

STARR-IVA WATER AND SEWER DISTRICT
Starr, South Carolina

FINANCIAL STATEMENTS
December 31, 2021

(With Independent Auditors' Report Thereon)

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Annual Financial Report
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December 31, 2021**

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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 (“the District”), which comprise the statement of financial position as of December 31, 2021, 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, 2021, 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 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 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 10, 2022, 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 10, 2022

**STARR-IVA WATER & SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021**

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, 2021. 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 2021 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 2021 fiscal year by \$8,361,984 (net position). The District has invested \$6,041,582 in capital assets, net of accumulated depreciation and related debt. The District also had \$249,117 restricted for capital projects and debt service. Therefore, the District reported a net positive position balance in unrestricted net position of \$2,071,285.

- The District's total net position increased by \$160,163.
- The District's total net fixed assets decreased by \$394,807 during the current year, as current year depreciation exceeded capital asset additions.
- During the 2021 year, the District's operating revenues were \$3,015,695, an increase of \$257,935 from the previous year.
- The District's water purchased for resale increased by \$38,407 to \$732,688 in 2021.

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, 2021**

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 \$8,361,984 at the close of the most recent year:

	Business- type Activities
Assets	
Current assets	\$ 3,282,655
Noncurrent assets	<u>19,409,492</u>
Total assets	<u>22,692,147</u>
Deferred Outflows of Resources	
Deferred pension	<u>160,204</u>
Liabilities	
Other liabilities	686,663
Long-term liabilities	<u>13,791,293</u>
Total liabilities	<u>14,477,956</u>
Deferred Inflows of Resources	
Deferred pension	<u>12,411</u>
Net Position	
Net investment in capital assets	6,041,582
Restricted	249,117
Unrestricted	<u>2,071,285</u>
Total net position	<u>\$ 8,361,984</u>

Net position of the District's business-type activities increased by 2.0% to \$8,361,984. 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 \$2,071,285 at December 2021.

**STARR-IVA WATER & SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021**

The following table shows the change in net position for fiscal 2021:

	Business-type Activities
Revenues	
Operating revenues	\$ 3,015,695
Other	<u>86,628</u>
Total revenues	<u>3,102,323</u>
Expenses	
Operating expenses	1,907,270
Depreciation	701,841
Interest expense	<u>333,049</u>
Total expenses	<u>2,942,160</u>
Change in net position	160,163
Net position at beginning of year	<u>8,201,821</u>
Net position at end of year	<u><u>\$ 8,361,984</u></u>

The District's largest expense is the cost of the water that it sells to its customers. The water sales revenue increased 9.2% in 2021 due to the District modifying its rate structure in accordance with its five year rate plan, while the cost of water sold increased 5.5%. The District experienced an increase in operating expenses of \$178,138, while operating revenue increased by \$257,935. Overall, there was an increase in net position of \$160,163 for 2021.

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, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$19,405,839 invested in capital assets, net of accumulated depreciation. The net decrease in the District's capital assets, net of accumulated depreciation, was \$394,807.

The following table shows fiscal 2021 capital asset balances, net of accumulated depreciation:

	<u>Business-type Activities</u>
Land and land improvements	\$ 104,478
Buildings	731,352
Water distribution system	18,333,956
Furniture & equipment	45,611
Vehicles	64,443
Construction in progress	<u>125,999</u>
Totals	\$ <u>19,405,839</u>

Long-term Debt

At fiscal year-end 2021, the District had \$12,830,221 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	\$ 2,035,221
Revenue bonds - Series 2021	<u>10,795,000</u>
Total	\$ <u>12,830,221</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, 2021

	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	\$ 1,776,588	\$ 474,197	\$ 26,841	\$ 2,277,626
Restricted cash and cash equivalents for:				
Debt service reserve	-	-	85,212	85,212
Funds held by trustee	163,905	-	-	163,905
Accounts receivable, net	424,533	-	-	424,533
Parts inventory	44,298	-	-	44,298
Bond issuance costs, net	270,211	-	-	270,211
Prepaid expenses	16,870	-	-	16,870
Total current assets	<u>2,696,405</u>	<u>474,197</u>	<u>112,053</u>	<u>3,282,655</u>
NONCURRENT ASSETS				
Note receivable	3,653	-	-	3,653
Plant and equipment, net of accumulated depreciation	19,405,839	-	-	19,405,839
Total noncurrent assets	<u>19,409,492</u>	<u>-0-</u>	<u>-0-</u>	<u>19,409,492</u>
Total assets	<u>22,105,897</u>	<u>474,197</u>	<u>112,053</u>	<u>22,692,147</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS				
Deferred outflows of resources	160,204	-	-	160,204
Total assets and deferred outflows of resources	<u>\$ 22,266,101</u>	<u>\$ 474,197</u>	<u>\$ 112,053</u>	<u>\$ 22,852,351</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 64,886	\$ -	\$ -	\$ 64,886
Payroll liabilities	7,248	-	-	7,248
Accrued interest payable	25,160	-	-	25,160
Customer deposits	309,540	-	-	309,540
Current portion of long-term debt	279,829	-	-	279,829
Total current liabilities	<u>686,663</u>	<u>-0-</u>	<u>-0-</u>	<u>686,663</u>
LONG-TERM DEBT				
Net pension liability	703,212	-	-	703,212
Bonds payable	12,550,392	-	-	12,550,392
Bond premium, net	537,689	-	-	537,689
Total long-term debt	<u>13,791,293</u>	<u>-0-</u>	<u>-0-</u>	<u>13,791,293</u>
Total liabilities	<u>14,477,956</u>	<u>-0-</u>	<u>-0-</u>	<u>14,477,956</u>
DEFERRED INFLOWS OF RESOURCES - PENSIONS				
Deferred inflows of resources	12,411	-	-	12,411
NET POSITION				
Net investment in capital assets	6,041,582	-	-	6,041,582
Restricted	163,905	-	85,212	249,117
Unrestricted	1,570,247	474,197	26,841	2,071,285
Total net position	<u>7,775,734</u>	<u>474,197</u>	<u>112,053</u>	<u>8,361,984</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,266,101</u>	<u>\$ 474,197</u>	<u>\$ 112,053</u>	<u>\$ 22,852,351</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, 2021

	Business-type Activities - Enterprise Funds			Total
	Operating Fund	Short-Lived Asset Fund	Debt Service Reserve Fund	
OPERATING REVENUES				
Sale of water	\$ 2,562,437	\$ -	\$ -	\$ 2,562,437
Sale of sewer services	43,453	-	-	43,453
Other operating revenues	409,805	-	-	409,805
Total operating revenues	<u>3,015,695</u>	<u>-0-</u>	<u>-0-</u>	<u>3,015,695</u>
OPERATING EXPENSES				
Wages and related expenses	453,102	-	-	453,102
Water purchased for resale	732,688	-	-	732,688
Sewer service costs	34,085	-	-	34,085
Other costs of services sold	73,543	-	-	73,543
Plant repairs and maintenance	110,741	100,440	-	211,181
Other repairs and maintenance	48,336	-	-	48,336
Utilities	49,641	-	-	49,641
Depreciation and amortization	701,841	-	-	701,841
Contracted fees and services	55,863	-	-	55,863
Office supplies and expense	102,446	-	-	102,446
Insurance	119,108	-	-	119,108
Other operating expenses	27,277	-	-	27,277
Total operating expenses	<u>2,508,671</u>	<u>100,440</u>	<u>-0-</u>	<u>2,609,111</u>
Net operating income	<u>507,024</u>	<u>(100,440)</u>	<u>-0-</u>	<u>406,584</u>
OTHER INCOME (EXPENSE)				
Investment income	3,968	1,474	2,286	7,728
Gain on disposition of assets	10,000	-	-	10,000
Grants	68,900	-	-	68,900
Interest expense	(333,049)	-	-	(333,049)
Total other income (expense)	<u>(250,181)</u>	<u>1,474</u>	<u>2,286</u>	<u>(246,421)</u>
Transfers in from other funds	589,854	110,340	58,212	758,406
Transfers out to other funds	(168,552)	-	(589,854)	(758,406)
Net transfers	<u>421,302</u>	<u>110,340</u>	<u>(531,642)</u>	<u>-</u>
Change in net position	<u>678,145</u>	<u>11,374</u>	<u>(529,356)</u>	<u>160,163</u>
NET POSITION, beginning of year, as restated	<u>7,097,589</u>	<u>462,823</u>	<u>641,409</u>	<u>8,201,821</u>
NET POSITION, end of year	<u>\$ 7,775,734</u>	<u>\$ 474,197</u>	<u>\$ 112,053</u>	<u>\$ 8,361,984</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, 2021

	Business-type Activities - Enterprise Funds			
	Operating Fund	Lived Asset Fund	Service Reserve	Total
Cash flows from operating activities:				
Cash received from customers	\$ 2,988,392	\$ -	\$ -	\$ 2,988,392
Interest received from operations and savings accounts	9,500	1,474	2,286	13,260
Cash paid to suppliers	(766,773)	-	-	(766,773)
Cash paid for wages and related expenses	(453,583)	-	-	(453,583)
Cash paid for other operating expenses	(547,001)	(100,440)	-	(647,441)
Interfund transfers	342,999	110,340	(531,642)	(78,303)
Interest paid	(329,400)	-	-	(329,400)
Net cash provided by (used in) operating activities	1,244,134	11,374	(529,356)	726,152
Cash flows from noncapital investing activities:				
Transfer (to) from investments to cash equivalents	-	360,935	587,625	948,560
Interfund transfers	78,303	-	-	78,303
Net cash provided by noncapital financing activities	78,303	360,935	587,625	1,026,863
Cash flows from capital and related investing activities:				
Proceeds from sale of plant and equipment	10,000	-	-	10,000
Principal received from note receivable	8,400	-	-	8,400
Cash payments for the purchase of plant and equipment	(307,034)	-	-	(307,034)
Net cash provided by (used in) capital and related financing activities	(288,634)	-0-	-0-	(288,634)
Cash flows from financing activities:				
Customer deposits	14,900	-	-	14,900
Grant proceeds	900	-	-	900
Proceeds from issuance of long-term debt	11,030,000	-	-	11,030,000
Payoff long-term debt	(11,346,963)	-	-	(11,346,963)
Payment of bond issuance costs	(270,211)	-	-	(270,211)
Bond premium received on issuance of new debt	537,689	-	-	537,689
Principal payments on long-term debt	(301,405)	-	-	(301,405)
Net cash provided by (used in) financing activities	(335,090)	-0-	-0-	(335,090)
Net increase in cash and cash equivalents	698,713	372,309	58,269	1,129,291
Cash and cash equivalents, beginning of year	1,077,875	101,888	53,784	1,233,547
Cash and cash equivalents, end of year	\$ 1,776,588	\$ 474,197	\$ 112,053	\$ 2,362,838
Reconciliation of cash and cash equivalents to cash and cash equivalents reported on the Statements of Net Position:				
Operating Fund				\$ 1,776,588
Short-Lived Asset Fund				474,197
Debt Service Reserve Fund				112,053
				<u>\$ 2,362,838</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, 2021

	Business-type Activities - Enterprise Funds			Total
	Operating Fund	Short-Lived Asset Fund	Debt Service Reserve	
Reconciliation of change in net position to net cash provided by (used in) operating activities:				
Change in net position	\$ 678,145	\$ 11,374	\$ (529,356)	\$ 160,163
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:				
Depreciation and amortization	701,841	-	-	701,841
Proceeds from government grants	3,968	-	-	3,968
Gain on disposal of fixed assets	(10,000)	-	-	(10,000)
Change in assets and liabilities:				
(Increase) decrease in funds held by trustee	(163,905)	-	-	(163,905)
(Increase) decrease in accounts receivable	(27,304)	-	-	(27,304)
(Increase) decrease in parts inventory	(6,128)	-	-	(6,128)
(Increase) decrease in accrued interest receivable	5,532	-	-	5,532
(Increase) decrease in prepaid expenses	1,213	-	-	1,213
Increase (decrease) in accounts payable	57,604	-	-	57,604
Increase (decrease) in payroll liabilities	(481)	-	-	(481)
Increase (decrease) in accrued interest payable	3,649	-	-	3,649
Total adjustments	565,989	-0-	-0-	565,989
Net cash provided by (used in) operating activities	\$ 1,244,134	\$ 11,374	\$ (529,356)	\$ 726,152

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, 2021

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, 2021**

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 \$45,000 at December 31, 2021. 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, 2021.

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, 2021

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, 2021

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 \$90,599 as of December 31, 2021, 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 \$474,197 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 \$26,481 in the Debt Service Reserve Fund is the excess funds from the payoff of the USDA-RD bonds. 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. The Operating Fund beginning net position was restated to include \$201,808 of contributed capital, which was separately reported in the prior year Statement of Net Position.

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, 2021

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	\$	389,839
Delinquent - over 60 days past due		79,694
		469,533
Less allowance for uncollectible amounts		(45,000)
Net accounts receivable	\$	424,533

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>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	25,843,977	181,035	-	26,025,012
Vehicles	164,434	-	-	164,434
Office furniture and fixtures	54,935	-	-	54,935
Equipment	139,452	-	-	139,452
Buildings	964,420	-	-	964,420
Land improvements	85,249	-	-	85,249
Construction in progress	-	125,999	-	125,999
Total capital assets being depreciated	27,252,467	307,034	-	27,559,501
Less accumulated depreciation and amortization	(9,238,479)	(701,841)	-	(9,940,320)
Net plant and equipment	\$ 19,800,646	\$ (394,807)	\$ -0-	\$ 19,405,839

Depreciation expense totaled \$701,841 for the year ended December 31, 2021.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021

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 2021 was \$7,890, and the interest received was \$510. Since the property is financed with a bond held by USDA-RD, the District entered into an agreement with USDA-RD whereby USDA-RD permitted the District to sell the property in exchange for remitting the monthly payment received to USDA-RD as additional principal payments towards the bond.

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, 2021, 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, 2021, the District is in compliance with the covenants.

Bonds payable consist of the following at December 31, 2021:

2.25% Series 2016 Waterworks System Revenue Bond; payable in monthly installments of \$7,101, including interest; maturing February 2056	\$ 2,035,221
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>10,795,000</u>
Total bonds payable	12,830,221
Less current maturities	<u>(279,829)</u>
Long-term portion of bonds payable	<u><u>\$ 12,550,392</u></u>

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021

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>
2022	\$ 279,829	\$ 327,446	\$ 607,275
2023	290,734	316,741	607,475
2024	301,660	305,614	607,274
2025	312,607	294,067	606,674
2026	328,576	281,999	610,575
2027-2031	1,833,196	1,211,376	3,044,572
2032-2036	2,140,936	909,736	3,050,672
2037-2041	2,366,976	678,978	3,045,954
2042-2046	2,491,707	418,353	2,910,060
2047-2051	2,135,571	139,464	2,275,035
2052-2056	348,429	17,429	365,858
	<u>\$ 12,830,221</u>	<u>\$ 4,901,203</u>	<u>\$ 17,731,424</u>

The following is a summary of changes in notes and bonds payable for the year ending December 31, 2021, and principal payments for 2022:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>2022 Principal</u>
<u>Bonds</u>					
Bond Series 2003	\$ 657,962	\$ -	\$ (657,962)	\$ -	\$ -
Bond Series 2010	7,063,811	-	(7,063,811)	-	-
Bond Series 2011A	2,817,333	-	(2,817,333)	-	-
Bond Series 2011B	288,896	-	(288,896)	-	-
Bond Series 2012	474,088	-	(474,088)	-	-
Bond Series 2016	2,080,093	-	(44,872)	2,035,221	39,829
Bond Series 2021	-	11,030,000	(235,000)	10,795,000	240,000
Total debt	<u>\$ 13,382,183</u>	<u>\$ -0-</u>	<u>\$ (11,581,962)</u>	<u>\$ 12,830,221</u>	<u>\$ 279,829</u>

Interest expense totaled \$333,049 for the year ended December 31, 2021.

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 \$34,217, resulting in the balance as of \$537,689 as of December 31, 2021. The related bond issuance costs of \$287,407 is also amortized using the effective interest rate method. The current amortization is \$17,195, resulting in a balance of \$270,211 as of December 31, 2021.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021

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 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 record keepers.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021

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, 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, 2021**

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		
	2021	2020	2019
Employer Contribution Rate: [^]			
Retirement*	15.41%	15.41%	14.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
	15.56%	15.56%	14.56%
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, 2021**

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
2021	\$ 56,574	100%
2020	49,949	100%
2019	44,156	100%

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

Year Ended June 30,	SCRS Payroll	Total Payroll
2021	\$ 355,065	\$ 355,065
2020	324,137	324,137
2019	295,888	295,888

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 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2020, 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, 2019. The TPL was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2020, 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, 2020:

	<u>SCRS</u>
Actuarial Cost Method	Entry age normal
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.0% to 12.5% (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, 2021**

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 2016 Public Retirees of South Carolina Mortality table (“2016 PRSC”), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020 TPL are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%

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 2020 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 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021**

7) **STATE RETIREMENT SYSTEM, continued**

Long-Term Expected Rate of Return, continued

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	<u>100.0%</u>		<u>5.80%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>8.05%</u>

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 TPL determined in accordance with GASB No. 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2020, 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	\$ 51,844,187,763	\$ 26,292,418,682	\$25,551,769,081	50.7%

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.

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021**

7) STATE RETIREMENT SYSTEM, continued

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

At December 31, 2021, the District reported a liability of \$703,212 for its proportionate share of the PEBA's NPL. The NPL was measured as of June 30, 2020, and the TPL used to calculate the NPL was determined based on the most recent actuarial valuation report as of July 1, 2019 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, 2020 measurement date, the District's proportion was 0.002752%, which was an increase of 0.000130% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021, the District recognized pension expense of \$71,166 for its proportionate share of the PEBA's pension expense. At December 31, 2021, 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	\$ 8,114	\$ 2,659
Assumption changes	862	-
Net difference between projected and actual earnings on pension plan investments	59,258	7,531
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	35,396	2,221
District contributions subsequent to the measurement date	<u>56,574</u>	<u>-</u>
	<u>\$ 160,204</u>	<u>\$ 12,411</u>

\$56,574 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, 2022. 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 Dec 31</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ 22,344
2023	30,304
2024	25,371
2025	<u>13,200</u>
	<u>\$ 91,219</u>

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021

7) STATE RETIREMENT SYSTEM, continued

Discount Rate – The discount rate used to measure the TPL was 7.25%. 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 (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of the Net Pension Liability	\$ 871,545	\$ 703,212	\$ 562,652

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.

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.

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021**

9) RESTRICTED NET POSITION

As of December 31, 2021, net position is restricted for the following purposes:

Funds held by trustee for debt payments	\$	163,905
Debt Service Reserve Fund - 2016 Series		<u>85,212</u>
 Total Restricted Net Position	 \$	 <u><u>249,117</u></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 \$732,688 of potable water from the ARJWS in 2021.

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, 2021, the excess amount of the District’s cash was collateralized by pledged securities.

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, 2021:

	<u>Carrying Amount</u>		<u>Fair Value</u>
Financial assets:			
Accounts receivable	\$ 424,533	\$	424,533
Financial liabilities:			
Bonds payable	\$ 12,830,221	\$	12,830,221

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Notes to Financial Statements
December 31, 2021**

14) COMPLIANCE WITH USDA-RD BOND RESERVE REQUIREMENTS

The District has one remaining bond issue that requires two different reserves to be fund annually. 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 2021. 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 2021, \$100,440 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. During 2021, five of the bond issues were paid in full and \$589,854 of the related debt service reserve amounts were relieved of the DSR restriction and transferred to the Operating Fund. The \$112,053 remaining amount in the Debt Service Reserve Fund fully funds the one remaining bond issue as of December 31, 2021 in the amount of \$85,212, leaving \$26,841 unrestricted and available for general operations. The District intends to transfer the unrestricted amount to the Operating Fund during the 2022 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, 2021:

Debt service reserve:	
Cash and cash equivalents	\$ <u>85,212</u>
Total debt service reserve funded	\$ <u><u>85,212</u></u>

15) OTHER

In December 2019, an outbreak of novel coronavirus (“COVID-19”) originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. Multiple jurisdictions in the U.S. declared a state of emergency, and limited most aspects of business, education, travel, and personal physical interactions. Beginning in March 2020, the District was forced to limit the ability to work of some employees and move some employees to remote work. These necessary actions did cause additional expenses to be incurred. Management of the District noticed minimal impact to its operations and revenues and returned to normal operations in April 2021. Management does not foresee any necessary modifications to its operations in the future.

16) SUBSEQUENT EVENTS

The District did not have any subsequent events through May 10, 2022, 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, 2021.

STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2021

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
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, 2021

<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>
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, 2021

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			1,700,000	

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	9.78
144927	Frigidaire Tank	5.0	9.91	7.93
144923	Office Tank	5.0	7.53	7.53

Maintenance Cost - Budget vs. Actual

<u>Project #</u>	<u>Tank Name</u>	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2022 Budget</u>
144927	Payne Drive Tank	\$ 39,111	\$ 39,111	\$ 12,386
144927	Frigidaire Tank	58,834	58,834	20,261
144923	Office Tank	2,500	2,500	97,733
		\$ 100,445	\$ 100,445	\$ 130,380

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, 2021

The following table sets forth the revenue, debt service requirements, debt service coverage and liquidity for the fiscal years 2017 through 2021:

	Fiscal years ending December 31				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenue	2,387,916	2,498,939	2,614,969	2,757,759	3,015,695
Expenses	2,131,462	2,179,305	2,203,797	2,430,974	2,508,671
Net revenue available for debt service *	935,970	1,035,993	1,031,589	1,010,472	1,208,865
Total debt service requirement	691,692	691,692	691,692	691,692	616,229
Debt service coverage ratio	1.35x	1.5x	1.49x	1.46x	1.96x
Unrestricted operating cash	\$ 758,669	\$ 844,896	\$ 991,754	\$ 1,077,875	\$ 2,277,626
Days cash on hand	190	210	236	225	460

* 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, 2021

Statement of Revenues and Expenses of the System

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 Budget</u>
Operating Revenues						
Sale of Water	\$ 2,198,940	\$ 2,274,362	\$ 2,291,290	\$ 2,347,592	\$ 2,562,437	\$ 2,607,389
Sale of Sewer Services	29,739	30,618	33,180	30,433	43,453	45,993
Tap Fees	75,546	83,758	67,813	101,181	94,017	209,982
Late Charges	36,585	41,975	45,186	37,583	41,431	40,358
Customer Service Fees	17,399	28,020	32,628	27,840	28,160	28,943
Meter Replacement Fees	14,839	25,242	25,281	25,514	25,967	26,000
Miscellaneous Revenues	14,870	14,964	119,592	187,617	220,230	371,525
Total Operating Revenues	<u>2,387,918</u>	<u>2,498,939</u>	<u>2,614,970</u>	<u>2,757,760</u>	<u>3,015,695</u>	<u>3,330,190</u>
Operating Expenses Before Depreciation & Amortization	<u>(1,457,285)</u>	<u>(1,468,385)</u>	<u>(1,634,364)</u>	<u>(1,847,728)</u>	<u>(1,907,270)</u>	<u>(1,951,166)</u>
Operating Income Before Depreciation & Amortization	930,633	1,030,554	980,606	910,032	1,195,052	1,379,024
Depreciation & Amortization	<u>(674,178)</u>	<u>(711,224)</u>	<u>(667,377)</u>	<u>(683,687)</u>	<u>(701,841)</u>	<u>(697,429)</u>
Operating Income (Loss)	256,455	319,330	313,229	226,345	493,211	681,595
Other Income (Expense)						
Grant Revenue	667,500	-	-	-	68,900	-
Gain on Disposal of Fixed Assets	-	-	22,366	-	10,000	-
Interest Income	5,337	5,135	28,618	25,855	7,728	9,710
Interest Expense	<u>(436,392)</u>	<u>(428,985)</u>	<u>(420,532)</u>	<u>(412,060)</u>	<u>(333,049)</u>	<u>(327,446)</u>
Change in Net Position	492,900	(104,520)	(56,319)	(159,860)	160,163	363,859
Reclassification **	-	-	-	201,808	-	-
Total Net Position, Beginning of Year	<u>7,827,812</u>	<u>8,320,712</u>	<u>8,216,192</u>	<u>8,159,873</u>	<u>8,201,821</u>	<u>8,361,984</u>
Total Net Position, End of Year	<u>\$ 8,320,712</u>	<u>\$ 8,216,192</u>	<u>\$ 8,159,873</u>	<u>\$ 8,201,821</u>	<u>\$ 8,361,984</u>	<u>\$ 8,725,843</u>

** 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, 2021

Water and Sewer Rates and Fees

2022 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

2022 Town of Iva – Water					
Municipal Water	Monthly	6"	\$12,000	\$4.00	3,000,000

2022 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

2023 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	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

2023 Town of Iva – Water					
Municipal Water	Monthly	6"	\$12,000	\$4.00	3,000,000

2023 Clover Hill – Sewer					
CH Sewer	Monthly	3/4"	\$22.50	\$11.25	500
CH Water	Monthly	3/4"	\$21.00	6.85	500

2024 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"	\$44.00	\$6.85	1,000
Commercial	Monthly	1"	\$97.00	\$6.85	4,000
Commercial	Monthly	2"	\$97.00	\$6.85	4,000
Commercial	Monthly	3"	\$134.00	\$6.85	4,000
Commercial	Monthly	4"	\$142.00	\$6.85	4,000
Commercial	Monthly	6"	\$165.33	\$6.85	4,000
Commercial	Monthly	8"	\$192.00	\$6.85	4,000
Commercial	Monthly	10"	\$228.67	\$6.85	4,000
Commercial	Monthly	12"	\$257.00	\$6.85	4,000

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

Water and Sewer Rates and Fees (continued)

2024 Town of Iva – Water					
Municipal Water	Monthly	6"	\$12,000	\$4.00	3,000,000

2024 Clover Hill – Sewer					
CH Sewer	Monthly	3/4"	\$23.25	\$11.25	500
CH Water	Monthly	3/4"	\$22.00	\$6.85	500

2025 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"	\$45.00	\$6.85	1,000
Commercial	Monthly	1"	\$97.00	\$6.85	4,000
Commercial	Monthly	2"	\$97.00	\$6.85	4,000
Commercial	Monthly	3"	\$134.00	\$6.85	4,000
Commercial	Monthly	4"	\$142.00	\$6.85	4,000
Commercial	Monthly	6"	\$165.33	\$6.85	4,000
Commercial	Monthly	8"	\$192.00	\$6.85	4,000
Commercial	Monthly	10"	\$228.67	\$6.85	4,000
Commercial	Monthly	12"	\$257.00	\$6.85	4,000

2025 Town of Iva – Water					
Municipal Water	Monthly	6"	\$12,000	\$4.00	3,000,000

2025 Clover Hill – Sewer					
CH Sewer	Monthly	3/4"	\$24.50	\$11.25	500
CH Water	Monthly	3/4"	\$22.50	\$6.85	500

2026 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"	\$46.00	\$6.85	1,000
Commercial	Monthly	1"	\$102.00	\$6.85	4,000
Commercial	Monthly	2"	\$102.00	\$6.85	4,000
Commercial	Monthly	3"	\$139.00	\$6.85	4,000
Commercial	Monthly	4"	\$147.00	\$6.85	4,000
Commercial	Monthly	6"	\$170.33	\$6.85	4,000
Commercial	Monthly	8"	\$197.00	\$6.85	4,000
Commercial	Monthly	10"	\$233.67	\$6.85	4,000
Commercial	Monthly	12"	\$262.00	\$6.85	4,000

2026 Town of Iva – Water					
Municipal Water	Monthly	6"	\$12,000	\$4.00	3,000,000

2026 Clover Hill – Sewer					
CH Sewer	Monthly	3/4"	\$24.50	\$11.25	500
CH Water	Monthly	3/4"	\$22.50	\$6.85	500

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

Number of Customers

<u>Fiscal Year</u>	<u>Total Number of Water Accounts</u>	<u>Total Number of Sewer Accounts</u>
2017	4079	78
2018	4130	78
2019	4171	78
2020	4243	78
2021	4344	78

District's Ten Largest Water Customers

The ten largest customers accounted for approximately 16.5% of total revenues, and no single customer accounted for more than 6.7% of total revenues.

<u>Customer</u>	<u>Revenues</u>	<u>% Total Revenues</u>
Electrolux	\$ 200,819	6.7%
Town of Iva	175,951	5.8%
Anderson Mobile Homes	26,287	0.9%
Alexander, Gary	24,666	0.8%
Blue Granite Water Co.	22,352	0.7%
Weens Creek Cattle Co.	13,704	0.5%
Agnew Poultry Farm	14,028	0.5%
Crescent High School	7,333	0.2%
Starr Elementary School	5,320	0.2%
Abbeville Housing Authority	7,762	0.3%
Totals	\$ 498,222	16.5%

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>
2017	732
2018	771
2019	766
2020	789
2021	788

**STARR-IVA WATER AND SEWER DISTRICT
STARR, SOUTH CAROLINA
Schedule of Findings and Responses
For Fiscal Year Ended December 31, 2021**

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

Section II - Financial Statement Findings

None

Section III – Prior Year Financial Statement Findings

None

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Starr-Iva Water and Sewer District as of and for the year ended December 31, 2021, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 10, 2022. 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 reasonable assurance about whether the 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the 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, deficiencies, 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 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

Greenville, South Carolina
May 10, 2022