other Series 2023 Bonds for which notice is properly given.

Selection of Series 2023 Bonds and Effect of Proceedings for Redemption. If less than all of the Series 2023 Bonds having the same maturity are called for prior redemption, the particular Series 2023 Bonds (or portions thereof) to be redeemed will be selected at random by the Trustee; provided, however, that the portion of any Series 2023 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting portions of Series 2023 Bonds for redemption, the Trustee shall treat each Series 2023 Bond as representing that number of Series 2023 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of the Series 2023 Bond by \$5,000. Provided sufficient funds for such redemption are on deposit with the Trustee, all Series 2023 Bonds called for redemption shall cease to bear interest on the specified redemption date and shall no longer be deemed Outstanding (as defined in APPENDIX C) under the Bond Resolution. If on the date fixed for redemption there is not on deposit with the Trustee funds for redemption, the Trustee will send a notice to all Holders in the same manner as the notice of redemption canceling such notice of redemption.

Registration, Transfer, and Exchange Provisions

Series 2023 Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the Series 2023 Bonds, the registration and transfer of ownership interests in Series 2023 Bonds shall be accomplished by book entries made by DTC and the Participants and, where appropriate, the Indirect Participants, as described herein under the heading "Book-Entry-Only System."

Series 2023 Bonds Not Subject to Book-Entry-Only System. If the book-entry-only system is discontinued, then in all cases in which the privilege of exchanging or transferring the Series 2023 Bonds is exercised, the District will execute and the Trustee will authenticate and deliver the Series 2023 Bonds in accordance with the provisions of the Bond Resolution. All Series 2023 Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. There shall be no charge to the Holder of a Series 2023 Bond for such exchange or transfer except that the Trustee may make a charge to be paid by the Bondholder requesting exchange or transfer sufficient to

reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Trustee shall be required (a) to exchange or transfer Series 2023 Bonds (i) from the Record Date to the succeeding Bond Payment Date or (ii) for a period of fifteen (15) days following any selection of Series 2023 Bonds to be redeemed or thereafter until after the first publication or mailing of any notice of redemption, or (b) to transfer any Series 2023 Bonds called for redemption.

Mutilated, Lost, Stolen, or Destroyed Series 2023 Bonds

If the book-entry-only system is discontinued, in the event any Series 2023 Bond is mutilated, lost, stolen, or destroyed, the District may execute and the Trustee may authenticate a new Series 2023 Bond having the same date, maturity, and denomination as the mutilated, lost, stolen, or destroyed Series 2023 Bond; provided that, in the case of any mutilated Series 2023 Bond, it will first be surrendered to the District and in the case of any lost, stolen, or destroyed Series 2023 Bond, there will be first furnished to the District and the Trustee evidence of the loss, theft, or destruction satisfactory to the District and the Trustee, together with indemnity satisfactory to them; provided that, in the case of a Holder of a Series 2023 Bond which is a bank or insurance company, the agreement of the bank or insurance company to indemnify will be sufficient. In the event any Series 2023 Bond has matured, instead of issuing a duplicate Series 2023 Bond, the District may pay it without surrender thereof. The District and the Trustee may charge the Holder of the Series 2023 Bond with their reasonable fees and expenses in this connection.

Book-Entry-Only System

DTC will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Upon issuance of the Series 2023 Bonds, one fully registered bond will be issued for each maturity of the Series 2023 Bonds as set forth on the front 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 2023 Bonds references herein to the Bondholders or registered owners of the Series 2023 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (hereinafter defined) of the Series 2023 Bonds.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but neither the District nor the Underwriter takes 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. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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.

Purchases of Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2023 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial

Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 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 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 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 2023 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 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023 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 District and the Trustee will recognize DTC or its nominee, Cede & Co., as the registered owner of the Series 2023 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 2023 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 2023 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2023 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 District 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 2023 Bonds are credited on the record date (identified on a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2023 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 District, 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 District 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 District 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 2023 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2023 Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2023 Bond certificates will be printed and delivered to DTC.

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

DTC may determine to discontinue providing its service with respect to the Series 2023 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 District 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 2023 Bonds in denominations of \$5,000 or integral multiples thereof in accordance with the instructions of DTC or its nominee, Cede & Co. The Series 2023 Bonds thereupon delivered will be subject to registration and transfer as described above under the heading “Registration, Transfer and Exchange Provisions.”

SECURITY FOR THE SERIES 2023 BONDS

Security for the Series 2023 Bonds

The principal of and interest on the Series 2023 Bonds are payable solely from the portion of the Gross Revenues remaining after payment of the cost of operation and maintenance of the System. The District’s obligations under the Restated and Amended Water Sale and Purchase Agreement with Anderson Regional Joint Water System (the “*Joint Water System*”) dated as of October 12, 2004, as amended and supplemented from time to time (the “*Water Sale and Purchase Agreement*”) are considered a cost of operation and maintenance of the System and are payable prior to debt service on the Bonds and any Additional Bonds (as such terms are defined below). The District has granted a pledge of and lien upon the Gross Revenues to secure the District’s payment obligations under the Water Sale and Purchase Agreement.

Such portion of Gross Revenues is irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2023 Bonds, the Outstanding Bonds (as defined below) and any additional Bonds subsequently issued under the Bond Resolution on a parity therewith (“*Additional Bonds*”), and to the payments into the various funds provided in the Bond Resolution, to the extent and in the manner provided for in the Bond Resolution.

As of December 31, 2022, the District has outstanding the following waterworks and sewer system revenue bonds (the “*Outstanding Bonds*”):

<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount*</u>
2016	August 12, 2016	\$ 2,240,000	\$ 1,995,392
2021	January 27, 2021	11,030,000	10,555,000

*Exclusive of payments made in Fiscal Year 2023.

So long as any Bonds remain outstanding, all Gross Revenues of the System shall be received by the District and, as required by the Enabling Act, shall be applied as provided in the Bond Resolution. See APPENDIX C under the heading “DISPOSITION OF REVENUES” for a description of such provisions.

The Series 2023 Bonds do not constitute an indebtedness of the District within the meaning of any State constitutional provision (other than Article X, Section 14, Paragraph 10 of the State Constitution authorizing indebtedness payable solely from special sources not involving revenues from any tax or license) or statutory limitation and will never constitute nor give rise to a pecuniary liability of the District or a charge against its general credit. The Series 2023 Bonds will not be a charge, lien, or encumbrance, legal or equitable, upon any property of the District or upon any income, receipts, or revenues of the District other than the portion of the Gross Revenues remaining after payment of the cost of operation and maintenance of the System pledged thereto. No recourse may be had for the payment of the Series 2023 Bonds against the general funds of the District, except in the manner and to the extent provided in the Bond Resolution. The District is not obligated to pay the principal of or interest on the Series 2023 Bonds except from the portion of Gross Revenues described above.

THE FULL FAITH AND CREDIT OF THE DISTRICT OR OF ANY POLITICAL SUBDIVISION OF THE STATE IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON, THE SERIES 2023 BONDS, AND NO HOLDER OF THE SERIES 2023 BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF ANY POLITICAL SUBDIVISION OF THE STATE OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT WITH RESPECT TO THE SERIES 2023 BONDS. THE DISTRICT HAS NO TAXING POWER.

Rate Covenant

In the Bond Resolution, the Board has covenanted that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System that, together with other income, are reasonably expected to yield annual Net Earnings in the current Fiscal Year equal to at least the sum of (i) one hundred twenty percent (120%) of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) one hundred percent (100%) of any required payment into a Debt Service Reserve Fund due in such Fiscal Year, plus (iii) one hundred percent (100%) of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts that the Board has entered into in order to provide waterworks and/or sewer system services to the areas included within its service area, due in such Fiscal Year; and promptly upon any material change in the circumstances that were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the Board shall adopt an annual budget including amended rate schedules for such Fiscal Year that shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and that shall include the amount to be deposited during such Fiscal Year in the Depreciation and Contingent Fund. The Board may at any time adopt an amended annual budget for the remainder of the then current Fiscal Year.

If the District, in adopting its annual budget, determines that revenues may not be sufficient to meet the rate covenant established in the Bond Resolution or if the audited financial statements of the District indicate that the District did not satisfy the rate covenant for the prior year, the District will, within forty-five (45) days, engage a Consulting Engineer to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the District to meet the rate covenant. So long as the District uses its best efforts to comply with such recommendations, failure to comply with the rate covenant will not constitute an Event of Default under the Bond Resolution; provided, however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years will constitute an Event of Default.

Additional Bonds

Pursuant to the terms of the Bond Resolution, the District has reserved the right to issue additional obligations of the District (Bonds or Junior Lien Bonds as defined in APPENDIX C) secured by the portion of Gross Revenues remaining after payment of the cost of operation and maintenance of the System for the purpose of either financing the costs of improvements to the System or refunding other obligations of the District.

Additional Bonds issued upon compliance with the Bond Resolution shall be issued on a parity in all respects *inter sese*, notwithstanding, that they may be in different form, and bear interest at different rates, number, have a different date of issuance or execution or have different payment dates; and in all such instances, the pledge of the portion of Gross Revenues remaining after payment of the cost of operation and maintenance of the System made hereunder, and the covenants and remedies hereby granted shall be applicable and available to the holders of the Bonds.

Use of Proceeds. Bonds shall be issued to secure funds to defray the cost of improving, extending, enlarging, or repairing the System, some part thereof, including any acquisition of any system which shall be combined with or consolidated into the System pursuant to law; or to refund any Bonds, Junior Lien Bonds (as described in Article VI of the Bond Resolution), or any notes, bonds, or other obligations issued to finance or to aid in financing the acquisition, construction, improvement, enlargement or repair of the System or another enterprise combined with the System.

Parity Bonds. From and after the effective date of the Bond Resolution, the District covenanted and agreed with the holders from time to time of Bonds that the District shall not issue any Bonds or other obligations payable from the portion of Gross Revenues remaining after payment of the cost of operation and maintenance of the System except as permitted in the Bond Resolution. To the extent permitted by law, and subject to compliance with the provisions of the Bond Resolution, the District may from time to time, if not in default in the payment of principal of and interest on the Bonds then Outstanding, issue Additional Bonds hereunder for the purpose of (a) completing any Project; (b) constructing, purchasing, or acquiring improvements, enlargements, extensions or making repairs to the System or any part thereof; or (c) refunding any other Bonds or Junior Bonds issued under the Bond Resolution.

Additional Bonds shall be payable on a parity with, but not in preference to, any Bonds then Outstanding, and shall be secured equally and ratably therewith by the lien, pledge, provisions and covenants of the Bond Resolution and entitled to the benefits thereof provided that, prior to the issuance of any Additional Bonds, the District must obtain a certificate of an Accountant or a Consulting Engineer addressed to the District and the Trustee that Net Earnings of the System for the last Fiscal Year for which audited financial statements are available shall have been equal to at least one hundred twenty percent (120%) of the maximum annual debt service on all Bonds then Outstanding and the additional Bonds then proposed to be issued (with adjustments, if any, for any Bonds that will be discharged upon the issuance of such additional Bonds). For purposes of calculating Net Earnings, actual revenues will be adjusted upward or downward so as to be stated on the basis of the rate schedule that has been adopted and will be effective during the Fiscal Year which includes the date of issuance of such additional Bonds.

In lieu of compliance with the above, in the case of Bonds issued for the purpose of refunding any Bonds, the Annual Principal and Interest Requirements of the refunding Bonds shall not exceed the Annual Principal and Interest Requirements of the Bonds to be refunded for any Fiscal Year until a time subsequent to the last maturity of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds.

Debt Service Reserve Fund

The Bond Resolution provides that the series resolution providing for the issuance of each Series of Bonds may provide for the establishment of a reserve fund (the “*Debt Service Reserve Fund*”) to be used for the timely payment of the principal of and interest on Bonds of that Series, and to provide for the redemption of Bonds of that Series prior to their stated maturity and, if so established, will specify the Reserve Requirement with respect to that Series of Bonds.

There will not be a Debt Service Reserve Fund for the Series 2023 Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the sale of the Series 2023 Bonds:

Sources of Funds	
Principal Amount	\$3,170,000.00
Net Original Issue Premium	<u>57,348.55</u>
TOTAL	<u>\$3,227,348.55</u>
Uses	
Project Fund	\$3,000,000.00
Cost of Issuance ⁽¹⁾	<u>227,348.55</u>
TOTAL	<u>\$3,227,348.55</u>

⁽¹⁾Includes Underwriter’s discount, certain legal, accounting, trustee, municipal advisor and other financing expenses incurred by the District, contingency and rounding amounts.

FINANCIAL FACTORS

Five Year Summary

A five-year summary of the revenues and expenses of the District appears below. The below summary was derived from the audited financial statements of the District for the Fiscal Years 2018 – 2022 which were prepared by Martin Smith and Company CPAs PA. A copy of the audited financial statements for the year ended December 31, 2022 is included as Appendix B hereto.

Statement of Revenues and Expenses of the System

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating Revenues					
Sale of Water	\$2,274,362	\$2,291,290	\$2,347,592	\$2,562,437	\$2,667,530
Sale of Sewer Services	30,618	33,180	30,433	43,453	47,318
Tap Fees	83,758	67,813	101,181	94,017	103,313
Late Charges	41,975	45,186	37,583	41,431	50,724
Customer Service Fees	28,020	32,628	27,840	28,160	24,783
Meter Replacement Fees	25,242	25,281	25,514	25,967	26,261
Miscellaneous Revenues	<u>14,964</u>	<u>119,592</u>	<u>187,617</u>	<u>220,230</u>	<u>384,726</u>
Total Operating Revenues	\$2,498,939	\$2,614,970	\$2,757,760	\$3,015,695	\$3,304,655
Operating Expenses Before Depreciation & Amortization	<u>(1,468,385)</u>	<u>(1,634,364)</u>	<u>(1,847,728)</u>	<u>(1,907,270)</u>	<u>(1,998,579)</u>
Operating Income Before Depreciation & Amortization	\$1,030,554	\$ 980,606	\$ 910,032	\$1,108,425	\$1,306,076
Depreciation & Amortization	(711,224)	(667,377)	(683,687)	(701,841)	(698,559)
Operating Income (Loss)	319,330	313,229	226,345	406,584	607,517
Other Income (Expense)					
Grant Revenue	-	-	-	68,900	615,688
Gain on Disposal of Fixed Assets	-	22,366	-	10,000	-
Interest Income	5,135	28,618	25,855	7,728	25,560
Interest Expense	<u>(428,985)</u>	<u>(420,532)</u>	<u>(412,060)</u>	<u>(333,049)</u>	<u>(303,727)</u>
Change in net position	\$ (104,520)	\$ (56,319)	\$ (159,860)	\$ 160,163	\$ 945,038
Reclassification			201,808*		
Total Net Position, Beginning of Year	\$8,320,712	\$8,216,192	\$8,159,873	\$8,201,821	\$8,361,984
Total Net Position, End of Year	\$8,216,192	\$8,159,873	\$8,201,821	\$8,361,984	\$9,307,022

*Contributed Capital was reclassified to Net Position.

Historic Debt Service Coverage and Liquidity of the System

The following table sets forth the net revenues, debt service requirements, debt service coverage and liquidity for the Fiscal Years 2018 through 2022.

	Fiscal Years Ending December 31				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	2022
Revenue	\$2,498,939	\$2,614,969	\$2,757,759	\$3,015,695	\$3,304,655
Expenses	<u>2,179,305</u>	<u>2,203,797</u>	<u>2,430,974</u>	<u>2,508,671</u>	<u>2,566,748</u>
Net Revenue Available for Debt Service*	\$ 1,035,993	\$1,031,589	\$ 935,887	\$1,208,865	\$1,436,466
Total Debt Service Requirement	\$ 691,692	\$ 691,692	\$ 691,692	\$ 616,229	\$ 607,275
Debt Service Coverage Ratio	1.50x	1.49x	1.35x	1.96x	2.37x
Unrestricted Operating Cash	\$ 844,986	\$ 991,754	\$1,077,875	\$2,277,626	\$2,734,547
Days Cash on Hand	210	236	225	460	534

*As defined in the Bond Ordinance.

Projected Debt Service Coverage of the System

The following table sets forth the projected net revenues, debt service requirements and projected debt service coverage for the Fiscal Years 2023 through 2028. The table includes the future rate increases approved by the District in November 2020 and in October 2023, and the debt service requirements for the Outstanding Bonds and the Series 2023 Bonds.

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenue	\$3,443,073	\$3,629,649	\$3,880,303	\$4,044,981	\$4,163,540	\$4,288,027
Expenses	<u>2,092,442</u>	<u>2,177,905</u>	<u>2,253,158</u>	<u>2,322,716</u>	<u>2,409,002</u>	<u>2,506,961</u>
Net Revenue Available for Debt Service*	\$1,380,632	\$1,481,744	\$1,777,145	\$1,872,265	\$1,904,537	\$1,811,066
Total Debt Service Requirement	\$ 607,806	\$ 773,150	\$ 858,130	\$ 862,156	\$ 860,428	\$ 858,056
Debt Service Coverage Ratio	2.27x	1.92x	2.07x	2.17x	2.21x	2.11x

*As defined in the Bond Ordinance.

Source: Willdan Financial Services

Debt Service Requirements

The following table sets forth, on a fiscal year basis, the debt service requirements (including mandatory sinking fund redemption amounts) of the Outstanding Bonds and the Series 2023 Bonds.

Fiscal Year Ended December 31	Principal & Interest on Outstanding Bonds	Series 2023 Bonds		Total
		Principal	Interest	
2023	\$ 607,806			\$ 607,806
2024	607,606		\$ 165,544	773,150
2025	607,005	\$ 95,000	156,125	858,130
2026	610,906	100,000	151,250	862,156
2027	609,303	105,000	146,125	860,428
2028	607,306	110,000	140,750	858,056
2029	609,805	115,000	135,125	859,930
2030	611,706	120,000	129,250	860,956
2031	608,105	130,000	123,000	861,105
2032	610,805	135,000	116,375	862,180
2033	611,708	140,000	109,500	861,208
2034	609,256	150,000	102,250	861,506
2035	611,656	155,000	94,625	861,281
2036	608,905	165,000	86,625	860,530
2037	611,005	170,000	78,250	859,255
2038	607,953	180,000	69,500	857,453
2039	609,756	190,000	60,250	860,006
2040	611,356	200,000	50,500	861,856
2041	607,536	210,000	40,250	857,786
2042	608,292	220,000	29,500	857,792
2043	608,835	235,000	18,125	861,960
2044	564,386	245,000	6,125	815,511
2045	564,936			564,936
2046	565,261			565,261
2047	560,420			560,420
2048	560,406			560,406
2049	565,112			565,112
2050	505,212			505,212
2051	85,545			85,545
2052	85,543			85,543
2053	85,542			85,542
2054	85,541			85,541
2055	85,542			85,542
2056	14,257			14,257
Totals*	\$17,124,314	\$3,170,000	\$2,009,044	\$22,303,358

*Totals may not add due to rounding

INVESTMENT CONSIDERATIONS

The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the Series 2023 Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the Series 2023 Bonds. *In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and municipal advisors when considering a purchase of the Series 2023 Bonds.*

COVID-19

The COVID-19 pandemic led to a declaration of emergency by the President of the United States on March 13, 2020. The pandemic also led to a declaration of emergency by the Governor of South Carolina (the “*Governor*”) on March 13, 2020, followed by the issuance of progressively more stringent orders by the Governor. Beginning in late April 2020, the Governor issued a series of orders gradually easing most of those restrictions. The State’s COVID-19-related state of emergency ended in June 2021, and the Federal Government’s public health emergency related to the pandemic ended on May 11, 2023.

Cyber Security Management

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cyber security threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “*Systems Technology*”). As a recipient and provider of sensitive information, the District may be the target of cyber security incidents that could result in adverse consequences to the District and its Systems Technology, requiring a response action to mitigate the consequences.

Cyber security incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the District’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. The District has implemented certain controls, including data and network security measures, malware protection, security configuration, website filtering and protection, and user training, to mitigate the risk of cyber security breaches from internal sources or activities.

Climate Change

Planning for climate change in the State and its impact on System operations is an unknown challenge. The State’s climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. Such changes may lead to lower supply and higher demand for water. While the financial impact of climate change is not yet known and therefore its future impact on Net Earnings cannot be quantified reliably at this time, the District incorporates risk mitigation and resilience considerations in its capital improvement plans and long-term planning efforts. In addition, the District is undertaking significant improvements to the System in order to strengthen the District’s resilience to severe weather events and changing climate conditions.

THE DISTRICT AND THE SYSTEM

General

The District is a public service district and a public body politic and corporate of the State. Accordingly, the District is a body politic and corporate and a political subdivision of the State, and as such, possesses all general powers granted by the Constitution and laws of the State to political subdivisions, including the power to own and operate a waterworks and sewer system.

Anderson County (the “*County*”) is located in the western piedmont section of the State, bordering Georgia, in the Savannah River basin and the Saluda River basin. The County is located about halfway between the cities of Charlotte and Atlanta and has a total area of 757 square miles. The County includes the City of Anderson, South Carolina, which is the county seat.

The District has an area of approximately 161 square miles and provides services to customers located in Starr and Iva, South Carolina, and the surrounding rural areas in Anderson and Abbeville Counties. The District has approximately 245 miles of water lines and provides potable water service directly to residential, commercial and industrial customers within the District. The District has approximately 1 mile of sewer lines and provides sewer service directly to approximately 78 residential customers in Anderson County. The estimated active population served by the District is approximately 10,700.

District Management

The Board serves as the governing body of the District. The Board consists of seven members which are recommended by the County legislative delegation and appointed by the Governor of the State. The current members of the Board and terms of office are shown in the following table:

<u>Name</u>	<u>Expiration of Term</u>
John Michael Thomas, Chairman	March 2026
John R. Hawkins, Vice Chairman	March 2024
Robert Stan Adams	March 2026
Thomas C. Dickerson	March 2026
James Levis Herron, Jr.	March 2024
Billy Peele	March 2027
Alex Powell	March 2027

The General Manager of the District is responsible for the overall functioning of the District which includes operational, maintenance, administration, planning and technical aspects.

Patrick Jackson was appointed General Manager of the District in February, 2018. Mr. Jackson, who received a Bachelor of Science degree in Biology from Wofford College, has more than 20 years of water and sewer experience, including previously working with the Consolidated Pipe and Supply Company, the South Carolina Rural Water Association, Startex-Jackson-Wellford-Duncan Water District, and Laurens Commissioners of Public Works. Mr. Jackson is currently a board member and an executive committee member of the Joint Water System.

Currently, the District has 7 full-time employees.

Budget

The District's budget process is coordinated annually by the General Manager. Prior to the submission of a proposed budget to the Board, the General Manager reviews year-to-date results of operations, short-lived asset replacement needs and budgetary requirements for the next fiscal year. Additionally, any significant capital improvement projects are reviewed by the Capital Improvements Committee and then approved by the Board.

GASB 75

Governmental Accounting Standards Board Statement No. 75 ("**GASB 75**") requires the District to recognize a total OPEB (other post-employment benefits) liability and any related deferred outflows and inflows of resources along with a more comprehensive measure of OPEB expense for the District's OPEB plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and requires more extensive note disclosures. As of December 31, 2022, the District does not offer any post-employment benefits; therefore, the District did not have any OPEB liability.

Retirement Plan

The District is a member of the South Carolina Retirement System ("**SCRS**"), which is one of four defined benefit retirement systems maintained by the Retirement Division of the State Fiscal Accountability Authority. Each system publishes its own component unit financial report. SCRS is a cost-sharing, multiple-employer pension system providing retirement, death and disability benefits to State employees, public school employees and employees of counties, municipalities and certain other State political subdivisions including the District. Each system is independent. Assets may not be transferred from one system to another or used for any purpose other than to benefit each system's participants. Membership is required as a condition of employment. Effective July 1, 2023, employees contribute at 9.00% of their salary and employers at 18.56% (which includes the .15% group life insurance benefit).

The contributions of the District and its employees to the SCRS for the last five fiscal years are as follows:

<u>Contributions</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District	\$37,196	\$44,156	\$49,949	\$56,574	\$61,295
Employee	\$24,054	\$26,630	28,902	31,955	32,452

Insurance

Subject to specific immunity set forth in the State Tort Claims Act, local governments including the District 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 State Tort Claims Act. Insurance protection to units of local government is provided from either the State Insurance Reserve Fund established by the State Fiscal Accountability Authority, private carriers, self-insurance or pooled self-insurance funds. The District currently maintains liability insurance coverage by private carrier. In the opinion of the General Manager, the amount of liability coverage maintained by the District is sufficient to provide protection against any loss arising under the State Tort Claims Act.

Summary of District Operating Budget for Fiscal Year 2023

Operating Revenues	
Sale of Water	\$2,783,460
Sale of Sewer Services	47,143
Tap Fees	75,600
Late Charges	45,450
Customer Service Fees	16,800
Meter Replacement Fees	26,000
Miscellaneous Revenues	<u>165,680</u>
Total Operating Revenues	\$3,160,133
Operating Expenses (Exclusive of Depreciation & Amortization)	(\$1,844,070)
Operating Income (Exclusive of Depreciation & Amortization)	\$1,316,063
Depreciation & Amortization	(\$ 675,690)
Operating Income (Loss)	\$ 640,373

Customers

The following table shows the number of customers of the District for the years shown:

<u>Fiscal Year</u>	<u>Total Number of Water Accounts</u>	<u>Total Number of Sewer Accounts</u>
2018	4,130	78
2019	4,171	78
2020	4,243	78
2021	4,344	78
2022	4,414	78

Supply and Usage Data

The following table shows the gallons of water sold and purchased by the District for the years shown:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Gallons Sold*	281,417	279,896	288,006	287,514	308,558
Gallons Purchased*	354,948	360,161	363,582	370,847	408,545

*In Thousands of gallons

Source: Starr-Iva Water and Sewer District

Pursuant to the Water Sale and Purchase Agreement, the District’s allocated capacity is 2.53 MGD and the District is required to pay the Joint Water System a monthly fee comprised of a capital charge, operations and maintenance charge and a system depreciation charge. The Water Sale and Purchase Agreement has an initial expiration date of July 13, 2032 and automatically renews for successive five-year terms unless the District gives written notice of termination to the Joint Water System at least six months prior to the end of any term of the Water Sale and Purchase Agreement.

Water and Sewer Rates and Fees

The Board imposes water and sewer rates and charges on the customers of the District in order to meet the operational needs of the District. The water and sewer rate increases for fiscal years 2021 – 2025 were approved by the District in November, 2020 and in October, 2023.

Rate Study

The District recently engaged Willdan Financial Services to provide a system-wide rate study, which was completed in September 2023. The District adopted the recommended five-year rate increases for the fiscal years 2024 – 2028 on October 3, 2023, which included rate increases in the fiscal years 2024 and 2025 over and above those approved in November 2020. Such recently revised and approved rate increases are provided below.

<u>2023 Water</u>					
<u>Type</u>	<u>Frequency</u>	<u>Meter Size</u>	<u>Base Charge</u>	<u>Per 1,000 Gal Over</u>	
Residential	Bi-Monthly	3/4 & 1”	\$ 42.00	\$ 6.85	1,000
Commercial	Monthly	1”	\$ 92.00	\$ 6.85	4,000
Commercial	Monthly	2”	\$ 92.00	\$ 6.85	4,000
Commercial	Monthly	3”	\$ 129.00	\$ 6.85	4,000
Commercial	Monthly	4”	\$ 137.00	\$ 6.85	4,000
Commercial	Monthly	6”	\$ 160.33	\$ 6.85	4,000
Commercial	Monthly	8”	\$ 187.00	\$ 6.85	4,000
Commercial	Monthly	10”	\$ 223.67	\$ 6.85	4,000
Commercial	Monthly	12”	\$ 252.00	\$ 6.85	4,000
<u>2023 Town of Iva Water – Water</u>					
Municipal Water	Monthly	6”	\$12,000.00	\$ 4.00	3,000,000
<u>2023 Clover Hill – Sewer</u>					
CH Sewer	Monthly	3/4”	\$ 22.50	\$11.25	500
CH Water	Monthly	3/4”	\$ 21.00	\$ 6.85	500

Description	Adopted for Calendar Year Ending December 31:				
	2024	2025	2026	2027	2028
Monthly Base Charge					
5/8 Inch	\$ 24.75	\$ 27.85	\$ 28.70	\$ 29.60	\$ 30.50
3/4 Inch	\$ 24.75	\$ 27.85	\$ 28.70	\$ 29.60	\$ 30.50
1.0 Inch	\$ 37.13	\$ 55.70	\$ 71.75	\$ 74.00	\$ 76.25
1.5 Inch	\$ 57.74	\$ 102.10	\$ 143.50	\$ 148.00	\$ 152.50
2.0 Inch	\$ 82.49	\$ 157.80	\$ 229.60	\$ 236.80	\$ 244.00
3.0 Inch	\$ 131.99	\$ 297.05	\$ 459.20	\$ 473.60	\$ 488.00
4.0 Inch	\$ 206.24	\$ 464.15	\$ 717.50	\$ 740.00	\$ 762.50
6.0 Inch	\$ 412.51	\$ 928.35	\$ 1,435.00	\$ 1,480.00	\$ 1,525.00
8.0 Inch	\$ 660.01	\$ 1,485.35	\$ 2,296.00	\$ 2,368.00	\$ 2,440.00
10.0 Inch	\$ 948.74	\$ 2,135.15	\$ 3,300.50	\$ 3,404.00	\$ 3,507.50
12.0 Inch	\$ 1,773.76	\$ 3,991.85	\$ 6,170.50	\$ 6,364.00	\$ 6,557.50
Residential Rates Per 1,000 Gallons:					
Block 1 - First 500 Gallons/Month	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Block 2 - All Additional Flow	\$ 6.85	\$ 6.85	\$ 6.85	\$ 6.85	\$ 6.85
Non-Residential Rates Per 1,000 Gallons:					
Block 1 - First 4,000 Gallons/Month	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Block 2 - All Additional Flow	\$ 6.85	\$ 6.85	\$ 6.85	\$ 6.85	\$ 6.85
Town of Iva:					
Monthly Base Charge	\$ 13,500.00	\$ 15,200.00	\$ 15,700.00	\$ 16,200.00	\$ 16,700.00
Block 1 - First 3,000,000 Gallons/Month	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Block 2 - All Additional Flow	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Clover Hill Sewer:					
Monthly Base Charge	\$ 26.70	\$ 30.05	\$ 30.95	\$ 31.90	\$ 32.85
Block 1 - First 1,000 Gallons/Month	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Block 2 - All Additional Flow	\$ 11.25	\$ 11.25	\$ 11.25	\$ 11.25	\$ 11.25

Average Daily Water Usage

The following table shows quantities of finished water supplied by the District, in thousand gallons per day, for the past five fiscal years.

<u>Fiscal Year</u>	<u>Thousand Gallons Per Day</u>
2018	771
2019	766
2020	789
2021	788
2022	845

Source: Starr-Iva Water and Sewer District

Billing and Collection Policies

The District currently reads residential meters on a bi-monthly basis. Also included on each bill is a bi-monthly fee of 60 cents per bill for DHEC fee. During the first half of 2024, the District expects to move to monthly billing for all residential customers.

Largest Customers

The following table is a list of the District's ten largest water customers for the Fiscal Year ended December 31, 2022. The ten largest customers accounted for approximately 12.6% of total revenues, and no single customer accounted for more than 5.4% of total revenues.

<u>Customer</u>	<u>Revenues</u>	<u>% Total Revenues</u>
Town of Iva	\$179,217	5.4%
Electrolux Home Products	94,532	2.9
Weens Creek Cattle Co.	27,418	0.8
Anderson Mobile Homes	24,814	0.8
Nguyen Poultry Farm	22,939	0.7
Blue Granite Water Co.	19,222	0.6
Agnew Poultry Farm	13,660	0.4
Shaw's Farm	13,283	0.4
Crescent High School	11,757	0.4
Abbeville Housing Authority	<u>8,229</u>	<u>0.2</u>
Totals	\$415,071	12.6%

Source: Starr-Iva Water and Sewer District

Regulation and Permits

Federal Regulation: The System is subject to regulation by the U.S. Environmental Protection Agency (“EPA”). EPA involvement is primarily in the areas of approving funds for projects under EPA grants and establishing and interpreting policies for executing federal water quality and water treatment facilities construction grant programs.

State Regulation: The System is subject to regulation by South Carolina Department of Health and Environmental Control (“DHEC”). DHEC is responsible for ensuring compliance with federal and State water quality standards, approving plans and specifications for water projects within the State, issuing operating and construction permits, in addition to other administrative functions which have been delegated to DHEC by EPA.

TAX EXEMPTION

Federal Income Tax Generally

On the date of issuance of the Series 2023 Bonds, Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina (“*Bond Counsel*”), will render an opinion that, assuming continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), and the applicable regulations promulgated thereunder (the “*Regulations*”) and further subject to certain considerations described in “**Collateral Federal Tax Considerations**” below, under existing statutes, regulations and judicial decisions, interest on the Series 2023 Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the Bonds will not be treated as an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Series 2023 Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The District has designated the Series 2023 Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institution’s interest expense allocable to interest on the Series 2023 Bonds.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2023 Bonds and the tax-exempt status of interest on the Series 2023 Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2023 Bonds for federal income tax purposes. Bond Counsel's opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof which have not been independently verified by Bond Counsel. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service (the "**IRS**") or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The opinion of Bond Counsel described above is subject to the condition that the District complies with all requirements of the Code and the Regulations, including, without limitation, certain restrictions on the use, expenditure and investment of the gross proceeds of the Series 2023 Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2023 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2023 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2023 Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Series 2023 Bonds is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2023 Bonds.

Collateral Federal Tax Considerations. Prospective purchasers of the Series 2023 Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of Series 2023 Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2023 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2023 Bonds. Prospective purchasers of the Series 2023 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2023 Bonds. Bond Counsel's engagement with respect to the Series 2023 Bonds ends with the issuance of the Series 2023 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Owners regarding the tax-exempt status of the Series 2023 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2023 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 2023 Bonds, and may cause the District or the Owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the District may be obligated to disclose the

commencement of an audit under the Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE” herein.

Original Issue Discount

Certain of the Series 2023 Bonds (the “*Discount Bonds*”) have been sold at initial public offering prices which are less than the amount payable at maturity. The difference between the initial public offering prices to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Discount Bonds is sold 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 2023 Bonds. As discount is accrued, the purchaser’s basis in such Discount Bond is increased by a corresponding amount, resulting in a decrease in the gain (or an increase in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Discount Bond prior to its maturity.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who may acquire Series 2023 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 2023 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 2023 Bonds (the “*Premium Bonds*”) have been sold at an initial public offering price which is greater than the amount payable at maturity. An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Series 2023 Bonds. A purchaser of a Premium Bond must amortize any premium over the earlier of (i) such Series 2023 Bond’s term or (ii) the first optional redemption date for such Premium Bonds using constant yield principles, based on the purchaser’s yield to maturity or earlier redemption, as applicable. As premium is amortized, the purchaser’s basis in such 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 2023 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 2023 Bonds.

State Tax Exemption

Bond Counsel is of the further opinion that the Series 2023 Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Series 2023 Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2023 Bonds or the interest thereon under the laws of any other jurisdiction.

LEGAL MATTERS

Litigation

The District experiences routine litigation and claims incidental to the conduct of its affairs. As of the date of issuance and delivery of the Series 2023 Bonds, the District’s attorney will deliver an opinion to the effect that there is no litigation pending or threatened contesting the creation, organization, or existence of the District or the System;

or that seeks to restrain or enjoin the issuance or delivery of the Series 2023 Bonds; or the proceedings or authority under which they are to be issued or delivered; or which in any manner questions the authority of the District to pledge or grant a lien on the portion of the Gross Revenues remaining after payment of the cost of operation and maintenance of the System described in this Official Statement to the payment of the Series 2023 Bonds and the interest thereon.

Approval of Legal Proceedings

Certain legal matters incident to the authorization, issuance and sale of the Series 2023 Bonds are subject to the approval of the legality of issuance thereof by Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina, as Bond Counsel, whose approving opinion will be available at the time of the delivery of the Series 2023 Bonds. The proposed form of Bond Counsel's opinion appears as APPENDIX D to this Official Statement. Certain legal matters will be passed upon on behalf of the District by Rame L. Campbell Law Office, Anderson, South Carolina, and on behalf of the Underwriter (hereinafter defined) by Parker Poe Adams & Bernstein LLP, Columbia, South Carolina.

United States Bankruptcy Code

The obligation of the District under the Bond Resolution and the Series 2023 Bonds should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. § 901, *et seq.*, as amended (the "**Bankruptcy Code**") and other laws affecting creditors' rights and public instrumentalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a state that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner but does not limit or impair the power of a state to control a municipality by legislation; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each 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 or otherwise modify indebtedness under its plan varying from the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

Enforceability of Remedies

The remedies available to the owners of the Series 2023 Bonds upon an event of default under the Bond Resolution or Series Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Bond Resolution, the Series Resolution and the Series 2023 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2023 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.

CONTINUING DISCLOSURE

Pursuant to Section 11-1-85 of the South Carolina Code, the District has covenanted as to the Bonds to file with a central repository for availability in the secondary bond market when requested:

- (1) An annual independent audit, within thirty days of the District's receipt of the audit; and
- (2) Event specific information within thirty days of an event adversely affecting more than five percent of the District's revenue.

Pursuant to a Disclosure Dissemination Agent Agreement to be entered into by the District with Digital Assurance Certification, L.L.C. (“**DAC**”) in connection with the issuance of the Bonds (the “**Continuing Disclosure Agreement**”), the District will covenant for the benefit of the registered owners and the “**Holders**” (as defined in the Continuing Disclosure Agreement) of the Bonds, to provide certain financial information and operating data relating to the District by no later than seven months after the end of each of the District’s fiscal years, commencing with the report for the fiscal year ending December 31, 2023 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events with respect to the Bonds. The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in APPENDIX E – Form of Disclosure Dissemination Agent Agreement. These covenants have been made in order to assist the original purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

MISCELLANEOUS

Financial Statements

The financial statements of the District for the year ended December 31, 2022 were audited by Martin Smith and Company CPAs, PA, are attached to this Official Statement as APPENDIX B.

Ratings

S&P Global Ratings and Moody's Investor Service, Inc. (together, the “**Rating Agencies**”) have assigned ratings of “AA-” and “A1”, respectively, to the Series 2023 Bonds. Such ratings reflect only the views of the Rating Agencies and an explanation of the significance of such ratings may be obtained from the Rating Agencies. The District has furnished the Rating Agencies with certain information and materials respecting the District and the Series 2023 Bonds. Generally, the Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by them. There is no assurance that such ratings will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Agencies, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2023 Bonds.

Underwriting

Stephens Inc., as underwriter (the “**Underwriter**”), has agreed, subject to certain conditions, to purchase all, but not less than all, of the Series 2023 Bonds from the District at a purchase price of \$3,203,822.24 (representing the par amount of the Series 2023 Bonds less underwriter’s discount of \$23,526.31 plus net original issue premium of \$57,348.55) from the initial yields set forth on the cover page of this Official Statement. The Series 2023 Bonds may be offered and sold to certain dealers, dealer banks and banks acting in the capacity of agents at prices lower than such public offering prices and the public offering prices may be changed from time to time by the Underwriter.

Municipal Advisor

Southern Municipal Advisors, Inc. (the “**Municipal Advisor**”) serves as municipal advisor to the District. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Furthermore, the Municipal Advisor has not verified and does not assume any responsibility for the information, covenants, and representations in any of the legal documents related to this financing nor the possible impact of any present, pending, or future legislative or judicial action. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

Concluding Statement

All quotations from, and summaries and explanations of, the Bond Resolution, the Series Resolution and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions.

This Official Statement has been issued by the District. All projections, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The agreements of the District with the holders of the Series 2023 Bonds are fully set forth in the Bond Resolution and the Series Resolution, and neither any advertisement of the Series 2023 Bonds nor this Official Statement is to be construed as a contract or agreement between the District or the Underwriter and any purchaser or Holder of the Series 2023 Bonds.

The District has reviewed the information contained herein which relates to it, the System and the use of the proceeds of the Series 2023 Bonds, and has approved all such information for use in this Official Statement.

**STARR-IVA WATER AND SEWER DISTRICT, SOUTH
CAROLINA**

By: /s/ John Michael Thomas
Chairman of the Board

APPENDIX A

**DEMOGRAPHIC INFORMATION RELATING TO ANDERSON COUNTY
AND THE DISTRICT**

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ANDERSON COUNTY AND THE DISTRICT

Demographic Characteristics

The following table shows population information for Anderson County (the “*County*”) for the last four decades for which census figures are available, as well as the annual population estimate for 2022:

<u>Year</u>	<u>Anderson County</u>	<u>Percent Increase Prior Census</u>
1980	133,235	26%
1990	145,196	9
2000	172,365	14
2010	187,126	13
2020	203,723	9
2022*	209,581	3

*Estimated

Source: U. S. Census Bureau

Assessed Value

The assessed value of real and personal property in the County or each of the last five years for which information is available is shown below:

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Taxable Value</u>
2022	\$646,996,000	\$231,860,000	\$878,856,000	\$17,637,015,000
2021	619,788,000	220,886,000	840,674,000	16,843,662,000
2020	593,952,000	207,183,000	801,135,000	16,122,640,000
2019	577,531,000	207,511,000	785,042,000	15,717,768,000
2018	563,512,000	206,911,000	770,423,000	15,377,586,000

Source: Anderson County Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022

Per Capita Personal Income

The per capita personal income in the County and the State of South Carolina (the “*State*”) for each of the last five years for which information is available is shown below:

<u>Year</u>	<u>County</u>	<u>State</u>
2022	\$46,894	\$52,467
2021	43,459	49,105
2020	41,170	46,681
2019	39,710	44,155
2018	38,271	42,758

Source: Anderson County Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022

Unemployment

The average unemployment rate in the County for each of the last 12 months for which data is available is shown below:

<u>Month</u>	<u>Unemployment Rate</u>
August 2023	2.3%
July 2023	3.4
June 2023	3.3
May 2023	2.7
April 2023	2.2
March 2023	3.0
February 2023	3.5
January 2023	3.1
December 2022	2.7
November 2022	2.6
October 2022	3.0
September 2022	2.8

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

The average unemployment rate in the County, the State and the United States for each of the last five calendar years is shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2022	3.0%	3.2%	3.6%
2021	3.7	3.9	5.3
2020	5.8	6.0	8.1
2019	2.6	2.8	3.7
2018	3.2	3.4	3.9

Source: South Carolina Employment Security Commission, Labor Market Information and Bureau of Labor Statistics

Retail Sales

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

<u>Year</u>	<u>Retail Sales</u>
2018	\$6,318,872,147
2019	6,181,068,499
2020	5,912,779,868
2021	7,286,997,931
2022	7,743,713,682

Source: South Carolina Department of Revenue

Capital Investment

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

<u>Year</u>	<u>Announced Jobs</u>	<u>Announced Investment</u>
2018	31	\$ 78,400,000
2019	99	23,400,000
2020	612	119,800,000
2021	996	271,600,000
2022	452	253,800,000

Source: South Carolina Department of Commerce

Major Employers

The top ten employers located in the County, their products/services and estimated number of employees are shown below:

<u>Industry</u>	<u>Product/Service</u>	<u>Employees</u>
Anderson County School Districts	Public School	4,211
Anderson Area Medical Center	Hospital	3,915
Electrolux Home Products, Inc.	Home Products Manufacturer	1,950
Techtronic Industries Power Equipment	Power Equipment Manufacturer	1,394
Michelin Tire Corporation	Radial Truck Tire Manufacturer	1,220
Robert Bosch Corporation	Fuel Pumps and Fuel Pump Modules Manufacturer	1,200
Anderson County	County Government	976
First Quality	Tissue Manufacturer	821
Glen Raven	Custom Fabrics Manufacturer	775

Source: Anderson County Comprehensive Annual Financial Report June 30, 2022

Facilities Located Within the County

Education: The public school system within the County is divided into five districts. In addition, the County has six private and parochial schools.

Anderson University, an accredited four-year liberal arts school founded in 1911 that is located in the City of Anderson, had a 2022-2023 enrollment of approximately 4,117 students. Anderson University, which is affiliated with the Baptist Church, offers Bachelor, Master's and doctoral degrees and eight certification programs.

Tri-County Technical College, located in the County near Pendleton, serves the counties of Anderson, Oconee and Pickens. Established in 1962 as a two-year technical college, the school provides post-secondary vocational/technical training to residents in the three counties, offers 31 degree programs and had a fall 2022 enrollment of approximately 6,082 students. The Center for Accelerated Technology Training, a program of the South Carolina Technical College System, uses the facilities of Tri-County Technical College to provide customized training to new and expanding industries in the County.

Clemson University, South Carolina's land grant institution founded in 1889, is located adjacent to the County and provides senior and graduate level instruction, research and public service with emphasis in the sciences and engineering. Clemson University had a fall 2022 enrollment of approximately 22,566 students.

Health Care: AnMed Health is a regional health care facility. It is licensed for 600 beds and offers a wide range of treatment to residents in seven surrounding counties (including five counties in Georgia), including cancer, respiratory and coronary care, and clinical laboratories. The County also operates a public health service, and offers mental health, rehabilitative alcohol and drug abuse, emergency medical, environmental health and health planning

services. The Patrick B. Harris Psychiatric Hospital, which is operated by the State, is a 206-bed complex providing treatment and rehabilitation services for the mentally ill and mentally handicapped in a community setting for periods of up to nine months. There are also over 400 acute health care beds in various private nursing homes in the County, including the Richard Michael Campbell War Veterans Nursing Facility which has 220 beds.

Financial Institutions: According to the Federal Insurance Corporation, as of June 30, 2022, the County is presently served by 45 branches of all major state and local commercial banks with deposit market shares totaling \$4,173,123,000 as of June 30, 2022.

Transportation: The County is served by Norfolk Southern Railroad and CSX Railway. Interstate Highway 85, which connects the County with Atlanta, Greenville and Charlotte, is located four miles north of the City of Anderson. In addition, the County is served by U.S. Highways 76, 178 and 29. Several significant State highways in the County are S.C. Hwy. Nos. 8, 20, 24, 28, 81 and 247. Over 45 general freight firms serve the county and 80% of such firms maintain terminals in the northwestern area of the State. Of these firms, Roadway Express, ABF Freight, Carolina and Am-Can trucking companies have terminals in the County. The County is therefore able to serve the east coast with second morning delivery, and can serve most of the southeast with overnight truck service.

Airport Facilities. The Anderson County Airport is located three and one-half miles southeast of the City of Anderson. The airport encompasses 950 acres and has one 5,000 foot and one 6,000 foot paved and lighted runway. The Greenville-Spartanburg International Airport is located approximately forty-five minutes from the County near the intersection of Interstates 85 and 26 and provides major airline service to destinations throughout the nation.

Electricity and Gas: Electricity is supplied almost exclusively by Duke Energy throughout the County. Most natural gas in the County is provided by Piedmont Natural Gas Company and Fort Hill Natural Gas Authority.

Recreation: The County borders on two of the larger lakes in the State. These lakes provide boating, sailing, swimming, fishing and camping activities to the residents of the County. One of such lakes is 76,450-acre Lake Hartwell, which has a shoreline in excess of 1,000 miles and has historically been the second most visited lake in the reservoir system of the U.S. Army Corps of Engineers with an estimated twelve million visitors annually. The other significant lake in the County is the 26,650-acre Lake Richard B. Russell, which provides twelve public parks. Sadler's Creek State Recreation Area, 13 miles from the City of Anderson and I-85, rests on a peninsula extending into Lake Hartwell. The 395-acre park features a 100-site lakeside campground, fishing, picnicking, hiking, meeting facility and boat access to Lake Hartwell. The park also offers easy access to the Savannah River National Scenic Highway. The Savannah River National Scenic Highway, one of the roads belonging to the South Carolina Heritage Corridor Program, is 110 miles long, and crosses four counties, including the County.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE
FISCAL YEAR ENDED DECEMBER 31, 2022**

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STARR-IVA WATER AND SEWER DISTRICT
Starr, South Carolina

FINANCIAL STATEMENTS
December 31, 2022

(With Independent Auditors' Report Thereon)

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Annual Financial Report
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December 31, 2022**

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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Directors
Starr-Iva Water and Sewer District
Starr, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Starr-Iva Water and Sewer District, which comprise the statement of financial position as of December 31, 2022, and the statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Starr-Iva Water and Sewer District at December 31, 2022, and the results of its operations and cash flows 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Starr-Iva Water and Sewer District 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 Starr-Iva Water and Sewer District'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.

Auditors' Responsibilities 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 auditors' report that includes our opinions. 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 generally accepted auditing standards 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 reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Starr-Iva Water and Sewer District'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 Starr-Iva Water and Sewer District'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, pension liability and contribution schedules, and schedule of water storage tank infrastructure 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Starr-Iva Water and Sewer District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2023, on our consideration of Starr-Iva Water and Sewer District'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 Starr-Iva Water and Sewer District'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 Starr-Iva Water and Sewer District's internal control over financial reporting and compliance.

Martin Smith and Company CPAs PA

Greenville, South Carolina
May 6, 2023

**STARR-IVA WATER & SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022**

This discussion and analysis of Starr-Iva Water and Sewer District's ("the District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 are as follows:

In the Statement of Net Position, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the 2022 fiscal year by \$9,307,022 (net position). The District has invested \$6,257,099 in capital assets, net of accumulated depreciation and related debt. The District also had \$654,472 restricted for capital projects and debt service. Therefore, the District reported a net positive position balance in unrestricted net position of \$2,395,451.

- The District's total net position increased by \$945,038.
- The District's total net fixed assets decreased by \$94,131 during the current year, as current year depreciation exceeded capital asset additions.
- During the 2022 year, the District's operating revenues were \$3,304,655, an increase of \$288,960 from the previous year.
- The District's water purchased for resale increased by \$17,794 to \$750,482 in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – the financial statements, required supplementary information (which includes this management's discussion and analysis section), and the notes to the financial statements.

Fund Financial Statements. The remaining financial statements are 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District are Proprietary Funds.

Proprietary Fund. The District maintains one type of Proprietary Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The District uses an Enterprise Fund to account for its operations.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Fund Financial Statements.

**STARR-IVA WATER & SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022**

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,307,022 at the close of the most recent year:

	Business-type Activities
Assets	
Current assets	\$ 4,208,386
Noncurrent assets	19,311,708
Total assets	23,520,094
Deferred Outflows of Resources	
Deferred pension	212,490
Liabilities	
Other liabilities	879,377
Long-term liabilities	13,404,891
Total liabilities	14,284,268
Deferred Inflows of Resources	
Deferred pension	141,294
Net Position	
Net investment in capital assets	6,257,099
Restricted	654,472
Unrestricted	2,395,451
Total net position	\$ 9,307,022

Net position of the District's business-type activities increased by 11.3% to \$9,307,022. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased to a net positive position of \$2,395,451 at December 2022.

**STARR-IVA WATER & SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022**

The following table shows the change in net position for fiscal 2022:

	Business-type Activities
Revenues	
Operating revenues	\$ 3,304,655
Other	641,248
Total revenues	3,945,903
Expenses	
Operating expenses	1,998,579
Depreciation	698,559
Interest expense	303,727
Total expenses	3,000,865
Change in net position	945,038
Net position at beginning of year	8,361,984
Net position at end of year	\$ 9,307,022

The District's largest expense is the cost of the water that it sells to its customers. The water sales revenue increased 4.1% in 2022, in part, attributable to the District modifying its rate structure in accordance with its five year rate plan, while the cost of water sold increased 2.4%. The District experienced an increase in operating expenses of \$188,467, while operating revenue increased by \$288,960. Overall, there was an increase in net position of \$945,038 for 2022.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Proprietary Fund

The District's only fund is the Proprietary Fund.

**STARR-IVA WATER & SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had \$19,311,708 invested in capital assets, net of accumulated depreciation. The net decrease in the District's capital assets, net of accumulated depreciation, was \$94,131.

The following table shows fiscal 2022 capital asset balances, net of accumulated depreciation:

		<u>Business-type Activities</u>
Land and land improvements	\$	99,070
Buildings		707,242
Water distribution system		18,049,104
Furniture & equipment		67,584
Vehicles		40,359
Construction in progress		<u>348,349</u>
Totals	\$	<u><u>19,311,708</u></u>

Long-term Debt

At fiscal year-end 2022, the District had \$12,550,392 in bonds outstanding, as shown in the following table. All of the District's debt is backed by the revenues and capital assets of the District, as is typical with Revenue Bonds:

		<u>Business-type Activities</u>
Revenue bond - Series 2016	\$	1,995,392
Revenue bonds - Series 2021		<u>10,555,000</u>
Total	\$	<u><u>12,550,392</u></u>

ECONOMIC FACTORS

The District is located in the southern part of Anderson County, South Carolina and includes the small towns of Iva and Starr.

Manufacturing is the largest employment sector in the District, followed by wholesale and retail. Wholesale and retail trade and services represent the fastest growing sectors of the District.

REQUEST FOR INFORMATION

This financial report is designed to provide those interested with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager at Starr-Iva Water & Sewer District, 104 Roy Arnold Road, Starr, South Carolina 29684.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Statement of Net Position - Proprietary Fund
December 31, 2022

	Business-type Activities - Enterprise Funds			Total
	Operating Fund	Short-Lived Asset Fund	Debt Service Reserve Fund	
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,246,698	\$ 460,952	\$ 26,897	\$ 2,734,547
Restricted cash and cash equivalents for:				
Debt service reserve	-	-	85,212	85,212
Construction	332,644	-	-	332,644
Funds held by trustee	219,756	-	-	219,756
Accounts receivable, net	492,786	-	-	492,786
Parts inventory	73,191	-	-	73,191
Bond issuance costs, net	253,390	-	-	253,390
Prepaid expenses	16,860	-	-	16,860
Total current assets	<u>3,635,325</u>	<u>460,952</u>	<u>112,109</u>	<u>4,208,386</u>
NONCURRENT ASSETS				
Plant and equipment, net of accumulated depreciation	19,311,708	-	-	19,311,708
Total noncurrent assets	<u>19,311,708</u>	<u>-0-</u>	<u>-0-</u>	<u>19,311,708</u>
Total assets	<u>22,947,033</u>	<u>460,952</u>	<u>112,109</u>	<u>23,520,094</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS				
Deferred outflows of resources	212,490	-	-	212,490
Total assets and deferred outflows of resources	<u>\$ 23,159,523</u>	<u>\$ 460,952</u>	<u>\$ 112,109</u>	<u>\$ 23,732,584</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 168,174	\$ -	\$ -	\$ 168,174
Accrued compensated absences	62,304	-	-	62,304
Payroll liabilities	5,446	-	-	5,446
Accrued interest payable	25,160	-	-	25,160
Customer deposits	327,559	-	-	327,559
Current portion of long-term debt	290,734	-	-	290,734
Total current liabilities	<u>879,377</u>	<u>-0-</u>	<u>-0-</u>	<u>879,377</u>
LONG-TERM DEBT				
Net pension liability	641,016	-	-	641,016
Bonds payable	12,259,658	-	-	12,259,658
Bond premium, net	504,217	-	-	504,217
Total long-term debt	<u>13,404,891</u>	<u>-0-</u>	<u>-0-</u>	<u>13,404,891</u>
Total liabilities	<u>14,284,268</u>	<u>-0-</u>	<u>-0-</u>	<u>14,284,268</u>
DEFERRED INFLOWS OF RESOURCES - PENSIONS				
Deferred inflows of resources	141,294	-	-	141,294
NET POSITION				
Net investment in capital assets	6,257,099	-	-	6,257,099
Restricted	569,260	-	85,212	654,472
Unrestricted	1,907,602	460,952	26,897	2,395,451
Total net position	<u>8,733,961</u>	<u>460,952</u>	<u>112,109</u>	<u>9,307,022</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,159,523</u>	<u>\$ 460,952</u>	<u>\$ 112,109</u>	<u>\$ 23,732,584</u>

See accompanying notes to financial statements.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Total
	Operating Fund	Short-Lived Asset Fund	Debt Service Reserve Fund	
OPERATING REVENUES				
Sale of water	\$ 2,667,530	\$ -	\$ -	\$ 2,667,530
Sale of sewer services	47,318	-	-	47,318
Other operating revenues	589,807	-	-	589,807
Total operating revenues	<u>3,304,655</u>	<u>-0-</u>	<u>-0-</u>	<u>3,304,655</u>
OPERATING EXPENSES				
Wages and related expenses	518,564	-	-	518,564
Water purchased for resale	750,482	-	-	750,482
Sewer service costs	33,422	-	-	33,422
Other costs of services sold	75,568	-	-	75,568
Plant repairs and maintenance	25,114	130,390	-	155,504
Other repairs and maintenance	58,292	-	-	58,292
Utilities	55,683	-	-	55,683
Depreciation and amortization	698,559	-	-	698,559
Contracted fees and services	70,698	-	-	70,698
Office supplies and expense	101,315	-	-	101,315
Insurance	129,412	-	-	129,412
Bad debts	20,000	-	-	20,000
Other operating expenses	29,639	-	-	29,639
Total operating expenses	<u>2,566,748</u>	<u>130,390</u>	<u>-0-</u>	<u>2,697,138</u>
Net operating income (loss)	<u>737,907</u>	<u>(130,390)</u>	<u>-0-</u>	<u>607,517</u>
OTHER INCOME (EXPENSE)				
Investment income	18,699	6,805	56	25,560
Grants	615,688	-	-	615,688
Interest expense	(303,727)	-	-	(303,727)
Total other income (expense)	<u>330,660</u>	<u>6,805</u>	<u>56</u>	<u>337,521</u>
Transfers in from other funds	-	110,340	-	110,340
Transfers out to other funds	(110,340)	-	-	(110,340)
Net transfers	<u>(110,340)</u>	<u>110,340</u>	<u>-</u>	<u>-</u>
Change in net position	<u>958,227</u>	<u>(13,245)</u>	<u>56</u>	<u>945,038</u>
NET POSITION, beginning of year	<u>7,775,734</u>	<u>474,197</u>	<u>112,053</u>	<u>8,361,984</u>
NET POSITION, end of year	<u>\$ 8,733,961</u>	<u>\$ 460,952</u>	<u>\$ 112,109</u>	<u>\$ 9,307,022</u>

See accompanying notes to financial statements.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Total
	Operating Fund	Short-Lived Asset Fund	Debt Service Reserve Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 3,236,403	\$ -	\$ -	\$ 3,236,403
Cash paid to suppliers	(783,904)	-	-	(783,904)
Cash paid for wages and related expenses	(443,661)	-	-	(443,661)
Cash paid for other operating expenses	(491,317)	(130,390)	-	(621,707)
Net cash provided by (used in) operating activities	1,517,521	(130,390)	-0-	1,387,131
Cash flows from investing activities:				
Interest received from operations and savings accounts	18,699	6,805	56	25,560
Net cash provided by investing activities	18,699	6,805	56	25,560
Cash flows from noncapital financing activities:				
Interfund transfers	(110,340)	110,340	-	-
Customer deposits	18,019	-	-	18,019
Funds held by trustee	(55,851)	-	-	(55,851)
Grant proceeds	615,688	-	-	615,688
Net cash provided by noncapital financing activities	467,516	110,340	-0-	577,856
Cash flows from capital and related financing activities:				
Interest paid	(320,378)	-	-	(320,378)
Principal payments on long-term debt	(279,829)	-	-	(279,829)
Principal received from note receivable	3,653	-	-	3,653
Cash payments for the purchase of plant and equipment	(604,428)	-	-	(604,428)
Net cash provided by (used in) capital and related financing activities	(1,200,982)	-0-	-0-	(1,200,982)
Net increase (decrease) in cash and cash equivalents	802,754	(13,245)	56	789,565
Cash and cash equivalents, beginning of year	1,776,588	474,197	112,053	2,362,838
Cash and cash equivalents, end of year	\$ 2,579,342	\$ 460,952	\$ 112,109	\$ 3,152,403

See accompanying notes to financial statements.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Total
	Operating Fund	Short-Lived Asset Fund	Debt Service Reserve Fund	
Reconciliation of change in net position to net cash provided by (used in) operating activities:				
Net operating income (loss)	\$ 737,907	\$ (130,390)	-0-	\$ 607,517
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:				
Depreciation and amortization	698,559	-	-	698,559
GASB pension adjustments	14,401	-	-	14,401
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(68,253)	-	-	(68,253)
(Increase) decrease in parts inventory	(28,893)	-	-	(28,893)
(Increase) decrease in prepaid expenses	10	-	-	10
Increase (decrease) in accounts payable	103,288	-	-	103,288
Increase (decrease) in accrued compensated absences	62,304	-	-	62,304
Increase (decrease) in payroll liabilities	(1,802)	-	-	(1,802)
Total adjustments	779,614	-0-	-0-	779,614
Net cash provided by (used in) operating activities	\$ 1,517,521	\$ (130,390)	-0-	\$ 1,387,131

There were no non-cash investing or financing transactions.

See accompanying notes to financial statements.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Entity

Starr-Iva Water and Sewer District (“the District”) owns and operates a water and sewer system (“the System”) that provides services to member customers located in Starr, South Carolina, and the surrounding rural areas. The District is a governmental entity, and its financial statements are prepared on the full accrual basis of accounting. As of December 10, 2001, Starr-Iva Water and Sewer Company, Inc. became Starr-Iva Water and Sewer District when the District converted from a non-profit corporation to a public service district, pursuant to Section 33-36-1310, et seq. of the 1976 South Carolina Code of Laws. This conversion was primarily a legal change that allowed the District to enter into a water purchase and sale agreement (see Note 10).

Reporting Entity

This report includes all operations of the District for which the District's Board of Directors (“the Board”) are financially accountable.

Government-Wide Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position) report information on all of the activities of the District.

Fund Accounting

The District has organized its accounting systems on the basis of funds, each of which is considered an accounting entity having a self-balancing set of accounts for recording its assets, liabilities, fund equity, revenues, and expenses. Since the District is a special purpose government involved solely in the provision of water and wastewater services to its customers on a fee basis, all funds are accounted for in the Proprietary Fund. The Proprietary Fund is composed of three Enterprise Funds:

- Operating Fund – This fund includes most all of the operating and non-operating revenues and expenses of the District.
- Short-Lived Asset Fund – This fund is required by USDA-RD to provide for the purchase of equipment, vehicles, and other assets with a short life. Transfers from the Operating Fund provide the required funding.
- Debt Service Reserve Fund – This fund is also required by USDA-RD and required additions to this fund are transferred from the Operating Fund. USDA-RD requires monthly additions to this fund.

The focus of proprietary fund measurement is the determination of net income, financial position, and cash flows. The generally accepted accounting principles applicable to proprietary funds are similar to those applicable to businesses in the private sector. The District’s Enterprise Fund (its only proprietary fund) is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as recommended by the Government Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants. Basis of accounting refers to the timing of revenues and expenses. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses and liabilities are recognized when incurred. Grants and similar items are recognized as soon as all eligibility requirements by the provider have been met. Proprietary Fund operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net position by distinguishing operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

Cash and Cash Equivalents

All cash is in checking accounts or certificates of deposit. For purposes of the Statement of Cash Flows, the District considers cash and liquid investments with original maturities of three months or less to be cash and cash equivalents.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Accounts Receivable

The District provides an allowance for doubtful accounts equal to approximately the amounts greater the 60 days past due. The District determines the current status of trade accounts receivable based upon contractual terms. Accounts receivable are presented net of an allowance for doubtful accounts of \$65,000 at December 31, 2022. All accounts receivable deemed to be uncollectible are written off to the allowance for doubtful accounts. All accounts receivable are pledged as collateral for bonds payable.

Parts Inventory

Parts inventory is stated at the lower of cost (first-in, first-out) or market.

Investments

Investments historically consist of certificates of deposit at a local financial institution with original maturities of greater than three months. The fair market value of investments approximates cost. The District had no investments at December 31, 2022.

The District is authorized to invest money subject to their control and jurisdiction in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Financial institutions to the extent that the same are secured by the Federal Deposit Insurance Corporation ("FDIC");
4. Certificates of deposit where the certificates are secured 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 certificates of deposit so secured, including interest.

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Capital Assets

Plant and equipment are recorded at historical cost with depreciation computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the respective assets are as follows:

Water distribution system	40 years
Vehicles	4 years
Office furniture and fixtures	5-10 years
Equipment	4-10 years
Paving	5 years
Buildings	25-33 years

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the results of operations for the respective period.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

The District capitalizes interest cost on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is depreciated over the useful lives of the assets.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Modified Approach for Infrastructure Assets

During the year ended December 31, 2019, the District's Board passed a resolution transitioning to the modified approach for maintaining three water tanks under an asset management system. To meet the requirements under GASB 34, paragraphs 23 and 24, the District manages the eligible infrastructure assets using an asset management system, and the District documents that the eligible infrastructure assets are preserved at (or above) a condition level established and disclosed by the District. The asset management system has an up-to-date inventory of the eligible infrastructure assets; performs condition assessments of the asset and summarizes the results using a measurement scale; and estimates each year the annual amount to maintain and preserve the eligible assets at the condition level established and disclosed by the District. The District contracted with a company to oversee this process. As a result of this system, the three water tanks are not depreciated, and all expenditures incurred to maintain the assets are expensed in the period incurred. Additions or improvements to these assets are capitalized.

Income Taxes

The District is a Special Purpose District and is exempt from taxation under Internal Revenue Code Section 115 as a public utility.

Restricted Assets

Certain cash and cash equivalents are classified as restricted assets on the statements of net position because their use is restricted by Rural Development ("USDA-RD"), a department of the United States Department of Agriculture.

Pension Plan

In Government-Wide Financial Statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability ("NPL"), which represents the District's proportionate share of the excess of the total pension liability ("TPL") over the fiduciary net position of the qualified pension plan, measured as of the District's fiscal year-end. Changes in the NPL during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in NPL that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. District contributions to the plan subsequent to the measurement date and the net difference between expected and actual experience in the pension plan are included as deferred outflows of resources. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational way to pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The net difference between projected and actual earnings on pension plan investments are included as deferred inflows of resources. These deferred pension credits are amortized in a systematic and rational way as a reduction to pension expense in future periods in accordance with GAAP.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The board established a meter replacement fund which is funded by monthly charges to its customers. The balance of this fund is \$163,531 as of December 31, 2022, which is included with the Operating Fund unrestricted net position balance on the Statement of Net Position. Included in the Short-Lived Asset Fund unrestricted net position is \$460,952 of funds that the District purposefully over funded for the acquisition of equipment and vehicles. At will, the District can transfer these funds to the Operating Fund. The unrestricted \$26,897 in the Debt Service Reserve Fund is the excess funds from the payoff of the USDA-RD bonds plus current year interest earned. This amount is in excess of the USDA-RD required amount to fully fund the remaining 2016 Series bonds and is available for general operations.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain recorded and contingent amounts and disclosures. Actual results could differ from those estimates. Significant estimates include determining depreciable lives of assets and methods of depreciation, calculating an allowance for uncollectible accounts, and disclosing investment cost as it approximates fair value.

Fair Value

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

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

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

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains a \$2,000,000 general liability policy (\$1,000,000 per occurrence) and a \$2,000,000 directors and officers liability policy with commercial carriers. The District also carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

2) **ACCOUNTS RECEIVABLE**

Customer accounts receivable as of December 31 are as follows:

Current	\$	471,185
Delinquent - over 60 days past due		86,601
		557,786
Less allowance for uncollectible amounts		(65,000)
Net accounts receivable	\$	492,786

The accounts receivable balance is adjusted to reflect amounts due on water sales and other charges. The allowance for uncollectible amounts is adjusted periodically so as to estimate uncollectible balances based upon the District's collection experience.

3) **PLANT AND EQUIPMENT**

Included in plant and equipment are the totals of all construction costs of the system as well as all items expended arising in connection with putting the system into operation. At December 31, plant and equipment consists of the following:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance</u> <u>December 31</u>
Capital assets, not being depreciated:				
Land	\$ 72,958	\$ -	\$ -	\$ 72,958
Water tanks	1,713,700	-	-	1,713,700
Total capital assets not being depreciated	1,786,658	-	-	1,786,658
Capital assets, being depreciated:				
Water distribution system	26,025,012	216,420	125,999	26,367,431
Vehicles	164,434	-	-	164,434
Office furniture and fixtures	54,935	-	-	54,935
Equipment	139,452	39,659	-	179,111
Buildings	964,420	-	-	964,420
Land improvements	85,249	-	-	85,249
Construction in progress	125,999	348,349	(125,999)	348,349
Total capital assets being depreciated	27,559,501	604,428	-	28,163,929
Less accumulated depreciation and amortization	(9,940,320)	(698,559)	-	(10,638,879)
Net plant and equipment	\$ 19,405,839	\$ (94,131)	\$ -0-	\$ 19,311,708

Depreciation expense totaled \$698,559 for the year ended December 31, 2022.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

2) **PLANT AND EQUIPMENT, continued**

As previously mentioned in Note 1, the District adopted the modified approach for selected infrastructure assets beginning in 2019. Consequently, the District's three water tanks are not being depreciated.

4) **NOTE RECEIVABLE**

In April of 2013, the District sold its old office building to an unrelated individual. The sales price was \$65,000, with a \$10,000 down payment. The balance of \$55,000 was financed with an interest rate of 6%, resulting in a monthly payment of \$611. The principal received in the year 2022 was \$3,653, and the interest received was \$38. The loan was paid off in 2022.

5) **RESTRICTED CASH**

The DSR Fund and the SLA Fund are part of the restrictive covenants associated with the USDA-RD bonds described in Note 6. USDA-RD requires calculated amounts to be deposited monthly until the funds reach a certain minimum balance. See Note 14.

6) **BONDS PAYABLE**

In 2002, the District "recast" its debt in the form of Waterworks System Revenue Refunding Bonds. Each series replaced a loan previously obtained from USDA-RD. USDA-RD is the bondholder of those bonds, and bonds are paid from revenues from the operation of the system. USDA-RD bond covenants call for maintenance of debt service and short-lived asset reserves and other customary covenants, representations, conditions, and default provisions. For the year ended December 31, 2022, the District is in compliance with the covenants. In January 2021, the District refinanced five of the USDA-RD bonds with the issuance of \$11,030,000 Series 2021 Waterworks and Sewer System Revenue Refunding Bonds.

Revenues of the System are pledged as collateral by the District for all bonds.

The 2021 Series bond covenants provide for certain debt service requirements, revenue available for debt service, and other customary covenants, representations, conditions, and default provisions. For the year ended December 31, 2022, the District is in compliance with the covenants.

Bonds payable consist of the following at December 31, 2022:

2.25% Series 2016 Waterworks System Revenue Bond; payable in monthly installments of \$7,101, including interest; maturing February 2056	\$ 1,995,392
2.00%-4.00% Series 2021 Waterworks and Sewer System Revenue Refunding Bonds; principal payable annually and interest payable semi-annually; maturing June 2050	<u>10,555,000</u>
Total bonds payable	12,550,392
Less current maturities	<u>(290,734)</u>
Long-term portion of bonds payable	<u>\$ 12,259,658</u>

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

6) **BONDS PAYABLE, continued**

Scheduled principal payments on all debt for future years are as follows:

<u>Year(s) Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 290,734	\$ 316,740	\$ 607,474
2024	301,660	305,614	607,274
2025	312,607	294,067	606,674
2026	328,576	281,999	610,575
2027	339,566	269,408	608,974
2028-2032	1,903,498	1,142,575	3,046,073
2033-2037	2,186,868	864,004	3,050,872
2038-2042	2,413,613	629,628	3,043,241
2043-2047	2,499,135	363,050	2,862,185
2048-2052	1,703,881	96,280	1,800,161
2053-2057	270,254	10,392	280,646
	<u>\$ 12,550,392</u>	<u>\$ 4,573,757</u>	<u>\$ 17,124,149</u>

The following is a summary of changes in bonds payable for the year ending December 31, 2022, and principal payments for 2022:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>2023 Principal</u>
Bond Series 2016	\$ 2,035,221	\$ -	\$ (39,829)	\$ 1,995,392	\$ 40,734
Bond Series 2021	<u>10,795,000</u>	<u>-</u>	<u>(240,000)</u>	<u>10,555,000</u>	<u>250,000</u>
Total debt	<u>\$ 12,830,221</u>	<u>\$ -0-</u>	<u>\$ (279,829)</u>	<u>\$ 12,550,392</u>	<u>\$ 290,734</u>

Interest expense totaled \$303,727 for the year ended December 31, 2022.

The 2021 bonds were sold at a price in excess of face value resulting in a premium of \$571,907. The premium is amortized using the effective interest rate method. The current year amortization is \$33,473, resulting in the balance as of \$504,217 as of December 31, 2022. The related bond issuance costs of \$287,407 is also amortized using the effective interest rate method. The current amortization is \$25,075, resulting in a balance of \$253,390 as of December 31, 2022.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

7) STATE RETIREMENT SYSTEM

The District participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("the PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the systems and the trust funds. The Retirement System Investment Commission, 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 NPL, 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 GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description – The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established 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 State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts, and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

7) **STATE RETIREMENT SYSTEM, continued**

Plan 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.

State ORP – As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Plan 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/current annual salary. A brief summary of benefit terms for each system is presented below:

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022**

7) STATE RETIREMENT SYSTEM, continued

Funding Policy – 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 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 employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017, for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

As noted above, both employees and the District are required to contribute to the plans at rates established and as amended by the PEBA. The District’s contributions are actuarially determined but are communicated to and paid by the District as a percentage of the employees’ annual eligible compensation.

Contribution Summary – The contribution requirements for the current and two preceding years are as follows:

	SCRS and State ORP Rates		
	2022	2021	2020
Employer Contribution Rate: [^]			
Retirement*	16.41%	15.41%	15.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
	16.56%	15.56%	15.56%
Employee Contribution Rate	9.00%	9.00%	9.00%

[^] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

* Of the rate for the State ORP Plan, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

7) **STATE RETIREMENT SYSTEM, continued**

Contribution Summary, continued

The required contributions and percentages of amounts contributed by the District to the plans for the past three years were as follows:

Year	SCRS Contributions	
	Required	% Contributed
2022	\$ 61,295	100%
2021	56,574	100%
2020	49,949	100%

Eligible payrolls of the District covered under the plans for the past three years were as follows:

Year	SCRS Payroll	Total Payroll
2022	\$ 360,585	\$ 360,585
2021	355,065	355,065
2020	324,137	324,137

Actuarial Assumptions – Actuarial valuations of the 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 regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2021, TPL, NPL, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2020. The TPL was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2021, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021:

	SCRS
Actuarial Cost Method	Entry age normal
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	3.0% to 11.0% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually

*Includes inflation at 2.25%

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

7) **STATE RETIREMENT SYSTEM, continued**

Actuarial Assumptions, continued

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 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2021 TPL are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
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%

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 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 following table. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the TPL includes a 4.75% real rate of return and a 2.25% 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	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets:			
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Return	<u>100.0%</u>		<u>5.18%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.43%</u>

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022**

7) STATE RETIREMENT SYSTEM, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2021, for SCRS are presented below:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 55,131,579,363	\$ 33,490,305,970	\$21,641,273,393	60.7%

The TPL is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirement of GASB No. 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

At December 31, 2022, the District reported a liability of \$641,016 for its proportionate share of the PEBA’s NPL. The NPL was measured as of June 30, 2021, and the TPL used to calculate the NPL was determined based on the most recent actuarial valuation report as of July 1, 2020 that was projected forward to the measurement date. The District’s proportion of the NPL was based on a projection of the District’s long-term share of contributions to the plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, the District’s proportion was 0.002962%, which was an increase of 0.000210% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2022, the District recognized pension expense of \$71,220 for its proportionate share of the PEBA’s pension expense. At December 31, 2022, the District reported its proportionate share of the PEBA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 10,919	\$ 865
Assumption changes	35,087	-
Net difference between projected and actual earnings on pension plan investments	47,254	140,370
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	57,935	59
District contributions subsequent to the measurement date	61,295	-
	<u>\$ 212,490</u>	<u>\$ 141,294</u>

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

7) **STATE RETIREMENT SYSTEM, continued**

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

\$61,295 reported as deferred outflows of resources related to pensions resulting from District contributions to the PEBA subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to the PEBA will be recognized in pension expense as follows:

<u>Year Ended</u> <u>Dec 31</u>	<u>Deferred Outflows (Inflows)</u> <u>of Resources</u>
2023	\$ 23,090
2024	18,283
2025	3,372
2026	<u>(34,844)</u>
	<u>\$ 9,901</u>

Discount Rate – The discount rate used to measure the TPL was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the system’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Pension Liability Sensitivity – The following table presents the District’s proportionate share of the NPL, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the NPL would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Asset Class</u>	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
District's proportionate share of the Net Pension Liability:	\$ 839,651	\$ 641,016	\$ 475,909

Pension Plan Fiduciary Net Position – Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available through the 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.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

8) POSTRETIREMENT BENEFITS

The District is a member of SCRS which was established July 1, 1945. The system covers public school employees, public higher-education personnel, state employees, city, county, and other local public employees. It provides a complete schedule of benefits for regular retirement. A member is eligible for a full-service retirement at age 65 or upon completion of thirty years of membership. On or after January 1, 2002, members are eligible after twenty-eight years of membership. Reduced benefits are payable as early as age 55.

As described more fully in Note 7, funding of the plan is made from employee/employer contributions. Benefits vest after five years of service. Vested members, who retire at age 65, or with twenty-eight years of service at any age, receive an annual benefit payable monthly for life. The benefit is based on length of service and on average final compensation.

9) RESTRICTED NET POSITION

As of December 31, 2022, net position is restricted for the following purposes:

Funds held by trustee for debt payments	\$ 219,756
Debt Service Reserve Fund - 2016 Series	<u>85,212</u>
Total Restricted Net Position	<u>\$ 304,968</u>

10) RELATED PARTY TRANSACTIONS

On April 17, 2002, the District and ten other entities (“the Purchasers”) entered into a Water Sale and Purchase Agreement (“Agreement”) with the Anderson Regional Joint Water System (“ARJWS”). ARJWS concurrently purchased the Duke Energy Water Filtration Plant (“the Plant”) located on Lake Hartwell in South Carolina, certain transmission mains, and related facilities. This is the same water plant that supplied the District with its potable water in the past. The District now purchases its water from ARJWS, which purchased the Plant by issuing \$58.615 million of revenue bonds.

Pursuant to the Agreement, the District’s water cost is based on the operating costs of the Plant plus a capital charge. The capital charge that the ARJWS collects from each Purchaser is used to service the revenue bonds.

Related to this transaction, the District acquired the rights to purchase a percentage of the total capacity of the Plant. The District purchased \$750,482 of potable water from the ARJWS in 2022.

11) CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of cash balances and trade accounts receivable.

The District maintains cash and investments (certificates of deposit) at one financial institution in South Carolina, and its accounts are insured by the FDIC up to \$250,000. At December 31, 2022, the excess amount of the District’s cash was collateralized by pledged securities.

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022**

12) MAJOR SUPPLIERS

The District purchases all of the water it sells from one supplier. See Note 10.

13) FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the District’s financial instruments, none of which are held for trading purposes, are as follows at December 31, 2022:

	Carrying Amount	Fair Value
Financial assets:		
Accounts receivable	\$ 492,786	\$ 492,786
Financial liabilities:		
Bonds payable	\$ 12,550,392	\$ 12,550,392

14) COMPLIANCE WITH USDA-RD BOND RESERVE REQUIREMENTS

The District has one bond issue that requires two different reserves to be fund annually. The District has established a fund for each of these reserves. One fund is the Short-Lived Assets Reserve (“SLAR”), and the other fund is the Debt Service Reserve (“DSR”). The monthly deposits to these funds are determined as follows:

- **SLAR** - The monthly deposit amount is determined by USDA-RD and was \$4,486 for 2022. Amounts can be used by the District for various asset purchases, such as equipment and vehicles. The District is in compliance with this USDA-RD requirement. During 2022, \$130,390 was withdrawn to pay for the water tank maintenance contract and \$110,340 was transferred from the Operating Fund. There is no specific level of funding required by USDA-RD.
- **DSR** - The District must fund this reserve monthly by an amount equal to 10% of the monthly payment over the life of the bond until the accumulated amount equals an annual payment amount. The \$112,109 remaining amount in the Debt Service Reserve Fund fully funds the one remaining bond issue as of December 31, 2022 in the amount of \$85,212, leaving \$26,897 unrestricted and available for general operations. The District intends to transfer the unrestricted amount to the Operating Fund during the 2023 fiscal year. This reserve is established to assist with debt payments if the Operating Fund is not able to make the debt payments. Use of these funds must have USDA-RD approval.

The actual funded amounts are restricted for use by USDA-RD and are presented in the Statements of Net Position as follows as of December 31, 2022:

Debt Service Reserve Fund:		
Cash and cash equivalents	\$	85,212
Total debt service reserve funded	\$	85,212

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2022

15) SUBSEQUENT EVENTS

In April 2023, the District was awarded a grant from the South Carolina Rural Infrastructure Authority in the amount of nearly nine million dollars and will be used for water system improvements. The District did not have any other subsequent events through May 6, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2022.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2022

Year	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered- employee payroll	District's proportionate share of the net pension liability as a percentage of the covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.002962%	\$ 641,016	\$ 355,065	180.53%	60.70%
2021	0.002752%	\$ 703,212	\$ 324,137	216.95%	50.70%
2020	0.002622%	\$ 598,606	\$ 295,888	202.31%	54.40%
2019	0.002494%	\$ 558,913	\$ 267,261	209.13%	54.10%
2018	0.002509%	\$ 564,816	\$ 256,926	219.84%	53.30%
2017	0.002920%	\$ 623,708	\$ 271,511	229.72%	52.90%
2016	0.003157%	\$ 598,740	\$ 294,264	203.47%	57.00%
2015	0.003555%	\$ 612,053	\$ 317,463	192.80%	59.90%

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of District Contributions
December 31, 2022

<u>Year</u>	<u>Contractually required contributions</u>	<u>Contributions in relation to the contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered- employee payroll</u>	<u>Contributions as percentage of covered- employee payroll</u>
2022	\$ 61,295	\$ 61,295	\$ -0-	\$ 360,585	17.00%
2021	\$ 56,574	\$ 56,574	\$ -0-	\$ 355,065	15.93%
2020	\$ 49,949	\$ 49,949	\$ -0-	\$ 324,137	15.41%
2019	\$ 44,156	\$ 44,156	\$ -0-	\$ 295,888	14.92%
2018	\$ 37,196	\$ 37,196	\$ -0-	\$ 267,261	13.92%
2017	\$ 29,700	\$ 29,700	\$ -0-	\$ 256,926	11.56%
2016	\$ 32,269	\$ 32,269	\$ -0-	\$ 294,264	10.97%
2015	\$ 48,033	\$ 48,033	\$ -0-	\$ 444,667	10.80%

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of Water Storage Tank Infrastructure Assets
December 31, 2022

Inventory of Water Tanks

<u>Project #</u>	<u>Tank Name</u>	<u>Location</u>	<u>Size (Gallons)</u>	<u>Type</u>
144926	Payne Drive Tank	Hwy 81/Payne Dr	200,000	Elevated
144927	Frigidaire Tank	101 Masters Blvd	500,000	Elevated
144923	Office Tank	104 Roy Arnold Rd	1,000,000	Composite
TOTAL GALLONS			<u>1,700,000</u>	

Condition Assessment

<u>Project #</u>	<u>Tank Name</u>	<u>Established TAI</u>	<u>Current Yr TAI</u>	<u>Prior Yr TAI</u>
144926	Payne Drive Tank	5.0	9.66	9.66
144927	Frigidaire Tank	5.0	9.80	9.91
144923	Office Tank	5.0	9.89	7.53

Maintenance Cost - Budget vs. Actual

<u>Project #</u>	<u>Tank Name</u>	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>2023 Budget</u>
144927	Payne Drive Tank	\$ 12,396	\$ 12,396	\$ 12,824
144927	Frigidaire Tank	20,261	20,261	20,978
144923	Office Tank	97,733	97,733	97,733
		<u>\$ 130,390</u>	<u>\$ 130,390</u>	<u>\$ 131,535</u>

Condition Assessment Rankings

<u>Tank Assessment Index (TAI)</u>		<u>Tank Assessment Components</u>
<u>TAI Range</u>		Tank Structure
9 - 10	Very Good	Tank Exterior Coating
7 - 8.9	Good	Tank Interior Coating
5 - 6.9	Satisfactory	Tank Dry Interior (where applicable)
3 - 4.9	Sub Standard	Tank Foundations
1 - 2.9	Unacceptable	Tank Security
		Tank Safety

The condition of the District's water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good). It is the District's policy to keep all the water storage tanks at a condition level of not less than 5 (satisfactory).

Each water storage tank is inspected annually and washed out every other year. Repairs are done as needed.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Historic Debt Service Coverage and Liquidity of the System
December 31, 2022

The following table sets forth the revenue, debt service requirements, debt service coverage and liquidity for the fiscal years 2018 through 2022:

	Fiscal years ending December 31				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenue	2,498,939	2,614,969	2,757,759	3,015,695	3,304,655
Expenses	2,179,305	2,203,797	2,430,974	2,508,671	2,566,748
Net revenue available for debt service *	1,035,993	1,031,589	935,887	1,208,865	1,436,466
Total debt service requirement	691,692	691,692	691,692	616,229	607,275
Debt service coverage ratio	1.5x	1.49x	1.35x	1.96x	2.37x
Unrestricted operating cash	\$ 844,896	\$ 991,754	\$ 1,077,875	\$ 2,277,626	\$ 2,734,547
Days cash on hand	210	236	225	460	534

* As defined in the Bond Ordinance

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Continuing Disclosures for Waterworks and Sewer System Revenue Refunding Bond - Series 2021
December 31, 2022

Statement of Revenues and Expenses of the System

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 Budget</u>
Operating Revenues						
Sale of Water	2,274,362	2,291,290	2,347,592	2,562,437	2,667,530	\$ 2,783,460
Sale of Sewer Services	30,618	33,180	30,433	43,453	47,318	47,143
Tap Fees	83,758	67,813	101,181	94,017	103,313	75,600
Late Charges	41,975	45,186	37,583	41,431	50,724	45,450
Customer Service Fees	28,020	32,628	27,840	28,160	24,783	16,800
Meter Replacement Fees	25,242	25,281	25,514	25,967	26,261	26,000
Miscellaneous Revenues	14,964	119,592	187,617	220,230	384,726	165,680
Total Operating Revenues	2,498,939	2,614,970	2,757,760	3,015,695	3,304,655	3,160,133
& Amortization	(1,468,385)	(1,634,364)	(1,847,728)	(1,907,270)	(1,998,579)	(1,844,070)
& Amortization	1,030,554	980,606	910,032	1,108,425	1,306,076	1,316,063
Depreciation & Amortization	(711,224)	(667,377)	(683,687)	(701,841)	(698,559)	(675,690)
Operating Income (Loss)	319,330	313,229	226,345	406,584	607,517	640,373
Other Income (Expense)	-	-	-	-	-	-
Grant Revenue	-	-	-	68,900	615,688	-
Gain on Disposal of Fixed Assets	-	22,366	-	10,000	-	-
Interest Income	5,135	28,618	25,855	7,728	25,560	15,655
Interest Expense	(428,985)	(420,532)	(412,060)	(333,049)	(303,727)	(403,760)
Change in Net Position	(104,520)	(56,319)	(159,860)	160,163	945,038	252,268
Reclassification **	-	-	201,808	-	-	-
Total Net Position, Beginning of Year	8,320,712	8,216,192	8,159,873	8,201,821	8,361,984	9,307,022
Total Net Position, End of Year	\$ 8,216,192	\$ 8,159,873	\$ 8,201,821	\$ 8,361,984	\$ 9,307,022	\$ 9,559,290

** Contributed Capital was reclassified to Net Position

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Continuing Disclosures for Waterworks and Sewer System Revenue Refunding Bond - Series 2021
December 31, 2022

2022 Water and Sewer Rates and Fees

Commercial and Residential - Water					
<u>Type</u>	<u>Frequency</u>	<u>Meter Size</u>	<u>Base Charge</u>	<u>Per 1,000 Gal Over</u>	
Residential	Bi-Monthly	3/4 & 1"	\$42.00	\$6.85	2,000
Commercial	Monthly	1"	\$92.00	6.85	5,000
Commercial	Monthly	2"	\$92.00	6.85	5,000
Commercial	Monthly	3"	\$129.00	6.85	5,000
Commercial	Monthly	4"	\$137.00	6.85	5,000
Commercial	Monthly	6"	\$160.33	6.85	5,000
Commercial	Monthly	8"	\$187.00	6.85	5,000
Commercial	Monthly	10"	\$223.67	6.85	5,000
Commercial	Monthly	12"	\$252.00	6.85	5,000
Town of Iva – Water					
Municipal Water	Monthly	6"	\$12,000	\$4.00	3,000,000
Clover Hill – Sewer					
CH Sewer	Monthly	3/4"	\$22.50	\$11.25	1,000
CH Water	Monthly	3/4"	\$21.00	6.85	1,000

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Continuing Disclosures for Waterworks and Sewer System Revenue Refunding Bond - Series 2021
December 31, 2022

Number of Customers

<u>Fiscal Year</u>	<u>Total Number of Water Accounts</u>	<u>Total Number of Sewer Accounts</u>
2018	4130	78
2019	4171	78
2020	4243	78
2021	4344	78
2022	4414	78

District's Ten Largest Water Customers

The ten largest customers accounted for approximately 12.6% of total revenues, and no single customer accounted for more than 5.4% of total revenues.

<u>Customer</u>	<u>Revenues</u>	<u>% Total Revenues</u>
Town of Iva	\$ 179,217	5.4%
Electrolux	94,532	2.9%
Weens Creek Cattle Co.	27,418	0.8%
Anderson Mobile Homes	24,814	0.8%
Alexander, Gary	22,939	0.7%
Blue Granite Water Co.	19,222	0.6%
Agnew Poultry Farm	13,660	0.4%
Shaws Farm	13,283	0.4%
Crescent High School	11,757	0.4%
Abbeville Housing Authority	8,229	0.2%
Totals	<u>\$ 415,071</u>	<u>12.6%</u>

Average Daily Water Usage

The following table shows quantities of finished water supplied by the District, in thousand gallons per day, for the past five fiscal years.

<u>Fiscal Year</u>	<u>Gallons Per Day (Thousands)</u>
2018	771
2019	766
2020	789
2021	788
2022	845

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended December 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant weakness(es) identified that are not considered to be material weakness(es)? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant weakness(es) identified that are not considered to be material weakness(es)? _____ Yes X No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended December 31, 2022**

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Summary of Prior Year Findings and Questioned Costs
For Fiscal Year Ended December 31, 2022**

Findings Related to Financial Statements

None.

Federal Award Findings and Questioned Costs

None.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2022

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Total Expenditures
<u>U.S. Department of Agriculture</u>			Beginning of Year Outstanding Loan Balances
Water and Waste Disposal Systems for Rural Communities	10.760	91-09	\$ <u>2,035,221</u> <u>2,035,221</u>
Total U.S. Department of Agriculture			<u>2,035,221</u>
<u>U.S. Department of Treasury</u>			
Passed through Abbeville County:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>350,000</u>
Total U.S. Department of Treasury			<u>350,000</u>
Total Federal Assistance Expended			\$ <u>2,385,221</u>

No amounts were passed through to subrecipients.

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2022**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("the SEFA") includes the federal grant activity of Starr-Iva Water & Sewer District under programs of the federal government for the year ended December 31, 2022. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* ("CFR") *Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of Starr-Iva Water & Sewer District, it is not intended to and does not present the financial position, change in net assets, or cash flows of Starr-Iva Water & Sewer District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Outstanding Loans

Federal loans outstanding at December 31, 2022:

Water and Waste Disposal Systems for Rural Communities (CFDA 10.760) :

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
USDA/RD Loan 91-18	\$ 2,035,221	\$ -	\$ (39,829)	\$ 1,995,392
Totals	<u>\$ 2,035,221</u>	<u>\$ -0-</u>	<u>\$ (39,829)</u>	<u>\$ 1,995,392</u>

Note 4 - Reconciliation of SEFA to the Financial Statements

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to revenues and expenditures received or made subsequent to the filing of federal financial reports.

Note 5 - Indirect Cost Rate

The District has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.



MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Starr-Iva Water and Sewer District
Starr, South Carolina

We have audited the financial statements of Starr-Iva Water and Sewer District ("the District") as of and for the year ended December 31, 2022, and have issued our report thereon dated May 6, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining assurance about whether Starr-Iva Water and Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Starr-Iva Water and Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Starr-Iva Water and Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Starr-Iva Water and Sewer District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Smith and Company CPAs PA

May 6, 2023

*Member: American Institute of Certified Public Accountants • South Carolina Association of Certified Public Accountants
1212 Haywood Road, Bldg. 100 • Greenville, South Carolina 29615 • (864) 232-1040*



MARTIN · SMITH

& COMPANY CPAs

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

To the Board of Directors
Starr-Iva Water and Sewer District
Starr, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Starr-Iva Water and Sewer District (“the District”) with the types of compliance requirements described in the U.S. Office of Management and Budget Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. Starr-Iva Water and Sewer District’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Board of Directors
Starr-Iva Water and Sewer District
Page 3

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Martin Smith and Company CPAs PA

Martin Smith & Company CPAs, PA
Greenville, South Carolina
May 6, 2023

APPENDIX C

FORM OF THE BOND RESOLUTION

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A RESOLUTION

**PROVIDING FOR THE ISSUANCE AND SALE OF WATERWORKS AND SEWER SYSTEM
REVENUE BONDS OF STARR-IVA WATER AND SEWER DISTRICT, SOUTH CAROLINA,
AND OTHER MATTERS RELATING THERETO.**

GENERAL BOND RESOLUTION
Adopted November 10, 2020

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BE IT RESOLVED BY THE BOARD OF THE STARR-IVA WATER AND SEWER DISTRICT, SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS OF FACT

As an incident to the adoption of this Resolution (the “*Bond Resolution*”) and the issuance of the Bonds (as defined below) provided for herein, the Board (the “*Board*”), the governing body of the Starr-Iva Water and Sewer District, South Carolina (the “*District*”), finds that the facts set forth in this **Article I** exist, and the following statements are in all respects true and correct.

Section 1.01 Recitals and Statement of Purpose

(a) The District, located in Anderson County, South Carolina and Abbeville County, South Carolina, is a body politic and corporate and a political subdivision of the State of South Carolina (the “*State*”), and as such, possesses all general powers granted by the Constitution of the State of South Carolina, 1895, as amended, and laws of the State to political subdivisions including under Title 33, Chapter 36, Article 8 of the Code of Laws of South Carolina, 1976, as amended, including acquiring, constructing, owning and operating a waterworks and sewer system (the “*System*”).

(b) The System is operated on a January 1 to December 31 Fiscal Year basis.

(c) Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended, provides that a political subdivision may incur indebtedness payable solely from a revenue-producing project which source does not involve revenues from any tax or license. Pursuant to Title 6, Chapter 17, Code of Laws of South Carolina, 1976, as amended (the “*Enabling Act*”), the District may issue revenue bonds to defray the cost of making additions and improvements to the System and refunding the same.

(d) Pursuant to the Enabling Act, the District has issued and presently has outstanding the following revenue bonds, payable from the portion of the Gross Revenues (as defined herein) of the System remaining after payment of costs of operation and maintenance of the System:

(i) the \$900,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2003, dated January 31, 2003, of the District (the “*2003 Bond*”);

(ii) the \$8,348,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2010, dated October 7, 2010, of the District (the “*2010 Bond*”);

(iii) the \$3,225,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2011A, dated March 18, 2011, of the District (the “*2011A Bond*”);

(iv) the \$332,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2011B, dated March 18, 2011, of the District (the “*2011B Bond*”);

(v) the \$627,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2012, dated February 1, 2012, of the District (the “*2012 Bond*” and together with the 2003 Bond, the 2010 Bond, the 2011A Bond and the 2011B Bond, the “*Refunded Bonds*”); and

(vi) the \$2,240,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2016, dated August 12, 2016, of the District (the “**2016 Bond**” and together with the Refunded Bonds, the “**Prior Bonds**”).

(e) The Refunded Bonds will be refunded with the initial Series of Bonds issue pursuant to the terms hereof and pursuant to a Series Resolution (as defined herein) to be adopted contemporaneously with this Bond Resolution.

(f) The Prior Bonds are the only outstanding indebtedness of the District secured by a pledge of and lien upon the portion of the Gross Revenues of the System remaining after payment of costs of operation and maintenance of the System. Such pledge and lien given to secure the Prior Bonds are junior and subordinate to the pledges and liens given to secure the District’s obligations under the Water Purchase Agreement (as defined below).

(g) Effective April 17, 2002, the District became obligated pursuant to a Water Sales and Purchase Agreement dated as of March 21, 2002, as supplemented, amended or restated, as the case may be, among the Anderson Regional Joint Water System (the “**Joint System**”), the District and certain other members of the Joint System (the “**Water Purchase Agreement**”). The District’s payment obligations under the Water Purchase Agreement are stated therein to be considered a cost of operation and maintenance of the System. Pursuant to the Water Purchase Agreement, the District has granted a pledge of and lien upon the Gross Revenues of the System which shall remain after the payment of operation and maintenance costs of the System, which pledge and lien are senior to the pledges and liens securing the 2016 Bond and the Bonds authorized herein.

(h) Upon the adoption of this Bond Resolution, the 2016 Bond will be deemed to be issued hereunder subject to all of the rights, covenants and restrictions of this Bond Resolution and is issued on a parity with respect to the portion of the Gross Revenues which secure the Bonds. So long as the 2016 Bond remains Outstanding, Sections 3.01, 3.03, 6.01 and 7.01 and Article XVIII and the applicable definitions of the Resolution adopted by the Board on August 9, 2016, which authorized the issuance of the 2016 Bond, shall remain in full force and effect.

(i) The Board is therefore adopting this Bond Resolution to authorize the issuance of Bonds payable from revenues of the System as further described herein, from time to time, and to provide a mechanism for the ordering of pledges and liens created to secure such Bonds. The pledge of and lien on the revenues of the System given herein to secure such Bonds shall be on a parity with the 2016 Bond and junior and subordinate to the pledges and liens securing the District’s obligations under the Water Purchase Agreement.

[End of Article I]

ARTICLE II

DEFINITIONS, CONSTRUCTION AND INTERPRETATION

Section 2.01 Definitions of Resolution

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

Section 2.02 Defined Terms

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

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

“Accreted Value” shall mean the amounts set forth in and the amounts computed pursuant to a formula set forth in a Series Resolution, or determined in the manner provided in a Series Resolution, authorizing the issuance of Bonds in the form of Capital Appreciation Bonds, the Accreted Value of which will be determined in, or in the manner provided by, such Series Resolution.

“Annual Budget” shall mean the budget or amended budget of the District for the System.

“Annual Principal and Interest Requirement” shall mean, with respect to any particular Fiscal Year and to a Series of Bonds Outstanding, an amount (other than amounts paid from proceeds of Bonds) equal to the sum of (1) all interest payable on such Series of Bonds during such Fiscal Year plus (2) any Principal Installment of such Series of Bonds during such Fiscal Year. For purposes of computing Annual Principal and Interest Requirement, the rate of interest used to determine (1) above shall be a rate per annum equal to (a) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (b) with respect to any Series of Variable Rate Bonds, the following methods shall determine the interest rate to be used:

(i) in the case of determining the Reserve Requirement for the Series of Bonds containing such Variable Rate Bonds, the interest rate shall be equal to the lesser of (x) the 30-year Revenue Bond Index published by The Bond Buyer (or its successor index) no more than two (2) weeks prior to, but in no event after, the sale of the Series of Bonds to which the Reserve Requirement in question applies, or (y) the maximum interest rate allowable on such Variable Rate Bonds;

(ii) in the case of determining the Annual Principal and Interest Requirement for purposes of **Sections 4.02(g)** and **4.02(h)** of this Bond Resolution, the interest rate shall be equal to the lesser of (x) the thirty (30)-year Revenue Bond Index published by The Bond Buyer (or its successor index) no more than two (2) weeks prior to, but in no event after, the sale of the proposed Series of Bonds to be issued, or (y) the maximum interest rate allowable on such Variable Rate Bonds; and

(iii) in the case of determining the Annual Principal and Interest Requirement for purposes of applying the rate covenant contained in **Section 5.01(b)** of this Bond Resolution, the interest rate shall be equal to the lesser of (x) the average rate at which interest accrued on such Variable Rate Bonds for the preceding twelve (12) month period, or (y) the maximum interest

rate allowable on such Variable Rate Bonds. For purposes of this subsection (iii), the average rate of interest shall be the result of dividing the total interest paid during such twelve (12) month period by the average principal amount outstanding calculated on a 360-day year, twelve 30-day months basis during such twelve (12) month period;

provided, however, that if the thirty (30)-year Revenue Bond Index referred to in (i) and (ii) above is no longer published, any reasonably equivalent nationally recognized index published for the periods in question may be selected by the Authorized Representative for use in its stead.

“Authorized Investments” shall mean, within the limitations set forth herein, any investments now or hereafter permitted under Chapters 5 and 6 of Title 6 of the South Carolina Code, or any successor statute, as the same may be further limited pursuant to the provisions of a Series Resolution.

“Authorized Representative” shall mean the Chairman, the Vice Chairman or the Secretary of the Board or the General Manager of the District or such other officer or employee of the District designated from time to time as an Authorized Representative by a certificate signed on behalf of the District by the Chairman, and when used with reference to any act or document also means any other person designated by a certificate signed on behalf of the District by the Chairman to perform such act or sign such document.

“Board” shall mean the governing body of the Starr-Iva Water and Sewer District, South Carolina.

“Bond Counsel” shall mean an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing and selected by the District.

“Bond Payment Date” shall mean each date as shall be prescribed by any applicable Series Resolution on which interest on any of the Bonds shall be payable or on which both principal and interest shall be payable on any of the Bonds according to their respective terms.

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

“Bonds” unless otherwise specifically provided, shall mean the Bonds or any indebtedness or obligations, including indebtedness or obligations entered into under the provisions of long term contracts payable from the revenues of the System and issued in accordance with the provisions of this Bond Resolution, including the 2016 Bond but excluding Junior Lien Bonds and Special Facilities Bonds, which shall not be deemed to constitute Bonds for purposes of this Bond Resolution.

“Business Day” shall mean any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York, or the city or cities in which the corporate trust office of the Trustee are authorized or required by law to close, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve Bank is not operational.

“Capital Appreciation Bonds” shall mean Bonds that bear interest payable at maturity, upon redemption prior to maturity or prior to maturity at the date set forth in, or in the manner provided in, the Series Resolution authorizing the issuance of such Bonds in the amounts determined by reference to the Accreted Value of such Capital Appreciation Bonds in accordance with the provisions of the Series Resolution authorizing the issuance of such Capital Appreciation Bonds.

“Chairman” shall mean the Chairman of the Board or the interim or acting Chairman, as the case may be. Chairman shall also mean the Vice Chairman of the Board, whenever, by reason of absence, illness or other reason, the person who is the Chairman is unable to act.

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

“Consulting Engineer” shall mean any independent firm of consulting engineers having skill and experience in utility financing and rate design and the design and operation of waterworks and/or sewer systems.

“Date of Issue” shall mean that date established in any Series Resolution from which interest shall accrue on the Bonds of the applicable Series.

“Debt Service Fund” shall mean, with respect to any Series of Bonds, the fund herein so designated and designed to provide for the payment of the principal of and interest on all Bonds Outstanding of such Series and issued pursuant to the Bond Resolution, as the same respectively fall due.

“Debt Service Reserve Fund” shall mean, with respect to any Series of Bonds, the fund, if established, so designated and established for such Series of Bonds by the authorizing Series Resolution, and designed to insure the timely payment of the principal of and interest on all Bonds Outstanding of that Series and to provide for the redemption of such Bonds prior to their stated maturity.

“Defeasance Obligations,” unless otherwise provided in a Series Resolution for a particular Series of Bonds, shall mean non-callable (i) Government Obligations and (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

“Depreciation and Contingent Fund” shall mean the fund designed to provide for contingencies, for the replacement of depreciated or obsolete parts of the System and for improvements, betterments and extensions of the System.

“District” shall mean the Starr-Iva Water and Sewer District, South Carolina. References to actions required of or permitted by the District shall mean actions taken by or under the authority of the Board.

“Enabling Act” shall mean Title 6, Chapter 17, South Carolina Code, and all other statutory authorizations, authorizing and enabling the District to adopt the Bond Resolution.

“Events of Default” shall mean those events set forth in **Section 13.01** of this Bond Resolution.

“Fiscal Year” shall mean the period of twelve (12) calendar months, beginning on January 1 of each year, and ending on December 31 of the same calendar year, unless the same shall have been changed pursuant to the authorization of **Section 3.01** hereof.

“General Revenue Fund” shall mean the account or accounts established and maintained by the Board in such fashion as to adequately reflect all of the receipts and revenues derived from the operation of the System and all interest and other income earned by the District in connection with the System, as established by the provisions of **Section 7.02** hereof.

“Government Obligations” shall mean (i) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America are pledged; and (ii) obligations, specifically including interest payment strips, including without limitation REFCORP interest strips, the payment of the principal (if any), the premium (if any) and the interest (if any) on which is fully guaranteed as a full faith and credit obligation of the United States of America.

“Gross Revenues” or **“Gross Revenues of the System”** shall mean:

(i) all receipts and revenues derived from the operation of the System, including without limitation, any charges and fees established by the District applicable to the System,

(ii) all proceeds from the sale or other disposition of any property owned directly or beneficially by the District in connection with the System,

(iii) all interest and other income received directly or indirectly by the District from the investment of moneys or accounts relating to the System, and

(iv) all other unencumbered or unrestricted money to which the District in connection with the System, may become entitled from any source whatsoever.

Gross Revenues does not include Bond proceeds.

“Independent Consultant” shall mean such firm or firms, professional engineers, architects, rate consultants or other professionals who have a favorable reputation for consulting services for waterworks and/or sewer systems similar to the System. Such Independent Consultant shall not be an employee of the District.

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

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

“Junior Lien Bonds” shall mean any revenue bonds or other obligations issued by the District which are secured by a pledge of and lien upon the revenues of the System which are junior and subordinate in all respects to the pledge and lien made to secure Bonds.

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

“Net Earnings” shall mean for the period in question, the net income of the System, determined in accordance with then generally accepted accounting principles, but whether or not generally accepted accounting principles so require, it shall be adjusted as follows:

(a) revenue derived from service fees (including connection and tap fees, availability fees, impact fees, capacity fees, system improvement fees and meter purchases and any other fees established by the District applicable to the System) shall be included in income;

(b) investment income not restricted to a purpose inconsistent with the payment of operating expenses or debt service shall be included in income;

(c) amounts received from service contracts or agreements in support of debt service shall be included in income;

(d) there shall be excluded from the calculation made to determine Net Earnings:

(i) gains on the sale or other disposition of investments or fixed or capital assets, which do not result from the ordinary course of business,

(ii) investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service including (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the District in connection with the System,

(iii) any amounts received by way of government grants other than such grants which are specifically designated for operating purposes, and

(iv) any cumulative effect of change in method for adopting any new accounting pronouncement as required by any accounting standards setting body; and

(e) there shall be added back to such net income:

(i) losses on the sale or other disposition of investments or fixed or capital assets which do not result from the ordinary course of business,

(ii) depreciation and amortization allowances,

(iii) amounts paid as interest on Bonds,

(iv) the amortization of financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds, and

(v) any cumulative effect of change in method for adopting any new accounting pronouncement as required by any accounting standards setting body.

“Operation and Maintenance Fund” shall mean the fund designed to provide for the payment of all expenses incurred in connection with the administration and operation of the System, including, without limiting the generality of the foregoing, all required payments of the District under the Water Purchase Agreement, such expenses as may be reasonably necessary to preserve the System in good repair and working order, the fees and charges of the Trustee and the Registrar or any Paying Agent, the costs of audits required hereunder, and the premiums for all insurance and fidelity bonds required by the Bond Resolution, in accordance, as nearly as may be practicable, with the Annual Budget then in effect, as such Fund is established by the provisions of **Section 7.03** hereof.

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

- (i) Bonds cancelled at or prior to such date;
- (ii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered;
- (iii) Bonds deemed to have been paid as provided in **Article XV** hereof; and
- (iv) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds, Bonds held by, or for the account of the District, or by any person controlling, controlled by, or under common control with the District.

“Paying Agent” shall mean any bank, trust company or national banking association which is designated by the District to pay the principal, interest and redemption premium, if any, with regard to the Bonds to the Bondholders.

“Principal Installment” shall mean, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds of a particular Series due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due of, and application in accordance with, any mandatory sinking fund payment payable before such future date, plus (ii) any mandatory sinking fund payment due on such certain future date, together with the aggregate amount of the premiums, if any, applicable to such mandatory sinking fund payments, plus (iii) with respect to any Capital Appreciation Bonds required to be paid on such certain future date, the Accreted Value of such Capital Appreciation Bonds.

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

“Registrar” shall mean the Secretary of the Board or any bank or trust company which is authorized by the Board to maintain an accurate list of those who from time to time shall be the Holders of Bonds of a particular Series and to effect the transfer of such Bonds in accordance with the provisions of the Bond Resolution and having the duties, responsibilities, and rights provided for in the Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Bond Resolution.

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

“Responsible Officer” shall mean any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of any Series of Bonds.

“Secretary” shall mean the Secretary of the Board. The term shall include the Interim Secretary, the Acting Secretary or the Assistant Secretary whenever, by reason of absence, illness or other reason, the person who is the Secretary is unable to act.

“Securities Depository” shall mean The Depository Trust Company, New York, New York, or any other recognized securities depository selected by the District, which securities depository maintains

a book-entry system in respect of the Bonds of any Series, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

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

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

“Series” shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a single Series by the authorizing Series Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate or other provisions.

“Series Resolution” shall mean a Resolution of the Board authorizing the issuance of a Series of Bonds pursuant to this Bond Resolution in accordance with the terms and provisions hereof, adopted by the Board in accordance with **Article IV** hereof.

“South Carolina Code” shall mean the Code of Laws of South Carolina, 1976, as amended.

“State” shall mean the State of South Carolina.

“System” shall mean the waterworks and sewer system of the District as the same is now, or may be, constituted, all property real and personal, used and useful therefor, all apparatus and equipment used in connection therewith, and all acquisitions, replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto at any time hereafter.

“Term Bonds” shall mean the Bonds of any Series which are stated to mature in a single year and which are subject to mandatory sinking fund redemption prior to the stated maturity date.

“Trustee” shall mean a financial institution serving pursuant to the provisions of this Bond Resolution and the applicable Series Resolution and which shall have such other duties, privileges and functions as are set forth herein. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee hereunder. Each Series Resolution shall designate the Trustee which shall establish the applicable Debt Service Fund and Debt Service Reserve Fund, if any. The financial institution selected as Trustee may also serve as the Registrar and the Paying Agent.

“Variable Rate Bonds” shall mean, for any period of time, any Bonds which during such period bear interest at a variable rate; provided that Bonds the interest rate on which has been fixed for the remainder of the term thereof shall no longer be Variable Rate Bonds.

“Water Purchase Agreement” shall mean that certain Water Sales and Purchase Agreement dated as of March 21, 2002, as supplemented, amended or restated, as the case may be, among the Joint System, the District and certain other members of the Joint System.

Section 2.03 Interpretations

In the Bond Resolution, unless the context otherwise requires:

(a) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs of the Bond Resolution.

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

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

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

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

[End of Article II]

ARTICLE III

FISCAL YEAR

Section 3.01 Establishment and Modification of Fiscal Year

The System shall continue to be operated on a Fiscal Year basis, which, until changed, shall commence on January 1 of each year and shall end on December 31 of the same calendar year. The District may, by resolution duly adopted by the Board, change the Fiscal Year at any time from that then existing to a different twelve (12)-month period.

[End of Article III]

ARTICLE IV

THE BONDS

Section 4.01 Authorization for Bonds in Series

- (a) From time to time and for the purposes of:
 - (i) Obtaining funds for (1) the expansion, improvement, repair and replacement including the acquisition of equipment for the use of the System and (2) the reimbursement of funds previously expended for such purposes;
 - (ii) Providing funds for the payment of any bond anticipation note or notes that may have been issued in anticipation of the issuance and sale of Bonds;
 - (iii) Refunding the Bonds, or other obligations issued to provide land or facilities which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System;
 - (iv) Providing funds for the payment of interest due on such Bonds;
 - (v) Funding a Debt Service Reserve Fund or restoring the value of the cash and securities in a Debt Service Reserve Fund to the amount equal to its Reserve Requirement; and
 - (vi) Paying the costs of issuance of Bonds, including any credit enhancement therefor,

but subject to the terms, limitations and conditions herein, the Board may authorize the issuance of a Series of Bonds by the adoption of a Series Resolution, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of this **Article IV**. The Bonds of each Series shall be issued in fully registered form, without coupons, and may be book-entry bonds. The Bonds shall, in addition to the title Starr-Iva Water and Sewer District, South Carolina Waterworks and Sewer System Revenue Bonds, bear a letter or number series designation as may be necessary to distinguish them from the Bonds of every other Series and shall designate the year in which the Series is issued. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds, with or without mandatory sinking fund payments, or Capital Appreciation Bonds, or a combination of any of them, and may bear interest in whatever manner and payable at whatever frequency as shall be prescribed by the applicable Series Resolution.

- (b) Each Series Resolution shall include a determination to the effect that the issuance of such Series of Bonds is necessary to provide funds to be used and expended for one or more of the purposes enumerated in paragraph (a) above. In addition each Series Resolution shall specify and determine:
 - (i) The Date of Issue of such Series of Bonds or the manner of the determination thereof;
 - (ii) The maximum authorized principal amount of such Series of Bonds, and the officials authorized to make such determination;

(iii) The time for the payment of interest on the Bonds in such Series and the Record Dates, and the date or dates of maturity and the amounts thereof, or the manner of determining such dates and amounts and the officials authorized to make such determinations, provided that the Series Resolution shall specify a date beyond which the final maturity of such Series shall not extend which date shall not be longer than forty-five (45) years from the date of such Series of Bonds or such longer period as may be provided by the Enabling Act;

(iv) The specific purposes for which such Series of Bonds is being issued, which shall be to provide funds for the purposes authorized by the Enabling Act and the Bond Resolution;

(v) The title and designation of the Bonds of such Series;

(vi) The manner in which Bonds of such Series are to be sold and provisions for the sale thereof;

(vii) The interest rate or rates, or the manner of determining such rate or rates, of the Bonds of such Series;

(viii) The portion of such Series that are Serial Bonds and that are Term Bonds and that are Capital Appreciation Bonds, if any, including the amount and date of each mandatory redemption or sinking fund installment, if any, required by such Series Resolution to be paid for the retirement of any such Bonds, or the manner of making such designations and the officials authorized to make such designations;

(ix) The redemption price or redemption prices and the redemption date or redemption dates and other terms of redemption (if any) applicable to any of the Bonds of such Series for such payments, or the manner of determining such dates and prices and the officials authorized to make such determinations;

(x) The Trustee, the Registrar, Paying Agent if any, and custodian, if any, for such Bonds, and the escrow agent if such Bonds are refunding Bonds that may require an escrow;

(xi) The form or forms of the Bonds of such Series;

(xii) The manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

(xiii) Whether the Bonds of such Series shall be issued in book-entry form pursuant to **Section 4.18** hereof;

(xiv) Whether such Series of Bonds will be subject to a Reserve Requirement and if subject to one, that such Reserve Requirement has been or will be met;

(xv) The disposition of the proceeds of the sale of the Bonds of such Series and the manner of their application;

(xvi) That a Debt Service Fund be established for the Series of Bonds, and that a construction fund be established if the proceeds of the Bonds of any Series are intended to be used for the expansion or improvement of the System, and that a capitalized interest account be established within any such construction fund if interest for any period is to be paid from proceeds of such Series of Bonds; and

(xvii) Any other provisions or funds deemed advisable by the District for the Bonds and any other applicable redemption requirement for the Bonds of such Series and the method of satisfying the same and not in conflict with or in substitution for the provisions of the Bond Resolution.

Section 4.02 Conditions to Issuance of Bonds of a Series

All Bonds shall be issued in compliance with the following provisions of this **Section 4.02**:

(a) Bonds shall be stated to mature and/or have mandatory or sinking fund redemptions on such day or days in the years and amounts prescribed by or approved as provided in the Series Resolution.

(b) Bonds shall bear interest at the rates and on the occasions prescribed by or approved as provided in the Series Resolution.

(c) Bonds shall be issued for a purpose or purposes set forth in **Section 4.01(a)** hereof.

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

(e) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund the amount equal to the applicable Reserve Requirement, there shall be deposited in such Debt Service Reserve Funds such amounts as may be necessary to make the value of the moneys and securities in each Debt Service Reserve Fund equal to the applicable Reserve Requirement, unless:

(i) the Series Resolution and any previous Series Resolutions shall have provided for successive monthly payments beginning in the first month following the date of the issuance of the Bonds of any such Series in substantially equal monthly amounts (the “**Monthly Series Payments**”) so that by the end of twelve (12) months from the date of issuance of such Series of Bonds there shall be in the applicable Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement with respect to such Bonds;

(ii) there shall be no unremedied defaults of any Monthly Series Payments required to have been made;

(iii) each Debt Service Reserve Fund is funded in an amount equal to the applicable Reserve Requirement with respect to each Series of Bonds, other than Bonds issued pursuant to Series Resolutions described in (i) above; and

(iv) the applicable Series of Bonds having a Reserve Requirement were sold to the United States Department of Agriculture – Rural Development (“**USDARD**”) and USDARD has provided for a term longer than twelve (12) months in which to fund the applicable Debt Service Reserve Fund at the applicable Reserve Requirement.

(f) Except in the case of the initial series of Bonds issued hereunder and Bonds issued for the purpose of refunding any Bonds and which meet the test prescribed in **Section 4.02(g)** hereof:

The District must obtain a certificate of an Accountant, a Consulting Engineer or an Independent Consultant addressed to the District and the Trustee that Net Earnings of the System for the last Fiscal Year for which audited financial statements are available shall have been equal

to at least one hundred twenty percent (120%) of the maximum annual debt service on all Bonds then Outstanding and the additional Bonds then proposed to be issued (with adjustments, if any, for any Bonds that will be discharged upon the issuance of such additional Bonds). For purposes of calculating Net Earnings under this **Section 4.02(f)**, actual revenues shall be adjusted upward or downward so as to be stated on the basis of the rate schedule that has been adopted and will be effective during the Fiscal Year which includes the date of issuance of such additional Bonds.

(g) In lieu of compliance with **Section 4.02(f)** hereof, in the case of Bonds issued for the purpose of refunding any Bonds, the Annual Principal and Interest Requirements of the refunding Bonds shall not exceed the Annual Principal and Interest Requirements of the Bonds to be refunded for any Fiscal Year until a time subsequent to the last maturity of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds.

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

(i) The Series Resolution shall provide for and specify a maximum interest rate on (1) such Bonds and (2) any reimbursement obligation to a liquidity provider for such Bonds;

(ii) The liquidity provider for such Bonds shall be rated in one of the highest two short-term rating categories by either Moody's Investors Service or S&P Global Ratings; and

(iii) Any accelerated principal payments or any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if either of the tests referred to in **Sections 4.02(g)** or **4.02(h)** of this Bond Resolution is calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

Section 4.03 Reliance on Certificates

Each of the District and any purchaser of any Bonds shall be entitled to rely upon certificates of Accountants and certificates of any Insurance Consultant made in good faith, pursuant to any provision of this Bond Resolution.

Section 4.04 Execution of Bonds

(a) Unless otherwise prescribed by any Series Resolution, the Bonds shall be executed in the name of and on behalf of the District by the Chairman of the Board, or in the absence or disability of the Chairman, the Vice Chairman and the same shall be attested by the Secretary. Such officers may employ facsimiles of their signatures.

(b) In case any officer whose signature or facsimile signature shall appear on the Bonds shall cease to be such officer, such signatures or such facsimiles shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office.

Section 4.05 Authentication

Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed by the Registrar shall be entitled to any right or benefit under this Bond Resolution. 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 under this Bond Resolution.

Section 4.06 Medium of Payment

The Bonds shall be payable with respect to principal, interest, and premium, if any, in lawful money of the United States of America.

Section 4.07 Mutilated, Lost, Stolen or Destroyed Bonds

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

Section 4.08 Transfer and Registry; Persons Treat as Owners

(a) As long as any Bonds shall be Outstanding, the District shall cause books for the registration and for the transfer of Bonds to be kept. Such books shall be kept by the Registrar for any particular Series of Bonds. The transfer of each Bond may be registered only upon the registration books of the District kept for that purpose by the Holder thereof in person or by his duly authorized attorney upon surrender thereof and an assignment with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or his duly authorized attorney. Upon the registration or transfer of any Bond, the District shall cause to be issued, subject to the provisions of **Section 4.11** hereof, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

(b) The District, the Registrar or any Paying Agent may deem and treat the person in whose name any Bond shall be registered upon the registration books of the District as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium (if any) and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; and none of the District, the Registrar or any Paying Agent shall be affected by any notice to the contrary.

Section 4.09 Date and Payment Provisions

Unless otherwise provided in any Series Resolution with respect to Bonds issued thereunder, each Bond of a Series shall be authenticated on such dates as they shall, in each case, be delivered. Each Bond shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Bond's authentication.

Section 4.10 Interchangeability of Bonds

Bonds of a Series, upon surrender thereof at the office of the Registrar for the Bonds of such Series with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder and upon payment by such Holder of any

charges made pursuant to **Section 4.11** hereof, be exchanged for an equal aggregate principal amount of Bonds of such Series of like maturity and interest rate of any other authorized denominations.

Section 4.11 Regulations with Respect to Exchanges and Transfer

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the District shall execute and the Registrar shall authenticate and deliver, Bonds in accordance with the provisions of the Bond Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Registrar to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of the Bond Resolution. There shall be no charge to the Holder 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 District nor the Registrar shall be required to register, transfer or exchange Bonds of a Series after the Record Date for such Series until the next succeeding Bond Payment Date for such Series or to register, transfer or exchange any Bonds called for redemption after the mailing of any notice of redemption of such Bond.

Section 4.12 Cancellation and Destruction of Mutilated, Paid or Surrendered Bonds

Upon the surrender of mutilated Bonds pursuant to **Section 4.07** hereof, or Bonds paid or surrendered, the same shall be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate evidencing such destruction shall, upon request, be furnished by the Registrar to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of the Bond Resolution.

Section 4.13 Notice of Redemption

If any of the Bonds, or portions thereof, is called for redemption, the District shall give notice to the Holders of any Bonds to be redeemed of the redemption of such Bonds, or portions thereof. Notice of each redemption of Bonds is required to be mailed by first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to each registered owner of Bonds to be redeemed, at the address of such owner recorded on the bond register and to be otherwise given in accordance with, among others, the following requirements:

(a) notices must contain, at a minimum, the complete official name of the Bonds, CUSIP number, if any, Bond numbers, principal amount of each Bond to be redeemed (if less than all), publication date, redemption date, redemption price, redemption agent's name and address with contact person and phone number, date of the Bonds, interest rate, maturity date and the place or places where amounts due will be payable;

(b) a second notice to registered owners of the Bonds must be mailed by the means specified above to any registered owner of Bonds who has not presented Bonds for redemption 60 days after the redemption date;

(c) the obligation of the District to give the notice required by this **Section 4.13** shall not be conditioned upon the prior payment to the Trustee of money or the delivery to the Trustee of Authorized Investments sufficient to pay the redemption price of the Bonds to which such notice relates or the interest thereon to the redemption date.

Any Series Resolution providing for the issuance of Bonds consisting of contractual obligations not in the form of an instrument may provide alternative methods for delivery of notice of redemption. In the event there is a single Holder for a Series of Bonds, notice may be given in any manner agreeable to such Holder.

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

Section 4.14 Cancellation of Bonds Which Have Been Redeemed

All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished, upon request, by the Registrar to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of the Bond Resolution.

Section 4.15 Selection of Bonds to be Redeemed

In the event of redemption of less than all of the Bonds of a Series of any maturity, the Bonds or portions of Bonds to be redeemed, shall be selected by lot by the District; provided, however, that the portion of any Bond of a denomination which is larger than the minimum denomination for the Bonds of such Series shall be in the principal amount of such minimum denomination or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the District shall treat each such Bond as representing that number of Bonds of minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of the minimum denomination; provided further that, if less than all of the beneficial interests in a Bond of a single maturity registered in the name of a Securities Depository or a Securities Depository Nominee are to be redeemed, the beneficial interests to be redeemed shall be selected by lot by the Securities Depository. If there shall be drawn for redemption less than all of a Bond, the District shall execute and the Registrar shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of the same Series in any authorized denomination.

Section 4.16 Bonds Issued as Taxable Obligations

Notwithstanding anything in this Bond Resolution to the contrary, the District may from time to time, pursuant to one or more Series Resolutions, provide for the issuance of Bonds the interest on which may be includable in gross income of the Holders of such Bonds for federal income taxation purposes. Such Series Resolution shall provide such rules and regulations with respect to the ownership, transfer and substitution of such Bonds as are not inconsistent with the other provisions of this Bond Resolution.

Section 4.17 Security for Payment of the Bonds; Priority of Lien

The Bonds shall be payable solely from and shall be secured by a pledge of and lien upon the portion of Gross Revenues of the System remaining after payment of costs of operation and maintenance of the System, including without limitation all required payments of the District under the Water Purchase Agreement. Such pledge and lien securing the Bonds shall at all times and in all respects be and remain superior to pledges and liens made and given to secure any other bonds or other obligations payable from the revenues of the System and which are issued hereafter. The Bonds shall not constitute an indebtedness

of the District within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license; and the faith, credit and taxing power of the District are expressly not pledged therefor. The District is not obligated to pay any of the Bonds or the interest thereon except from the revenues of the System as provided in this Resolution.

The pledge and lien herein made shall be on parity with the 2016 Bond and subordinate and junior in all respects to the pledge of and lien upon the portion of the Gross Revenues of the System given by the District to secure the payment of the District's obligations under the Water Purchase Agreement.

Section 4.18 Bonds in Book-Entry Form

Notwithstanding any other provision of this Bond Resolution with respect to the form of Bonds to the contrary, a Series Resolution may provide for the issuance of one or more Series of Bonds solely in fully registered form registrable to a Securities Depository, a Securities Depository Nominee or the beneficial owner of the Bonds. The Series Resolution may further provide that such Series of Bonds shall be evidenced by one or more certificates or by a system of book entries in form satisfactory to the Authorized Representative and to provide for payment, redemption, notices and like provisions in a manner consistent with such system of registration.

Section 4.19 Waiver of Certain Provisions

Notwithstanding anything in this Bond Resolution to the contrary, whenever all of the debt issued or all of the obligations incurred by the District under a Series Resolution are acquired by and are held by a single entity, that single entity, at its sole option, may waive any provision or requirement of this Bond Resolution that relates separately to the governance of such Series and is for the protection and benefit of such single entity only and not for the protection or benefit of any other Holder or Holders of Bonds.

Section 4.20 Purchases of Bonds Outstanding

Purchases of Bonds Outstanding may be made by the District at any time with money available to it from any source. Upon any such purchase the District shall deliver such Bonds to the Registrar for cancellation.

[End of Article IV]

ARTICLE V

RATES AND CHARGES

Section 5.01 Rate Covenant

(a) It is hereby determined that the rates for services and facilities furnished by the System shall, until otherwise revised, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of the Bond Resolution but they shall be revised by the Board whenever necessary in order that they shall at all times be maintained on a basis sufficient to meet the requirements of the Bond Resolution. The District specifically covenants and agrees to maintain rates and charges for all services furnished by the System which shall at all times be sufficient:

(i) To provide for the payment of the expenses of administration and operation and such expenses for maintenance of the System as may be necessary to preserve the same in good repair and working order including, without limiting the generality of the foregoing, all required payments of the District under the Water Purchase Agreement;

(ii) To maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on the respective Series of Bonds;

(iii) To maintain any Debt Service Reserve Funds in the manner prescribed herein and in any applicable Series Resolutions;

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

(v) To pay all amounts owing under a reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit as contemplated under the applicable Series Resolution with respect to a Series of Bonds;

(vi) To discharge all obligations imposed by the Enabling Act and by the Bond Resolution; and

(vii) To provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be Outstanding;

(b) The Board covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System that, together with other income, are reasonably expected to yield annual Net Earnings in the current Fiscal Year equal to at least the sum of (i) one hundred twenty percent (120%) the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) one hundred percent (100%) of any required payment into a Debt Service Reserve Fund due in such Fiscal Year, plus (iii) one hundred percent (100%) of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts that the Board has entered into in order to provide waterworks and/or sewer system services to the areas included within its service area, due in such Fiscal Year; and promptly upon any material change in the circumstances that were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the Board shall adopt an Annual Budget including amended rate schedules for such Fiscal Year that shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and that shall include the amount to be deposited during such Fiscal Year in the

Depreciation and Contingent Fund. The Board may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

(c) If the District, in adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant established hereinabove or if the audited financial statements of the District indicate that the District did not satisfy the rate covenant for the prior year, the District shall, within forty-five (45) days, engage a Consulting Engineer or an Independent Consultant to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the District to meet the rate covenant. Copies of such report shall be made available to the District and the Trustee no later than sixty (60) days after the engagement of the Consulting Engineer or the Independent Consultant, as the case may be. The District agrees that it shall use its best efforts to effect such changes recommended by the Consulting Engineer or the Independent Consultant, as the case may be, in its report. So long as the District uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under **Article XIII** hereof; provided, however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default. The Trustee shall have no duty or obligation to monitor the District's compliance with any such recommendations.

[End of Article V]

ARTICLE VI

JUNIOR LIEN BONDS AND CAPITAL LEASE FINANCING

Section 6.01 Right to Issue Junior Lien Bonds; Accession Thereof to Status of Bonds

Notwithstanding that Bonds may be Outstanding, the District may, at any time, and without limitation and free of all conditions issue Junior Lien Bonds, in such amount as it may from time to time determine, payable from the revenues of the System, provided that the pledge of and lien upon revenues granted for the protection of said Junior Lien Bonds, shall at all times be and remain subordinate and inferior in all respects to the pledges of and liens upon revenues made or authorized for the Bonds.

By proceedings authorizing the issuance of Junior Lien Bonds, the District may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the conditions set forth in subparagraphs (a) through (g) are met. Any such subsequent proceedings adopted by the Board providing for such accession shall make the findings provided in subparagraphs (a) through (d) and state whether and to what extent a Debt Service Reserve Fund shall be established as set forth in subparagraph (e).

(a) The Junior Lien Bonds were issued for a purpose or purposes set forth in **Section 4.01(a)** hereof.

(b) There shall exist on the date of accession (i) no default in the payment of the principal of or interest on any Bonds or any Junior Lien Bonds then Outstanding and (ii) no default in the performance of any duties required under the provisions of the Bond Resolution and (iii) no amount owed by the District with respect to the full funding of a Debt Service Reserve Fund, either by way of cash or reimbursement of any other funding mechanism, except in accordance with **Section 4.02(e)(i)** hereof.

(c) There shall be deposited in the Debt Service Fund for such Series of newly-acceded Bonds the amounts which would have been required under the provisions of **Section 8.03** hereof to be accumulated therein on the date of accession if said Junior Lien Bonds had originally been issued as Bonds.

(d) On the date of accession, the earnings test prescribed by **Section 4.02(f)** hereof shall have been met.

(e) In the event such proceedings require a Reserve Requirement to be maintained for such Series of newly-acceded Bonds, then in such event, there shall be on deposit on the date of accession in a Debt Service Reserve Fund an amount equal to the Reserve Requirement established for such Junior Lien Bonds which are being acceded to the status of Bonds.

(f) The District shall obtain an opinion of Bond Counsel to the effect that (i) the Bond Resolution and the proceedings authorizing such Junior Lien Bonds have been duly adopted and are in full force and effect; (ii) the Junior Lien Bonds have been duly and lawfully authorized and executed by the District and are valid and binding upon, and enforceable against, the District (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (iii) the Bond Resolution creates the valid pledge and lien which it purports to create of the revenues and of moneys and securities on deposit in any of the funds established hereunder subject to the application thereof to the purposes and on the conditions permitted by the Bond Resolution.

In the event such Junior Lien Bonds were issued with variable rates, the provisions of **Section 4.02(h)** hereof shall have been met.

Section 6.02 Capital Lease Financings

The District shall have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant, and equipment comprising a part of the System.

Section 6.03 Right to Issue Special Facilities Bonds

The District shall have at all times the right to enter into contracts, leases or other agreements pursuant to which it will agree to construct, operate and pay the costs of Special Facilities to be financed by its issuance of Special Facilities Bonds, subject to the following conditions:

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

(b) The revenues derived from Special Facilities need not be deposited in the General Revenue Fund, and may be pledged to secure Special Facilities Bonds; but no debt service or other costs or expense related to any Special Facilities may be paid from System revenues deposited in the General Revenue Fund except pursuant to **Section 8.07** hereof.

For purposes of this **Section 6.03**, the term “*Special Facilities*” shall include all or a portion of waterworks and/ or sewer system facilities and rights to all or a portion of the use of, or the capacity available from, any such facilities.

[End of Article VI]

ARTICLE VII

ESTABLISHMENT OF FUNDS

Section 7.01 Requirement for Special Funds

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

Section 7.02 The General Revenue Fund

(a) There shall be established and maintained a fund or account designated as the General Revenue Fund. This account shall be so maintained as to accurately reflect the Gross Revenues of the System and Net Earnings.

(b) Except as otherwise specifically directed or permitted herein, all Gross Revenues of the System shall be deposited in accordance with and in the manner prescribed by **Article VIII** hereof into this fund. Money in the General Revenue Fund shall be withdrawn and made use of only in the manner and in the order of priority specified in **Article VIII** hereof. So long as the District establishes, from an accounting standpoint, proper records of receipts and disbursements for the General Revenue Fund, the General Revenue Fund may be used for the purposes of the Operation and Maintenance Fund, subject to the order of priority specified in **Article VIII** hereof.

Section 7.03 The Operation and Maintenance Fund

(a) There shall be established and maintained an Operation and Maintenance Fund. This fund is intended to provide for the payment of all expenses incurred in connection with the administration and operation of the System, including, without limiting the generality of the foregoing, all required payments of the District under the Water Purchase Agreement, such expenses as may be reasonably necessary to preserve the System in good repair and working order, the fees and charges of the Trustee or custodian of any fund, the costs of audits required hereunder, and the premiums for all insurance and fidelity bonds required hereby.

(b) Withdrawals from the Operation and Maintenance Fund shall be made by or on the order of an Authorized Representative in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 7.04 The Debt Service Funds

(a) There shall be established and maintained a Debt Service Fund for each Series of Bonds Outstanding. The Debt Service Funds are intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on Bonds of the respective Series as the same respectively fall due. Payments into these Funds shall be made in the manner prescribed by the Bond Resolution, including the applicable provisions of **Article VIII**, and, except as herein provided, all money in each Debt Service Fund shall be used solely to pay the principal of and interest on the Bonds of the respective Series, and for no other purpose.

(b) Each Debt Service Fund shall be held in trust by a Trustee and to that end shall be kept in its complete custody and control and withdrawals from each Debt Service Fund shall be made only by such Trustee who shall transmit to each Bondholder, at such times as may be appropriate, the sums

required to pay the principal of, redemption premium, if any, and interest on the Bonds of that respective Series.

(c) Money in each Debt Service Fund shall be invested and reinvested at the written direction of an Authorized Representative or his designee in Authorized Investments, maturing not later than the date on which such money is required to pay the interest and/or the principal and interest next maturing. All earnings from such investments shall be added to and become a part of such Debt Service Fund, but shall be credited against payments that would otherwise be made to that Debt Service Fund pursuant to the provisions of **Section 8.03** hereof.

Section 7.05 The Debt Service Reserve Funds

(a) Each Series Resolution may create a Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. Each such Debt Service Reserve Fund is intended to insure the timely payment of the principal of, and premium, if any, and interest on, that issue of that Series of Bonds, and to provide for the redemption of such Bonds prior to their stated maturities. Any Debt Service Reserve Fund shall be maintained in an amount equal to the Reserve Requirement established by the Series Resolution for such Series of Bonds. Money in a Debt Service Reserve Fund shall be used for the following purposes, and for no other:

(i) To prevent a default in the payment of the principal of or interest on that Series of Bonds, by reason of the fact that money in its Debt Service Fund is insufficient for such purposes;

(ii) To pay the principal of, interest on, and redemption premium of Bonds of that Series in the event that all Outstanding Bonds of that Series be redeemed as a whole; or

(iii) To effect partial redemption of Bonds of that Series.

The requirements for and provisions governing any Debt Service Reserve Fund in the remainder of the Bond Resolution shall, in references to “the Debt Service Reserve Fund,” “the Reserve Requirement,” the “Debt Service Fund(s)” and “the Bonds,” be deemed to refer to each such Debt Service Reserve Fund created by a Series Resolution, and in each case to the respective Reserve Requirement and Debt Service Fund for the respective Series of Bonds, and to Bonds only of that respective Series and not to any other Bonds.

(b) Each Debt Service Reserve Fund shall be kept in the complete custody and control of the Trustee. Withdrawals therefrom shall be made only by the Trustee who shall transmit to the Bondholders, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the Bonds.

(c) Money in a Debt Service Reserve Fund shall be invested and reinvested by the Trustee at the written direction of an Authorized Representative or his designee in Authorized Investments. Subject to the remaining provisions of this paragraph (c), the earnings from such investments shall be added to and become a part of the Debt Service Reserve Fund. If as of any date of calculation, the value of the securities and money in a Debt Service Reserve Fund shall exceed its Reserve Requirement, such excess shall either be used to effect partial redemption of Bonds of that Series, or shall be removed from such Debt Service Reserve Fund and transferred into the Debt Service Fund, as directed by an Authorized Representative in writing.

(d) Notwithstanding anything in this Bond Resolution to the contrary, the District, in lieu of the deposit of moneys into a Debt Service Reserve Fund, may satisfy the applicable Reserve Requirement by causing to be credited to such Fund an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy payable to the Trustee or the Paying Agent for the benefit of the Holders of the Bonds of the applicable Series in an amount which together with other moneys on deposit in such Debt Service Reserve Fund is equal to such Reserve Requirement. The details of such surety bond, line of credit, letter of credit or insurance policy shall be provided in the applicable Series Resolution.

Section 7.06 The Depreciation and Contingent Fund

(a) There shall be established and maintained a Depreciation and Contingent Fund held and administered by the District. This fund shall be maintained in an amount to be established not less frequently than annually by the District in its sole discretion in order to provide a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions of the System.

(b) Money in this fund shall be used solely:

- (i) For the purpose of restoring depreciated or obsolete items of the System;
- (ii) For improvements, betterments and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order;
- (iii) To defray the cost of unforeseen contingencies;
- (iv) To prevent defaults of Bonds and Junior Lien Bonds; and
- (v) For optional redemption of Bonds.

(c) Withdrawals from this Fund shall be made by or on order of an Authorized Representative.

Section 7.07 The Capitalized Interest Account

There may be established a capitalized interest account to provide for the payment of interest on the Bonds of a particular Series. Any such account shall be created by the Series Resolution relating to the issuance of the Bonds of such Series. The Series Resolution shall provide for the disposition of any earnings from the investment of the funds in any such capitalized interest account.

Section 7.08 Investments of Funds

Whenever, in the opinion of an Authorized Representative, it becomes desirable to invest money in any of the funds established by this **Article VII** (other than the Debt Service Reserve Funds, the Debt Service Funds and any capitalized interest account for which provisions are made above) an Authorized Representative may make Authorized Investments. Earnings resulting from the investment of money in a particular fund shall be deposited into the General Revenue Fund (i) except as provided in **Sections 7.04, 7.05 and 7.07** hereof and (ii) unless an Authorized Representative shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Depreciation and Contingent Fund shall remain therein. The Trustee shall have no liability for losses resulting from the investment of money in any Authorized Investments.

[End of Article VII]

ARTICLE VIII

DISPOSITION OF REVENUES

Section 8.01 Deposits to General Revenue Fund; Dispositions Therefrom

The Gross Revenues of the System except customers' deposits and that money the disposition of which is controlled by other provisions of the Bond Resolution are declared to be a part of the General Revenue Fund and shall from time to time be promptly deposited in a bank or depository in an account which will reflect the fact that they are a part of the General Revenue Fund. The dispositions from the General Revenue Fund required by the remaining Sections of this **Article VIII** shall be made on or before the first Business Day of each month following the delivery of the first Series of Bonds issued pursuant to the Bond Resolution. Payments from the General Revenue Fund shall be made in the order of priority established by the sequence of the remaining Sections of this **Article VIII**.

Section 8.02 Deposits for Operation and Maintenance Fund

There shall be deposited in the Operation and Maintenance Fund the amount necessary for the ensuing month for the payment of all expenses expected to be incurred in connection with the administration and operation of the System, including, without limiting the generality of the foregoing, all required payments of the District under the Water Purchase Agreement, such expenses as may be reasonably necessary to preserve the System in good repair and working order, the fees and charges of the Trustee, custodian, if any, and the Registrar or any Paying Agent, the costs of audits required hereunder, and the premiums for all insurance and fidelity bonds required by the Bond Resolution. Such payments shall be made by or on the order of an Authorized Representative in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 8.03 Payments for the Bonds

Provision shall be made for the payment of principal of, premium, if any, and interest on the Bonds without priority of any one over any other. To that end:

(a) There shall be deposited into each Debt Service Fund the monthly fraction of the aggregate amount of interest to become due on the respective Series of Bonds on the next ensuing interest payment date (or the monthly amount due, if interest is payable monthly); provided, however, that if provision has been made for the payment of all or part of the next installment of interest to become due on any Bonds, pursuant to any other provision of the Bond Resolution, or any Series Resolution, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(b) There shall be deposited into each Debt Service Fund the monthly fraction of the Principal Installment of the respective Series of Bonds next becoming due and payable (or the monthly amount due, if principal is payable monthly), so that on each principal maturity date, the amount of principal to be paid shall have been accumulated and be on hand; provided, however, that if provision has been made for the payment of all or part of the next installment of principal to become due on the respective Series of Bonds, pursuant to any other provision of the Bond Resolution, or any Series Resolution, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(c) If, on the occasion when the deposits required by paragraphs (a) and (b) of this **Section 8.03**, are to be made, the sum total of the deposits required thereby plus previous monthly deposits and

the remaining deposits to be made prior to the next succeeding principal and interest payment dates, will be less than the sum required to effect the payment of the next succeeding installment of either principal or interest, or both on the respective Series of Bonds, as the case may be, a sum equal to such deficiency shall be added to the deposits so to be made.

Section 8.04 Deposits for the Debt Service Reserve Funds - Valuation

Deposits shall next be made in the amounts required by this **Section 8.04** into the respective Debt Service Reserve Funds. The market value of the cash and securities in each Debt Service Reserve Fund shall be calculated as of each Bond Payment Date (such calculation to be made within forty-five (45) days after such Bond Payment Date) in order to determine if the Debt Service Reserve Fund contains the Reserve Requirement therefor, and the extent to which payments therefor or withdrawals must be made therefrom, and the timing thereof, pursuant to the Bond Resolution and the respective Series Resolutions. Unless a Debt Service Reserve Fund is being funded pursuant to **Section 4.02(e)(i)** of the Bond Resolution or then contains in cash and securities an amount at least equal to its Reserve Requirement, there shall be paid into such Debt Service Reserve Fund on the last Business Day of each of the twelve (12) months following a determination of a deficiency in such Debt Service Reserve Fund one-twelfth (1/12) of the amount necessary to re-establish in such Debt Service Reserve Fund its Reserve Requirement; provided, however, nothing herein shall preclude the District from fully re-establishing such Reserve Requirement in a more timely fashion than as so prescribed. The value of any Authorized Investments in a Debt Service Reserve Fund shall be calculated as follows:

(a) except for Authorized Investments described in (b) or (c) below, the bid price published by a nationally recognized pricing service selected by the Trustee in its sole discretion; provided, however, if the maturity of such security pre-dates the next Bond Payment Date, then such security shall be valued at its maturity value plus interest to be paid on such date;

(b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(c) as to any investment not valued by the nationally recognized pricing selected by the Trustee or not specified in (b) above: the value thereof established by prior agreement between the District and the Trustee; provided, however, if the maturity of such security pre-dates the next Bond Payment Date, then such security shall be valued at its maturity value plus interest to be paid on such date.

The District acknowledges that the Trustee does not have any duty to independently value any asset or an obligation for which the price is provided by the pricing service selected by the Trustee.

Section 8.05 Deposits for the Depreciation and Contingent Fund

There shall be deposited into the Depreciation and Contingent Fund that sum which is one-twelfth (1/12) of the sum which has been currently determined by the Board to be the estimated requirement therefor for the then current Fiscal Year.

Section 8.06 Payments for Junior Lien Bonds

Provision shall then be made for the payment of any other indebtedness which is junior and subordinate to the Bonds in the order of priority contemplated by the proceedings authorizing their issuance.

Section 8.07 Use of Surplus Money

All money remaining after making the payments required by **Sections 8.02 to 8.06** shall be disposed of for any lawful purpose in such manner as the District shall from time to time determine.

[End of Article VIII]

ARTICLE IX

AGREEMENT TO FURNISH INFORMATION WITH RESPECT TO SYSTEM

Section 9.01 Keeping Records

The District recognizes that those who may from time to time hereafter be Bondholders will, throughout the life of the Bonds, require full information with respect to the System, the fiscal affairs of the System, and all matters incident to each. To that end the District covenants and agrees that it will install and thereafter at all times maintain proper books of records and accounts, separate and distinct from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System, and all revenues and receipts derived therefrom, directly or indirectly. Such books and records shall be kept in such fashion as to reveal in detail:

- (a) The number of customers who may from time to time make use of the System;
- (b) The Gross Revenues of the System and the source from whence derived;
- (c) All expenses incurred in the operation of the System suitably identified as to purpose;
- (d) The Net Earnings of the System;
- (e) All expenditures made from the several funds established by the Bond Resolution, and Series Resolutions authorizing the issuance of the Bonds; and
- (f) The rate schedules that may from time to time be in force.

Section 9.02 Audit Required

The District further covenants and agrees that so long as any Bonds are Outstanding, it will, not later than one hundred and eighty (180) days after the close of each Fiscal Year, cause to be made and completed by the Accountants, an audit of the records, books and accounts pertaining to the System, made in accordance with generally accepted accounting practices, showing, among other things, Net Earnings. The cost of such audit shall be treated as a part of the cost of operating and maintaining the System.

[End of Article IX]

ARTICLE X
INSURANCE

Section 10.01 Insurance

- (a) The District covenants and agrees that so long as any Bonds are Outstanding:
- (i) That it will insure and at all times keep the System insured against physical loss or damage with a responsible insurance company or companies, authorized and qualified under the laws of the State, to assume the risks insured against, in such amount as private corporations engaged in similar endeavors would customarily insure for;
 - (ii) That it will secure adequate fidelity bonds (blanket or individual) of a surety company doing business in the State, indemnifying the District against defalcation of all persons handling money derived from the System or signing checks on any bank accounts relating to the System;
 - (iii) That all premiums on all bonds or insurance policies shall be deemed a part of the cost of operating and maintaining the System;
 - (iv) That all insurance policies shall be open to the inspection of any Bondholder at any reasonable time; and
 - (v) That all money received by the District as a consequence of any defalcation, covered by any fidelity bond, shall be used to restore the fund depleted by the defalcation. All sums received by the District from insurance with respect to the System may, to the extent necessary, be applied to the repair and replacement of the damaged or destroyed property, but, in the event that such money is not used for such purposes, then the same shall be deposited in the Depreciation and Contingent Fund.
- (b) Insurance required by this **Section 10.01** may be provided through the South Carolina Insurance Reserve Fund. The District may obtain or adopt alternative risk management programs which an Insurance Consultant determines to be reasonable, including, without limitation, self-insurance in whole or in part individually or in connection with other institutions, participation in programs of captive insurance companies, participation with other governmental entities in mutual or other cooperative insurance or other risk management programs, participation in state or federal insurance programs, taking advantage of state or federal laws now or hereafter in existence limiting liability, or establishing or participating in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the District. If the District shall be self-insured for any coverage, the District shall obtain a report of an Insurance Consultant stating whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually. Any self-insurance program shall be subject to annual review by the Insurance Consultant who shall provide a written report to the District which shall include recommendations relating to such self-insurance program.
- (c) All costs and expenses of providing the insurance required by this **Section 10.01** shall be payable solely from the Gross Revenues of the System.

[End of Article X]

ARTICLE XI

ADDITIONAL COVENANTS

Section 11.01 Additional Covenants to Secure Bonds

The District further covenants and agrees:

(a) That neither the System, nor any part thereof, nor any of the revenues derived from the System, have been or will be hypothecated, mortgaged, otherwise pledged or encumbered, save and except as herein disclosed and provided for;

(b) That it will permit no free service to be rendered, or use to be made of the services and facilities of the System, and for the services and facilities of the System used by the District, the reasonable cost and value of such services and facilities shall be paid as such services accrue. The revenue so received from the District shall be deemed revenue derived from the operation of the System, and shall be accounted for in the same manner as other revenues of the System;

(c) That it will permit no customer to be connected to the System, or to receive any service afforded by the System, unless a proper account is established and charges are levied against such account for services rendered, and such customer shall become obligated to pay for the service rendered at the appropriate rate according to the rate schedule then in force;

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

(e) That it will not make any use of the proceeds of any Series of Bonds other than Bonds issued pursuant to **Section 4.16** hereof which, if such use had been reasonably expected on the date of the issuance of the Bonds of such Series, would have caused such Bonds or any other Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and will observe and not violate the requirements of Section 148 of the Code;

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

(g) That it will not pledge, mortgage or otherwise encumber the System or any part thereof, or any revenues therefrom, except in the manner herein authorized, and it will not sell, lease or dispose of any portion of the System, necessary or useful (as determined by the Board) in the operation of the System, until all Bonds shall be paid in full, or unless and until provision shall have been made for the payment of all Bonds and the interest thereon in full, and that it will maintain in good condition and operate the System. If pursuant to this paragraph anything belonging to the System which is not deemed by the Board to be necessary or useful therefor shall be sold or disposed of, the proceeds of such sale or disposition shall be deposited at the direction of the Board in either of the Depreciation and Contingent Fund or in the General Revenue Fund.

[End of Article XI]

ARTICLE XII

MODIFICATION OF RESOLUTION

Section 12.01 Modification Without Bondholder Approval

(a) Provided always that the security of the Bonds shall not be lessened, or in any manner impaired, the Board may for any one or more of the following purposes at any time, or from time to time, without the consent of any bondholder, adopt a Resolution, supplementing the Bond Resolution, which Resolution shall be fully effective in accordance with its terms:

(i) To provide for the issuance of a Series of Bonds in accordance with **Article IV** hereof;

(ii) To add to the covenants and agreements of the District in the Bond Resolution, other covenants and agreements thereafter to be observed;

(iii) To surrender any right, power or privilege reserved to or conferred upon the District by the Bond Resolution; and

(iv) To cure, correct and remove any ambiguity or inconsistent provisions contained in the Bond Resolution.

(b) It is further provided that, except for a Series Resolution as permitted by subsection (a)(i) above, such supplemental Resolution shall not become effective until a copy thereof, duly certified, shall have been filed in the offices of the Clerks of Court for Anderson County and Abbeville County.

(c) In addition, no modification or alteration shall, without the consent of the Trustee, affect the rights, duties or obligations of the Trustee hereunder.

[End of Article XII]

ARTICLE XIII

EVENTS OF DEFAULT; CONSEQUENCES OF DEFAULT AND REMEDIES

Section 13.01 Events of Default

- (a) Each of the following events is hereby declared an “*Event of Default*”:
- (i) Payment of the principal of any of the Bonds shall not be made when the same becomes due and payable, either at maturity or by proceedings for redemption;
 - (ii) Payment of any installment of interest on any Bonds shall not be made when the same becomes due and payable;
 - (iii) Failure to make any payments into the Debt Service Reserve Fund as required under **Section 8.04** hereof;
 - (iv) Payment of any installment of either interest or principal of any Junior Lien Bonds shall not be made when the same becomes due and payable or any other event of default shall exist with respect to any Junior Lien Bonds;
 - (v) Except as provided in **Section 5.01(c)** hereof, the District shall not comply with the rate covenant found in **Section 5.01(b)** hereof;
 - (vi) The District shall for any reason be rendered incapable of fulfilling its obligations hereunder;
 - (vii) An order or decree shall be entered with the consent or acquiescence of the District appointing a receiver, or receivers, of the District, or of the revenues thereof, or any proceedings shall be instituted with the consent or acquiescence of the District for the purpose of effecting a composition between the District and its creditors whose claims relate to the District, or for the purpose of adjusting claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted, or if such order or decree, having been entered without the consent or acquiescence of the District, shall not be vacated or discharged or stayed on appeal within sixty (60) days after entry thereof, or if such proceeding having been instituted without the consent or acquiescence of the District, shall not be withdrawn or any orders entered shall not be vacated, discharged, or stayed on appeal within sixty (60) days after the institution of such proceedings, or the entry of such orders;
 - (viii) The District shall default in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds or in this Bond Resolution, and such default shall continue for thirty (30) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the District by any Bondholder, provided that in the case of default specified in this paragraph (viii), if the default be such that it cannot be corrected within the said thirty (30) day period, it shall not constitute an event of default if corrective action is instituted by the District within said thirty (30) day period and diligently pursued until the default is corrected; and
 - (ix) Such other events of default as may be specified in a Series Resolution.

(b) The foregoing provisions of paragraphs (v) and (viii) of the preceding subsection (a) are subject to the following limitations: If by reason of force majeure the District is unable in whole or in part to carry out its agreements herein contained (other than the obligations on the part of the District contained in any of **Section 4.02** or **Articles V, VI, VII and VIII** as to which this paragraph shall have no application), the District shall not be deemed in default during the continuance of such inability. The term “*force majeure*” as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, tunnels or canals; partial or entire failure of utilities; or any other similar cause or event not reasonably within the control of the District, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the District, and the District shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the District unfavorable to the District.

Section 13.02 Acceleration; Annulment of Acceleration

(a) Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Holders of at least a majority in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the District, declare all Bonds Outstanding immediately due and payable; and such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Bond Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

(b) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Resolution, the Trustee may, with the consent of each Insurer of any Series of Bonds Outstanding, annul such declaration and its consequences with respect to any Bonds not then due by their terms if:

(i) Moneys shall have been deposited in the applicable Debt Service Funds sufficient to pay all matured installments of interest and principal (other than principal then due only because of such declaration) of all Outstanding Bonds;

(ii) Moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee;

(iii) All other amounts then payable by the District hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and

(iv) Every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 13.03 Additional Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under this Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Requiring the District to carry out its duties and obligations under the terms of this Bond Resolution and under the Enabling Act;

(ii) Suit upon all or any part of the Bonds;

(iii) Civil action to require the District to account as if it were the trustee of an express trust for the Holders of Bonds;

(iv) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(v) Enforcement of any other right of the Bondholders conferred by law or by this Bond Resolution including the right to make application for the appointment of a receiver to administer and operate the System.

(b) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised by counsel shall be necessary or expedient:

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

(ii) To preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of this Bond Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

Section 13.04 Application of Revenues and Other Moneys After Default

(a) The District covenants that if an Event of Default shall happen and shall not have been remedied or waived, the District, upon demand of the Trustee, shall:

(i) Pay or caused to be paid over to the Trustee, forthwith, all moneys and securities then held by the District which is credited to any fund under this Bond Resolution and

(ii) Pay or caused to be paid over to the Trustee, as promptly as practicable after receipt thereof, all Gross Revenues.

(b) During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, Gross Revenues, payments and receipts in its possession and the income therefrom as follows and in the following order:

- (i) To the payment of the reasonable and proper charges of the Trustee;
- (ii) To the payment of necessary operation and maintenance expenses (including without limitation all required payments of the District under the Water Purchase Agreement);
- (iii) To the payment of the interest and principal (and redemption premium, if any) then due on the Bonds, as follows:

(A) Unless the principal of all of the Bonds shall have become or has been declared due and payable,

(1) First: To the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference;

(2) Second: To the payment to the persons entitled thereto of the unpaid principal installments (and redemption premiums, if any) of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal (plus redemption premium, if any) due on such date, to the persons entitled thereto, without any discrimination or preference.

(B) If the principal of all of the Bonds shall have become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any differences as to the respective rates of interest specified in the Bonds; and

(C) For the purposes and to the respective funds set forth in **Article VIII** hereof.

Section 13.05 Remedies Not Exclusive

No remedy by the terms of this Bond Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Resolution or existing at law or in equity or by statute (including the Enabling Act) on or after the date hereof.

Section 13.06 Remedies Vested in Trustee

All rights of action (including the right to file proof of claims) under this Bond Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceedings

instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of **Section 13.04** hereof, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 13.07 Majority of Bondholders Control Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Bond Resolution to the contrary, the Holders of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Bond Resolution or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is in accordance with law and the provisions of this Bond Resolution (including indemnity to the Trustee) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Bondholders not joining in such direction and provided further that nothing in this **Section 13.07** shall impair the right of the Trustee in its discretion to take any other action under this Bond Resolution which it may deem proper and which is not inconsistent with such direction by Bondholders. If a bond insurer insures a particular Series of Bonds, then such bond insurer will act in lieu of the bondholders of such Series of Bonds hereunder.

Section 13.08 Individual Bondholder Action Restricted

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

(i) An Event of Default has occurred of which the Trustee has knowledge in accordance with **Section 14.05(I)** hereof; and:

(ii) The Holders of at least a majority in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Bond Resolution or to institute such action, suit or proceeding in its own name; and

(iii) Such Bondholders shall have offered the Trustee reasonable indemnity; and

(iv) The Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Bond Resolution or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained in this Bond Resolution shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond:

(i) to receive payment of the principal of or interest on such Bond on the due date thereof; or

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

Section 13.09 Termination of Proceedings

In case any proceeding taken by the Trustee or any Bondholder on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, the District, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 13.10 Waiver and Non-waiver of Event of Default

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

(b) The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Bond Resolution, or before the completion of the enforcement of any other remedy under this Bond Resolution.

(c) Notwithstanding anything contained in this Bond Resolution to the contrary, the Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one Series of Bonds shall at the time be Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), shall waive any Event of Default hereunder and its consequences; provided, however, that except under the circumstances set forth in **Section 13.02(b)** hereof or **Section 13.10(b)**, a default in the payment of the principal of, premium, if any, or interest on, any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all Bonds at the time Outstanding.

(d) In case of any waiver by the Trustee of an Event of Default hereunder, the District, the Trustee and the Bondholders shall be restored to their former positions and rights under this Bond Resolution, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this **Section 13.10**.

Section 13.11 Notice of Defaults

(a) Within thirty (30) days after the Trustee has knowledge of the occurrence of an Event of Default in accordance with **Section 14.05(l)** hereof, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal of, together with premium, if any and interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(b) The Trustee shall promptly notify the District of any Event of Default known to the Trustee in accordance with **Section 14.05(l)** hereof.

[End of Article XIII]

ARTICLE XIV

TRUSTEE AND ITS FUNCTIONS; SUBSTITUTE REGISTRAR

Section 14.01 Appointment and Vesting of Power in Trustee; Limitation of Rights of Bondholder to Appoint Trustee

Prior to the delivery of any Bonds pursuant to this Bond Resolution, the Board shall appoint or provide for the appointment of the Trustee. Such appointment shall be made in or provided by means of the Series Resolution adopted by the Board in connection with the issuance of the first Series of Bonds pursuant to this Bond Resolution. The Trustee shall be and is hereby vested with all rights and powers necessary to enable it to discharge its duties hereunder. The right of the Bondholders to appoint a successor Trustee hereunder is limited to the circumstances contemplated by **Section 14.10** hereof.

Section 14.02 Functions of Trustee

The Trustee shall have the following additional functions:

- (a) To authenticate the Bonds of all Series that may be issued, except to the extent that a Series Resolution provides that a Bond of such Series need not be authenticated if another Registrar is provided for therein and the Bond of such Series is not in book-entry format;
- (b) To act as custodian of the various Debt Service Funds;
- (c) To act as custodian of the various Debt Service Reserve Funds;
- (d) To act as Paying Agent for the Bonds;
- (e) Unless otherwise prescribed by any Series Resolution, to act as Registrar for the Bonds, and to maintain a set of registration books therefor, which shall at all times accurately reflect the names and addresses of all those who may be Holders of any Bonds; and
- (f) To make reports to the District on a monthly or such other basis as may be requested by the District, but not less often than semi-annually:
 - (i) Establishing balances on hand;
 - (ii) Listing investments made for any fund handled by the Trustee;
 - (iii) Establishing the market value of the various Debt Service Reserve Funds and to maintain accurate records, as to the amounts available to be drawn at any given time under any credit enhancement or funding substitute and as to the amounts paid and owing to the provider of any such credit enhancement or funding substitute, and the Trustee shall verify all such records with any such provider; and
 - (iv) Listing all securities, if any, pursuant to **Section 14.13** hereof.

Section 14.03 Duty of Trustee with Respect to Deficits in the Debt Service Funds

It shall be the further duty of the Trustee to give written notice to the District three (3) Business Days prior to each Bond Payment Date if there is any deficiency in any of the Debt Service Funds, which would result in a need for further moneys to meet the payment of interest and/or principal falling due on

the next ensuing Bond Payment Date, and the extent, if any, to which resort must be had to the applicable Debt Service Reserve Fund to meet such deficiency.

Section 14.04 Acceptance by Trustee Required

Prior to the delivery of any Bonds, (i) the District shall deliver to the Trustee appointed pursuant to **Section 14.01** hereof copies of this Bond Resolution, and copies of the Series Resolution and (ii) the said Trustee shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Bond Resolution, by executing and delivering to the District a written acceptance thereof.

Section 14.05 Liability as to Recitals in Bond Resolution and Bonds; Duties, Rights and Responsibilities of Trustee

(a) The recitals of fact made in this Bond Resolution and in the Bonds shall be taken as statements of the District, and the Trustee shall not be deemed to have made any representation as to the correctness of the same, nor shall the Trustee be deemed to have made any representation whatsoever as to the validity or sufficiency of this Bond Resolution or of the Bonds issued hereunder except with respect to the authentication of any Bonds. Nor shall the Trustee be deemed to have made any representation as to the value, condition, or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title, or interest of the District therein, the technical feasibility of the System, the compliance of the District with the Enabling Act, or the tax-exempt status of any of the Bonds. Nor shall the Trustee be under responsibility or duty with respect to the issuance of said Bonds, or the application of the proceeds thereof, except to the extent provided for herein. Nor shall the Trustee be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

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

(i) The Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Bond Resolution or any Series Resolution, as applicable, and no implied covenants or obligations shall be read into this Bond Resolution or any Series Resolution, as applicable, against the Trustee; and

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

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

(d) No provision of this Bond Resolution or any Series Resolution, as applicable, shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (b) of this **Section 14.05**;

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

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

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

(e) 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.

(f) Any request, direction, order or demand of the District under this Bond Resolution or any Series Resolution, as applicable, shall be sufficiently evidenced by a written certificate of the District (unless other evidence thereof is specifically prescribed).

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

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

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

(j) 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 System, in person or by agent or attorney.

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

(l) The Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except Events of Default under **Sections 13.01(a)(i) and 13.01(a)(ii)**, unless a Responsible Officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the District or from the holders of at least twenty-five (25%) in aggregate principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists.

(m) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Bond Resolution or any Series Resolution, as applicable.

(n) 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 then Outstanding, pursuant to the provisions of this Bond Resolution or any Series Resolution, as applicable, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(o) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Bond Resolution or any Series Resolution, as applicable, shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Bond Resolution or any Series Resolution, as applicable, and final payment of the Bonds.

(p) The permissive right of the Trustee to take the actions permitted by this Bond Resolution or any Series Resolution, as applicable, shall not be construed as an obligation or duty to do so.

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

(r) 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 District and may act as depository, trustee or agent for any committee of Bondholders secured hereby or other obligations of the District as freely as if it were not Trustee. The provisions of this subsection shall extend to affiliates of the Trustee.

(s) Whether or not expressly so provided, every provision of this Bond Resolution or any Series Resolution, as applicable, relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this **Section 14.05**.

(t) The District hereby covenants and agrees:

(i) to pay to the Trustee compensation for all services rendered by it hereunder and under the other agreements relating to the Bonds to which the Trustee is a party in accordance with terms agreed to from time to time, and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust); and

(ii) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Bond Resolution, as supplemented, any other agreement relating to the Bonds to which it is a party or in complying with any request by the District or any rating service with respect to the Bonds, including the reasonable compensation, expenses and disbursements of its agents and counsel, except any such expense, disbursement or advance attributable to the Trustee's gross negligence or bad faith.

In the event the Trustee incurs expenses or renders services in any proceedings under Bankruptcy Law relating to the District, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under Bankruptcy Law.

As security for the performance of the obligations of the District under this **Section 14.05**, the Trustee shall have a lien prior to the lien securing the Bonds, which it may exercise through a right of setoff, upon all property or funds held or collected by the Trustee pursuant to this Bond Resolution, as supplemented. The obligations of the District to make the payments described in this **Section 14.05** shall survive discharge of this Bond Resolution, as supplemented, the resignation or removal of the Trustee and payment in full of the Bonds.

Section 14.06 Trustee May Rely on Notices; etc.

The Trustee shall at all times be protected in acting upon any notice, resolution, request, consent, order, certificate, statement, opinion, bond, or other paper or document believed to be genuine and to have been signed by the proper party or parties.

Section 14.07 Trustee Permitted to Resign

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving to the District and the Bondholders written notice of such resignation, specifying a date (not less than sixty (60) days after such notice) when such resignation is intended to take effect. Such resignation shall take effect immediately upon but not before the appointment and qualification of such successor.

Section 14.08 Removal of Trustee

(a) The Trustee may be removed upon 30 days prior notice at any time by the Holders of not less than fifty percent (50%) of the principal amount of Bonds at such time Outstanding.

(b) The Trustee may be removed upon 30 days prior notice at any time by the District or, if a Series Resolution so provides, upon the request of an Insurer insuring the Series of Bonds thereby authorized.

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

Section 14.09 Appointment of Successor Trustee Upon Resignation or Removal of Trustee

(a) In case at any time the Trustee shall resign, or be removed or become incapable of acting, or be adjudged a bankrupt or insolvent, or a receiver of its property shall be appointed, or any public officer shall take charge or control of its property or affairs, a successor thereto shall be promptly appointed by resolution by the Board duly adopted. Such successor shall in all instances be a bank or trust company duly chartered pursuant to the laws of the United States or of the State, and shall have a combined capital and surplus of not less than \$1 billion.

(b) Immediately following such appointment the District shall give written notice of such appointment to the Bondholders and any Registrar other than the Trustee.

Section 14.10 When Bondholder May Seek Successor Trustee

If, in a proper case, no appointment of a successor Trustee shall be made promptly pursuant to **Section 14.09**, any Bondholder may make application to any court of competent jurisdiction for the appointment of a successor and said court may thereupon, after such notice, if any, as such court may prescribe, appoint a successor.

Section 14.11 Acceptance by Successor Trustee

Any successor Trustee appointed hereunder shall execute and deliver to its predecessor and to the District a written acceptance of such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally named as such Trustee and its predecessor shall be obligated to pay over, transfer, assign and deliver all moneys, securities and other property held by it to its successor, and on the written request of the District, or the successor, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may be reasonably required for the vesting and confirming in such successor all the right, title and interest of the predecessor in and to any property held by it.

Section 14.12 Effect of Trustee Merging With Another Bank

Any bank into which the Trustee may be merged, or with which it may be consolidated, or any bank resulting from any merger or consolidation to which it shall be a party, or any bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall become the successor without the execution or filing of any paper or the performance of any further act; provided, always, that if the District shall be dissatisfied with the institution resulting from the merger, consolidation or other action spoken of above, then the District may at any time within thirty (30) days after such action name a new Trustee (with the qualifications prescribed by **Section 14.09** hereof) in lieu of the Trustee then acting.

Section 14.13 Trustee to Secure Funds and Securities Held in Trust

Unless the same be secured as trust funds in the manner provided by the regulations of the Comptroller of the Currency as from time to time in effect, all funds in the custody of the Trustee, in excess of the amount of such deposit insured by the Federal Deposit Insurance Corporation, shall be invested in Authorized Investments.

Section 14.14 Disposition of Paid Bonds

It shall be the duty of the Trustee to cancel all Bonds which shall have been paid, whether upon their maturity or redemption prior to maturity; such cancellation shall be done in such fashion as to render such Bonds incapable of further negotiation or hypothecation. In any event it shall furnish appropriate certificates to the District indicating the disposition of such Bonds. Upon effecting such cancellation, the Trustee shall furnish appropriate certificates to the District setting forth the disposition made of the Bonds so cancelled.

Section 14.15 Appointment of Substitute Registrar

The District may, from time to time, appoint a Registrar or Registrars to act in the place and stead of the Trustee as Registrar of the Bonds of one or more Series. The District shall cause written notice of such appointment to be mailed to the Holders of all Bonds affected by such appointment thirty (30) days prior to the effective date of such appointment.

Section 14.16 Trustee Not to Consider Insurance

Notwithstanding any other provision of this Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, the Trustee shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policy.

[End of Article XIV]

ARTICLE XV

DEFEASANCE

Section 15.01 Defeasance Generally

Subject to the provisions of any Series Resolution, if all of the Bonds issued pursuant to the Bond Resolution shall have been paid and discharged, then the obligations of the District under the Bond Resolution, the pledge of and lien upon revenues made hereby, and all other rights granted hereby shall cease and determine. Subject to the provisions of any Series Resolution, Bonds shall be deemed to have been paid and discharged within the meaning of this **Article XV** under each of the following circumstances:

(a) Each Trustee shall hold, at the stated maturities of the applicable Bonds, in trust and irrevocably appropriated thereto, sufficient money for the payment thereof.

(b) If default in the payment of the principal of such Bonds or the interest thereon shall have occurred on the stated maturities of such Bonds, and thereafter tender of such payment shall have been made, and the appropriate Trustee shall then hold in trust and irrevocably appropriated thereto, sufficient money for the payment thereof to the date of the tender of such payment.

(c) If the District shall have deposited with the Trustee, or, at the direction of the District, any other bank or trust company in an irrevocable trust money or Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof) will provide money which, together with the money, if any, deposited at the same time, shall be sufficient to pay, when due, the principal, interest and redemption premium, if any, due and to become due on and prior to the maturity of, or, if the District has irrevocably elected to redeem Bonds, on and prior to the redemption date of, such Bonds.

Section 15.02 Money to be Held in Trust - When Returnable to District

Any money which at any time shall be deposited with the Trustee or any other bank or trust company, by or on behalf of the District, for the purpose of paying and discharging any Bonds or the interest thereon, shall be and is hereby assigned, transferred and set over to such institution in trust for the respective Holders of the Bonds, and such money shall be and is hereby irrevocably appropriated to the payment and discharge thereof. But if, through lapse of time or otherwise, the Holders of said Bonds shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of such institution to forthwith return said funds to the District.

Section 15.03 Deposit With Trustee Subject to Conditions of Article XV

The District covenants and agrees that any money which it shall deposit with the Trustee shall be deemed to be deposited in accordance with, and subject to, the applicable provisions of this **Article XV**, and that whenever it shall have elected to redeem Bonds it will irrevocably bind and obligate itself to give notice of redemption thereof, and will further authorize and empower the Trustee to cause the publication of such notice of redemption in its name and on its behalf.

Section 15.04 No Defeasance of Series of Bonds Paid by Insurer

In the event that the principal and/or interest due on a Series of Bonds shall be paid by an Insurer pursuant to a Municipal Bond Insurance Policy, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District until the

Insurer has been reimbursed in full therefor in accordance with the terms of the Municipal Bond Insurance Policy, and the assignment and pledge of and lien upon the portion of Gross Revenues of the System remaining after payment of costs of operation and maintenance of the System and all covenants, agreements and other obligations of the District to the registered Holders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Holders.

[End of Article XV]

ARTICLE XVI

MISCELLANEOUS

Section 16.01 Miscellaneous Insurer Rights

(a) Notwithstanding any provision of this Bond Resolution to the contrary, each Insurer shall be deemed the exclusive Holder of all Bonds insured by that Insurer, for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies. No rights granted to an Insurer by this Bond Resolution shall be effective at any time that such Insurer is in breach of its obligations under the Municipal Bond Insurance Policy or is subject to bankruptcy or receivership proceedings.

(b) Any provision of this Bond Resolution expressly recognizing or granting rights in or to Insurers may not be amended in any manner which affects the rights of such Insurers hereunder without the prior written consent of each such Insurer.

(c) To the extent that an Insurer makes payment of the principal of or interest on any Bonds, it shall become the owner and Holder of such Bonds, appurtenant coupons or right to payment of such principal of or interest on such Bonds and shall be fully subrogated to all of the registered Holders' rights thereunder, including the registered Holders' rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Insurer's rights as subrogee on the registration books of the District maintained by the Trustee or Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the registered Holders of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the District maintained by the Trustee or Registrar upon surrender of the Bonds by the registered Holders thereof to the Insurer or its agent.

Section 16.02 Purpose of Covenants in Bond Resolution

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

Section 16.03 Effect of Remedies Granted by Resolution Not Being Available to Holders of Other Bonds

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

Section 16.04 Severability

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

Section 16.05 Repealing Clause

All Resolutions or resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistencies.

[End of Article XVI]

DONE in meeting duly assembled, this 10th day of November, 2020.

**STARR-IVA WATER AND SEWER DISTRICT,
SOUTH CAROLINA**

Chairman of the Board, Starr-Iva Water and Sewer
District, South Carolina

Attest:

Secretary of the Board, Starr-Iva Water and
Sewer District, South Carolina

STATE OF SOUTH CAROLINA)
)
COUNTY OF ANDERSON)

CERTIFICATE OF RESOLUTION

I, the undersigned, as Secretary of the Board (the "**Board**") of the Starr-Iva Water and Sewer District, South Carolina, do hereby certify as follows:

Attached hereto is a full, true and correct copy of the resolution duly adopted by the Board at a meeting thereof duly held on November 10, 2020, which resolution has not been amended, altered or repealed but the same and each and every part thereof is in full force and effect at the date hereof.

WITNESS my official signature this 10th day of November, 2020.

**STARR-IVA WATER AND SEWER DISTRICT,
SOUTH CAROLINA**

Secretary of the Board, Starr-Iva Water and Sewer
District, South Carolina

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[Form of Opinion of Bond Counsel]

[Date of Delivery]

Starr-Iva Water and Sewer District
Starr, South Carolina

Re: \$3,170,000 Starr-Iva Water and Sewer District, South Carolina Waterworks and Sewer System Revenue Bonds, Series 2023

Ladies and Gentlemen:

We have acted as Bond Counsel to Starr-Iva Water and Sewer District, South Carolina (the “*District*”) in connection with the issuance by the District of its \$3,170,000 Waterworks and Sewer System Revenue Bonds, Series 2023 (the “*Bonds*”). We have examined a certified copy of the Transcript of Proceedings and other proofs submitted to us, including the Constitution and statutes of the State of South Carolina (the “*State*”), in connection with the issuance of the Bonds. The Bonds are issued by the District pursuant to a General Bond Resolution adopted by the Board of Directors (the “*Board*”) of the District, the governing body of the District, on November 10, 2020 (the “*Bond Resolution*”) and a Series Resolution adopted by the Board on October 3, 2023 (the “*Series Resolution*” and together with the Bond Resolution, the “*Resolutions*”), and under and in full compliance with the Constitution and statutes of the State, including particularly Title 6, Chapter 17, Code of Laws of South Carolina, 1976, as amended, in order to obtain funds which will be used to finance the Improvements and pay certain costs and expenses relating to the issuance of the Bonds.

The Bonds mature in the respective principal amounts and bear interest, payable on June 1, 2024 and semiannually thereafter on the first days of June and December at the respective interest rates per annum, all as set forth in the Official Statement with respect to the Bonds dated November 2, 2023 (the “*Official Statement*”).

The Bonds bear interest from their date of delivery. The Bonds are issued in fully registered form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the principal amount of the Bonds maturing in each year.

The Bonds are numbered numerically in such fashion as to maintain a proper record thereof. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolutions. Additional bonds on a parity with the Bonds may be issued under the conditions prescribed in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the District contained in the Resolutions and in the certified Transcript of Proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are as of the date hereof of the opinion that, under existing law:

1. The District is a duly created and validly existing, body corporate and politic, and political subdivision of the State.

2. The District has the right and power to own and operate its waterworks and sewer system (the “*System*”) and is duly authorized to adopt the Resolutions. The Resolutions have been duly and lawfully adopted by the governing body of the District and are in full force and effect and are valid, binding and enforceable against the District in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by judicial discretion, the valid exercise of the sovereign police powers of the State and of the constitutional powers of the United States of America, and applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors’ rights.

3. The Bonds have been duly and lawfully authorized, executed and delivered in accordance with the terms of the Resolutions, and constitute valid and binding special obligations of the District enforceable against the District in accordance with their terms, except to the extent that the enforceability of the Bonds may be limited by judicial discretion, the valid exercise of the sovereign police powers of the State and of the constitutional powers of the United States of America, and applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. The Bonds are secured in the manner and to the extent prescribed by the Resolutions and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements set forth in the Resolutions.

4. Both the principal of and interest on the Bonds are payable solely from the portion of Gross Revenues of the System remaining after payment of the costs of operation and maintenance of the System, and are secured by a pledge of and lien upon such portion of Gross Revenues, as provided in the Resolutions. The pledge of and lien upon such portion of Gross Revenues granted under the Resolutions to secure the payment of the principal of and interest on the Bonds are (i) junior and subordinate to the pledge and lien previously granted by the District to secure its payment obligations under the Water Purchase Agreement and (ii) on a parity in all respects with (a) the pledge and lien given by the District to secure its obligations under its outstanding Series 2016 Bond and Series 2021 Bonds and (b) the pledges and liens given to secure any series of additional parity bonds, if such additional parity bonds are issued in the manner and under the conditions prescribed by the Bond Resolution. Neither the principal of nor interest on the Bonds constitutes an indebtedness of the District within the meaning of any provision, limitation or restriction of the Constitution or statutes of the State (other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license), nor a charge, lien or encumbrance, legal or equitable, upon any property of the District or upon any income, receipts or revenues of the District save and except the pledge of and lien upon the portion of Gross Revenues of the System remaining after payment of the costs of operation and maintenance of the System, and neither the credit nor the taxing power of the District is pledged therefor.

5. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "*Code*")) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. In the Series Resolution, the District designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code and represents that neither it nor any entity subordinate to it intends to issue, in the aggregate, more than \$10,000,000 in tax-exempt obligations (other than private activity bonds which are not qualified 501(c)(3) bonds as defined in Section 145 of the Code) in calendar year 2023.

7. The Bonds and the interest thereon (including any original issue discount properly allocable to an owner thereof) are exempt from all State, county, school district, municipal and all other taxes or assessments of the State, except inheritance, estate, transfer or certain franchise taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Bonds. We express no opinion regarding other State tax consequences arising with respect to the Bonds.

As Bond Counsel to the District, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering certain specific opinions herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representations or information concerning the business or financial condition of the District in connection with the sale of the Bonds, including any information set forth as to the same in the Official Statement, or appendices thereto, pertaining to the Bonds.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement or regarding the perfection of the pledge of or lien upon the Gross Revenues or other funds created under the Resolutions (or any other document or instrument mentioned 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. Our advice did not include financial or non-legal advice.

Very truly yours,

HAYNSWORTH SINKLER BOYD, P.A.

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APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “*Disclosure Agreement*”), dated November 15, 2023, is executed and delivered by Starr-Iva Water and Sewer District, South Carolina (the “*Issuer*” or “*District*”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “*Disclosure Dissemination Agent*” or “*DAC*”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “*Rule*”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “*Act*”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“*Annual Filing Date*” means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

“*Annual Financial Information*” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“*Annual Report*” means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

“*Audited Financial Statements*” means the annual financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“*Bonds*” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“*Certification*” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“*Disclosure Dissemination Agent*” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“*Disclosure Representative*” means the General Manager of the District or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Financial Obligation” as used in this Disclosure Agreement is defined in the Rule as (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed in Exhibit A.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2023. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report

may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 1. “Principal and interest payment delinquencies;”
 2. “Non-Payment related defaults, if material;”
 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 6. “Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;”

7. "Modifications to rights of securities holders, if material;"
 8. "Bond calls, if material;"
 9. "Defeasances;"
 10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
 11. "Rating changes;"
 12. "Tender offers;"
 13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
 14. "Merger, consolidation, or acquisition of the obligated person, if material;"
 15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
 16. "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
 17. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
 2. "change in obligated person;"
 3. "notice to investors pursuant to bond documents;"
 4. "certain communications from the Internal Revenue Service, other than those communications included in the Rule;"
 5. "secondary market purchases;"
 6. "bid for auction rate or other securities;"
 7. "capital or other financing plan;"

8. "litigation/enforcement action;"
 9. "change of tender agent, remarketing agent, or other on-going party;" and
 10. "other event-based disclosures;"
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"
 2. "timing of annual disclosure;"
 3. "change in fiscal year/timing of annual disclosure;"
 4. "change in accounting standard;"
 5. "interim/additional financial information/operating data;"
 6. "budget;"
 7. "investment/debt/financial policy;"
 8. "information provided to rating agency, credit/liquidity provider or other third party;"
 9. "consultant reports;" and
 10. "other financial/operating data."
- (viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement:

1. "FINANCIAL FACTORS – Five Year Summary";
2. "THE DISTRICT AND THE SYSTEM – Customers";

3. “THE DISTRICT AND THE SYSTEM – Water and Sewer Rates and Fees”; and
4. “THE DISTRICT AND THE SYSTEM – Largest Customers.”

Such information shall be provided for the Fiscal Year then ended. No projected information is required to be provided.

(b) Audited Financial Statements as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

The Issuer will reserve the right to modify from time to time the specific type of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer will agree that any such modification will be done in a manner consistent with the Rule.

SECTION 4. Reporting of Notice Events.

- (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:
1. Principal and interest payment delinquencies;
 2. Non-payment related defaults, if material;
 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 5. Substitution of credit or liquidity providers, or their failure to perform;
 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 7. Modifications to rights of Bond holders, if material;
 8. Bond calls, if material, and tender offers;
 9. Defeasances;
 10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
 11. Rating changes;
 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other

proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person;

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties.

The Issuer shall, in a timely manner not less than nine business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the

Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No

such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

[Signature Page - Disclosure Dissemination Agent Agreement]

**STARR-IVA WATER AND SEWER DISTRICT, SOUTH
CAROLINA, as Issuer**

By: _____
Name: _____
Title: _____

[Signature Page - Disclosure Dissemination Agent Agreement]

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Starr-Iva Water and Sewer District, South Carolina
Obligated Person: Starr-Iva Water and Sewer District, South Carolina
Name of Bond Issue: \$3,170,000 Waterworks and Sewer System Revenue Bonds, Series 2023
Date of Issuance: November 15, 2023
Date of Official Statement: November 2, 2023

CUSIP Numbers:

<u>Due</u> <u>June 1</u>	<u>CUSIP</u>	<u>Due</u> <u>June 1</u>	<u>CUSIP</u>
2025	855610 AW1	2032	855610 BD2
2026	855610 AX9	2033	855610 BE0
2027	855610 AY7	2034	855610 BF7
2028	855610 AZ4	2036	855610 BG5
2029	855610 BA8	2038	855610 BH3
2030	855610 BB6	2041	855610 BJ9
2031	855610 BC4	2044	855610 BK6

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Starr-Iva Water and Sewer District, South Carolina
Obligated Person: Starr-Iva Water and Sewer District, South Carolina
Name of Bond Issue: \$3,170,000 Waterworks and Sewer System Revenue Bonds, Series 2023
Date of Issuance: November 15, 2023
Date of Disclosure Agreement: November 15, 2023

CUSIP Numbers:

<u>Due</u> <u>June 1</u>	<u>CUSIP</u>	<u>Due</u> <u>June 1</u>	<u>CUSIP</u>
2025	855610 AW1	2032	855610 BD2
2026	855610 AX9	2033	855610 BE0
2027	855610 AY7	2034	855610 BF7
2028	855610 AZ4	2036	855610 BG5
2029	855610 BA8	2038	855610 BH3
2030	855610 BB6	2041	855610 BJ9
2031	855610 BC4	2044	855610 BK6

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____].

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. _____ "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary event disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated November 15, 2023 between the Issuer and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

- 1. _____ “amendment to continuing disclosure undertaking;”
- 2. _____ “change in obligated person;”
- 3. _____ “notice to investors pursuant to bond documents;”
- 4. _____ “certain communications from the Internal Revenue Service;”
- 5. _____ “secondary market purchases;”
- 6. _____ “bid for auction rate or other securities;”
- 7. _____ “capital or other financing plan;”
- 8. _____ “litigation/enforcement action;”
- 9. _____ “change of tender agent, remarketing agent, or other on-going party;” and
- 10. _____ “other event-based disclosures;”

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated November 15, 2023 between the Issuer and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

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