

**NEW ISSUE - BOOK-ENTRY-ONLY**

**RATINGS:**

Standard & Poor's: "AA/A+"

Moody's: "A2/A1"

See "MISCELLANEOUS – Ratings" herein.

In the opinion of Pope Flynn, LLC, Bond Counsel, under existing law assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2016 Bonds (as defined below) is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2016 Bonds is included when determining the adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. See "LEGAL MATTERS – Federal Income Tax Generally" for a brief description of alternative minimum tax treatment and other federal income tax consequences to certain recipients of interest on the Series 2016 Bonds. The Series 2016 Bonds and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

**\$33,000,000\***



**WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA  
WATER SYSTEM REFUNDING REVENUE BONDS,  
SERIES 2016**

**Dated:** Date of Issuance

**Due:** June 1, as shown below

The \$33,000,000\* Woodruff-Roebuck Water District, South Carolina Water System Refunding Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), will be issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2016 Bonds under a book-entry-only system, as described herein. So long as the Series 2016 Bonds are held in book-entry form, beneficial owners of Series 2016 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2016 Bonds is payable initially on June 1, 2017 and semiannually thereafter on June 1 and December 1 of each year through maturity or prior redemption. U.S. Bank National Association is serving as Trustee, Registrar and Paying Agent with respect to the Series 2016 Bonds.

THE SERIES 2016 BONDS ARE SUBJECT TO OPTIONAL [AND MANDATORY] REDEMPTION PRIOR TO MATURITY AS MORE FULLY DESCRIBED HEREIN.

The scheduled payment of principal of and interest on the Series 2016 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2016 Bonds by Assured Guaranty Municipal Corp.



**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

<u>Due</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>	<u>Due</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
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The Series 2016 Bonds are being issued by the Woodruff-Roebuck Water District, South Carolina (the "District") to (1) defease and redeem the Refunded Bonds (as defined herein), (2) fund the 2016 Debt Service Reserve Fund (as defined in the 2016 Series Resolution) with cash, or pay the premium associated with the issuance of a credit instrument for the 2016 Debt Service Reserve Fund, and (3) pay the costs of issuance of the Series 2016 Bonds, including the payment of any premium due on any financial guaranty insurance policy. See "PLAN OF REFUNDING" herein.

The Series 2016 Bonds are being issued under the authority of the Constitution and laws of the State of South Carolina, including Chapter 21 of Title 6, Code of Laws of South Carolina, 1976, as amended (the "Enabling Act"), Chapter 21 of Title 11, Code of Laws of South Carolina, 1976, as amended, and pursuant to a master bond resolution adopted by the Woodruff-Roebuck Water District Commission (the "Commission"), the governing body of the District, on August 12, 2010, as amended on October 13, 2016 (the "Bond Resolution"), and a series resolution adopted by the Commission on October 13, 2016 (the "2016 Series Resolution" and, together with the Bond Resolution, the "Resolutions"). The Series 2016 Bonds are payable from and secured by a pledge of the Net Revenues (as such term is defined herein) of the System, as well as a statutory lien on the System pursuant to the Enabling Act, on a parity with the Unrefunded Series 2010 Bonds (such term is defined herein) and any Additional Bonds (as such term is defined herein) hereafter issued. See "SECURITY FOR THE SERIES 2016 BONDS" herein.

The Series 2016 Bonds shall not constitute an indebtedness of the District within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State of South Carolina, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license. The District is not obligated to pay any of the Series 2016 Bonds or the interest thereon except from the Net Revenues, and neither the full faith and credit nor the taxing power of the District shall be deemed to be pledged to the payment of the Series 2016 Bonds. See "SECURITY FOR THE SERIES 2016 BONDS" herein.

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

The Series 2016 Bonds are offered when, as, and if issued and accepted by the Underwriter, subject to the approval of legality by Pope Flynn, LLC, Columbia, South Carolina, bond counsel. Certain legal matters will be passed upon for the Underwriter by Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina and for the District by Pope Flynn, LLC, Spartanburg, South Carolina, and by Pope Flynn, LLC, Charlotte, North Carolina, as Disclosure Counsel. Southern Municipal Advisors, Inc., Piedmont, South Carolina serves as Municipal Advisor to the District. It is expected that the Series 2016 Bonds will be available in definitive form for delivery through the facilities of DTC on or about November \_\_, 2016, in New York, New York, against payment therefor.



Dated: November \_\_, 2016

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. The Series 2016 Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2016 Bonds identified on the front cover hereof. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Woodruff-Roebuck Water District, South Carolina (the “*District*”) or Raymond James & Associates, Inc. (the “*Underwriter*”). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Except for information with respect to U.S. Bank National Association (the “*Trustee*”), the Trustee has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2016 Bonds, or (iii) the tax-exempt status of the interest on the Series 2016 Bonds.

Assured Guaranty Municipal Corp. (“*AGM*”) makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the caption “**BOND INSURANCE**” herein and **APPENDIX F - “Form of Municipal Bond Insurance Policy”** attached hereto.

Upon execution and delivery, the Series 2016 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the U.S. Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2016 Bonds for sale, and any representation to the contrary is a criminal offense.

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

For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “Official Statement” with respect to the Series 2016 Bonds that is deemed final as of the date hereof (or of any such supplement or correction) by the District.

CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY HAVE BEEN OBTAINED FROM SOURCES OTHER THAN RECORDS OF THE DISTRICT AND, WHILE BELIEVED TO BE RELIABLE, IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR ITS WATER SYSTEM.

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

CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS  
IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “forecast,” “project” or similar words. Such forward-looking statements are included in, among other portions of this Official Statement, “**FINANCIAL INFORMATION – Forecasted Net Revenues and Debt Service Coverage**” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THESE FORWARD-LOOKING STATEMENTS IF OR WHEN CHANGES TO ITS EXPECTATIONS, OR EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

**WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA**

9890 Hwy 221  
Woodruff, South Carolina 29388

**COMMISSIONERS**

Donald C. West, Chairman  
Gary P. Kirkland, Vice Chairman  
Cecil L. Bearden  
Niles Ray Brown, Jr.  
G. Curtis Walker, Secretary

**DISTRICT PERSONNEL**

Curtis M. Dillard, P.E., General Manager  
David E. Wilson, CPA, Finance Director

**COUNSEL TO THE DISTRICT**

Pope Flynn, LLC  
Spartanburg, South Carolina

**BOND COUNSEL**

Pope Flynn, LLC  
Columbia, South Carolina

**DISCLOSURE COUNSEL**

Pope Flynn, LLC  
Charlotte, North Carolina

**CERTIFIED PUBLIC ACCOUNTANTS**

Norman, Johnson & Co., P.A.  
Spartanburg, South Carolina

**UNDERWRITER'S COUNSEL**

Haynsworth Sinkler Boyd, P.A.  
Greenville, South Carolina

**MUNICIPAL ADVISOR**

Southern Municipal Advisors, Inc.  
Piedmont, South Carolina

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APPENDIX E – Form of Continuing Disclosure Certificate
APPENDIX F – Form of Specimen Municipal Bond Insurance Policy

## OFFICIAL STATEMENT

\$33,000,000<sup>†</sup>

### WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2016

#### INTRODUCTION

This Official Statement of the Woodruff-Roebuck Water District, South Carolina (the “*District*”), which includes the cover page hereof and the appendices hereto, provides information relating to the District and its \$33,000,000<sup>†</sup> Water System Refunding Revenue Bonds, Series 2016 (the “*Series 2016 Bonds*”). The District is a special purpose district of the State of South Carolina (the “*State*”), and was created and established as a body politic and corporate pursuant to Act No. 1101 of the Acts and Joint Resolutions of the General Assembly of the State for the year 1956, as amended. The Series 2016 Bonds, the Unrefunded Series 2010 Bonds (as defined herein) and any Additional Bonds (as defined herein) are referred to herein as the “*Bonds*.” Included in this Official Statement are brief descriptions of the Series 2016 Bonds and the security therefor, the District’s water system (the “*System*”), the District and the surrounding area and the resolutions pursuant to which the Series 2016 Bonds are authorized and issued by the District. Also included is certain financial information relating to the System. All summaries of documents herein are qualified by reference to such documents in their entirety. Capitalized terms used herein without a specific definition shall have the meaning ascribed thereto in **APPENDIX B – “Bond Resolution and Series Resolution”** attached hereto.

#### Authorization

The Series 2016 Bonds are issued pursuant to the Constitution and laws of the State, including particularly Title 6, Chapter 21 of the Code of Laws of South Carolina, 1976, as amended (the “*Enabling Act*”), Title 11, Chapter 21 of the Code of Laws of South Carolina, 1976, as amended, a master bond resolution adopted by the Woodruff-Roebuck Water District Commission (the “*Commission*”), the governing body of the District, on August 12, 2010 (the “*2010 Bond Resolution*”), as amended on October 13, 2016 (the “*Bond Resolution*”) and a series resolution adopted by the Commission on October 13, 2016 (the “*2016 Series Resolution*” and, together with the Bond Resolution, the “*Resolutions*”). Certain provisions of the Resolutions are more particularly described in **APPENDIX B – “Bond Resolution and Series Resolution”** attached hereto.

Respecting the Bond Resolution, the Effective Date Provisions (as defined and described in the Bond Resolution) shall take effect upon the occurrence of the Effective Date, which is defined in the Bond Resolution as the earliest date on which one or a combination of the following conditions has been met: (1) the Series 2010 Bonds (as defined below) have been paid at their respective maturities or redemption dates, if redeemed as a whole; (2) the Series 2010 Bonds have been defeased under the provisions of the 2010 Bond Resolution; or (3) the holder of the Series 2010 Bonds consents to the implementation of the Effective Date Provisions. Upon the occurrence of the Effective Date, the Series 2016 Bonds shall be governed and controlled by the Effective Date Provisions. Some of the Effective Date Provisions have been described hereinbelow, but all of the Effective Date Provisions are provided in **APPENDIX B – “Bond Resolution and Series Resolution”** attached hereto.

#### Purpose

The Series 2016 Bonds are being issued to (1) defease and redeem the Refunded Bonds (as defined herein), (2) fund the 2016 Debt Service Reserve Fund (as defined in the 2016 Series Resolution) with cash, or pay the premium associated with the issuance of a Funding Substitute (as defined in the Bond Resolution) for the 2016 Debt Service Reserve Fund, and (3) pay the costs of issuance of the Series 2016 Bonds, including the payment of any premium due on any financial guaranty insurance policy. See “**PLAN OF REFUNDING**” herein.

<sup>†</sup> Preliminary, subject to change.

## THE SERIES 2016 BONDS

### Form and Denomination

The Series 2016 Bonds will be dated the date of issuance thereof, and will bear interest at the rates per annum set forth on the front cover page of this Official Statement, payable on June 1 and December 1 of each year (the “**Bond Payment Dates**”) beginning June 1, 2017. The Series 2016 Bonds will mature on June 1 in the years and in the principal amounts set forth on the front cover page of this Official Statement. The Series 2016 Bonds will be issued in fully registered form without coupons, in denominations of \$5,000 (or integral multiples thereof) not exceeding the principal amount of the Series 2016 Bonds maturing in each year, in the name of the registered owner as set forth on the registration books of the District maintained at the corporate trust office of U.S. Bank National Association (the “**Trustee**”). As part of its duties as Trustee, U.S. Bank National Association will also act as paying agent (the “**Paying Agent**”) and registrar with respect to the Series 2016 Bonds (the “**Registrar**”).

The Series 2016 Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York (“**DTC**”), whose nominee, Cede & Co., will be the initial registered owner of the Series 2016 Bonds. Principal of and redemption premium, if any, and interest on, the Series 2016 Bonds held in book-entry form will be payable as described herein in “**THE SERIES 2016 BONDS – Book-Entry-Only System.**”

If the Book-Entry-Only System is discontinued, interest payments on the Series 2016 Bonds will be paid by check or draft mailed from the office of the Trustee, or in the case of a person who is a holder of \$1,000,000 or more in aggregate principal amount of the Series 2016 Bonds, by wire transfer to an account within the continental United States upon timely written request of such holder, to the person in whose name each Series 2016 Bond is registered as of the close of business on the fifteenth day of each month immediately preceding such payment (the “**Record Date**”). Principal and redemption premium, if any, will be payable on the respective maturity dates or redemption dates upon presentation and surrender thereof at the corporate trust office of the Trustee.

### Redemption

**Optional Redemption.** The Series 2016 Bonds maturing on or after June 1, 2027<sup>†</sup> are subject to redemption prior to maturity, at the option of the District on and after June 1, 2026<sup>†</sup>, in whole or in part at any time, upon 30 days notice, in such manner as will be determined by the District, and by lot (or by such DTC procedure as is customary if the Book-Entry-Only System is still in effect) within a maturity at par, plus accrued interest to the redemption date.

**[Mandatory Redemption.** The Series 2016 Bonds maturing on June 1, 20\_\_ are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest to the redemption date, on June 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
20__	
20__	
20__	

The amount of any mandatory sinking fund redemption will be reduced to the extent the Series 2016 Bonds of the applicable maturity have been purchased by the District or redeemed by the District pursuant to any optional redemption provisions, in such manner as the District will direct.]

**Notice of Redemption.** For so long as a book-entry-only system for the Series 2016 Bonds is in place, the redemption and the notice of redemption of the Series 2016 Bonds will be accomplished as described in “**THE SERIES 2016 BONDS – Book-Entry-Only System**” herein.

If the book-entry-only system is discontinued and if any of the Series 2016 Bonds, or portions thereof, are called for redemption, the Trustee or the Registrar will give notice to the holders of the Series 2016 Bonds to be redeemed, in the name of the District. If less than all of the Series 2016 Bonds are to be redeemed, such notice will specify the respective portions of the principal amount to be redeemed. Such notice will be given by mailing a copy by

first class mail, postage prepaid, between 30 and 60 days prior to the date fixed for redemption to the registered owner of each Series 2016 Bond or portion thereof to be redeemed, at the address shown on the Register (hereinafter defined) maintained by the Trustee; provided, however, the failure to give any such notice by mail, or any defect in the notice mailed to the registered owner of any Series 2016 Bond, will not affect the proceedings for the redemption of any other Series 2016 Bond. If less than all the Series 2016 Bonds of any maturity are called for redemption, the Series 2016 Bonds, or portions thereof, to be redeemed will be selected by lot by the Trustee.

The obligation of the Trustee to give the notice of redemption will not be conditioned upon the prior payment to the Trustee or the Paying Agent of money or the delivery to the Trustee or Paying Agent of Authorized Investments or Government Obligations sufficient to pay the redemption price of the Series 2016 Bonds to which such notice relates or the interest thereon to the redemption date.

If at the time of mailing of notice of redemption, there will not have been deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Series 2016 Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Series 2016 Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Trustee or Paying Agent not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

### **Registration, Transfers and Exchanges**

***Series 2016 Bonds Subject to the Book-Entry-Only System.*** The District has arranged for books of registration and transfer (the “**Register**”) of the Series 2016 Bonds to be maintained by the Registrar. For as long as DTC acts as security depository for the Series 2016 Bonds, the registration, transfer and exchange of ownership interests in the Series 2016 Bonds will be accomplished by book entries made by DTC and the Direct Participants and, where applicable, the Indirect Participants, as described in “**THE SERIES 2016 BONDS – Book-Entry-Only System**” herein.

***Series 2016 Bonds Not Subject to the Book-Entry-Only System.*** If the Book-Entry-Only-System is discontinued, ownership of the Series 2016 Bonds will be proved by reference only to the Register, which will be conclusive. The transfer of the Series 2016 Bonds will be effected by surrender thereof together with an assignment by written instrument of transfer satisfactory to the Trustee duly executed by the transferring holder or his authorized attorney. Upon the registration or transfer of any Series 2016 Bond, the District will cause to be issued in the name of the transferee a new Series 2016 Bond of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2016 Bond.

The District, the Trustee and the Registrar may deem and treat the person in whose name any Series 2016 Bond shall be registered as the absolute owner of such Series 2016 Bond, whether such Series 2016 Bond will be overdue or not, for all purposes including the payment of or on account of the principal, premium, if any, or interest thereon and any such payment made to a registered owner will be valid and effectual to satisfy and discharge the liability upon such Series 2016 Bond to the extent of the sum so paid; and none of the District, the Trustee and any Registrar will be affected by any notice to the contrary.

There is no charge for the transfer or exchange of any Series 2016 Bond or Bonds; however, the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid in respect thereof. Neither the District nor the Trustee will be required to effect any transfer or exchange of any Series 2016 Bond or Series 2016 Bonds between any Record Date and the succeeding Bond Payment Date, during the period beginning 15 days prior to any selection of Series 2016 Bonds for redemption and ending upon the mailing of any notice of redemption, nor after the mailing of any notice of redemption with respect to the Series 2016 Bonds so called for redemption.

### **Book-Entry-Only System**

DTC will initially act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds (if any) and principal and interest payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the District and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained Series 2016 Bond certificates are required to be printed and delivered to DTC.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE SERIES 2016 BONDS UNDER THE TERMS OF THE RESOLUTIONS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2016 Bonds, Assured Guaranty Municipal Corp. ("**AGM**") will issue its Municipal Bond Insurance Policy for the Series 2016 Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2016 Bonds when due as set forth in the form of the Policy included as **APPENDIX F – "Form of Municipal Bond Insurance Policy"** attached hereto.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("**AGL**"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement

products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("**KBRA**") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("**Moody's**"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### ***Current Financial Strength Ratings***

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

### ***Capitalization of AGM***

At June 30, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,841 million and its net unearned premium reserve was approximately \$1,459 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

### ***Incorporation of Certain Documents by Reference***

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "**SEC**") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2016 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “**BOND INSURANCE – Assured Guaranty Municipal Corp.**” or included in a document incorporated by reference herein (collectively, the “**AGM Information**”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### *Miscellaneous Matters*

AGM makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “**BOND INSURANCE**”.

## **SECURITY FOR THE SERIES 2016 BONDS**

### **Priority of Lien**

The Series 2016 Bonds, together with the interest thereon, are payable solely from and shall be secured by a pledge of the Net Revenues (as defined below) on a parity with the Unrefunded Series 2010 Bonds (as defined herein) and any additional indebtedness issued on a parity therewith payable from the Net Revenues (“**Additional Bonds**”) issued in accordance with the provisions of the Enabling Act and the Bond Resolution. For the further protection of its Holders, the Series 2016 Bonds are secured by a statutory lien on the System. See “- **Statutory Lien**” herein below. All funds held by the Trustee in the respective Debt Service Funds (as defined and described herein) and Debt Service Reserve Funds (as defined and described herein) are pledged for the benefit of the respective Bondholders as security for the Bonds of the Series (as defined in Appendix B) to which such funds relate. The pledge of the Net Revenues securing the Bonds shall at all times and in all respects be and remain superior to pledges made to secure any other bonds or other obligations payable from the revenues of the System.

### **Pledged Revenues**

As defined in the Bond Resolution, “**Net Revenues**” means, the Gross Revenues of the System (as defined below), less Operation and Maintenance Expenses (as defined below). As defined in the Bond Resolution, “**Gross Revenues of the System**” means:

All receipts and revenues (except customers’ deposits) derived from the operation of the System, except for those allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds, including all service fees (which may include, but are not limited to tap-in fees, connection fees, and availability fees); all proceeds from the sale or other disposition of any property owned directly or beneficially by the District in connection with the operation of the System; all interest and other income received by the District, directly or indirectly from the investment of any moneys or accounts relating to the System; excluding, however, investment income restricted to a purpose inconsistent with the payment of operating expenses or debt

service, and specifically excluding (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the District; all other unencumbered money to which the District may become entitled from any source whatsoever, but specifically excluding any amounts received by way of government grants and aids-to-construction; and all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. All amounts received as *ad valorem* taxes shall not be included in Gross Revenues.

As defined in the Bond Resolution, “***Operation and Maintenance Expenses***” means<sup>1</sup>:

All expenses incurred in connection with the administration and the operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order, *principal and interest payments with respect to lease financing arrangements under Section 6.03 of the Bond Resolution*, the fees and charges of the Trustee and the custodian or trustee of any fund, the costs of audits required under the Bond Resolution, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds required by the Bond Resolution. Operation and Maintenance Expenses shall not include: depreciation and *amortization* allowances; amounts paid as interest on Bonds; amounts expended for extraordinary repairs to the System; amounts paid from government grants or aids-to-construction; *unfunded net pension liabilities, other post-employment benefit liabilities or similar accounting determinations under generally accepted accounting principles that do not result in any actual disposition of cash*, any financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds; and amounts paid as capital costs pursuant to the provisions of long-term contracts which the District has entered into in order to provide water services to the areas included within its service area, such obligations being specifically included within the definitions of Bonds or Junior Lien Bonds depending upon the pledge given to secure the same.

As further provided in the Bond Resolution, Net Revenues do not include revenues derived from the operation of Special Facilities (as defined in the Bond Resolution) to the extent such revenues have been pledged to the payment of Special Facilities Bonds (as defined in the Bond Resolution). Also see “- **Junior Lien Bonds and Special Facilities Bonds.**” As further described in the Bond Resolution, Special Facilities include all or a portion of water facilities and rights to all or a portion of the use of, or the capacity available from any such facilities.

From and after delivery of the Series 2016 Bonds and so long as any Bonds are Outstanding, all revenues of the System will be received by the District and, as required by the Enabling Act, applied only as provided in the proceedings providing for the issuance of Bonds. The Gross Revenues are required to be accounted for separately from all other moneys of the District on the books of records and accounts.

### **Statutory Lien**

For the further protection of the Bondholders of the Series 2016 Bonds, Section 6-21-330 of the Enabling Act provides for a statutory lien upon the System. Such lien does not permit the Trustee or any Bondholder to compel the sale of the System or any portion thereof.

### **Limited Obligations**

**The Series 2016 Bonds shall not constitute an indebtedness of the District within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license. The District is not obligated to pay any of the Series 2016 Bonds or the interest thereon except from the**

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<sup>1</sup> Portions of the definition in *italics* are Effective Date Provisions (see “**INTRODUCTION – Authorization**” hereinabove) which shall be added to the Bond Resolution upon the occurrence of the Effective Date.

**Net Revenues, and neither the full faith and credit nor taxing power of the District or any other political subdivision of the State shall be deemed to be pledged to the payment of the Series 2016 Bonds.**

### **Rate Covenant**

The District specifically covenants and agrees to maintain rates and charges for all services furnished by the System which will at all times be sufficient:

- (1) to provide for the payment of Operation and Maintenance Expenses;
- (2) to provide for the punctual payment of the principal of and interest on all Bonds that may from time to time be Outstanding;
- (3) to maintain the Debt Service Funds and provide for the punctual payment of the principal of and interest on the Bonds;
- (4) to maintain the Debt Service Reserve Funds, if any, in the manner prescribed in the Bond Resolution<sup>2</sup>;
- (5) to pay all amounts owing under a reimbursement agreement with any provider of a Funding Substitute;
- (6) to provide for the punctual payment of the principal of and interest on all Junior Lien Bonds outstanding;
- (7) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order; and
- (8) to discharge all obligations imposed by the Enabling Legislation, the Enabling Act and by the Bond Resolution.

The District also covenants and agrees in the Bond Resolution that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which will yield annual Net Revenues in the current Fiscal Year, equal to at least the sum of (i) 125% of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) 100% of the amount necessary to make payment of any amounts owing in such Fiscal Year under a reimbursement agreement with any provider of a Funding Substitute provided in satisfaction of the Reserve Requirement for a particular Series of Bonds, plus (iii) 100% of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts which the District has entered into in order to provide water and sewer services to the areas included within its service area, due in such Fiscal Year, plus (iv) 100% of any required payment into a Debt Service Reserve Fund (or the Debt Service Reserve Fund upon the Effective Date) due in such Fiscal Year.

Prior to the beginning of each Fiscal Year, the District is required to adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year and which shall include appropriations for the estimated operating expenses and the amount to be deposited during such Fiscal Year in the Depreciation and Contingent Fund (hereinafter defined). The District may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

Promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the District will review the

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<sup>2</sup> The Effective Date Provisions provide for the establishment of a common debt service reserve fund upon the occurrence of the Effective Date.

rates and charges for its services and will promptly revise such rates and charges as necessary to comply with the foregoing requirement.

If the District, in adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant or if the audited financial statements of the District did not satisfy the rate covenant for the prior year, the District will, within 45 days, engage a Consulting Engineer to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the District to meet the rate covenant; copies of such report will be made available to the District and the Trustee no later than 60 days after the engagement of the Consulting Engineer.

So long as the District complies with the above requirement, failure to comply with the rate covenant shall not constitute an Event of Default under Article XIII of the Bond Resolution; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

### **Additional Bonds**

The District may issue from time to time Additional Bonds on a parity as to the pledge of the Net Revenues securing the Unrefunded Series 2010 Bonds and the Series 2016 Bonds, for the purposes of: (a) obtaining funds for the expansions, additions, and improvements to the System, including the recoupment or reimbursement of funds already so expended; (b) providing funds for the payment of any bond anticipation note or notes issued in order to defray the costs of expansions, additions, and improvements to the System and that may have been issued in anticipation of the issuance and sale of Bonds; (c) refunding bonds or other obligations issued to provide land or facilities which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System; (d) providing funds for the payment of interest due on Bonds; (e) funding a Debt Service Reserve Fund or restoring the value of the cash and securities in a Debt Service Reserve Fund to an amount equal to the applicable Reserve Requirement and reimbursing amounts owed to any providers of surety bonds, lines of credit, insurance policies or letters of credit; and (f) paying the costs of issuance of Bonds, including any credit enhancement incurred by the District therefor.

Subject to the District's compliance with other provisions of the Bond Resolution, the District may issue Additional Bonds if Net Revenues (during the most recent Fiscal Year for which audited financial statements of the System are completed) are certified by the Accountants or Consulting Engineers on the basis of such audited financial statements to be not less than one hundred twenty-five percent (125%) of the average Annual Principal and Interest Requirements on all Bonds Outstanding and on such proposed Series of Bonds. For purposes of making such calculation, Net Revenues may be adjusted to reflect (1) any rate increases currently adopted and to be in effect prior to or coincident with the issuance of such proposed Series of Bonds and determined pro forma as though such rate increases had been in continuous effect during such recent Fiscal Year; (2) in the event a utility, system or enterprise that is in existence and operating and whose current customers have become customers of the System prior to the issuance of the proposed Series of Bonds or will become customers of the System concurrently with the issuance of such proposed Series of Bonds, 100% of the Net Revenues that the Accountants or Consulting Engineers estimate would have been received during such Fiscal Year if the utility, system or enterprise had been a part of the System throughout such recent Fiscal Year, taking into account, for the estimation of such Net Revenues in this subparagraph (2) only, the then-existing customer base and population of the acquired utility, system or enterprise; (3) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire a newly-constructed utility, system, enterprise, or component of the System which will serve an existing customer base and currently-populated area, 100% of the Net Revenues, estimated by the Consulting Engineers, to be received by the System during the first Fiscal Year beginning after the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service, taking into account for the estimation of such Net Revenues in this subparagraph (3) only the then-existing customer base and population; (4) in the event proceeds of such proposed Series of Bonds will be used to pay interest on such proposed Series, 100% of the interest that will accrue on such Series of Bonds during the first 12 full months following the date of delivery of the proposed Series and that will be paid from such proceeds, provided however that any such interest accruing in such 12 month period that is to be paid on a date within the Fiscal Year of the maximum Annual Principal and Interest Requirement shall not be added into Net Revenues; and (5) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire an expansion to the System and to the extent not included by subparagraph (3), 100% of estimated Net Revenues to be received by the System in the first Fiscal Year following the completion of such project, certified by the Consulting Engineer, from customers under long-term contracts which extend for the life of such proposed Series of Bonds.

For the purpose of refunding any Bonds, the District, in lieu of satisfying the requirements of the preceding paragraph, may issue a Series of Bonds if the Annual Principal and Interest Requirements of the refunding Bonds do not exceed 105% of the Annual Principal and Interest Requirements of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds.

### **Junior Lien Bonds and Special Facilities Bonds**

The Bond Resolution provides that the District may at any time, and without limitation and free of all conditions, issue Junior Lien Bonds and Special Facilities Bonds on the terms and conditions set forth therein. See **APPENDIX B** attached hereto. The District has no Junior Lien Bonds or Special Facilities Bonds outstanding and does not have any present intent to issue any series of Junior Lien Bonds or Special Facilities Bonds.

### **Lease Financing Agreements**

The District will have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System; provided, however, (1) the aggregate principal amount of such obligations outstanding at any time will not exceed 10% of the property, plant and equipment of the System less accumulated depreciation as shown on the audited balance sheet of the District for the most recent Fiscal Year for which audited financial statements are available, and (2) the loss of the property secured by the lien will not materially adversely affect the ability of the District to meet its financial obligations under the Bond Resolution.

### **Establishment and Flow of Funds**

The Bond Resolution provides for the creation of a general revenue fund (the “**General Revenue Fund**”), an operation and maintenance fund (the “**Operation and Maintenance Fund**”), a debt service fund with respect to each Series of Bonds (each a “**Debt Service Fund**”), and a depreciation and contingent fund (the “**Depreciation and Contingent Fund**”). In addition, the Bond Resolution allows, but does not require, each series resolution to establish a debt service reserve fund with respect to that Series of Bonds (each a “**Debt Service Reserve Fund**”).

**General Revenue Fund.** The General Revenue Fund, which shall be kept under the complete control and custody of the District, will be maintained so as to reflect accurately the Gross Revenues of the System and the Net Revenues. All Gross Revenues will be deposited in the General Revenue Fund and the District will establish, from an accounting standpoint, proper records of receipts and disbursements for the General Revenue Fund. For a more detailed description of the funding requirements and flow of funds with respect to the foregoing funds and accounts, see “**APPENDIX B – Bond Ordinance and Series Ordinance**” attached hereto.

Transfers from the General Revenue Fund will be made monthly, on or before the twenty-fifth Business Day (as defined in the Bond Resolution) of the month in the following order of priority: (1) to the Operation and Maintenance Fund the amounts budgeted for Operation and Maintenance Expenses, as described in “- **Operation and Maintenance Fund**”; (2) to each Debt Service Fund the amounts necessary to pay principal, redemption premium, if any, and interest on each Series of Bonds as described in “- **Debt Service Funds**” herein; (3) after valuing the amount of money and securities on deposit in any Debt Service Reserve Fund 15 days prior to each Bond Payment Date, to such Debt Service Reserve Fund the amount necessary to make the amount of money and securities then on deposit therein equal to the respective Reserve Requirement; (4) then shall be deposited for payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit; (5) to the Depreciation and Contingent Fund the sum which has been currently determined by the District to be the estimated requirements therefor for said month; (6) to the payment of Junior Lien Bonds; and (7) for the maintenance or improvement, or payment of debt payable from the revenues, of the System or for the payment of Special Facilities Bonds, as determined from time to time by the District.

**Operation and Maintenance Fund.** The Bond Resolution established an Operation and Maintenance Fund in order to provide for the payment of Operation and Maintenance Expenses.

***Debt Service Funds.*** The Bond Resolution requires the establishment of a separate Debt Service Fund for each Series of Bonds. Each Debt Service Fund will be held by the Trustee and is intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on its respective Series of Bonds as the same shall become due. Withdrawals from such Debt Service Fund will be made only by the Trustee who will transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds.

The Bond Resolution provides that there will be monthly deposits into each Debt Service Fund. By the Record Date there shall be available in each Debt Service Fund the aggregate amount of interest and the aggregate amount of the principal of the respective Series of Bonds becoming due and payable (whether at stated maturity or by sinking fund installment) on such Bond Payment Date. All earnings from moneys in a particular Debt Service Fund will become a part of such Debt Service Fund and will be credited against payments which otherwise would be required to be made from the General Revenue Fund.

***Debt Service Reserve Funds.*** Under the 2010 Bond Resolution, a series resolution may (but is not required to) provide for the establishment of a Debt Service Reserve Fund for any Series of Bonds. Each Debt Service Reserve Fund so established will be maintained in an amount equal to the respective Reserve Requirement, if any, for the applicable Series of Bonds. Funds in a particular Debt Service Reserve Fund will be available to secure only the payment of the Series of Bonds for which such fund has been established. See “**APPENDIX B – Bond Ordinance and Series Ordinance**” attached hereto.

The Effective Date Provisions amend the 2010 Bond Resolution to provide the District with an option to (a) create a common Debt Service Reserve Fund, or (b) issue Additional Bonds without establishing or funding a debt service reserve fund. Per the 2016 Series Resolution, the 2016 Debt Service Reserve Fund will be funded in an amount equal to the 2016 Reserve Requirement. Upon the occurrence of the Effective Date, the 2016 Debt Service Reserve Fund will be consolidated into or established as the Debt Service Reserve Fund established by the Bond Resolution.

***Depreciation and Contingent Fund.*** The purpose of the Depreciation and Contingent Fund established under the Bond Resolution is to provide a reasonable reserve for depreciation of the System, for contingencies and for improvements, betterments, and extensions of the System. Money in this fund will be used solely: (a) for the purpose of restoring depreciated or obsolete items of the System; (b) for improvements, betterments, and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order; (c) to defray the cost of unforeseen contingencies and extraordinary repairs; (d) to prevent defaults of Bonds and Junior Lien Bonds; and (e) for optional redemption of Bonds or Junior Lien Bonds. Withdrawals from this fund will be made by or on order of the District.

***Rate Stabilization Fund.*** Per the Effective Date Provisions, the District may establish a Rate Stabilization Fund to provide for the stabilization of rates by carrying forward surplus revenues. Under the Bond Resolution (as amended and subject to the occurrence of the Effective Date) withdrawals from the Rate Stabilization Fund may be used for any required purpose of the System.

***Construction Fund.*** The Bond Resolution allows a series resolution for any Series of Bonds to create a construction fund established with respect to such Series of Bonds if the proceeds of such Series of Bonds are intended to be used for the expansion or improvement of the System, and to establish a capitalized interest account as a stand-alone account or as a sub-account within such construction fund if interest for any period of time is to be paid from proceeds of such Series of Bonds.

***Capitalized Interest Fund.*** The Bond Resolution provides that Bonds may be issued for the purpose of providing funds for the payment of interest due on any Bonds.

***Costs of Issuance Fund.*** Pursuant to the 2016 Series Resolution, the 2016 COI Fund (as defined in the 2016 Series Resolution) will be established with respect to the Series 2016 Bonds.

## PLAN OF REFUNDING

### Sources and Uses of Bonds

The following table sets forth the estimated sources and uses of funds in connection with the sale of the Series 2016 Bonds:

#### Sources

Par Amount of the Series 2016 Bonds  
Plus: [Net] Original Issue Premium  
2010 Debt Service Fund monies  
Other District Funds  
**Total Sources**

#### Uses

Deposit to Escrow Fund  
[Deposit to or Premium for] 2016 Debt Service  
Reserve Fund  
Costs of Issuance<sup>(1)</sup>  
**Total Uses**

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<sup>(1)</sup> Includes Underwriter's discount, printing costs, and expenses of Bond Counsel, Disclosure Counsel, Underwriter's Counsel, Municipal Advisor, Local Counsel, rating agency fees, accounting fees, [premiums for the Policy] and other miscellaneous costs.

### The Refunding

The Series 2016 Bonds will be used to refund in advance of their maturities a portion of the callable maturities of the District's originally issued \$37,185,000 Water System Improvement Revenue Bonds, Series 2010 (the "**Series 2010 Bonds**"). The District intends to defease and redeem the Series 2010 Bonds maturing or subject to mandatory sinking fund redemption on June 1, 2021 through June 1, 2040, inclusive (collectively, the "**Refunded Bonds**"). The Series 2010 Bonds maturing on June 1, 2017 through June 1, 2020, inclusive (the "**Unrefunded Series 2010 Bonds**") will not be redeemed and remain Outstanding following the issuance of the Series 2016 Bonds.

To accomplish the defeasance and redemption of the Refunded Bonds, a portion of the proceeds of the Series 2016 Bonds, together with other available funds, will be deposited with U.S. Bank National Association, as escrow agent (the "**Escrow Agent**"), in trust pursuant to the terms and conditions of an Escrow Deposit Agreement (the "**Escrow Deposit Agreement**") between the District and the Escrow Agent. Funds on deposit with the Escrow Agent will be used to purchase Defeasance Obligations maturing at times and in amounts sufficient to provide funds, together with other funds on deposit with the Escrow Agent remaining uninvested, to pay the redemption price of and interest on the Refunded Bonds when the same become due and payable. The Refunded Bonds will be irrevocably called for redemption on June 1, 2020, at a redemption price equal to 100% of the principal amount of the Refunded Bonds to be redeemed, plus accrued interest to the redemption date. Upon depositing such funds with the Escrow Agent pursuant to the Escrow Deposit Agreement, the Refunded Bonds will no longer be Outstanding under the Bond Resolution and will no longer be entitled to any lien, benefit or security of the Bond Resolution.

## THE DISTRICT

### Creation of the District

The District is a special purpose district created and established as a body politic and corporate pursuant to Act No. 1101 of the Acts and Joint Resolutions of the General Assembly of the State for the year 1956, as amended. The District is located wholly within Spartanburg County, South Carolina (the "**County**") and was established for the purpose of providing waterworks, fire and sewer services within the boundaries of the District. At present, the District provides only waterworks services and minimal sewer service. The District has no plans to expand its sewer service or to begin providing fire service.

## Operation of the District; Personnel

The District is operated, managed and governed by an elected five-member Commission. The five members of the Commission serve staggered six-year terms and such members are popularly elected by the residents of the District. In addition to determining the operating policies of the District, the Commission also reviews and approves of all budgetary matters of the District. The current members of the Commission, their occupations, date of original election and date of expiration of term of office, are shown in the following table.

<u>Name</u>	<u>Occupation</u>	<u>Date of Original Election</u>	<u>Date of Expiration of Term of Office</u>
Donald C. West, Chairman	Mahan Ovens (Ret.)	November, 1970	November, 2016
Gary P. Kirkland, Vice Chairman	Kirkland Plumbing (Ret.)	November, 1984	November, 2020
Cecil L. Bearden	Verizon Telephone Co. (Ret.)	November, 1976	November, 2018
Niles Ray Brown, Jr.	Woodruff Curb Market	November, 2002	November, 2020
G. Curtis Walker, Secretary	CEO of B.J. Workman Hospital (Ret.)	November, 1998	November, 2016

The Chairman of the Commission is Donald C. West. Mr. West has served continuously on the Commission since 1970, serving as chairman of the body since 1988. Mr. West was elected Board member of the year by the South Carolina Rural Water Association in 1998.

The Secretary of the Commission is G. Curtis Walker. Mr. Walker has served continuously on the Commission since 1998, serving as secretary of the body since 1998.

The General Manager of the District is Curtis M. Dillard, P.E. Mr. Dillard has been General Manager of the District since June, 1991 and serves at the pleasure of the Commission. Mr. Dillard holds a B.S. in Civil Engineering from Clemson University, and prior to his association with the District, he served as assistant manager of neighboring Startex-Jackson-Wellford-Duncan Water District for five years. As General Manager, Mr. Dillard is responsible for the total operation of the System, which includes operations, maintenance, administration, planning, technical and financial aspects of the District.

The Finance Director of the District is David E. Wilson, C.P.A. Mr. Wilson has served as Finance Director since October 1, 2015 and serves at the pleasure of the General Manager. Mr. Wilson holds a B.S. in Business Administration from the University of South Carolina Upstate and Master of Business Administration from Winthrop University. Prior to joining the District, Mr. Wilson served as a staff accountant at Lee, Broome, MacBay & Associates, LLC, in Spartanburg, South Carolina.

## Employees

As of September 30, 2016, the District had 19 full-time employees and 1 part-time employee, and was fully staffed. The employees are not unionized and there is currently no movement to unionize known to the District. The General Manager of the District is of the opinion that employee relations are very good.

## Retirement Plan

### *GASB 68*

The District implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68” (collectively, the “*Statements*”) for the year ended September 30, 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments that participate in single-employer or cost-sharing multiple employer plans are now required to recognize a net pension liability for their single-employer plan or other proportionate share of the net pension liability of cost-sharing multiple employer plans. Respecting the District, these Statements require the District to recognize a net pension liability, deferred outflows of resources and deferred inflows of resources for the District’s participation in the SCRS (as defined and described below in “- *South Carolina Retirement System*”) on a financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures.

The adoption of these Statements has resulted in the restatement of the District’s net position as of October 1, 2014 for its financial statements to reflect the reporting of pension liability, deferred outflows of resources and deferred inflows of resources for its qualified plan in accordance with the provisions of these Statements. Net position of the District’s financial statements as of October 1, 2014 was decreased by approximately \$2,073,125 reflecting the cumulative change in accounting principle related to the adoption of these Statements respecting the District’s participation in SCRS. The District’s financial statements continue to report retirement expenditures in the amount of the contractually required contributions.

### *South Carolina Retirement System*

The District contributes to the South Carolina Retirement System (“*SCRS*”) which is a cost-sharing multiple employer defined benefit pension plan administered by the South Carolina Retirement Systems, a division of the South Carolina Budget and Control Board. All full-time employees are required to participate in the SCRS as a condition of employment. SCRS also provides disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. Employees are required to contribute 8.16% of their annual covered salary and the District is required to contribute to SCRS at an actuarially determined rate. The current rate is 10.91% of annual covered payroll, plus 0.15% for group life insurance. In Fiscal Years 2013, 2014 and 2015, the employees required contributions to SCRS were \$69,499, \$81,501 and \$83,657, respectively and the District’s required contributions to SCRS were \$105,391, \$114,270 and \$113,892, respectively. The District has paid all required contributions for fringe benefits as they have come due and there are no liabilities for underfunding such benefits.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS is publicly available on their website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or by submitting a request to South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

### **Other Post-Employment Benefits**

Other than the pension benefits provided through SCRS, the District does not provide any other post-employment benefits (“*OPEB*”). Accordingly, the District has no OPEB liabilities to report under GASB Statement No. 45.

## Insurance

The District is exposed to various risks of loss related to: torts; theft of, damage to and destruction of its assets; errors and omissions; and natural disasters. All of these risks are covered by a commercial insurance policy issued by CWS Insurance. Commercial insurance is also carried for healthcare and worker's compensation.

The Constitution and statutes of the State, as interpreted by the General Assembly in promulgating the South Carolina Tort Claims Act (S.C. Code Ann. §§ 15-78-10 *et seq.*, the "**Tort Claims Act**"), provide, generally, that it is the public policy of the State that, while historically governmental entities have been exempt from tort liability, total immunity is not in the public interest, nor is unlimited liability. The Tort Claims Act waives sovereign immunity of governmental bodies for tort liability while also providing specific, enumerated exceptions in certain circumstances; generally, a claim of immunity from liability for damages for negligent or intentional tortious actions must be raised by affirmative defense. The Tort Claims Act also imposes limits on the amount of damages which may be received from a governmental entity by one person, or for one accident, and provides that no punitive damages may be recovered. Immunity is provided for a number of discretionary governmental acts, and is not waived for certain other actions.<sup>3</sup> In addition, the District may not be able to rely upon the defense of sovereign immunity and may be subject to liability in the event of suits alleging causes of action founded upon various federal laws, such as suits filed pursuant to 42 U.S.C. § 1983, alleging deprivation of federal constitutional or statutory rights of an individual and suits alleging anti-competitive practices and violations of federal antitrust laws by the District in the exercise of its delegated powers. Moreover, the District may be subject to certain state claims under the South Carolina Whistleblower Act, S.C. Code Ann. § 8-27-10 through -50 (Supp. 2009), and under any other acts in which an express waiver of sovereign immunity is granted.

## Policies

The District adopted its Post-Issuance Tax Compliance Policies on March 15, 2012 (the "**Tax Policies**"). The Tax Policies establish policies and procedures in connection with the issuance of tax-exempt bonds by the District. The Tax Policies were issued to maximize the likelihood that all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the District's obligations are met. A copy of the Tax Policies is available upon request to the Municipal Advisor.

The District adopted its Financial Policies on September 14, 2014 (the "**Financial Policies**"). The Financial Policies address revenues, expenditures, debt management, capital planning, budgeting, accounting and risk-management. The Financial Policies establish an internal rate covenant that Net Revenues shall equal at least 130% of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year.

The District adopted its Investment Policies in April, 2015 (the "**Investment Policies**"). The Investment Policies govern the purchase and sale of investments, as limited by State law and the provisions of the Bond Resolution.

## Accounting Practices

The District's staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the System are protected from loss or unauthorized use and to ensure that adequate accounting data are compiled to allow for preparation of financial statements of the District in conformity with accounting principles generally accepted in the United States of America.

The District's staff drafts financial reports and reconciles its bank accounts on a monthly basis. The monthly reports are then compiled by staff and submitted to the District's independent certified public accountant for auditing purposes. The annual financial statements are audited in conformity with accounting principles generally accepted in the United States of America as required by S.C. Code Ann. Section 6-11-1650 (1976, as amended). Per the Bond Resolution and the accounting policies in the Financial Policies, the annual financial statements and required

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<sup>3</sup> S.C. Code Ann. Section 15-78-40 (1976, as amended). Tort liability of State, agency, political subdivision, or governmental entity, generally. The State, an agency, a political subdivision, and a governmental entity are liable for their torts in the same manner and to the same extent as a private individual under like circumstances, subject to the limitations upon liability and damages, and exemptions from liability and damages, contained herein.

supplemental information will be prepared and furnished no later than March 31 of each year, a period which is earlier than the District's covenants described in "MISCELLANEOUS – Continuing Disclosure". The financial statements of the System for the year ended September 30, 2015 were audited by Norman, Johnson & Co., P.A., Spartanburg, South Carolina as further described in "MISCELLANEOUS – Independent Certified Public Accountants" herein and APPENDIX A attached hereto.

### Legislation Affecting Special Purpose Districts

At this time, the District is unaware of any plans regarding: (1) annexation into its service territory; (2) the reduction of its service area; or (3) dissolution of its existence. However, as a special purpose district under State law, the District and its service area may be subject to annexation, alteration or dissolution as provided below. Further, other recent legislative enactments described below may directly affect the operations of special purpose districts, like the District.

#### *Annexation*

##### Procedure.

The Code of Laws of South Carolina, 1976, as amended, provides that the boundaries of a special purpose district, such as the District, may be altered by the annexation of area within a special purpose district by an adjacent municipality. When all or part of a special purpose district is annexed into a municipality, Sections 5-3-300 through 5-3-315 of the Code of Laws of South Carolina, 1976, as amended, provide that:

1. At the time of annexation or at any time thereafter the municipality may elect at its sole option to provide the service formerly provided by the special purpose district within the annexed area. The transfer of service rights must be made pursuant to an Annexation Plan (as defined hereinbelow).
2. Until the municipality, upon reasonable written notice, elects to displace the special purpose district's service, the affected district must be allowed to continue providing service within the special purpose district's annexed area.
3. Annexation does not divest the special purpose district of any property; however, subject to the provisions of item (4) below, real or tangible personal property located within the area annexed must be transferred to the municipality pursuant to an Annexation Plan.
4. In any case in which the municipality annexes less than the total service area of the special purpose district, the special purpose district may, at its sole discretion, retain ownership and control of any asset, within or without the annexed area, used by or intended to be used by residents within the special purpose district's unannexed area or used or intended to be used to provide service to residents in the unannexed area of the special purpose district.
5. Upon annexation of less than the total area of the district, the district's boundaries must be modified, if at all, pursuant to an Annexation Plan. Such Annexation Plan must specify the new boundaries of the special purpose district.

##### Annexation Plan.

The Annexation Plan is required to balance the equities and the interests of the residents and taxpayers of the annexed area and of the area of the special purpose district not subject to annexation. If the municipality and the special purpose district cannot agree on an Annexation Plan within 90 days following a favorable annexation referendum, the special purpose district and the municipality must appoint a committee to formulate an Annexation Plan. Within 60 days thereafter, such committee must formulate an "*Annexation Plan*".

The Annexation Plan may take into account any of the equities and interests involved, provided it complies with the following:

1. The Annexation Plan may provide for certain service contracts to be entered into between the municipality and the district. The municipality has the right, in its sole discretion, to determine whether the municipality will provide service to the area annexed directly or by contract with the special purpose district. At the option of the special purpose district, the Annexation Plan may provide for service contracts by which the municipality will provide service to residents of unannexed areas of the special purpose district.
2. In any case in which less than the total service area of the special purpose district is annexed by the municipality, the Annexation Plan must:
  - a. protect the special purpose district's ability to serve the residents of the district's unannexed area economically and efficiently and protect the special purpose district's ability to continue to expand or otherwise make service available throughout its unannexed area;
  - b. protect the ability of the municipality to serve residents of the annexed area of the district economically and efficiently; and
  - c. protect the rights of the special purpose district's bondholders.
3. To carry out the requirements of subitem (a) of item (2) above, the Annexation Plan will require the municipality to assume contractually the obligation to pay debt service on an amount of the district's bonded indebtedness or other obligations including lease purchase obligations adequate to offset the district's loss of net service revenue or tax revenue from the area annexed, in accordance with the following:
  - a. specifically included within this amount must be revenues, if any, projected under the provisions of any governmentally approved plan promulgated pursuant to federal pollution control legislation;
  - b. as the special purpose district retires bonded indebtedness existing at the time of annexation, the municipality's payment obligation under this provision must be reduced by the proportion which the principal amount of the indebtedness retired bears to the total principal amount of bonded indebtedness of the district at the time of annexation;
  - c. as used herein, net service revenue means revenue from fees, charges, and all other sources, attributable to service provided in the area annexed, less the actual cost of operating and maintaining the system or facilities needed to serve that area; however, debt service or other payments required to finance capital assets may not be considered to be part of such operating and maintenance expenses. Tax revenue means taxes collected from property owners within the annexed area; and
4. In no event may any provision be incorporated in any plan which will impair the rights of bondholders.

If either the municipality or the special purpose district objects to the Annexation Plan created by the committee, it may appeal, within 30 days of receipt of the Annexation Plan, to the court of common pleas for the county in which the annexed area lies. The court may modify the plan forwarded by the committee only upon finding an error of law, abuse of discretion, or arbitrary or capricious action by the committee. The fact that a plan has not been finalized may not in any way alter or delay the effective date of annexation; however, the special purpose district retains the right to operate its existing system, collect revenues, and collect taxes from or within the area annexed until such time as the municipality and the special purpose district agree on a plan or a plan is presented to the municipality and the special purpose district as described above. In the event a plan is appealed to the courts, the court of common pleas for the county in which the annexed area or any part thereof lies may enter such orders under its general equitable powers as are necessary to protect the rights of parties pending final resolution of any appeal.

### Effect.

In no event under any plan or otherwise may the obligation between the special purpose district and its general obligation bondholders be disturbed. If adequate provision is not made for the levy of taxes or for the payment of the principal and interest on such general obligation bonds, it is the statutory duty of the auditor of the county to levy, and of the treasurer of the county to collect, an *ad valorem* property tax, without limit as to rate or amount, upon all taxable property within the special purpose district as it was constituted on the dates those bonds were issued sufficient to pay principal of and interest on the bonds as they become due. Only bondholders or their agents may proceed at law or equity to enforce this requirement.

In addition, the District's service area could be impacted if nearby municipalities commenced service within the District's service area. The service area of a special purpose district, however, is protected by the provisions of S.C. Code Ann. § 5-7-60 (1976), which provides that a municipality, absent annexation of new territory, may extend its utility lines beyond its boundaries by contract, except within a designated service area of a special purpose district. A designated service area under this section is one within which a special purpose district is then providing a service, has budgeted to provide a service or expended funds in furtherance of providing such service.

### *Alteration of Boundaries*

Pursuant to Sections 6-11-410 through 6-11-650, of the Code of Laws of South Carolina, 1976, as amended, the governing bodies of the several counties of the State are authorized to enlarge and diminish the boundaries of special purpose districts located within their respective boundaries and to consolidate two or more special purpose districts located within their respective boundaries. The county governing bodies are authorized to take such action without the consent of the special purpose districts so affected. However, prior to such action, a public hearing must be held. Should the District be diminished, enlarged, or consolidated with one or more of the other special purpose districts located in the County or an adjoining county, its obligations, including its general obligation debt, would become obligations of the altered district or successor district, as applicable, pursuant to Section 6-11-620 of the Code of Laws of South Carolina, 1976, as amended. In the case of a consolidation, the governing bodies of the consolidating districts may request that their respective indebtedness continue to be secured solely by taxes levied within their respective pre-consolidation boundaries.

As described below in "**THE SYSTEM – General Discussion of Service Areas**" the County Council has recently, on two separate occasions, expanded the District's service area to include new areas in the northern edge of the District's service area. Additionally, the District has previously held negotiations with Meansville-Riley Road Water Company ("**MRRWC**") regarding the District's takeover of a small portion of MRRWC's existing service territory. However, these negotiations have stalled and no official action is anticipated at this time. The District has no current plans for further territory expansion.

### *Dissolution of the District*

A procedure for dissolving special purpose districts was adopted by the state legislature in 1998. This procedure requires that prior to circulation of a petition for dissolution (which must be signed by 40% of the qualified electors in the District), a successor service provider must agree to provide all services and also be responsible to fully pay or defease all outstanding bonds of the District. If a petition obtains the requisite number of signatures, a referendum then must be held at which two-thirds of the qualified electors voting must approve the dissolution.

On May 19, 2015, H.4196 ("**H4196**") was introduced in the in South Carolina House of Representatives. H4196 provides that a county council, upon the consent of two-thirds of the membership of the governing body of any special purpose district and a favorable referendum vote of a majority of the qualified electors within the district, may determine to dissolve the special purpose district in question. H4196 was referred to the House Committee on Judiciary on the date of its introduction. H4196 was terminated on June 2, 2016 upon the *sine die* adjournment of the South Carolina General Assembly. Regardless of the enactment of H4196 or any similar provision, the Commission has no current plans to seek dissolution.

### ***Surface Water Withdrawal***

Pursuant to Act 247 of the Acts and Joint Resolutions of the General Assembly of South Carolina for the year 2010, known as the South Carolina Surface Water Withdrawal, Permitting, Use and Reporting Act (the “***Surface Water Act***”), the State now requires anyone withdrawing more than three million gallons or more in any one month from surface waters of the State to obtain a withdrawal permit from the South Carolina Department of Health and Environmental Control (“***DHEC***”). On April 22, 2013, DHEC issued an Initial Surface Water Withdrawal Permit to the District under the Surface Water Act, authorizing the District to withdrawal a maximum of 279 million gallons per month (“***MGM***”) from North Tyger and South Tyger Rivers, respectively (aggregate of 558 MGM). The permit is scheduled for expiration on April 21, 2043.

## **THE SYSTEM**

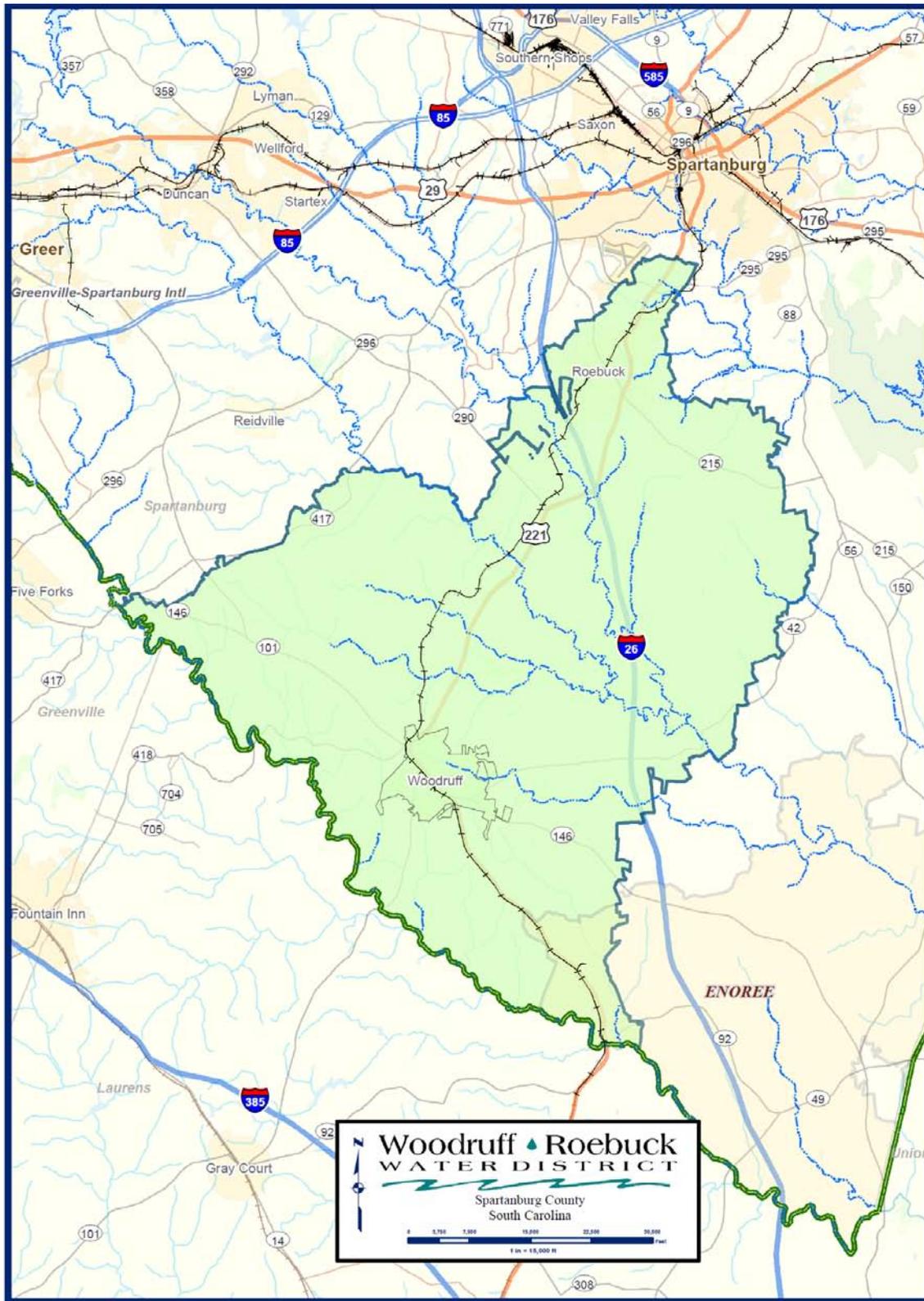
### **General Discussion of Service Areas**

The District’s service area extends southeast from the corporate limits of the City of Spartanburg, South Carolina, through the Roebuck community to the Walnut Grove area of the County adjacent to State Road 50, east of the Interstate Highway 26 corridor to the Enoree community, running northwest along the Enoree River, including the City of Woodruff, to the Cashville area of the County around South Carolina Highways 146 and 101 and extends northeast along South Carolina Highway 417 and U.S. Highway 221 to the corporate limits of the City of Spartanburg, South Carolina. Further, the County Council, acting pursuant to Title 6, Chapter 11, Article 3 of the Code of Laws of South Carolina, 1976, as amended, recently, on two separate occasions, authorized the expansion of the District’s service area to include properties located adjacent to the northern portion of the District service area. See “**THE DISTRICT – Legislation Affecting Special Purpose Districts**” herein for a further discussion of the process.

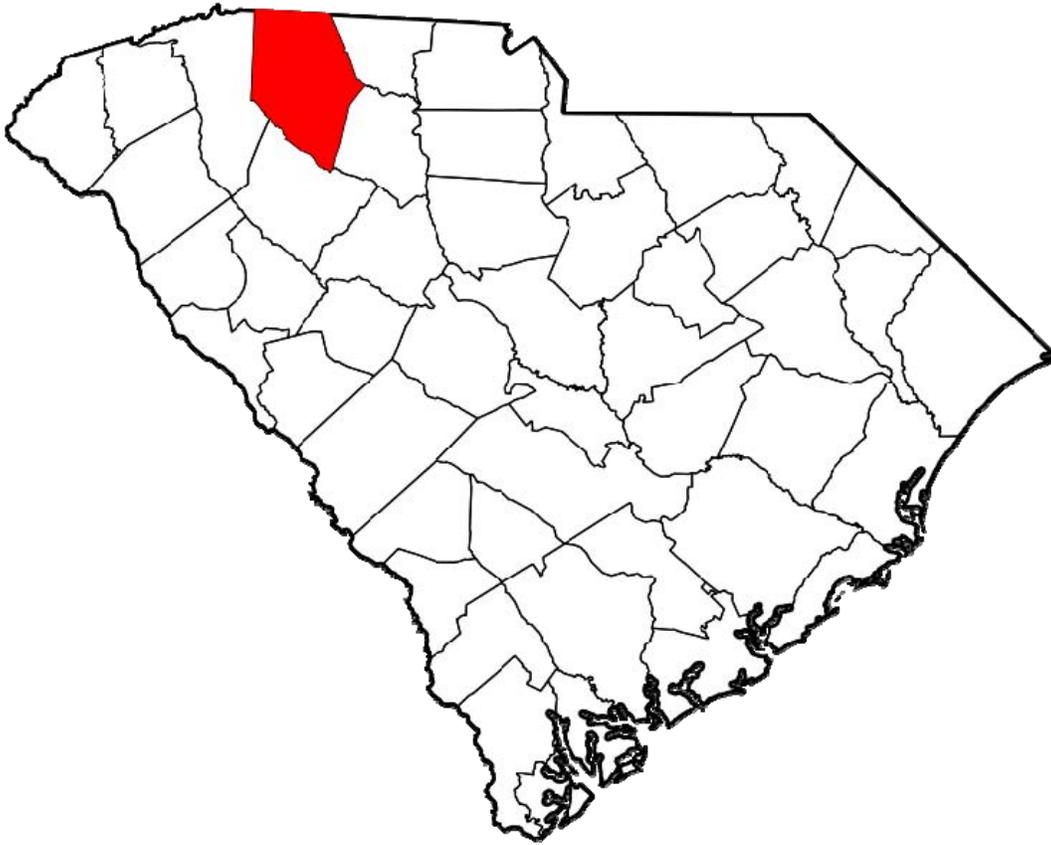
A map of the District’s service territory (as recently revised) is shown on the next page as Figure 1 and a map of the location of the County within the State is shown on the following page as Figure 2.

*[Remainder of page intentionally left blank]*

MAP OF THE DISTRICT'S SERVICE TERRITORY (Figure 1)



MAP OF THE LOCATION OF THE COUNTY WITHIN THE STATE (FIGURE 2).



Source: [www.yellowmaps.com](http://www.yellowmaps.com)

## Water and Wastewater Facilities

### *Water Facilities*

In response to demands for drinking water in the southwest corridor of the County, the South Carolina General Assembly in its 1956 general session created the District for the purpose of supplying drinking water to the residents therein. At that time, the officials of the newly created District determined that the most practical and economical means of supplying water to the area was to purchase water from City of Spartanburg Commission of Public Works (“**SWS**”). Accordingly, the District and SWS entered into the contract in 1958 (see “- **Contracts – SWS Contract**” herein), and the District began purchasing wholesale water from SWS.

In the late 1990s, due mainly to explosive growth along the U.S. Interstate Highways 85, 385 and 26 and other areas of the County, the Commission began discussing the future availability of water for its customers. On the basis of studies performed by certain consultants to the District, it was indicated that the District would need twelve to fourteen million gallons per day (MGD) by the end of its fifty-year planning period. Given these projections, and concerns as to the ability of SWS to meet these long-term needs, the Commission developed a plan to establish its own sources of water to meet the predicted future demand. In 2000, the Commission approved a study to evaluate how to best ensure the availability of water of acceptable quantity, quality and costs to meet its long-term needs. The Commission hired the engineering firm of Black & Veatch Corporation (the “**Engineers**”) to conduct a preliminary water feasibility study (the “**First Study**”). The First Study concluded that the District should give further consideration to two options: (1) the continued purchase of water from SWS, and possibly other providers; or (2) the construction of its own water treatment facility. Failing to secure a reliable long-term source of water from SWS or any other sources, the District commissioned the Engineers to perform a second study to explore the relevant social, economic, geographical, and environmental

factors involved in securing a long-term source of water (the “*Second Study*”). Based on the findings in the Second Study, the Commission determined to pursue the development of a water supply from the North and South Tyger Rivers.

Recently, the District completed construction of a 4.4 million gallons per day (“*MGD*”) water treatment facility (the “*Water Facility*”).<sup>4</sup> Construction of the Water Facility was completed and became operational in January, 2013. The Water Facility treats raw water from both the North and South Tyger Rivers. The pumping stations and intakes at each river location were designed and built to pump 8.8 MGD per location. The Water Facility can be incrementally expanded to a capacity of 17.6 MGD to meet the District’s future needs. The Water Facility is operated and staffed 24 hours per day, 7 days a week by certified personnel. Emergency power generation is located at all treatment facilities to ensure continued operations in the event of power failure. To date, the water produced at the Water Facility exceeds all state and federal drinking water standards. The average daily water production for fiscal year 2016 was 2.76 MGD and the maximum day water production was 3.844 MGD. Further and as contemplated by the Second Study, plans are being developed to construct a water reservoir in the District with additional pumping from the North and South Tyger Rivers. A preliminary engineering study is being performed by the District’s engineers.

Including the Water Facility, the District’s waterworks system currently consists of three booster pump stations, six water storage tanks that have a holding capacity of 4.45 million gallons of water, and approximately 350 miles of water mains and distribution lines varying in size from two to thirty inches in diameter. The District currently maintains 9,570 billed customers (distinguishable from meter connections as described in “*-Customers*” below), serving a population of approximately 24,300.

In addition to the water assets described above, the District has already purchased approximately 48 acres of property in and around the Enoree River, which includes certain highland areas for future construction (the “*Enoree Property*”). The District also maintains an option to purchase approximately 1.7 acres of property (which includes the majority of an impoundment in front of the Riverdale Mill Dam (the “*Dam*”) adjacent to the old Riverdale Mill on the Enoree River (the “*Dam Property*”). The Dam Property was located within the project boundary of the 1.24MW Riverdale Hydroelectric Project (the “*Hydroelectric Project*”), as previously regulated by the Federal Energy Regulatory Commission (“*FERC*”). On December 22, 2015, FERC released its “Order Terminating License By Implied Surrender”, the provisions of which decommissioned the Hydroelectric Project and surrendered regulation of the Dam to jurisdiction and control of the State. Subject to the clarification of certain title defects, the District intends to exercise the option and take ownership of the Dam Property. The District has no current plans for surface water withdrawals from the Enoree River or impoundment in front of the Dam, but rather it intends to maintain the Enoree Property and the Dam Property as a potential future raw water source.

### ***Wastewater Facilities***

By the terms of the Enabling Act, the District is authorized to provide wastewater services within its service area. The District acquired a wastewater package plant (the “*Sewer Facility*”) from Riverdale Mills Water and Sewer District, South Carolina (“*RMWSD*”) under the terms of the RMWSD Contract (as defined in “*- Contracts – RMWSD Contract*” below). The Sewer Facility has a 100,000 gallon per day capacity and serves approximately 150 customers. Revenues from the Sewer Facility account for a *de minimis* amount of the District’s overall revenues. As of Fiscal Year 2016, revenues of approximately \$26,212 were collected from the operation of the Sewer Facility. Other than the Sewer Facility, the District does not operate any other wastewater facilities. Other wastewater services are provided within the District’s service area by the City of Woodruff, Spartanburg Sanitary Sewer District and septic service.

### **Contracts**

#### ***SWS/SJWD Contract***

On July 6, 2015, the District, SWS and Startex-Jackson-Wellford Duncan Water District (“*SJWD*”) entered into a tri-party wholesale water purchase agreement (the “*Wholesale Agreement*”) wherein each party to the Wholesale Agreement agreed to make available to the other parties a source of finished water up to 2 MGD to serve as a back-up supply. Each party to the Wholesale Agreement is responsible for the maintenance, improvement, reconstruction,

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<sup>4</sup> The Water Facility and related improvements were constructed from the proceeds of the Series 2010 Bonds as such term is defined and described in “**PLAN OF REFUNDING – The Refunding**” herein.

expansion and enhancement of the transmission and connection lines within their respective service areas. Additionally, the Wholesale Agreement further provides that SJWD will supply the District with up to 2.5 MGD to serve a major industrial customer located on S.C. Highway 290; such supply is in addition to the 2.0 MGD otherwise available under the Wholesale Agreement. The Wholesale Agreement establishes a contractual rate between the parties, which is subject to adjustment after December 31, 2017 in an amount not exceeding 2.5% annually during the term of the Wholesale Agreement. The Wholesale Contract expires on December 31, 2020, but is otherwise subject to successive, automatic one-year renewals. In the fiscal year ended September 30, 2016, the District purchased zero gallons of water from SWS and zero gallons of water from SJWD.

#### ***RMWSD Contract***

The District entered into a contract with RMWSD dated October 20, 2004 (the “***RMWSD Contract***”). By the terms of the RMWSD Contract, RMWSD was consolidated into the District and the District assumed operation of all RMWSD’s utility services, which included both water and sewer services. The acquisition of the RMWSD water system added approximately 175 water customers to the System. The former RMWSD sewer facilities, as discussed further in “**THE DISTRICT AND THE SYSTEM – Water and Wastewater Facilities – Wastewater Facilities**” herein, added a wastewater package plant to the System. Revenues derived from the operation of the former RMWSD sewer system account for a *de minimis* amount of the District’s overall revenues.

#### ***MRRWC Contract***

The District entered into a contract with MRRWC dated May 16, 2013 (the “***MRRWC Contract***”). By the terms of the MRRWC Contract, MRRWC maintains two master meter water service connections with the District and may purchase up to 500,000 gallons per day from the District. Water usage in excess of the contractual limit will be provided at a price and feed rate as determined between the parties, but subject to the sole discretion of the District. MRRWC initially (first 12 months after MRRWC began receiving water) paid \$2.00 per 1,000 gallons up to the contractual maximum of 500,000. The rates set forth above are subject to annual adjustment in the discretion of the District, so long as any increase does not exceed the percentage increase proposed for other customers of the System. The contract expires on May 15, 2023, but will automatically renew for a subsequent 1 year period within six months of the initial expiration of the MRRWC Contract or any subsequent extension. In fiscal year 2016, MRRWC paid \$153,939 to the District for water purchased under the MRRWC Contract.

#### ***Toray Letter Agreement***

The District sent a letter to Toray Carbon Fibers America, Inc. (“***Toray***”) dated October 21, 2014 (the “***Toray Letter***”) detailing water service requirements for Toray’s new facility. Per the Toray Letter, Toray will be charged \$2.00 per 1,000 gallons of delivered water; this rate will be fixed for a period of five years and is not subject to minimum water purchase requirements. Additionally, no impact or tap fees have been charged to Toray. It is further anticipated that, in years 6 through 10, the rate paid by Toray would increase by 2% every other year. As needed and subject to the terms of the Wholesale Agreement described in “- ***SWS/SJWD Contract***” above, up to half of water flow for Toray may be supplied by SJWD. Toray broke ground on its new manufacturing facility in January, 2016 and facility is anticipated for completion in the summer of 2017. In fiscal year 2016, Toray consumed 6,327,600 gallons of water and paid \$27,793 to the District for water purchased; these purchases were construction-related and the District anticipates larger purchases once the new facility is completed.

## Customers

The following table shows the System's number of customers\* for the Fiscal Years ended September 30, 2012 through 2016.

<u>Year</u>	<u>Number of Customers*</u>	<u>Increase</u>	<u>Percentage of Increase (%)</u>
2012	9,927	72	0.73
2013	10,031	104	1.04
2014	10,122	91	0.90
2015	10,239	117	1.14
2016	10,413	174	1.70

\* Customer counts are based on water meters in the system. As a result, this number may be different than the number of customers with current billable accounts.

## Usage

The following table shows the System's total annual and daily average potable water flows, peak daily flows and peak monthly flows for the Fiscal Years ended September 30, 2012 through 2016. Such amounts reflect gallons pumped by the District and not actual gallons sold to customers.

<u>Year</u>	<u>Total Annual Flow (MG)</u>	<u>Total Purchased Water Flow (MG)</u>	<u>Daily Average Flow (MG)</u>	<u>Peak Daily Flow (MG)</u>	<u>Peak Monthly Flow (MG)</u>
2012	879.0*	879.0	2.41	2.75	85.26
2013	792.9*	709.4	2.17	3.30	72.16
2014	856.2*	-	2.35	3.25	84.47
2015	945.6	-	2.59	3.85	99.24
2016	1,010.3	-	2.76	3.84	102.55

\* Above average rainfall in these years resulted in lower usage.

## Ten Largest Customers

Set forth below is information relating to the ten largest water customers of the System for the fiscal year ended September 30, 2016.

<u>Customer Name</u>	<u>Annual Consumption in Gallons</u>	<u>Annual Billing*</u>	<u>Percentage of Fiscal Year 2016 Operating Revenues (%)</u>
MRRWC	76,969,600	\$153,939**	2.73
Celanese Emulsions	72,587,000	276,759	4.94
Inman Mills	34,555,100	139,281	2.49
Synthomer USA, LLC	14,352,200	65,314	1.17
Spartanburg County Sch. Dist. 6	14,174,700	64,509	1.15
Siemens	13,244,000	59,103	1.05
Toray Carbon Fibers, Inc.	6,327,600	27,793	0.50
Thomas Concrete	4,251,800	19,447	0.35
Roebuck Greenhouses	3,915,400	17,961	0.32
City of Woodruff	3,155,400	14,425	0.26

\* All water customers pay minimum water charges. Thus usage does not, in many instances, directly correspond to the revenues derived from a particular customer.

\*\* Subject to the terms of the MRRWC Contract as described in “-Contracts – MRRWC Contract” above.

## Ratemaking

The District's existing water rates are based upon a rate study by Black & Veatch Corporation presented to the Commission in June 2010 (the "**Rate Study**"). Billed on either a bi-monthly (residential) or monthly (industrial) basis (see "**-Charges and Collections**" herein), the water rates consist of a base charge and a series of volume charges. The base charge is a fixed fee paid by all customers regardless of usage. The volume charge, which is applied per 1,000 units of billable consumption, consists of a declining block rate structure (four-tiered for residential and six-tiered for industrial) whereby the incremental charge per unit of consumption decreases beyond certain predetermined levels.

Utility rates charged by the District are approved by the Commission and are not subject to administrative review, approval or oversight by any other local or state agency. Applying the projections from the Rate Study, the District adopted a resolution entitled, "A Resolution of the Woodruff-Roebuck Water District Commission Authorizing the Implementation of New Water Rates for the next Five Fiscal Years; and Other Matters Relating Thereto" dated August 12, 2010 (the "**Rate Resolution**"). By the terms of the Rate Resolution, the District authorized the implementation of an eight-year rate schedule whereby the water rates set forth below in "**-Water Rates**" shall be increased on an annual basis in accordance with the following table:

<u>Fiscal Year</u>	<u>Effective Date</u>	<u>Percentage Increase (%)</u>
2011	October 1, 2010	8.90
2012	October 1, 2011	8.90
2013	October 1, 2012	4.90
2014	October 1, 2013	4.90
2015*	October 1, 2014	4.90
2016	October 1, 2015	4.90
2017	October 1, 2016	4.50
2018	October 1, 2017	4.00

\* Except for Fiscal Year 2015 in which the Commission actually approved a rate increase of 7.2%, rates have been adjusted every year in accordance with the above schedule.

**Water Rates.** The following water rates charged by the District have been in effect since October 1, 2016.

### Industrial – Monthly Rates

One Month Minimum	2,500 Gallons	\$27.00
Next 7,500 Gallons	Cost/1000 Gallons	5.61
Next 15,000 Gallons	Cost/1000 Gallons	4.93
Next 975,000 Gallons	Cost/1000 Gallons	4.69
Next 1,000,000 Gallons	Cost/1000 Gallons	4.07
Over 2,000,000 Gallons	Cost/1000 Gallons	3.76
SCDHEC Fee	2,500 Gallons	3.00

### Residential – Bi-Monthly Rates

Two Month Minimum	5,000 Gallons	\$54.00
Next 15,000 Gallons	Cost/1000 Gallons	5.61
Next 30,000 Gallons	Cost/1000 Gallons	4.93
Next 50,000 Gallons	Cost/1000 Gallons	4.69
SCDHEC Fee	2,500 Gallons	0.30

**Water Tap Fees.** The District charges homeowners and businesses an initial tap fee in order for them to receive service from the District. Fees for taps larger than those shown on the table below are negotiated, and special installation requests are assessed an extra charge.

<u>Meter Size</u>	<u>Tap Fees</u>
¾ Inch	\$500.00
1 Inch	\$750.00

**Capital Contribution Fees.** In addition to the water tap fees set forth above, the District also charges a \$1,000.00 line installation fee for new properties connected to the System.

### Historical Rates

The following table sets forth the water charges which would have been paid by a residential customer of the District with a (3/4”) meter based on a bi-monthly water usage of 5,000 gallons in the years indicated based upon prevailing rates.

<u>Fiscal Year</u>	<u>Bi-Monthly Water Charges</u>	<u>Indicative Monthly Water Charges</u>	<u>Increase (Decrease) in Total Bi-Monthly Charge from Previous Fiscal Year (%)</u>
2012	\$43.80	\$21.90	5.0
2013	46.95	23.48	7.2
2014	49.25	24.64	4.9
2015	51.70	25.85	5.0
2016	54.00	27.00	4.4

### Other Water Purveyors

In addition to SWS and the District, there are six other municipal water service providers serving the County. These systems include: (1) Inman-Campobello Water District (“**ICWD**”); (2) SJWD; (3) Liberty-Chesnee-Fingerville Water District (“**LCF**”); (4) MRRWC; (5) Metro Sub-District “B” (“**Metro**”); and (6) City of Greer Commission of Public Works (“**GCPW**”). Except for SJWD and GCPW, both of which own and operate water treatment facilities and treat their own raw water supplies, ICWD, LCF, MRRWC, and Metro are all wholesale water customers. ICWD purchases potable water supplies from Broad River Water Authority in Rutherford, North Carolina and sells potable water to the customers within its service territory. LCF, MRRWC and Metro are all wholesale water customers of SWS; each of these wholesale customers resells and distributes water purchased from SWS directly to their respective customers. The water service providers in the County are well-established; and as a result, the District’s service territory is unlikely to grow substantially (but see “**THE DISTRICT – Legislation Affecting the District**” and “**-General Discussion of Service Area**” herein regarding recently expansions) absent the acquisition of or consolidation with another entity; however it is anticipated that future growth in the County as a result of development within the District’s service territory may lead to an increased customer base.

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## Comparative Charges

The District's current residential water rates compared with those of comparable and neighboring providers in the area for average users of 5,000 gallons on a bi-monthly basis. Outside rates are rates charged by water purveyors outside their statutory taxing area.

<u>Utility</u>	<u>Bi-Monthly Bill</u>	<u>Bi-Monthly Bill (Outside)</u>
The District	\$54.00	n/a
SWS	37.20	\$65.10
ICWD	54.00	59.82
SJWD	39.05	48.80
LCF	72.22	79.82
MRRWC	68.42	n/a
GCPW	33.04	48.68
Gaffney BPW	34.90	56.30
Greenville Water	23.74	35.76

Source: Prepared by Black & Veatch, the District's engineers.

## Charges and Collections

Residential water bills are computed on a bi-monthly basis and industrial water bills are computed on a monthly basis. Payments may be made to the District by mail or paid in person at the District's offices. Additionally, the District contracts with Southern Printing and Type, a Roebuck-based commercial printing company, so that bills may be payable in person to that entity. Payments on water bills may be made over the internet. The District's website is available at [www.wrwd.org](http://www.wrwd.org).

Customers who do not pay their bill by the due date are charged \$20.00 and water service may be disconnected. Service is restored only when the bill is paid in full and a \$20.00 fee is paid.

The Set-Off Debt Collection Act of 1988, as amended in 1992, which is codified at Title 12, Chapter 56 of the Code of Laws of South Carolina, 1976, as amended, allows the South Carolina Department of Revenue ("**DOR**") to collect any delinquent accounts or debts owed to certain public bodies, including political subdivisions like the District, by setting off refunds DOR owes the debtor.

## FINANCIAL INFORMATION

### Five-Year Operating History

***Financial Information With Respect to the District – Fiscal Years 2011 through 2015.*** A summary of revenue and expenses of the System for the fiscal years ended September 30, 2011 through 2015 and for the eleven months ended August 31, 2015 and August 31, 2016 is provided in the following table. This summary for fiscal years 2011 through 2015 has been derived from the audited financial statements of the District, copies of which are available from the District upon request. The financial statements for the year ended September 30, 2015, were audited by Norman, Johnson & Co., P.A., Spartanburg, South Carolina, and are attached as **APPENDIX A** to this Official Statement. Although the information for fiscal years 2011 through 2015 was taken from audited financial statements, no representation is made that the information is comparable from year to year, or that the information as shown by itself presents fairly the operations of the District for the periods shown. The amounts set forth below for the twelve months ended September 30, 2016, have been prepared by the staff of the District without audit, and, in the opinion of the staff of the District, include all adjustments necessary for a fair statement of the operating results of the System for such period.

	Fiscal Year Ended September 30,					12 Months Ended September 30,
						(Unaudited)
	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014*</u>	<u>2015</u>	<u>2016</u>
<b>Operating revenues</b>						
Charges for Services	\$3,993,236	\$4,096,220	\$4,216,192	\$4,716,784	\$5,204,707	\$5,558,020
Other	<u>23,455</u>	<u>14,496</u>	<u>13,348</u>	<u>22,470</u>	<u>99,454</u>	<u>45,752</u>
Total operating revenues	<u>4,016,691</u>	<u>4,110,716</u>	<u>4,229,540</u>	<u>4,739,254</u>	<u>\$5,304,161</u>	<u>\$5,603,772</u>
<b>Operating expenses</b>						
Personal Services	953,692	1,155,204	1,481,686	1,595,158	1,507,440	1,655,312
Water Purchases**	1,455,807	1,359,079	790,572	1,255	-	-
Contractual Services	114,700	155,598	116,452	84,621	83,462	125,971
Repairs, Materials and Supplies	389,121	339,701	348,904	294,144	331,069	343,039
General and Administrative	275,605	254,105	398,606	601,147	608,872	582,618
Depreciation and Amortization	<u>485,523</u>	<u>470,540</u>	<u>984,419</u>	<u>1,294,164</u>	<u>1,313,006</u>	<u>1,316,723</u>
Total operating expenses	3,674,448	3,734,227	4,120,639	3,870,489	3,843,849	4,023,663
<b>Operating income</b>	<b>342,243</b>	<b>376,489</b>	<b>108,901</b>	<b>868,765</b>	<b>1,460,312</b>	<b>1,580,109</b>
<b>Non-operating revenues (expenses)</b>						
Property Taxes***	715,885	714,237	742,237	779,759	794,686	(not finalized)
Other Income	3,600	--	45,544	110,276	64,461	--
Interest Income	18,087	10,730	52,744	81,855	74,798	13,900
Debt Issuance Costs****	(19,689)	(135,344)	--	(43,580)	(69,730)	(53,846)
Loss of Fixed Assets	--	(534,656)	(599,989)	(58,447)	(42,315)	--
Interest Expense	(136,122)	(13,911)	(1,177,370)	(1,701,628)	(1,690,968)	(1,534,585)
Bond Premium	15,068	17,117	18,069	18,069	18,069	18,069
Miscellaneous	(3,650)	(3,325)	(700)	(560)	(5,905)	(2,000)
Total non-operating revenues (expenses)	<u>593,179</u>	<u>54,931</u>	<u>(919,465)</u>	<u>(814,256)</u>	<u>(856,904)</u>	<u>--</u>
<b>Change in net position</b>	<b>935,422</b>	<b>431,420</b>	<b>(810,564)</b>	<b>54,509</b>	<b>603,408</b>	<b>--</b>
<b>Net position, beginning of year</b>	<b><u>14,287,857*</u></b>	<b><u>14,598,925*</u></b>	<b><u>15,030,012</u></b>	<b><u>12,146,323*</u></b>	<b><u>12,200,832</u></b>	<b><u>12,804,240</u></b>
<b>Net position, end of year</b>	<b><u>\$15,223,279</u></b>	<b><u>\$15,030,012</u></b>	<b><u>\$14,219,448</u></b>	<b><u>\$12,200,832</u></b>	<b><u>\$12,804,240</u></b>	<b><u>≡</u></b>

\* Restated since original fiscal year.

\*\* Water Facility came online in January, 2013.

\*\*\* Levied to pay debt service on General Obligation Bonds. No operational taxes are levied and these much as not pledged as security for the Bonds. As of the date hereof, the 2016 property tax collections have not be finalized by Spartanburg County.

\*\*\*\* No longer amortized under GASB Statement No. 65.

## Management’s Discussion and Analysis

The County has experienced moderate, yet steady population growth in recent years. Between calendar years 2010 and 2015, the County’s population grew by of 4.6%; the District has benefitted directly from such growth as its customer base has grown 4.9% between fiscal years 2012 and 2016. This growth had a direct impact on Gross Revenues as such figure has increased by approximately 36.3% over the same period of time. Also contributing to the increase in Gross Revenues is the District’s sustained implementation of rate increases, which have been increased every year since fiscal year 2005. The District has not increased water tap fees or capital contribution fees over the past five years.

Operation and Maintenance Expenses (net of depreciation) have decreased by approximately 17.1% since fiscal year 2012. The major factor contributing to decrease is the operation of the Water Facility, which reduced or eliminated the District’s water purchase expenses.

Further discussion of the System’s financial condition as of September 30, 2015 is provided as part of the Audited Financial Statements for the fiscal year ending September 30, 2015 attached hereto as **APPENDIX A**.

## Historical Revenues and Expenditures

The following table shows the historical net revenues and debt service coverage for the District (business activities) for the fiscal years ended September 30, 2012 through 2015. For purposes of this summary, Gross Revenues, Operation and Maintenance Expenses and Net Revenues have been determined in accordance with the provisions of the Bond Resolution. As a consequence, certain numbers may differ slightly from the numbers provided in the District’s audited financial statements.

	Fiscal Year Ended September 30,				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016**</u>
Gross Revenues	\$4,110,716	\$4,229,540	\$4,936,610	\$5,445,120	\$5,617,672
Operation and Maintenance Expenses	<u>3,256,672</u>	<u>3,130,416</u>	<u>2,522,434</u>	<u>2,505,839</u>	<u>2,708,940</u>
Net Revenues	854,044	1,099,124	2,414,176	2,939,281	2,908,732
Debt Service (Series 2010 Bonds)	n/a	n/a	1,894,185	2,034,135	2,184,585
Coverage Percentage*			127.45%	144.50%	133.15%

\* No coverage in 2012 and 2013 due to capitalized interest on the Series 2010 Bonds. Coverage in 2014 and 2015 has been calculated by Norman, Johnson & Co., PA.

\*\* Unaudited

## Outstanding General Obligation Indebtedness

General obligation debt is defined by the South Carolina Constitution as “any indebtedness” of the debtor that is secured in whole or in part by a pledge of its full faith and credit; therefore, general obligation bonds must be secured by *ad valorem* property taxes and are generally paid from such taxes. The District currently has outstanding its: (1) originally issued \$2,388,694 General Obligation Bond, Series 2008, dated December 23, 2008 (the “**2008 GO Bond**”); (2) originally issued \$3,395,000 General Obligation Bonds, Series 2012 (the “**2012 GO Bonds**”); (3) originally issued \$613,750 General Obligation Bond, Series 2014 dated April 24, 2014 (the “**2014 GO Bond**”); and (4) originally issued \$2,170,000 General Obligation Bonds, Series 2016 dated April 5, 2016 (the “**2016 GO Bonds**” and collectively with the 2008 GO Bond, the 2012 GO Bonds and the 2014 GO Bond, the “**GO Bonds**”). As of October 1, 2016, the outstanding balances on the 2008 GO Bond, the 2012 GO Bonds, the 2014 GO Bond and the 2016 GO Bonds were \$1,073,000, \$2,605,000, \$245,000 and \$2,170,000, respectively. The GO Bonds were issued pursuant to the provisions of S.C. Code Ann. Sections 6-11-810 *et seq.*, as amended. The GO Bonds are payable from an *ad valorem* tax levied upon all taxable property in the District without limitation as to rate or amount. The GO Bonds are not payable from the Net Revenues, nor do the holders thereof have a lien upon the Net Revenues of the System.

**Other Long Term Obligations**

The District currently has outstanding its originally issued \$570,000 capital lease obligation dated November 26, 2013 (the “*Lease*”). The Lease is payable as to principal and interest in semi-annual payments of \$35,132 through December 2023. The District uses money available from an annual appropriation of the District’s operational budget to make payments on the Lease; such payments on the Lease are secured by the water system equipment financed with the proceeds of the Lease.

**Forecasted Net Revenues and Debt Service Coverage**

The following table shows the forecasted revenues, expenses, debt service and debt service coverage of the System for each of the fiscal years ending September 30, 2017 through 2021. For purposes of this forecast, Gross Revenues, Operation and Maintenance Expenses, Net Revenues and Annual Principal and Interest Requirements have been determined according to the provisions of the Bond Resolution. There can be no assurance that the forecasts will be realized or that actual results will not differ materially from those forecasted.

	Fiscal Year Ending September 30,				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Gross Revenues*	\$5,854,553	\$6,332,276	\$6,530,654	\$6,735,911	\$6,948,289
Operation and Maintenance Expenses	<u>2,742,000</u>	<u>3,014,105</u>	<u>3,069,535</u>	<u>3,118,799</u>	<u>3,168,411</u>
Net Revenues	3,112,553	3,318,171	3,461,119	3,617,112	3,779,878
Annual Principal and Interest Requirement					
Coverage Ratio					

\* Reflects rate increases adopted in the Rate Resolution as further discussed in “**THE SYSTEM - Ratemaking**” herein.

**Debt Service Requirements**

The following table sets forth, on a fiscal year basis, the aggregate debt service on the District’s revenue bond bonds. Upon their issuance, the Unrefunded Series 2010 Bonds and the Series 2016 Bonds will be the only outstanding debt of the District having a lien on the Net Revenues of the System.

*[Remainder of page intentionally left blank]*

<b>Fiscal Year Ending September 30</b>	<b>Unrefunded Series 2010 Bonds</b>	<b>Series 2016 Bonds</b>		<b>Total Annual Debt Service</b>
		<b>Principal</b>	<b>Interest</b>	
2017	\$ 936,100			
2018	1,081,500			
2019	1,076,800			
2020	1,076,350			
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
<b>Total</b>				

Note: Totals may not add due to rounding.

### Capital Improvements

As part of its annual planning process, the District develops a capital improvement plan based on its projected ten-year capital needs. The capital improvement plan is reviewed and revised each fiscal year. Pursuant to the current capital improvement plan, a table with respect to which is set out below, the District expects to spend a total of \$32,424,515 on capital projects over the next ten years in order to upgrade and rehabilitate the System.

Over the ten-year projection period, improvements are expected to be paid from the following sources:

- (1) Surplus monies in the General Revenue Fund. Preliminary estimates show that the District anticipates spending \$8,000,000 from the General Revenue Fund for capital improvement projects.
- (2) Additional Bonds issued under the provisions of the Bond Resolution. Preliminary estimates show that the District anticipates the issuance of not exceeding \$18,000,000 in Additional Bonds.
- (3) General obligation bonds. Preliminary estimates show that the District anticipates the issuance of approximately \$7,250,000 in additional general obligation bonds, secured by the full faith, credit and taxing power of the District, in order to finance certain of the proposed improvements. General obligation bonds are secured only by ad valorem property taxes levied within the District and in no way pledge any portion of the District's Gross Revenues to the payment thereof.

A summary of the District's ten-year capital improvement plan is analyzed in the table provided on the next page.

**TEN YEAR CAPITAL IMPROVEMENT PLAN**

<b>FISCAL YEAR</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Totals</b>
Vehicle Replacement	\$ 25,000	\$ 100,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 500,000
Heavy Equipment Purchase and Replacement	50,000	20,000	20,000	20,000	50,000	20,000	50,000	20,000	50,000	50,000	350,000
Building Improvements	20,000	-	-	-	-	-	-	-	-	-	20,000
Computer Upgrades	-	-	50,000	-	-	-	-	-	-	-	50,000
Mapping System	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Water Sources	200,000	2,325,000	350,000	10,000,000	8,000,000	-	-	-	-	-	20,875,000
Major Lines:											
12" Dip to Enoree.	2,000,000	-	-	-	-	-	-	-	-	-	2,000,000
Miscellaneous	100,000	75,000	75,000	75,000	-	-	-	-	-	-	325,000
Old Hillsbridge Road	75,000	75,000	75,000	75,000	-	-	-	-	-	-	300,000
Enoree Water/Sewer	161,565	-	-	-	-	-	-	-	-	-	161,565
Enoree WWTP Improvements	142,950	-	-	-	-	-	-	-	-	-	142,950
Roebuck Improvements	-	-	-	-	-	-	1,400,000	-	-	-	1,400,000
Moore Water Tank	-	-	-	-	-	-	-	4,000,000	2,000,000	-	6,000,000
<b>Total Capital Improvements</b>	<b>\$2,804,515</b>	<b>\$2,625,000</b>	<b>\$625,000</b>	<b>\$10,250,000</b>	<b>\$8,130,000</b>	<b>\$100,000</b>	<b>\$1,530,000</b>	<b>\$4,100,000</b>	<b>\$2,130,000</b>	<b>\$130,000</b>	<b>\$32,424,515</b>

## Future Debt

As provided in “**THE SYSTEM – Water and Wastewater Facilities – Water Facilities**” and “**FINANCIAL INFORMATION – Capital Improvements**” herein, over the next ten years the District intends to perform pay as you go financing and issue Additional Bonds and general obligation bonds to pay for capital improvements.

## Operating Budget

The District operates on an October 1 to September 30 fiscal year. Budgetary preparations generally begin at the end of the third quarter of each fiscal year. After the Commission prepares and reviews the third quarter expense summary, the General Manager receives the summary and evaluates the current operating costs, manpower needs, capital needs and anticipated additional expenses for the ensuing fiscal year. The General Manager and the Finance Director then prepare and submit a preliminary budget to the Commission for its review, discussion, revision (as necessary) and approval. Set forth below is the operating budget of the District for the fiscal year ending September 30, 2017.

### Operating Budget

Operating Revenue	
Water Sales	\$5,380,753
Other Fees	466,800
Total	<u>5,847,553</u>
Operating Expenses*	
Personnel/Contractual Services	1,912,000
Water Purchases	30,000
General and Administrative	800,000
Total	<u>2,742,000</u>
Operating Income	3,105,553
Non-Operating Revenues (Expenses)	
Interest Income	7,000
Total	<u>7,000</u>
Net Income	\$3,112,553

\* Total does not include an amount representative of depreciation. Depreciation is calculated by the Accountants at the end of each Fiscal Year.

## LEGAL MATTERS

### Generally

The opinions of Pope Flynn, LLC as bond counsel (“**Bond Counsel**”) will be limited to matters relating to the authorization and validity of the Series 2016 Bonds and the tax-exempt status of interest on the Series 2016 Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

During recent years, legislative proposals have been introduced in Congress, and, in some cases, enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2016 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2016 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2016 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2016 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2016 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### Federal Income Tax Generally

On the date of issuance of the Series 2016 Bonds, Bond Counsel will render an opinion that, assuming continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the applicable regulations promulgated thereunder (the “**Regulations**”) and further subject to certain considerations described in “**Collateral Federal Tax Considerations**” below, under existing statutes, regulations, and judicial decisions, interest on the Series 2016 Bonds is excludable from the gross income of the registered owners or the Beneficial Owners (as applicable) thereof for federal income tax purposes. See **Appendix D – “Form of Opinion of Bond Counsel**” herein. Interest on the Series 2016 Bonds will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; however interest on the Series 2016 Bonds is included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of corporations. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Series 2016 Bonds, or (ii) the inclusion in certain computations (including, without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2016 Bonds for federal income tax purposes. Bond Counsel’s opinions are based upon existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service (the “**IRS**”) or the courts; rather, such opinions represent Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The opinion of Bond Counsel described above is subject to the condition that the District comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure, and investment of the gross proceeds of the Series 2016 Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2016 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds. The opinion of Bond Counsel delivered on the date

of issuance of the Series 2016 Bonds is conditioned on compliance by the District with such requirements and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2016 Bonds.

### **State Tax Exemption**

Bond Counsel is of the further opinion that the Series 2016 Bonds and the interest thereon are exempt from all taxation by the State, its counties, municipalities, and school districts except estate, transfer, or certain franchise taxes. Interest paid on the Series 2016 Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2016 Bonds or the interest thereon under the laws of any other jurisdiction.

### **Collateral Federal Tax Considerations**

Prospective purchasers of the Series 2016 Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences and prospective purchasers of the Series 2016 Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2016 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the holders thereof from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2016 Bonds. Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the holders of the Series 2016 Bonds regarding the tax-exempt status of the Series 2016 Bonds in the event of an audit examination by the IRS. The IRS has taken the position that, under the standards of practice before the IRS, Bond Counsel must obtain a waiver of a conflict of interest to represent an issuer in an examination of tax exempt bonds for which Bond Counsel had issued an approving opinion. Under current procedures, parties other than the District and their appointed counsel, including the holders of the Series 2016 Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2016 Bonds, and may cause the District or the holders of the Series 2016 Bonds to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the District may be obligated to disclose the commencement of an audit under the Disclosure Agreement (as defined in "MISCELLANEOUS – Continuing Disclosure" herein).

### **[Original Issue Discount**

[The Series 2016 Bonds maturing in 20\_\_] as indicated on the inside cover of this Official Statement are initially offered to the public at a price less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2016 Bonds maturing in 20\_\_ is sold in the initial offer to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and

principle amount constitutes original issue discount with respect to each Series 2016A Bond maturing in 20\_\_] (each, a “**Discount Bond**,” and collectively, the “**Discount Bonds**”).]

Bond Counsel is of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2016 Bonds. Original issue discount accrues in each taxable year over the term of the Discount Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code, with certain adjustments. Original issue discount may be treated as continuing to accrue in each taxable year even if payment of the Discount Bonds becomes doubtful.

Accruals of original issue discount are treated as tax-exempt interest earned by owners on the accrual basis of tax accounting and as tax-exempt interest received by owners on a cash basis of tax accounting even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of Discount Bonds if held by an original purchaser, can be determined by adding to such owner’s purchase price of such Discount Bonds the original issue discount that has accrued.

***Owners of the Discount Bonds should consult their own tax advisers with respect to all matters relating to such Discount.***]

### **[Original Issue Premium**

The Series 2016 Bonds maturing in 20\_\_ as indicated on the inside cover of this Official Statement are initially offered to the public at a price in excess of the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2016 Bonds maturing in 20\_\_] is sold in the initial offer to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at a price in excess of the principal amount thereof payable at maturity, the difference between such price and principle amount constitutes original issue premium with respect to each Series 2016A Bond maturing in 20\_\_] (each, a “**Premium Bond**,” and collectively, the “**Premium Bonds**”).]

That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

***Owners of the Premium Bonds should consult their own tax advisers with respect to all matters relating to such bond premium.***]

### **Litigation Relating to the Series 2016 Bonds**

No litigation is currently pending or, to the knowledge of the District, threatened in any court to restrain or enjoin the issuance or delivery of any of the Series 2016 Bonds or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Series 2016 Bonds, or in any way contesting or affecting the validity of the Series 2016 Bonds, the Bond Resolution or the Series Resolution or contesting the power or authority of the District to issue the Series 2016 Bonds.

## UNITED STATES BANKRUPTCY CODE

The obligation of the District under the Resolutions should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. § 901, *et seq.*, as amended (the “**Bankruptcy Code**”) and other laws affecting creditors’ rights and public instrumentalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a state that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner but does not limit or impair the power of the state to control a municipality by legislation; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of the creditors of each class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate or otherwise modify indebtedness under its plan varying from the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

## MISCELLANEOUS

### Ratings

Moody’s and S&P are expected to assign ratings of “A2” (stable outlook) and “AA” (stable outlook), respectively, to the Series 2016 Bonds and will do so with the understanding that, upon delivery of the Series 2016 Bonds listed above, the Policy will be issued by AGM.

Moody’s has assigned an underlying municipal bond rating of “A1” to the Series 2016 Bonds. Such rating reflects only the view of Moody’s and any desired explanation of the significance of the rating should be obtained only from Moody’s at the following address: Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that the rating will remain in effect for any given period of time or that such rating may not be lowered or withdrawn entirely by Moody’s, if in its judgment circumstances so warrant. Any such downgrade in or withdrawal of such rating may have an adverse effect on the market price of the Series 2016 Bonds.

S&P has assigned an underlying municipal bond of “A+” to the Series 2016 Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of the rating should be obtained only from S&P at the following address: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that the rating will remain in effect for any given period of time or that such rating may not be lowered or withdrawn entirely by S&P, if in its judgment circumstances so warrant. Any such downgrade in or withdrawal of such rating may have an adverse effect on the market price of the Series 2016 Bonds.

### Underwriting

The Series 2016 Bonds are being purchased for reoffering by Raymond James & Associates, Inc. (the “**Underwriter**”). The Underwriter has agreed to purchase the Series 2016 Bonds at an aggregate purchase price of \$ \_\_\_\_\_ (which amount is equal to the par amount of the Series 2016 Bonds, plus [net] original issue premium of \$ \_\_\_\_\_, less Underwriter’s discount of \$ \_\_\_\_\_). The initial public offering prices are set forth on the cover page of this Official Statement. The Underwriter may offer and sell the Series 2016 Bonds to certain dealers and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at a price lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter without prior notice. The Underwriter is obligated to purchase all of the Series 2016 Bonds, if any are purchased, such obligation being subject to certain conditions.

## **Municipal Advisor**

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

## **Independent Certified Public Accountants**

The financial statements of the District attached as **APPENDIX A** hereto have been examined by Norman, Johnson & Co., P.A., Spartanburg, South Carolina, independent certified public accountants, to the extent and for the periods indicated in their report thereon which appears in **APPENDIX A** attached hereto.

## **Legal Matters**

All of the legal proceedings in connection with the authorization and issuance of the Series 2016 Bonds are subject to the approval of Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel. Certain legal matters in connection with the Series 2016 Bonds will be passed on for the District by its counsel, Pope Flynn, LLC, Spartanburg, South Carolina, and by Pope Flynn, LLC, Charlotte, North Carolina, as Disclosure Counsel. Certain legal matters in connection with the Series 2016 Bonds will be passed on for the Underwriter by its counsel, Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina.

The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **Enforceability of Remedies**

The remedies available to the owners of the Series 2016 Bonds upon an event of default under the Resolutions are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Resolutions and the Series 2016 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds (including Bond Counsel’s approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits enacted before or after such delivery.

## **Continuing Disclosure**

In accordance with Section 11-1-85 of the Code of Laws of South Carolina, 1976, as amended, and the Bond Resolution, the District has covenanted to file with a central repository for availability in the secondary bond market when requested: (1) an annual independent audit, within thirty days of the District’s receipt of the audit; and (2) event specific information, if material, as soon as practicable. The only remedy for failure by the District to comply with this covenant shall be an action for specific performance. Moreover, the District specifically reserves the right to amend the covenant to reflect any change in Section 11-1-85 without the consent of any bondholder.

In accordance with Securities and Exchange Commission Rule 15c2-12(b)(5), the District, for the benefit of the holders of the Bonds, will execute and deliver a Continuing Disclosure Certificate prior to the closing of the Bonds. The form of the Continuing Disclosure Certificate appears as **APPENDIX E** to this Official Statement. In the Continuing Disclosure Certificate, the District has covenanted for the benefit of the holders of the Bonds to provide certain financial information and operating data (the “*Annual Report*”) relating to the District (including the District’s audited financial statements) and to provide notice of the occurrence of certain enumerated events within 10 business days of their

occurrence (“*Events Notices*”). Such covenant will only apply so long as the Bonds remain Outstanding under the Bond Resolution.

The District previously entered into continuing disclosure undertakings with respect to various issues of the District’s bonds (both general obligation and revenue bonds), which require the filing of an Annual Report (or documentation similar thereto). See “**FINANCIAL INFORMATION – Outstanding General Obligation Indebtedness**” and “**FINANCIAL INFORMATION – Debt Service Requirements**” herein for a listing of such indebtedness. The District was required to provide continuing disclosure with respect to (i) the Series 2010 Bonds, (ii) the 2012 GO Bonds, and (iii) the 2016 GO Bonds (collectively, the “*Prior Disclosure Bonds*”). Under the continuing disclosure materials for the Prior Disclosure Bonds, an Annual Report (or documentation similar thereto) and the audited financial statements of the District were required to be furnished not later than seven months after the end of each fiscal year for the 2012 GO Bonds and the 2016 GO Bonds and not later than 210 days from the end of the District’s fiscal year (fiscal year ends on September 30, which means 210 days from such date is usually April 28) for the Series 2010 Bonds. Since the implementation of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system on July 1, 2009, the District has filed its Annual Reports and audited financial statements with respect to the Prior Disclosure Bonds, but in certain cases has omitted to file such documentation on a timely basis. Specific information concerning the District’s compliance with its continuing disclosure undertakings for each of the Prior Disclosure Bonds is provided in the table below.

<u>Series of Bonds</u>	<u>Fiscal Year End (September 30)</u>	<u>Annual Filing Date</u>	<u>Annual Report Submission Date</u>	<u>Audited Financials Submission Date</u>
2012 GO Bonds	2012	4/30/2013	10/31/2014*	02/22/2013
	2013	4/30/2014	10/31/2014*	03/05/2014
	2014	4/30/2015	02/23/2015	02/23/2015
	2015	4/30/2016	02/19/2016	02/19/2016
	2016	4/30/2017	n/a	n/a
2016 GO Bonds**	2016	4/30/2017	n/a	n/a
Series 2010 Bonds	2011	4/27/2012***	03/02/2012****	03/02/2012
	2012	4/28/2013	02/22/2013****	02/22/2013
	2013	4/28/2014	03/05/2014****	03/05/2014
	2014	4/28/2015	02/23/2015	02/23/2015
	2015	4/27/2016***	02/19/2016****	02/19/2016
	2016	4/28/2017	n/a	n/a

\* Upon discovery of its failure to timely file annual reports for 2012 GO Bonds. Notices of Failure to File were filed on 10/22/2014.

\*\* The first continuing disclosure filing deadline for the 2016 GO Bonds is April 30, 2017; therefore, no continuing disclosure materials have been filed with respect to the 2016 GO Bonds.

\*\*\* Leap year.

\*\*\*\* Operating budget information was not timely filed. Notices of Failure to File as well as copies of the operating budgets were filed on 10/24/2016.

Additionally, since 2008, the rating agencies have periodically implemented rating changes to insurers and issuers without providing notice to the District. The District has learned of some changes through general media sources and, thereafter, filed Events Notices related to such rating changes (if applicable to the District); however, it is possible that the District was either unaware of a rating change or did not know about such change in order to file an Events Notice in a timely fashion. Therefore, while the District has disclosed certain Events Notices, no disclosure is made with respect to the timeliness or completeness of such filings.

### Verification of Arithmetical Computations

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal amounts of the respective government obligations and interest (if any) earned thereon, together with any cash in the related escrow account, to pay all of the principal of and premium, if any, and interest on the Refunded Bonds as such interest payments become due and the Refunded Bonds mature or are redeemed and (b) the mathematical computations supporting the

conclusion that the Series 2016 Bonds are not “arbitrage bonds” under Section 148 of the Code are being verified by Causey Demgen Moore P.C. Bond Counsel will rely on said verification in rendering its opinion as to the exclusion of interest on the Series 2016 Bonds from gross income of the owners thereof for purposes of federal income taxation.

**Concluding Statement**

All the summaries of the provisions of the Enabling Act, the Series 2016 Bonds, and the Resolutions and all summaries and references to other documents, instruments, and materials not purported to be quoted in full are only brief outlines of certain provisions thereof and are not intended to be and do not constitute complete statements of the Enabling Act or such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with all foregoing statements.

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

The agreement between the District and holders of the Series 2016 Bonds is fully set forth in the Resolutions and neither any advertisement for the Series 2016 Bonds nor this Official Statement is to be construed as constituting an agreement with the holders of the Series 2016 Bonds. The execution and delivery of this Official Statement have been duly authorized and this Official Statement has been deemed final by the District.

**WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA**

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Chairman, Woodruff-Roebuck Water District Commission

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**APPENDIX A**

**Audited Financial Statements for the District for the Fiscal Year Ended September 30, 2015**

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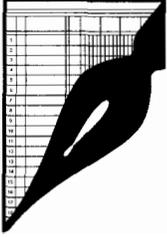
**Woodruff-Roebuck Water District**

Financial Statements and Supplemental Information  
Years Ended September 30, 2015 and 2014



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# Norman, Johnson & Co., PA

Certified Public Accountants

## Independent Auditor's Report

Board of Commissioners  
Woodruff-Roebuck Water District  
Woodruff, South Carolina

We have audited the accompanying financial statements of the **Woodruff-Roebuck Water District** as of and for the years ended September 30, 2015 and 2014, which comprise the statements of financial position as of September 30, 2015 and 2014, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodruff-Roebuck Water District as of September 30, 2015 and 2014, and changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

191 N. Daniel Morgan Avenue, Spartanburg, South Carolina 29306

Phone: (864) 573-8623 • Fax: (864) 585-8989

Member: American Institute of Certified Public Accountants

South Carolina Association of Certified Public Accountants • North Carolina Association of Certified Public Accountants

**Other Matters**

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the South Carolina Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 33 and 34, respectively be presented to supplement the basic financial statements. Such information, 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.

## Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodruff-Roebuck Water District's basic financial statements. The accompanying schedules of selected revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of selected revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The system information and annual report relating to the General Obligation Bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, on our consideration of Woodruff-Roebuck Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Woodruff-Roebuck Water District's internal control over financial reporting and compliance.

*Norman, Johnson & Co., PA*

Spartanburg, South Carolina  
February 16, 2016

## Woodruff-Roebuck Water District

### Management's Discussion and Analysis

As management of the Woodruff-Roebuck Water District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

#### Summary of Organization and Business

The District is a special purpose district created pursuant to Act No. 1101 of 1956 by the General Assembly of the State of South Carolina, as amended. The District was established for the purpose of providing waterworks, fire, and sewer service within the District. The District provides water service, limited sewer service, and no fire service.

The District has full power and authority to build, operate, and maintain water distribution facilities within its service territory. The District has full power and authority to employ such officers, agents, and employees as the District may, in its sole discretion, deem necessary to administer the operation and maintenance of the system, and to fix the schedule of rates and charges for services furnished by the system. The District is not subject to rate regulation by any other government body.

A five (5) member Board of Commissioners, serving six (6) year staggered terms governs the District. The District elects its own officers.

Operational and maintenance costs of the system are funded from system revenues. The acquisition and construction of capital assets are funded by revenue bond proceeds, general obligation bond proceeds, capital lease proceeds, developers, and customer revenues.

The District issued its Series 2014 General Obligation Bonds in the amount of \$613,750 on April 24, 2014 to provide funds for the general integration of its water system with Startex-Jackson-Wellford-Duncan Water District and other general improvements related to its water treatment facility. As of September 30, 2015, all of these bond proceeds had been spent on these projects.

The District's water system currently consists of three (3) booster pump stations, six (6) water storage tanks that have a capacity of holding 4.45 million gallons of water, and approximately 350 miles of water mains and distribution lines varying in size from two (2) to thirty (30) inches in diameter. The system also includes a 4.4 million gallon per day water treatment facility which has the potential for expansion to 17.6 million gallons per day. According to the Department of Health and Environmental Control, the District serves approximately 24,300 residents.

#### Financial Highlights

- The District's total net position increased \$603,408 for the year. The increase of net position was the result of operating revenues exceeding operating expenses. Operating income less expenses for the year was \$1,460,312, showing an increase of \$564,532 from the prior year. The largest part of this increase was due to an increase in charges for services of \$487,923.
- Through September 30, 2015, \$4,392,422 has been expended on a reservoir project, \$123,154 has been expended on water supply projects, \$131,552 has been expended on water supply and rights of way for a new industry and \$3,602 has been expended on improvements to the Enoree waste water treatment plant. These costs totaling \$4,650,730 are carried in the construction in progress account in the notes to the financial statements.
- Major capital expenditures during the year included: \$122,987 expended on water supply project and rights of way to a new industry; tank improvements in the amount of \$39,299; and \$114,979 for four new trucks. With the exception of the water supply project and rights of way, these costs have been capitalized in the water distribution system, equipment and vehicle accounts and are subject to depreciation.

**Woodruff-Roebuck Water District**

## Management's Discussion and Analysis

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements, which include the statements of net position, statements of revenues, expense and changes in net position, statements of cash flows, and notes to the financial statements, are presented to display information about the District as a whole in accordance with GASB 34. The financial statements are prepared on the accrual basis of accounting. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

**Statements of Net Position** - These statements present information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**Statements of Revenues, Expenses and Changes in Net Position** - These statements present information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

**Statements of Cash Flows** - These statements show the nature of the District's cash flows for the year segregated between operating, capital and related financing, and investing activities. They detail the sources of cash received and how it was dispersed during the year. They also present a reconciliation of net operating income to cash flows from operating activities which shows how changes in various assets and liabilities affect the cash flows.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements are on pages 15 to 32 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the District's revenues and expenses. Supplementary information can be found beginning on page 35 of this report.

**Woodruff-Roebuck Water District**

Management's Discussion and Analysis

**Government-Wide Financial Analysis**

The District's net assets at year end are \$12,804,240. This is an increase of \$603,408 over last year's net assets of \$12,200,832 as restated. The following table provides a summary of the District's net assets at September 30, 2015 and 2014:

**Woodruff-Roebuck Water District's Net Position**

	2015	2014 (Restated)
<b>Assets and Deferred Outflows</b>		
Current assets	\$ 4,045,416	\$ 2,022,012
Restricted assets	2,202,038	3,994,618
Capital assets, net	51,307,790	52,133,976
Deferred outflows of resources	76,652	84,170
Total assets and deferred outflows of resources	57,631,896	58,234,776
 <b>Liabilities and Deferred Inflows</b>		
Current liabilities (payable from operating fund)	160,547	148,746
Current liabilities (payable from restricted assets)	1,818,054	1,705,408
Long term liabilities	42,784,088	44,016,600
Deferred inflows of resources	64,967	163,190
Total liabilities and deferred inflows of resources	44,827,656	46,033,944
 <b>Net position</b>		
Net investment in capital assets	10,318,521	11,068,330
Restricted	798,126	1,448,837
Unassigned	1,687,593	(316,335)
Total net position	\$ 12,804,240	\$ 12,200,832

The District's investment in capital assets exceeds related debt by \$10,318,521. The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$796,406 is available for future debt service on general obligation bonds.

The remaining net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. There was an increase of \$2,003,928 in the unrestricted net position for the District's activities resulting in unrestricted net position of \$1,687,593 at September 30, 2015. The increase was due to a reduction in net investment in capital assets and revenue exceeding expenses by \$603,408.

The District implemented GASB Statement No. 68 during the year ended September 30, 2015. With the new reporting change, the District is allocated its proportionate share of South Carolina Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position for 2014 by \$2,073,125. Decisions regarding the allocation are made by the administrators of the pension plan, not by the District's management.

**Woodruff-Roebuck Water District**

Management's Discussion and Analysis

The following table provides a summary of the District's changes in net position for the years ended September 30, 2015 and 2014:

**Woodruff-Roebuck Water District's Changes in Net Position**

	2015	2014 (Restated)
Program revenues		
Charges for services	\$ 5,204,707	\$ 4,716,784
Other operating revenue	99,454	22,470
General revenues		
Property taxes	794,686	779,759
Other revenues	157,328	210,200
Total revenues	<u>6,256,175</u>	<u>5,729,213</u>
Program expenses		
Direct operating	1,921,971	1,975,178
General and administrative	603,509	592,910
Depreciation and amortization	1,313,006	1,294,164
Bank credit card charges	5,363	8,237
Nonoperating expenses		
Losses on capital assets	42,315	58,447
Other expenses	1,766,603	1,745,768
Total expenses	<u>5,652,767</u>	<u>5,674,704</u>
Change in net position	<u>603,408</u>	<u>54,509</u>
Net position, beginning, previously reported	12,200,832	14,219,448
Restatement		<u>(2,073,125)</u>
Net position, beginning, restated	<u>12,200,832</u>	<u>12,146,323</u>
Net position, ending	<u>\$ 12,804,240</u>	<u>\$ 12,200,832</u>

The District's total operating revenues increased \$564,907. The total cost of all programs and services decreased \$26,640. Net nonoperating expenses increased \$42,648. Key elements of the decrease in net nonoperating expenses are as follows:

- Other income decreased due to net timber sales of \$62,687 in the prior year.
- Debt issuance costs decreased \$43,580 since no bonds were issued in the current year.
- Bond insurance and fee expense of \$69,730 in the current year were for release of revenue bond debt service reserves.

**Financial Analysis of the District**

As noted earlier, the District uses the accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Woodruff-Roebuck Water District

### Management's Discussion and Analysis

The Water District is a special purpose district engaged only in business-type activities that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss from operations, and the District is intended to be entirely or predominantly self-supported from user charges.

Service revenue increased \$487,923 from the previous year. Operating expenses remained constant. The increase in service revenue was principally due to an increase of 4.9% in billing rates effective October 1, 2014, although there was an increase in water consumption during 2015.

#### Capital Assets and Debt Administration

**Capital Assets.** The District's investment in capital assets for its business-type activities as of September 30, 2015, totals \$51,307,790 (net of accumulated depreciation). These assets include buildings, land, machinery, equipment, vehicles, water distribution systems, treatment plant, and construction in progress.

Major capital asset transactions during the year include the following additions:

Water distribution systems and meter replacements paid for with operating funds	\$	177,690
Vehicles paid for with operating funds	\$	114,979
New industry water supply and right-of-way paid with operating and grant funds	\$	122,987
Roof paid for with General Obligation Bonds	\$	27,557

#### Woodruff-Roebuck Water District's Capital Assets

	2015	2014
Land	\$ 1,134,695	\$ 1,134,695
Land Improvements	1,587,738	1,677,039
Water Distribution System	18,259,966	18,710,369
Treatment plant	22,765,376	23,246,335
Buildings and Equipment	2,792,220	2,824,046
Vehicles	117,065	26,661
Construction in Progress	4,650,730	4,514,831
Total	\$ 51,307,790	\$ 52,133,976

Additional information on the District's capital assets can be found in Note 6 of the basic financial statements.

**Debt Administration.** Long-term obligations consist of the following:

	2015	2014
Long-term obligations		
General Obligation Bonds	\$ 4,537,150	\$ 5,136,750
Revenue Bonds	36,365,000	36,850,000
Capital lease obligation	498,968	547,024
Compensated absences	133,493	145,084
Net pension liability	2,132,289	2,021,120
Total	\$ 43,666,900	\$ 44,699,978

## Woodruff-Roebuck Water District

### Management's Discussion and Analysis

Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended, provides that special purpose districts may incur general obligation indebtedness upon such terms and conditions as the General Assembly may prescribe by general law subject to the following limitations: (i) such debt must be incurred only for a purpose which is a corporate purpose for such body, and (ii) unless excepted therefrom, such debt may be issued in an amount not exceeding eight percent of the assessed value of all taxable property of such special purpose district. The District's outstanding general obligation indebtedness was validly issued and incurred in compliance with the Constitution and State law. Given the District's outstanding general obligation indebtedness and its most recent assessed value, as calculated by the County Auditor of Spartanburg County, South Carolina, the District is below the general obligation indebtedness limit at this time.

Property taxes assessed by Spartanburg County, South Carolina are used to fund the repayment of general obligation bonds and the interest thereon. For the year ended September 30, 2015, property tax revenues totaled \$794,686 and debt service payments totaled \$727,527.

After the payment of interest on the Series 2010 Revenue Bonds during the first three years to 2013 (Capitalized Interest Period beginning with the December 1, 2013 interest payment), debt service requirements on the water system improvement bonds is expected to be paid from operating revenues of the Water District. The Water District obtained a debt service surety policy in November 2014 which allowed the District to utilize the amounts in the debt service reserve fund for debt service payments. Interest of \$1,549,135 and principal of \$485,000 were paid during the year primarily from the former debt service reserve fund.

Additional information regarding the District's long-term debt can be found in Note 7 of the basic financial statements.

#### **Economic Factors and Next Year's Rates**

The following key economic indicators reflect the challenges the District faces with the local economy:

- The unemployment rate for Spartanburg County, which includes the District compares favorably with the national and state unemployment rate.
- The District serves both the rural and residential community. Though this year has remained relatively constant, the District has experienced considerable growth in its customer base in the past few years and continued growth is anticipated.
- For the District's general obligation bond debt service, the property tax rate decreased to 10.4 mills compared to 10.8 mills the previous year. Assessed value of the District's property increased \$1,504,679 for 2015 tax billings.
- As for the District's business-type activities, water rates increased 4.9% for the year.
- A planned increase in water rates of 4.9% is effective for the fiscal year beginning October 1, 2015.

#### **Requests for Information**

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Woodruff-Roebuck Water District, 9890 Highway 221, Woodruff, South Carolina.

## Woodruff-Roebuck Water District

Statements of Net Position  
September 30, 2015 and 2014

	ASSETS	
	2015	2014 (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,449,926	\$ 827,356
Certificates of deposit	313,728	45,656
Accounts receivable, net of allowance	518,895	484,567
Unbilled revenues	537,679	474,673
Inventory	185,477	172,161
Prepaid expenses	39,711	17,599
Total current assets	<u>4,045,416</u>	<u>2,022,012</u>
Restricted Assets		
Cash and cash equivalents restricted to capital projects		65,296
Property taxes receivable, net of allowance	37,761	28,954
Cash with fiscal agent	760,365	702,023
Investments from revenue bonds	1,403,912	3,198,345
Total restricted assets	<u>2,202,038</u>	<u>3,994,618</u>
Other Assets		
Capital assets, net	<u>51,307,790</u>	<u>52,133,976</u>
Total other assets	<u>51,307,790</u>	<u>52,133,976</u>
Total assets	<u>57,555,244</u>	<u>58,150,606</u>
Deferred Outflows of Resources	<u>76,652</u>	<u>84,170</u>
Total assets and deferred outflows	<u>\$ 57,631,896</u>	<u>\$ 58,234,776</u>

The accompanying notes are an integral part of these financial statements.

## Woodruff-Roebuck Water District

Statements of Net Position  
September 30, 2015 and 2014

## LIABILITIES AND NET POSITION

	2015	2014 (Restated)
Liabilities		
Current Liabilities (payable from operating fund)		
Accounts payable	\$ 41,525	\$ 33,021
Salaries and benefits payable	59,807	57,707
Accrued interest payable	6,749	7,567
Customer deposits	2,395	2,395
Current portion of lease payable	50,071	48,056
Total current liabilities (payable from operating fund)	<u>160,547</u>	<u>148,746</u>
Current Liabilities (payable from restricted assets)		
Accounts payable		59,210
Accrued interest on general obligation bonds	41,174	50,802
Accrued interest on revenue bonds	512,930	510,796
Current portion of general obligation bonds payable	613,950	599,600
Current portion of revenue bonds payable	650,000	485,000
Total current liabilities (payable from restricted assets)	<u>1,818,054</u>	<u>1,705,408</u>
Long term liabilities		
Compensated absences payable	133,493	145,084
Lease payable, less current portion	448,897	498,968
Revenue bonds payable, less current portion	35,715,000	36,365,000
General obligation bonds payable, less current portion	3,923,200	4,537,150
Bond premium, net	431,209	449,278
Net pension liability	2,132,289	2,021,120
Total long term liabilities	<u>42,784,088</u>	<u>44,016,600</u>
Total liabilities	<u>44,762,689</u>	<u>45,870,754</u>
Deferred Inflows of Resources	<u>64,967</u>	<u>163,190</u>
Net Position		
Net investment in capital assets	10,318,521	11,068,330
Restricted		
General obligation bond repayments	796,406	729,257
Revenue bond debt service		717,860
Capital projects	1,720	1,720
Unrestricted	1,687,593	(316,335)
Total net position	<u>12,804,240</u>	<u>12,200,832</u>
Total liabilities and net position	<u>\$ 57,631,896</u>	<u>\$ 58,234,776</u>

The accompanying notes are an integral part of these financial statements.

## Woodruff-Roebuck Water District

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2015 and 2014

	2015	2014 (Restated)
Operating revenues		
Charges for services	\$ 5,204,707	\$ 4,716,784
Other operating revenue	99,454	22,470
Total operating revenues	<u>5,304,161</u>	<u>4,739,254</u>
Operating expenses		
Personal Services	1,507,440	1,595,158
Water Purchases		1,255
Contractual Services	83,462	84,621
Repairs, materials and supplies	331,069	294,144
General and administrative	603,509	592,910
Depreciation	1,313,006	1,294,164
Bank credit card charges	5,363	8,237
Total operating expenses	<u>3,843,849</u>	<u>3,870,489</u>
Operating income	1,460,312	868,765
Nonoperating revenues (expenses)	<u>(856,904)</u>	<u>(814,256)</u>
Change in net position	<u>603,408</u>	<u>54,509</u>
Total net position, beginning of year, previously reported	12,200,832	14,219,448
Restatement		(2,073,125)
Total net position, beginning of year, restated	<u>12,200,832</u>	<u>12,146,323</u>
Total net position, end of year	<u>\$ 12,804,240</u>	<u>\$ 12,200,832</u>

The accompanying notes are an integral part of these financial statements.

## Woodruff-Roebuck Water District

Statements of Cash Flows  
Years ended September 30, 2015 and 2014

	2015	2014 (Restated)
Cash Flows from Operating Activities		
Cash received from customers	\$ 5,190,627	\$ 4,585,274
Cash paid for goods and services	(1,034,127)	(995,334)
Cash paid to employees for services	(1,496,467)	(1,542,248)
Other income	64,461	110,276
Other expenses	(75,636)	(560)
Net cash provided by (used in) operating activities	<u>2,648,858</u>	<u>2,157,408</u>
Cash Flows from Capital and Related Financing Activities		
Property tax collections	785,879	784,785
Change in cash held by fiscal agent	(58,342)	(129,268)
Proceeds from Series 2014 general obligation bond issue		596,250
Proceeds from capital lease obligation		570,000
Interest paid on capital lease obligation	(22,208)	(12,156)
Interest paid on general obligation bonds	(127,927)	(137,727)
Interest paid on revenue bonds	(1,549,145)	(1,559,185)
Principal payments on capital leases	(48,056)	(22,976)
Principal payments on general obligation bonds	(599,600)	(517,790)
Principal paid on revenue bonds	(485,000)	(335,000)
Payments for debt issuance costs incurred		(26,080)
Proceeds from sale of property and equipment	1,700	5,225
Acquisition and construction of capital assets	(590,045)	(1,438,495)
Net cash provided by (used in) capital and related financing activities	<u>(2,692,744)</u>	<u>(2,222,417)</u>
Cash Flows from Investing Activities		
Interest earned on investments	74,798	81,855
Interest reinvested - net	(70,828)	(46,687)
Purchase of certificates of deposit	(267,434)	
Net proceeds from Series 2010 revenue bond investments	1,864,624	87,857
Net cash provided by (used in) investing activities	<u>1,601,160</u>	<u>123,025</u>
Net increase (decrease) in cash and cash equivalents	1,557,274	58,016
Cash and cash equivalents, Beginning of year	<u>892,652</u>	<u>834,636</u>
Cash and cash equivalents, End of year	<u>\$ 2,449,926</u>	<u>\$ 892,652</u>

The accompanying notes are an integral part of these financial statements.

## Woodruff-Roebuck Water District

Statements of Cash Flows  
Years ended September 30, 2015 and 2014

	2015	2014 (Restated)
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating income	<u>\$ 1,460,312</u>	<u>\$ 868,765</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,313,006	1,294,164
Other income	64,461	110,276
Other expenses	(75,636)	(560)
Pension expense	20,464	27,015
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(34,328)	(111,038)
(Increase) decrease in unbilled revenue	(63,006)	(42,942)
(Increase) decrease in inventory	(13,316)	58,827
(Increase) decrease in prepaid expenses	(22,112)	20,040
Increase (decrease) in accounts payable	8,504	(93,034)
Increase (decrease) in accrued salaries and benefits payable	2,100	5,858
Increase (decrease) in accrued compensated absences	(11,591)	20,037
Total adjustments	<u>1,188,546</u>	<u>1,288,643</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,648,858</u></u>	<u><u>\$ 2,157,408</u></u>

The accompanying notes are an integral part of these financial statements.

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of Woodruff-Roebuck Water District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are presented below.

**a. Reporting Entity**

Woodruff-Roebuck Water District ("District") is a special purpose tax district, created on February 25, 1956 by the General Assembly of the State of South Carolina under Act. No. 1101 ("Act"). Under the Act, the District is empowered to construct, operate, maintain, improve and extend a water distribution system, a sewer system, and a system of fire protection within the District. Currently the District provides a treatment plant, water distribution system and a small sewer system (Enoree). The District is operated and managed by a commission consisting of five elected members who serve six (6) year staggered terms.

The financial statements of the District consist only of the operations and related assets of the District. The District has no oversight responsibility for any other governmental entity, since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

**b. Basis of Presentation**

The District operates as an enterprise fund. Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**c. Measurement Focus and Basis of Accounting**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP) using full accrual basis accounting.

Major revenue sources susceptible to accrual include property taxes and charges for services.

Property tax revenues are assessed and collected by Spartanburg County and are remitted to the District. Property taxes are levied each September (except automobiles which are annually assessed on the first day of the month the automobiles are registered) on the assessed value as of the prior December 31 for all real and personal property located in the County. Taxes are due in one payment on or before January 15. A three percent penalty is added on January 16. If taxes remain unpaid on February 2, a seven percent penalty is added to the total of taxes plus penalties. If taxes remain unpaid on the March 17 lien date, an additional five percent penalty is added to the total of taxes and penalties plus a \$15 delinquent execution charge.

Operating income includes revenues and expenses related to the primary continuing operation of the District. Operating revenue includes charges for water service and related items. Operating expenses consist of the costs of providing the goods and services and include administrative expenses and depreciation of the capital assets.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 1 - (continued)**

## d. Budgets and Budgetary Accounting

The District prepares an annual budget for its operations that is approved by the Board of Commissioners. The budget may be amended by the Commissioners during the year. It is prepared on the modified cash basis of accounting.

## e. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

*Statement of Cash Flows* - For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments (excluding cash with fiscal agents and held in trust by third parties) with a maturity of three months or less when purchased to be cash equivalents.

*Restricted Cash* - Certain cash and investments are restricted for debt service and capital expenditures by the District's Bond Ordinances. As of September 30, 2015 and 2014, investments of \$1,403,912 and \$3,198,345 were restricted for capital expenditures and debt service reserves, cash equivalents of \$0 and \$65,296 were restricted to capital projects, and cash with fiscal agent of \$760,365 and \$702,023 were restricted for debt service.

## 1. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts (taxes and water billings) are shown net of an allowance for doubtful accounts. This amount is estimated by reviewing the aging reports and analyzing the percentage of receivables that were not collected in prior years.

## 2. Inventory

Inventory is carried at weighted average cost determined on the first-in/first-out method. It consists primarily of plant and water distribution supplies, chemicals, and spare parts.

## 3. Investments

The District reports all equity and debt securities at fair value in the statement of net position and all changes in fair value as increases or decreases in capital assets under construction in the statement of net position. Such fair values are based on quoted market prices.

## 4. Capital Assets

The District's capital assets are recorded at cost or estimated historical costs. Donated capital assets are recorded at their estimated fair value at the date of donation.

It is the policy of the District to capitalize all capital assets costing more than \$1,000 with an estimated useful life of two or more years. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 1 - (continued)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land Improvements	20
Building, Treatment Plant and Water Distribution System	5-50
Machinery and Equipment	5-10
Vehicles and Office Equipment	3-10

When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded as nonoperating revenues and expenses.

#### 5. Capitalized Interest

Interest costs, less related interest income, are capitalized into construction in progress during an extended period of construction.

#### 6. Premium on Bonds Payable

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Material bond premiums and discounts are recorded in the statement of net position and amortized over the life of the bonds using the straight-line method that approximates the effective interest method.

The premium on revenue bonds payable at September 30, 2015 and 2014, of \$412,308 and \$428,746 (net of accumulated amortization of \$80,818 and \$64,380) is being amortized over the term of the bonds. The premium on general obligation bonds payable at September 30, 2015 and 2014 of \$18,901 and \$20,532 (net of accumulated amortization of \$5,575 and \$3,943) is also being amortized over the term of the bonds.

#### 7. Compensated Absences

The annual leave policy of the District grants employees up to 19 days of annual leave based on years of employment which can be utilized for vacation, personal and family illness, and personal appointments and errands. The District allows employees to accumulate their unused annual leave up to a maximum of 90 days, in a long-term disability account. Unused accumulated long-term disability days are forfeited when an employee separates from service unless the employee retires or becomes disabled. The accrued liability for compensated absences totaled \$133,493 and \$145,084 at September 30, 2015 and 2014.

#### 8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS' fiduciary net position have been determined on the same basis as they are reported by the South Carolina Public Employee Benefit Authority (PEBA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 1 - (continued)**

## 9. Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4 "Elements of Financial Statements", deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that are applicable to a future reporting period, respectively.

## 10. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position first.

## 11. Nonexchange Transactions

The District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim arises, or when all eligibility requirements are met. Nonexchange transactions occur when one party provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Grants and capital contributions are examples of nonexchange transactions.

Transmission and distribution system assets contributed to the District by independent installers are capitalized at the installers' costs, which approximate fair value at the time of the District's acquisition, and recorded as revenue when received. For the years ended September 30, 2015 and 2014, there were no contributions of distribution system assets.

## 12. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

## 13. Net Position

Net position in the financial statements are classified as net investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when there are legal limitations imposed on their use by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

The District has a revenue spending policy that provides guidance for programs with multiple revenue sources. The General Manager will use resources in the following hierarchy: federal funds, state funds, county funds, and local funds. For purposes of net position classification, expenditures are to be spent from restricted net position first. The Board of Commissioners has the authority to deviate from this policy if it is in the best interest of the District.

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 1 - (continued)**

## 14. Income Taxes

Woodruff-Roebuck Water District is recognized as a public utility for federal income tax purposes. As such, gross revenues of the District are excluded from federal income taxes under Internal Revenue Code Section 115.

**Note 2 - Cash and Cash Equivalents**

The District maintains various checking accounts with three financial institutions. At September 30, 2015, the carrying amount of the District's deposits was \$2,763,304 and the bank balance was \$2,771,516. Of the bank balance at September 30, 2015, \$800,000 was insured by federal depository insurance, and \$1,971,516 was collateralized with securities held by the financial institution in the District's name. The District has not experienced any losses in these bank accounts and believes that they are not exposed to any significant risk on cash and temporary investments. The District has no policy regarding custodial credit risks for deposits. In addition, the District has a formal policy regarding investment decisions and credit risk.

**Note 3 - Investments**

As of September 30, 2015 and 2014, the District had \$1,403,912 and \$3,198,345 of investments in cash, obligations of the United States and its agencies, and collateralized repurchase agreements. At September 30, 2015, all investments were in the First American Government Obligation Fund.

The investments are scheduled to mature over the next year to provide for interest and principal payments as they come due.

The Debt Service Reserve Fund was funded at an amount equal to the reserve requirements and was designated to provide security for long-term revenue debt. An Insurance Agreement (Surety Policy) was issued on November 21, 2014 for the required amount of the Debt Service Reserve. Required payments from the District to the Debt Service Fund began in June 2013 and totaled \$169,511 and \$1,861,392 for the years ended September 30, 2015 and 2014, respectively.

Investments of the District are invested pursuant to statutes established by the State of South Carolina. The statutes allow for the investment of money in the following investments:

1. Obligations of the United States and its agencies;
2. General obligations of the State of South Carolina and any of its political units. Savings and loan association deposits to the extent they are insured by the Federal Deposit Insurance Corporation;
3. Certificates of deposit which are collateralized by securities of the type described above, held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an Agency of the Federal government.
4. Collateralized repurchase agreements which are collateralized by securities as set forth in (1) and (2);
5. South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 4 - Taxes Receivable**

Taxes receivable (current and delinquent) represent property and vehicle taxes which have been collected and remitted to Spartanburg County Treasurer's office for its distribution to the District and taxes due but uncollected net of an allowance for uncollectible. At September 30, 2015 and 2014, the District's uncollected assessed taxes that have been transferred to the Spartanburg County Delinquent Tax Collector for the District were \$106,091 and \$94,171. These amounts net of allowances for doubtful accounts of \$79,322 and \$77,605, and plus delinquent and vehicle taxes collected and unremitted of \$10,992 and \$12,388 are shown as taxes receivable in the accompanying statements.

Assessed values for real estate are established annually by the County Tax Assessor based on the assessment ratio applied to the appropriate class of property. Real and personal property, excluding merchant's inventory, in the District's area was assessed at \$74,563,190 and \$73,058,551. The District's debt service tax rate was 10.4 and 10.8 mills for the years ended September 30, 2015 and 2014.

**Note 5 - Capital Assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Not being depreciated				
Land	\$ 1,134,695	\$	\$	\$ 1,134,695
Construction in Progress	4,514,831	135,899		4,650,730
Total capital assets not being depreciated	<u>5,649,526</u>	<u>135,899</u>		<u>5,785,425</u>
Being depreciated				
Land Improvements	1,831,671	2,013		1,833,684
Buildings and Equipment	4,222,964	100,255	176,994	4,146,225
Water Distribution System	25,365,767	177,689	191,504	25,351,952
Treatment plant	24,047,933			24,047,933
Vehicles	295,404	114,979	73,073	337,310
Total capital assets being depreciated	<u>55,763,739</u>	<u>394,936</u>	<u>441,571</u>	<u>55,717,104</u>
Less accumulated depreciation				
Land Improvements	154,632	91,314		245,946
Buildings and Equipment	1,398,918	132,080	176,993	1,354,005
Water Distribution System	6,655,398	584,078	147,490	7,091,986
Treatment plant	801,598	480,959		1,282,557
Vehicles	268,743	24,575	73,073	220,245
Total accumulated depreciation	<u>9,279,289</u>	<u>1,313,006</u>	<u>397,556</u>	<u>10,194,739</u>
Total capital assets being depreciated, net	<u>46,484,450</u>	<u>(918,070)</u>	<u>44,015</u>	<u>45,522,365</u>
Capital assets, net	<u>\$ 52,133,976</u>	<u>\$ (782,171)</u>	<u>\$ 44,015</u>	<u>\$ 51,307,790</u>

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 5 - (continued)**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Not being depreciated				
Land	\$ 1,134,695	\$	\$	\$ 1,134,695
Construction in Progress	4,392,422	122,409		4,514,831
Total capital assets not being depreciated	<u>5,527,117</u>	<u>122,409</u>		<u>5,649,526</u>
Being depreciated				
Land Improvements	1,831,671			1,831,671
Buildings and Equipment	4,194,273	50,448	21,757	4,222,964
Water Distribution System	25,143,832	336,492	114,557	25,365,767
Treatment plant	24,047,933			24,047,933
Vehicles	350,203		54,799	295,404
Total capital assets being depreciated	<u>55,567,912</u>	<u>386,940</u>	<u>191,113</u>	<u>55,763,739</u>
Less accumulated depreciation				
Land Improvements	63,376	91,256		154,632
Buildings and Equipment	1,296,889	123,786	21,757	1,398,918
Water Distribution System	6,128,766	579,899	53,267	6,655,398
Treatment plant	320,639	480,959		801,598
Vehicles	302,896	18,264	52,417	268,743
Total accumulated depreciation	<u>8,112,566</u>	<u>1,294,164</u>	<u>127,441</u>	<u>9,279,289</u>
Total capital assets being depreciated, net	<u>47,455,346</u>	<u>(907,224)</u>	<u>63,672</u>	<u>46,484,450</u>
Capital assets, net	<u>\$ 52,982,463</u>	<u>\$ (784,815)</u>	<u>\$ 63,672</u>	<u>\$ 52,133,976</u>

On September 30, 2015 and 2014 construction in progress amounted to \$4,650,730 and \$4,514,831, substantially all of which represents accumulated costs on a long-range water supply project.

Depreciation expense for the years ended September 30, 2015 and 2014, was charged to operations and totaled \$1,313,006 and \$1,294,164, respectively.

**Note 6 - Receivables and Allowances for Doubtful Accounts**

Accounts receivable consists entirely of water charges to the District's customers. The receivable is shown net of allowance for uncollectibles of \$38,000 and \$21,800 at September 30, 2015 and 2014. The District estimates uncollectible accounts based on aging of accounts receivable and collection history.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 7 - Long-Term Obligations**

A summary of changes in long-term obligations for the District for the year ended September 30, 2015 is as follows:

	Balance September 30, 2014	Increases	Decreases	Balance September 30, 2015
General Obligation Bonds	\$ 5,136,750	\$	\$ 599,600	\$ 4,537,150
Revenue Bonds	36,850,000		485,000	36,365,000
Capital lease obligation	547,024		48,056	498,968
Compensated absences	145,084	19,338	30,929	133,493
Net pension liability	2,021,120	111,169		2,132,289
	<u>\$ 44,699,978</u>	<u>\$ 130,507</u>	<u>\$ 1,163,585</u>	<u>\$ 43,666,900</u>

The following details the changes in long-term debt of the District for the year ended September 30, 2015:

	Balance September 30, 2014	Increases	Decreases	Balance September 30, 2015
General Obligation Bond, Series 2008 for \$2,388,000 with annual payments varying between \$76,594 and \$428,804 including interest at 3.3%. Issued December 23, 2008; matures December 23, 2018.	\$ 1,713,000		\$ 310,000	\$ 1,403,000
General Obligation Bonds, Series 2012 for \$3,395,000 with annual principal payments between \$25,000 and \$410,000. Interest payments due semiannually between 1% and 2.625%; matures March 1, 2027.	2,810,000		180,000	2,630,000
General Obligation Bonds, Series 2014 for \$613,750 with annual principal payments between \$109,600 and \$258,950. Interest payments due semiannually at 1.11%; matures March 1, 2017.	613,750		109,600	504,150
Total General Obligation Bonds	<u>5,136,750</u>		<u>599,600</u>	<u>4,537,150</u>

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - (continued)

	Balance September 30, 2014	Increases	Decreases	Balance September 30, 2015
Water System Improvement Revenue Bonds Series 2010 in the original amount of \$37,185,000 with annual principal payments commencing on June 1, 2014 with a final payment on June 1, 2040. Interest is at 3.00% and increases rateably to 5.00% over the bonds term. Secured by a pledge and lien on net revenues and a priority statutory lien on the system as a whole. Interest only paid for fiscal years 2012 and 2013.	36,850,000		485,000	36,365,000
Capital Lease Obligation for \$570,000 with semiannual payments of \$35,132, including interest at 4.15% through December 2023. Collateralized by certain water system equipment.	547,024		48,056	498,968
	<u>\$42,533,774</u>	<u>\$</u>	<u>\$ 1,132,656</u>	<u>\$41,401,118</u>

The District issues general obligation bonds to provide funds for the acquisition of major capital assets. General obligations are backed by the pledge of the full faith and credit of the District.

The outstanding general obligation bond issues are repayable solely through ad valorem property taxes. The taxes are collected and held in escrow by the Spartanburg County Treasurer's Office. On due dates, principal and interest is paid for the District by the County Treasurer's Office.

A summary of changes in long-term obligations for the District for the year ended September 30, 2014 is as follows:

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
General Obligation Bonds	\$ 5,040,790	\$ 613,750	\$ 517,790	\$ 5,136,750
Revenue Bonds	37,185,000		335,000	36,850,000
Capital lease obligation		570,000	\$ 22,976	547,024
Compensated absences	125,047	23,362	3,325	145,084
Net pension liability	2,100,894		79,774	2,021,120
	<u>\$ 44,451,731</u>	<u>\$ 1,207,112</u>	<u>\$ 958,865</u>	<u>\$ 44,699,978</u>

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - (continued)

The following details the changes in long-term debt of the District for the year ended September 30, 2014:

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
General Obligation Bond, Series 2008 for \$2,388,000 with annual payments varying between \$76,594 and \$428,804 including interest at 3.3%. Issued December 23, 2008; matures December 23, 2018.	\$ 2,008,000	\$	\$ 295,000	\$ 1,713,000
General Obligation Bonds, Series 2012 for \$3,395,000 with annual principal payments between \$25,000 and \$410,000. Interest payments due semiannually between 1% and 2.625%. Issued May 15, 2012	2,990,000		180,000	2,810,000
General Obligation Bonds, Series 2012B for \$144,000. Principal payment of \$101,210 and \$42,790 due March 1, 2013 and 2014, respectively, with interest due semiannually at 1.24%. Issued July 24, 2012.	42,790		42,790	
General Obligation Bonds, Series 2014 for \$613,750 with annual principal payments between \$109,600 and \$258,950. Interest payments due semiannually at 1.11%; matures March 1, 2017.		613,750		613,750
Total General Obligation Bonds	<u>5,040,790</u>	<u>613,750</u>	<u>517,790</u>	<u>5,136,750</u>
Water System Improvement Revenue Bonds Series 2010 in the original amount of \$37,185,000 with annual principal payments commencing on June 1, 2014 with a final payment on June 1, 2040. Interest is at 3.00% and increases rateably to 5.00% over the bonds period. Secured by a pledge and lien on net revenues and a priority statutory lien on the system as a whole. Interest only will be paid for years 2012 and 2013.	37,185,000		335,000	36,850,000
Capital Lease Obligation for \$570,000 with semiannual payments of \$35,132, including interest at 4.15% through December 2023. Collateralized by certain water system equipment.		570,000	22,976	547,024
	<u>\$ 42,225,790</u>	<u>\$ 1,183,750</u>	<u>\$ 875,766</u>	<u>\$ 42,533,774</u>

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - (continued)

Interest expense for the years ended September 30, 2015 and 2014 was \$1,690,968 and \$1,701,628.

The annual debt service requirements to retire the above referenced general obligation bonds as of September 30, 2015 are as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 613,950	\$ 113,586	\$ 727,536
2017	615,200	99,367	714,567
2018	385,000	86,090	471,090
2019	393,000	73,678	466,678
2020	25,000	61,003	86,003
2021-2025	1,700,000	210,450	1,910,450
2026-2027	805,000	21,081	826,081
	<u>\$ 4,537,150</u>	<u>\$ 665,255</u>	<u>\$ 5,202,405</u>

The annual debt service requirements to retire the above referenced revenue bonds as of September 30, 2015 are as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 650,000	\$ 1,534,585	\$ 2,184,585
2017	820,000	1,515,085	2,335,085
2018	990,000	1,490,485	2,480,485
2019	1,015,000	1,460,785	2,475,785
2020	1,045,000	1,430,335	2,475,335
2021-2025	5,765,000	6,633,128	12,398,128
2026-2030	6,905,000	5,485,700	12,390,700
2031-2035	8,450,000	3,938,200	12,388,200
2036-2040	10,725,000	1,661,000	12,386,000
	<u>\$ 36,365,000</u>	<u>\$ 25,149,303</u>	<u>\$ 61,514,303</u>

The annual debt service requirements on the above referenced capital lease as of September 30, 2014 are as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 50,071	\$ 20,193	\$ 70,264
2017	52,170	18,094	70,264
2018	54,358	15,906	70,264
2019	56,637	13,627	70,264
2020	59,012	11,252	70,264
2021-2024	226,720	19,204	245,924
	<u>\$ 498,968</u>	<u>\$ 98,276</u>	<u>\$ 597,244</u>

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 8 - Retirement Plan and Contributions**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**a. Plan Description**

The District's paid employees participate in the South Carolina Retirement System (SCRS). The South Carolina Retirement System (SCRS), a cost-sharing multiple employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts and political subdivisions.

**b. Membership**

SCRS membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. 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.

**c. Funding and Benefit Policies**

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

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 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 who participate in the death benefit program.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 8 - (continued)**

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

## d. Contributions Required and Contributions Made

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in the statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and this increase is not limited to one-half of one percent per year.

Required contributions for Class Two and Class Three members (100% funded) for the years ended September 30, 2015, 2014 and 2013 are as follows:

Year Ended September 30,	Employee		Employer	
	Amount	Percent of Wages	Amount	Percent of Wages
2015	\$ 83,657	8.00 / 8.16%	\$ 113,892	10.90 / 11.06%
2014	\$ 81,501	7.50 / 8.00%	\$ 114,270	10.60 / 10.90%
2013	\$ 69,499	7.00%	\$ 105,391	10.60%

Contribution rates are actuarially determined and are equal to contributions made to the system.

## e. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015 and 2014, the District reported a liability of \$2,132,289 and \$2,021,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013, respectively. The total pension liability was then rolled forward to the measurement date of June 30, 2015 and 2014 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating SCRS employers, actuarially determined. At June 30, 2015, the District's proportionate share was .011243% compared to .011713% at June 30, 2014.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 8 - (continued)

For the years ended September 30, 2015 and 2014, the District recognized pension expense of \$134,356 and \$141,285, respectively. At September 30, 2015 and 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2015</u>		
Differences between actual and expected experience	\$ 34,071	\$
Net difference between projected and actual earnings on pension plan investments	14,273	
District contributions subsequent to the measurement date	28,308	
Change in proportionate share of plan liabilities		64,967
Total	\$ 76,652	\$ 64,967
<u>2014</u>		
Differences between actual and expected experience	\$ 54,849	\$
Net difference between projected and actual earnings on pension plan investments		163,190
District contributions subsequent to the measurement date	29,321	
Total	\$ 84,170	\$ 163,190

The \$28,308 and \$29,321 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the years ended September 30, 2016 and 2015, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions as of September 30, 2015, will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2016	\$ (11,404)
2017	(11,404)
2018	(24,416)
2019	30,601
	\$ (16,623)

## f. Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%
Projected salary increases	levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 8 - (continued)**

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust fund's assets. As co-fiduciary of the System, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%	0.9	0.03
Domestic Fixed Income	13.0%	7.4	0.26
Global Fixed Income	9.0%	4.9	0.27
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%	35.4	2.39
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

## g. Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based upon the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 8 - (continued)**

## h. Sensitivity Analysis

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	<u>\$ 2,688,207</u>	<u>\$ 2,132,289</u>	<u>\$ 1,666,359</u>

## i. Comprehensive Annual Financial Report

Detailed information about the pension plan's fiduciary net position is available in a separately issued Comprehensive Annual Report. The Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System are issued and publicly available on PEBA's Retirement Benefits website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to the PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year historical trend information is available in the Comprehensive Annual Financial Report issued annually by the South Carolina Public Employee Benefit Authority which may be obtained by writing the Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960. It is also available on their website at [www.peba.sc.gov](http://www.peba.sc.gov).

**Note 9 - Litigation**

Due to the nature of the District's normal operating activities, it is subject to a variety of claims and demands by various individuals and entities. At present the District is not aware of any material pending or threatened litigation, claims, or assessments. In addition, the District is not aware of any unasserted possible claims or assessments that are expected to significantly affect the District's operations.

**Note 10 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance.

The District also participates in the State Accident Fund for workers' compensation insurance coverage up to the statutory limits. The Fund is a self-insurer and purchases reinsurance to limit losses. The District pays premiums to the Fund which issues policies, accumulates assets to cover risks of loss, and pays claims for covered losses.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. Commercial insurance is also carried for health coverage.

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 11 - Series 2010 Revenue Bonds Rate Covenant**

The Series 2010 Revenue Bonds impose an annual rate covenant on the District within the Bond Resolution. The District covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which will yield annual net revenues (as described below) in the current fiscal year, equal to at least 125% of the Annual Principal and Interest Requirement for all Series of Revenue Bonds outstanding in such fiscal year. Net Revenues is defined as Gross Revenues of the System, less Operation and Maintenance Expenses. Gross Revenues is defined in the resolution, but basically includes all revenue except ad valorem taxes and includes the proceeds of capital asset sold. Operation and Maintenance Expenses are also defined in the Bond Resolution and basically include all expenses except depreciation allowances, extraordinary repairs, and interest on Bonds. It is considered an event of default under the Bond Resolution if the District fails to comply with its rate covenant for two consecutive years. For the year ended September 30, 2015, Net Revenues equaled approximately 144.50% of the Annual Principal and Interest Requirement.

**Note 12 - Municipal Bond Debt Service Reserve Insurance**

On November 20, 2014, the Water District Commission approved a resolution authorizing the General Manager to take any actions necessary to procure a municipal bond debt service reserve policy in an amount equal to the reserve requirement of its \$37,185,000 Water System Improvement Revenue Bonds, Series 2010 which is \$2,480,485. The District initially funded the required reserve with proceeds from the bonds in accordance with Section 4.07(a) of the Series Resolution. Section 4.07(b) of the Series Resolution provides that in lieu of the deposit of moneys into the 2010 Debt Service Reserve Fund, the District may satisfy all or a portion of the Reserve Requirement by causing to be credited thereof an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy. In accordance with Section 7.05(C) of the Bond Resolution, upon execution and delivery of the Policy, the Trustee shall transfer any excess cash that exceeds the Reserve Requirement from the 2010 Debt Service Reserve Fund into the 2010 Debt Service Fund.

An Insurance Agreement (Surety Policy) was issued on November 21, 2014 for an amount equal to the reserve requirement in consideration of a premium of \$62,012. The policy may not be cancelled or revoked prior to maturity of the Bonds which is the earlier of June 1, 2040 or the date the Bonds are no longer outstanding. The District will pay all policy costs including any draws under the Reserve Policy, expenses and interest accrued thereon. The District's payment obligations with respect to policy costs are payable solely from and secured by a pledge of and a lien upon the net revenues of the District. For purposes of calculation of the additional bonds test and the rate covenant in the Bond Resolution, any policy costs due and owing shall be included in the debt service requirements.

**Note 13 - Subsequent Events**

Management has evaluated subsequent events through February 16, 2016, the date the financial statements were available to be issued.

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 14 - Change in Accounting Principles/Restatement**

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending September 30, 2015. The implementation of the statement required the District to record beginning net pension liability and the effects on net position of contributions made by the District during the measurement period. As a result, beginning net position as of October 1, 2013 was restated by \$2,073,125 to record the effects of recognizing the net pension liability. The restatement resulted in the recording of a net pension liability of \$2,021,120, deferred outflows of resources \$84,170 and deferred inflows of resources of \$163,190 as of September 30, 2014, and the resulting change in retirement expense of \$27,015 for the year ended September 30, 2014. The restatement of beginning balances as of October 1, 2013 did not include the effects of deferred outflows and inflows of resources since that information was not determined by the plan.

**Woodruff -Roebuck Water District**Woodruff-Roebuck Water District's Proportionate Share of Net Pension Liability  
Last Two Fiscal Years\*

## South Carolina Retirement System

	<u>2015</u>	<u>2014</u>
Woodruff-Roebuck's proportion of the net pension liability (%)	0.011243%	0.011713%
Woodruff-Roebuck's proportion of the net pension liability (\$)	2,132,289	2,021,120
Woodruff-Roebuck's covered-employee payroll	1,054,170	1,063,379
Woodruff-Roebuck's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.27%	190.07%
Plan fiduciary net position as a percentage of the net pension liability**	56.99%	59.88%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the SCRS plan.

**Woodruff-Roebuck Water District**Woodruff-Roebuck Water District's Contributions  
Last Two Fiscal Years

## South Carolina Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 113,892	\$ 114,270
Contributions in relation to contractually required contribution	113,892	114,270
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Woodruff-Roebuck's covered-employee payroll	1,041,119	1,070,402
Contributions as a percentage of covered-employee payroll	10.94%	10.68%

## Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses  
Years Ended September 30, 2015 and 2014

	2015	2014 (Restated)
Operating Revenues		
Charges for services		
Customer service fees	\$ 43,640	\$ 39,250
Water sales	4,991,831	4,537,543
Cut off fees	73,321	76,761
Tap fees	58,250	40,925
Line installation fees	37,665	22,305
Total charges for services	<u>\$ 5,204,707</u>	<u>\$ 4,716,784</u>
Operating Expense		
Personal services		
Salaries	\$ 1,034,285	\$ 1,092,566
Payroll taxes	80,501	83,214
Retirement	134,356	141,285
Group insurance	240,298	260,093
Commissioner fee	18,000	18,000
Total personal services	<u>\$ 1,507,440</u>	<u>\$ 1,595,158</u>
Contractual services		
Accounting	\$ 42,914	\$ 41,959
Legal fees	17,821	10,600
Janitorial service and supplies	9,619	7,843
Water analysis	9,078	19,705
Uniform rentals	4,030	4,514
Total contractual services	<u>\$ 83,462</u>	<u>\$ 84,621</u>
Repairs, materials and supplies		
Gas and oil	\$ 25,748	\$ 38,505
Trucks and equipment	14,068	16,347
Water meters	35,908	14,789
Distribution system supplies/repairs	211,240	181,601
Tank repairs and maintenance	30,909	27,436
Enoree sewer system	5,147	2,535
Equipment rental		3,044
Radio repairs	756	
Building	7,293	9,887
Total repairs, materials and supplies	<u>\$ 331,069</u>	<u>\$ 294,144</u>

## Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses  
Years Ended September 30, 2015 and 2014

	2015	2014 (Restated)
Operating Expense		
General and administrative		
Consulting expense	\$ 57,357	\$ 58,141
Office supplies and equipment	6,856	8,126
Utilities - power	253,567	240,778
Collection fees	335	369
Insurance - general	61,025	50,909
Taxes, licenses and permits		4,732
Telephone	20,706	27,811
Insurance - workmen's compensation	25,688	35,431
Postage and bill mailing cost	36,617	44,147
Heating fuel	4,497	3,806
Seminars	23,306	11,044
Meetings and entertainment	3,371	3,440
DHEC fees	30,211	30,407
Dues and subscriptions	7,333	9,751
Computer and office maintenance	30,245	27,918
Car expense	14,040	15,300
Miscellaneous expenses	12,155	20,800
Bad debt expense	16,200	
Total general and administrative	<u>\$ 603,509</u>	<u>\$ 592,910</u>
Nonoperating Revenues (Expenses)		
Property taxes	\$ 794,686	\$ 779,759
Other income	64,461	110,276
Interest income	74,798	81,855
Debt issuance costs		(43,580)
Insurance and fee expenses on bonds	(69,730)	
Loss on disposal of fixed assets	(42,315)	(58,447)
Interest expense	(1,690,968)	(1,701,628)
Amortization of bond premiums	18,069	18,069
Miscellaneous expense	(5,905)	(560)
Total nonoperating revenues (expenses), net	<u>\$ (856,904)</u>	<u>\$ (814,256)</u>

# WOODRUFF-ROEBUCK WATER DISTRICT

## **SYSTEM INFORMATION**

Prepared by

WOODRUFF-ROEBUCK WATER DISTRICT

### **COMMISSIONERS**

Donald C. West, Chairman  
Gary P. Kirkland, Vice Chairman  
G. Curtis Walker, Secretary  
Cecil L. Bearden, Commissioner  
Niles Brown, Commissioner

**WOODRUFF-ROEBUCK WATER DISTRICT**

**Operating Data**  
**Fiscal Year 2015**

**Annual Report**

The following information is presented in accordance with the “*Continuing Disclosure Certificate*” executed by the District in connection with the issuance of its \$37,185,000 Water System Improvement Revenue Bonds, Series 2010.

**Customers**

The following table shows the system’s number of customers for the Fiscal Years ending September 30, 2011 through 2015.

<u>Year</u>	<u>Number of Customers</u>	<u>Increase</u>	<u>Percentage of Increase</u>
2011	9,855	72	0.73%
2012	9,927	72	0.73%
2013	10,031	104	1.04%
2014	10,122	91	0.90%
2015	10,239	117	1.14%

**Usage**

The following table shows the System’s total annual and daily average potable water flows, peak daily flows and peak monthly flows for the Fiscal Years ending September 30, 2011 through 2015. Such amounts reflect gallons pumped by the District and not actual gallons sold to customers.

<u>Year</u>	<u>Total Annual Flow (MG)</u>	<u>Daily Average Flow (MG)</u>	<u>Peak Daily Flow (MG)</u>	<u>Peak Monthly Flow (MG)</u>
2011	989.26	2.71	3.70	90.96
2012	* 879	2.41	2.75	85.26
2013	* 792.87	2.17	3.30	72.16
2014	* 856.2	2.35	3.25	84.47
2015	945.57	2.59	3.85	99.24

*\*Above average rainfall in these years resulted in lower usage.*

### Ten Largest Customers

Set forth below is information relating to the ten largest water customers of the System for the fiscal year ended September 30, 2015.

<u>Customer Name</u>	<u>Annual Consumption in Gallons</u>	<u>Annual Billing</u>	<u>Percentage of Fiscal Year 2014 Revenues (%)</u>
Celanese Emulstions	70,297,000	\$ 256,080.84	4.92%
Inman Mills	41,344,600	\$ 156,456.40	3.32%
Hexion Inc	10,818,400	\$ 46,596.51	0.99%
446300 Siemens, Mail Stop 5	10,787,800	\$ 46,600.97	0.99%
Hexion MS7	5,268,300	\$ 22,916.53	0.49%
Spartanburg County District 6	5,193,000	\$ 22,627.97	0.48%
Carolina Vermiculite	4,308,800	\$ 18,791.35	0.40%
Roebuck Greenhouses	3,919,500	\$ 17,133.05	0.36%
Henkel Corporation MS 4	3,383,600	\$ 14,814.57	0.31%
Woodruff District 4 Schools	3,019,800	\$ 13,299.71	0.28%

All water customers pay minimum water charges. Thus usage does not, in many instances, directly correspond to the revenues derived from a particular customer.

### Rate-making

**Water Rates.** The following water rates charged by the District have been in effect since October 1, 2015.

#### Industrial – Monthly Rates

One Month Minimum	2,500 Gallons	\$	25.85
Next 7,500 Gallons	Cost/1,000 Gallons		5.37
Next 15,000 Gallons	Cost/1,000 Gallons		4.72
Next 975,000 Gallons	Cost/1,000 Gallons		4.49
Next 1,000,000 Gallons	Cost/1,000 Gallons		3.89
Over 2,000,000 Gallons	Cost/1,000 Gallons		3.60
SCDHEC Fee	2,500 Gallons		3.00

#### Residential – Bi-Monthly Rates

Two Month Minimum	5,000 Gallons	\$	51.70
Next 15,000 Gallons	Cost/1,000 Gallons		5.37
Next 30,000 Gallons	Cost/1,000 Gallons		4.72
Next 50,000 Gallons	Cost/1,000 Gallons		4.49
SCDHEC Fee	2,500 Gallons		0.30

**Water Tap Fees.** The District charges homeowners and businesses an initial tap fee in order for them to receive service from the District. Fees for taps larger than those shown on the table below are negotiated and special installation requests are assessed an extra charge.

<u>Meter Size</u>	<u>Tap Fees</u>
¾ Inch	\$ 500.00
1 Inch	\$ 750.00

**Capital Contribution Fees.** In addition to the water tap fees set forth above, the District also charges a \$1,000.00 line installation fee for areas annexed into the District.

### Historical Revenues and Expenditures

The following table shows the historical net revenues and expenditures for the District (business activities), including debt service due and available coverage for the fiscal years ended September 30, 2011 through 2015. For purposes of this summary, Gross Revenues, Operation and Maintenance Expenses and Net Revenues have been determined in accordance with the provisions of the Bond Resolution. As a consequence, certain numbers may differ slightly from the numbers provided in the District's audited financial statements.

	Fiscal Year Ended September 30,				
	2011	2012	2013	2014	2015
Gross Revenues	\$4,016,691	\$4,110,716	\$4,229,540	\$4,936,610	\$5,445,120
Operation & Maintenance Expenses	3,176,893	3,256,672	3,130,416	2,522,434	2,505,839
Net Revenues	\$ 839,798	\$ 854,044	\$1,099,124	\$2,414,176	\$2,939,281
Debt Service Requirement on Revenue Bonds	None	None	None	\$1,894,185	\$2,034,135
Coverage Percentage				127.45%	144.50%

### Debt Service Requirements

The following table sets forth, on a fiscal year basis, the debt service on the Series 2010 Bonds.

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service
2011		\$ 931,179.93	\$ 931,179.93
2012		1,559,185.00	1,559,185.00
2013		1,559,185.00	1,559,185.00
2014	\$ 335,000.00	1,559,185.00	1,894,185.00
2015	485,000.00	1,549,135.00	2,034,135.00
2016	650,000.00	1,534,585.00	2,184,585.00
2017	820,000.00	1,515,085.00	2,335,085.00
2018	990,000.00	1,490,485.00	2,480,485.00
2019	1,015,000.00	1,460,785.00	2,475,785.00
2020	1,045,000.00	1,430,335.00	2,475,335.00
2021	1,080,000.00	1,398,985.00	2,478,985.00
2022	1,115,000.00	1,365,235.00	2,480,235.00
2023	1,150,000.00	1,328,997.50	2,478,997.50
2024	1,190,000.00	1,290,185.00	2,480,185.00
2025	1,230,000.00	1,249,725.00	2,479,725.00
2026	1,275,000.00	1,203,300.00	2,478,300.00
2027	1,325,000.00	1,152,300.00	2,477,300.00
2028	1,380,000.00	1,099,300.00	2,479,300.00
2029	1,435,000.00	1,044,100.00	2,479,100.00
2030	1,490,000.00	986,700.00	2,476,700.00
2031	1,550,000.00	927,100.00	2,477,100.00
2032	1,615,000.00	865,100.00	2,480,100.00
2033	1,675,000.00	800,500.00	2,475,500.00
2034	1,760,000.00	716,750.00	2,476,750.00
2035	1,850,000.00	628,750.00	2,478,750.00
2036	1,940,000.00	536,250.00	2,476,250.00
2037	2,040,000.00	439,250.00	2,479,250.00
2038	2,140,000.00	337,250.00	2,477,250.00
2039	2,245,000.00	230,250.00	2,475,250.00
2040	2,360,000.00	118,000.00	2,478,000.00
Total	\$37,185,000.00	\$32,307,172.43	\$69,492,172.43

➤ Note: Totals may not add due to rounding.

**2015 Annual Report**

**Woodruff-Roebuck Water District, South Carolina**

Relating to

General Obligation Bonds of the Woodruff-Roebuck Water  
District, South Carolina

**2015\* Market Value/Assessment Summary**

<u>Classification</u>	<u>Assessed Value</u>	<u>Assessment Ratio</u>	<u>Market Value</u> (as of June 30, 2015)
1. Real Property	\$45,998,875	4 & 6%	\$1,300,164,965.00
2. Mobile Homes	1,598,526	4 & 6%	37,431,372.00
3. Business Personal Property	2,432,580	10.5%	23,167,428.57
4. Merchant's Furniture, Fixtures and Equipment	88,140	10.5%	839,428.57
5. Motor Vehicles <sup>1</sup>	9,157,791	6.0%	152,629,850.00
6. Marine Equipment <sup>2</sup>	258,450	10.5%	2,461,428.57
7. Airplanes	2,560	4.0%	64,000.00
8. Manufacturing Property	8,002,390	10.5%	762,132.38
9. Public Utilities	6,719,950	10.5%	63,999,523.81
10. Transportation	303,928	9.5%	3,199,241.11
<b>TOTAL</b>	<b>\$74,563,190</b>		<b>\$1,584,719,371.01</b>

\* Values as of June 30, 2015.

<sup>1</sup> Includes personal automobiles and commercial vehicles, which are assessed at different ratios.

<sup>2</sup> Includes personal watercraft and commercial fishing boats, which are assessed at different ratios.

Figures do not include Merchant's Inventory, motor carrier reimbursement or manufacturer's depreciation reimbursement.

Source: Office of the County Auditor.

**Tax Collection Record**

*District-only taxes.* The following table shows taxes levied by the County Auditor and collected by the County Treasurer for the District over the past five years. Delinquent taxes include taxes levied in prior years but collected in the year shown.

<u>Fiscal Year</u>	<u>Taxes Subject to Collection</u>	<u>Current Collections</u>	<u>Current % Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Collections</u>	<u>Total % Collected</u>
2014-15	\$698,407	\$636,052	91.0%	\$42,342	\$678,394	98.0%
2013-14	705,864	645,199	91.0	42,783	687,982	97.0
2012-13	705,907	645,199	91.4	41,990	687,189	97.3
2011-12	680,853	623,661	91.6	35,995	659,656	96.9
2010-11	647,491	589,864	91.1	50,552	642,036	98.4

Source: Offices of the County Treasurer and Auditor.

NOTE: Information as of June 30, 2015

**Largest Taxpayers**

The following table shows the 2015 assessed values and property taxes (including county, school district, municipality and other non-county taxes and fee in lieu payments) paid in Fiscal Year 2014-15 by the ten largest taxpayers in the District:

<u>Entity</u>	2014-15* <u>Assessed Value</u>	2014-15* <u>Amounts Paid</u>	Percentage of Total District <u>Assessed Value</u>
Celanese Corporation Ltd.	\$ 2,842,933	\$ 944,137.98	3.81
Transcontinental Gas Pipeline Co., LLC	2,712,070	922,831.14	3.64
Inman Mills	1,368,634	454,523.33	1.84
Duke Energy Corporation	1,176,460	401,704.67	1.58
Henkel Corp.	1,075,546	357,188.48	1.44
Thompson Grading Inc.	828,440	285,066.20	1.11
Laurens Electric Co-op Inc.	786,020	272,062.84	1.05
Siemens Energy & Automation Inc.	629,760	224,068.61	0.85
Colonial Pipeline	577,520	198,804.90	0.77
Momentive Specialty Chemicals	577,420	205,446.04	0.77

\* Information as of June 30, 2015.

Source: Offices of the County Assessor, Auditor and Treasurer.

### Outstanding Debt

The following table\* shows the annual principal and interest requirements on all of the District Outstanding general obligation bonds:

<u>Fiscal Year</u>	<u>2008 Bond</u>	<u>2012 Bonds</u>	<u>2014 Bonds</u>	<u>Total</u>
2016	\$376,299	\$88,128	\$263,109	\$727,536
2017	380,409	87,597	246,561	714,567
2018	384,024	87,066	-	471,090
2019	380,144	86,534	-	466,678
2020	-	86,003	-	86,003
2021	-	367,444	-	367,444
2022	-	375,494	-	375,494
2023	-	382,800	-	382,800
2024	-	384,388	-	384,388
2025	-	400,325	-	400,325
2026	-	410,700	-	410,700
2027	-	415,381	-	415,381
<b>TOTAL</b>	<b>\$ 1,520,876</b>	<b>\$3,171,860</b>	<b>\$509,670</b>	<b>\$5,202,406</b>

\* Some totals may not foot due to rounding.

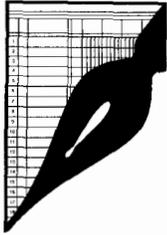
## Overlapping Debt

The following table shows those local political subdivisions that overlap the District and had outstanding general obligation debt as of July 30, 2014:

<u>Jurisdiction</u>	<u>Assessed Value</u>	<u>Overlapping Assessed Value</u>	<u>Outstanding General Obligation Debt</u>	<u>Percentage Applicable to the District</u>	<u>Amount Applicable to the District</u>
<u>The County</u>					
Spartanburg County	\$1,021,021,243	\$ 74,563,190	\$ 58,625,352	8.00%	\$ 4,690,028
<u>School Districts</u>					
Spartanburg County School District No. 4	50,518,804	34,671,403	615,092	69.00	424,413
Spartanburg County School District No. 6	244,812,500	39,797,325	13,120,000	17.00	2,230,400
Spartanburg County School District No. 7	202,767,120	94,462	45,679,000	0.05	22,840
<u>Special Purpose Districts</u>					
Croft Fire District	33,662,856	361,130	191,966	1.00	1,920
Spartanburg Sanitary Sewer District	623,173,269	26,493,066	31,287,000	5.00	1,564,350
Westview-Fairforest Fire District	90,463,435	19,590	568,966	0.02	114
<b>TOTAL:</b>					<b>\$ 8,934,065</b>

Sources: Office of the County Auditor; Spartanburg County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

The following political subdivisions also overlap the District, however, as of June 30, 2015, none had general obligation bonds outstanding: the Town of Woodruff, the Poplar Springs Fire Service Area, the Reidville Area Fire District, the Enoree Fire District, the Hobbysville Fire Service Area, the Glenn Springs-Pauline Rural Fire District, and Roebuck Fire District. The aggregate overlapping assessed value of these entities is \$59,614,652 for June 30, 2015; any or all of these entities could increase the overlapping outstanding debt burden of taxpayers within the District through the issuance of general obligations bonds.



**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Commissioners of  
Woodruff-Roebuck Water District  
Woodruff, South Carolina

We have audited, 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, the financial statements of the Woodruff-Roebuck Water District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Woodruff-Roebuck Water District's basic financial statements, and have issued our report thereon dated February 16, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Woodruff-Roebuck Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodruff-Roebuck Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodruff-Roebuck Water District's internal control.

A deficiency in internal 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 control, such that there is a reasonable possibility that a material misstatement of the entity's 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described below that we consider to be a significant deficiency.

*Segregation of Duties* - The District should continually keep in mind that there is a potential for internal control problems because of the small size of Woodruff-Roebuck Water District's staff, which makes it physically impossible to fully segregate duties in such a manner as to achieve a workable set of checks and balances on each employee. The purpose behind the need for checks and balances is to reduce possibilities for errors arising from such causes as misunderstanding of instructions, mistakes of judgment, personal carelessness, distraction, or fatigue. Even procedures whose effectiveness depends on segregation of duties can be circumvented by collusion. We recommend that Woodruff-Roebuck Water District continue in its efforts to segregate duties as much as possible and we encourage the Board of Commissioners, management, and others with oversight responsibility to continue to monitor the accuracy and completeness of the financial transactions and reports on a timely basis.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Woodruff-Roebuck Water 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 or other matters that are required to be reported under *Government Auditing Standards*.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Norman Johnson & Co., PA".

Spartanburg, South Carolina  
February 16, 2016

## **APPENDIX B**

### **Bond Resolution and Series Resolution**

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(This Table of Contents is not a part of the Master Bond Resolution  
and is for convenience of reference only.)

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**A RESOLUTION**  
**PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE**  
**BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA,**  
**AND OTHER MATTERS RELATING THERETO.**

ADOPTED AUGUST 12, 2010  
(MASTER BOND RESOLUTION)

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BE IT RESOLVED BY THE WOODRUFF-ROEBUCK WATER DISTRICT COMMISSION, THE GOVERNING BODY OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA IN A MEETING DULY ASSEMBLED:

ARTICLE I - FINDINGS OF FACT

Section 1.01 Recitals and Statement of Purpose.

Incident to the adoption of this resolution (this "Master Bond Resolution"), and the issuance of the bonds provided for herein, the Woodruff-Roebuck Water District Commission (the "Commission"), the governing body of the Woodruff-Roebuck Water District, South Carolina (the "District") finds, as a fact, that each of the statements hereinafter set forth is in all respects true and correct.

(A) The District was created and established as a body politic and corporate pursuant to Act No. 1101 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina (the "State") for the year 1956, as amended by Act No. 524 of 1959, as amended by Act No. 651 of 1961, as amended by Act No. 1236 of 1962, as amended by Act No. 1359 of 1964, as amended by Act No. 1401 of 1966, as amended by Act No. 1644 of 1968, and as further amended by Act No. 1502 of 1970 (the "Enabling Legislation"). The District is located wholly within Spartanburg County, South Carolina (the "County"), and was established for the purpose of providing waterworks, fire and sewer services within the boundaries of the District.

(B) The District has heretofore established a water system (the "System"), which is under the operation, management and control of the Commission.

(C) The District currently has no outstanding indebtedness which is paid solely from the revenues of the System or secured by a lien on the System.

(D) The Commission presently contemplates improvements, enlargements, and expansions to its System, both now and in the future, and has determined to adopt this Master Bond Resolution to provide for the issuance of bonds (on a tax-exempt or taxable basis), on either a current interest-bearing or capital appreciation basis, from time to time by the District payable from the revenues of the System in order to finance such improvements, enlargements, and expansions to the System (including the costs of issuance and such expenditures for the projects to be financed as have already been or will be made prior to issuance), and to refund from time to time such bonds.

[End of Article I]

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so excludable, the interest rate on Government Obligations with comparable maturities; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period.

(b) For purposes of computing the "Annual Principal and Interest Requirement," the Principal Installments for each Series of Bonds used to determine (2) above will be the actual planned Principal Installments, except as for any Series of Bonds in which 25% or more of the Principal Installments are payable in a single Fiscal Year, the Principal Installment in such year will be assumed to be the result derived by dividing (A) the aggregate outstanding principal due on such Series of Bonds by (B) the number of full years in the remaining term of such Series of Bonds, but if the date of calculation is within twelve (12) months of the final maturity date of such Series of Bonds and a binding commitment by an institutional lender or municipal underwriting firm exists to provide money to refinance the outstanding aggregate principal amount of such Series of Bonds then Outstanding, the payment terms contained in the commitment are to be used for purposes of calculating the Principal Installments for such Series of Bonds.

"Authorized Investments" shall mean, within the limitations set forth herein, any investments now or hereafter permitted under Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, or any successor statute, and shall also include the State investment fund established at Sections 6-6-10 to 6-6-40 of the South Carolina Code or any successor statute and as the same may be further limited pursuant to the provisions of a Series Resolution.

"BABS" shall mean, Build America Bonds under the provisions of the American Recovery and Reinvestment Act of 2009 or such other taxable subsidy bonds as are otherwise authorized by the U.S. Congress.

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

"Bond Payment Date" shall mean the dates on which the principal of or interest on any of the Bonds shall be payable or on which both principal and interest shall be payable on any of the Bonds, all as set forth in the Series Resolution authorizing the issuance of the respective Series of Bonds.

"Bondholder" or "Holder" shall mean, when used with reference to a registered Bond or Bonds, any person who shall be the registered owner of any Outstanding Bond, in the case of Bonds issued in bearer form, the holder of any such Bond, and in the case of Bonds consisting of contractual obligations not in the form of an instrument, the party entitled to enforce the District's payment obligation thereunder.

"Bonds" shall mean any indebtedness or obligations (issued as tax-exempt or taxable obligations) including those entered into under the provisions of long-term contracts payable from the revenues of the System, issued in accordance with the provisions of the Enabling Act,

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ARTICLE II - DEFINITIONS, CONSTRUCTION AND INTERPRETATIONS

Section 2.01 Definition of Resolution.

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

Section 2.02 Defined Terms.

In this Master Bond Resolution, terms defined in Article I shall have the meaning assigned therein, and unless a different meaning clearly appears from the context, the following terms shall have the following respective meanings:

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

"Accreted Value" shall mean the amounts set forth in or the amounts determined in the manner set forth in, a Series Resolution, authorizing the issuance of Bonds in the form of Capital Appreciation Bonds.

"Annual Budget" shall mean the annual budget or amended budget of the District in effect as provided in or adopted pursuant to the provisions of this Master Bond Resolution.

"Annual Principal and Interest Requirement" shall mean, with respect to any particular Fiscal Year and to a Series of Bonds Outstanding, an amount (other than amounts paid from proceeds of Bonds) equal to the sum of (1) all interest payable on such Series of Bonds during such Fiscal Year, plus (2) any Principal Installment of such Series of Bonds during such Fiscal Year, minus (3) any Interest Payment Subsidies received by the District for such Series of Bonds during such Fiscal Year and used to pay debt service on such Series of Bonds during such Fiscal Year.

(a) For purposes of computing the Annual Principal and Interest Requirement, the rate of interest used to determine (1) above shall be a rate per annum equal to (i) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (ii) with respect to any Series of Variable Rate Bonds, the actual rate of interest on the date of calculation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding); provided however, if the Variable Rate Bonds have been Outstanding for at least twelve (12) months, the average rate over the twelve months immediately preceding the date of calculation.

For purposes of this definition, if the initial rate on any Series of Variable Rate Bonds is not established and binding, then: (i) if interest on the Variable Rate Bonds is intended by the District to be excludable from gross income under the applicable provisions of the Code, the Bond Buyer 25 Revenue Bond Index (or comparable index if such is no longer published) published not earlier than two weeks prior to the sale date, or (ii) if interest is not intended to be

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this Master Bond Resolution and a Series Resolution, excluding indebtedness incurred in accordance with Article VI hereof.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State or in the State of New York are required or authorized by law (including executive orders) to close.

"Capital Appreciation Bonds" shall mean Bonds that bear interest payable only at maturity or payable prior to maturity only on the redemption dates set forth in, and in the amounts determined by reference to the Accreted Value established in accordance with the provisions of the Series Resolution authorizing the issuance of such Capital Appreciation Bonds.

"Chairman" shall mean the Chairman of the Commission. The term shall include the Vice-Chairman whenever, by reason of absence, illness or other reason, the person who is the Chairman is unable to act.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations from time to time in effect.

"Commission" shall mean the Woodruff-Roebuck Water District Commission, the governing body of the District, or any successor body.

"Consulting Engineers" shall mean any independent firm of consulting engineers having skill and experience in utility financing and rate design, and the design and operation of water facilities.

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

"Debt Service Fund" shall mean the funds herein so designated and designed to provide for the payment of the principal of and interest on the respective Series of Bonds issued pursuant to this Master Bond Resolution, as the same respectively fall due, and as established by the provisions of Section 7.03 hereof.

"Debt Service Reserve Fund" shall mean the funds, if any, so designated and designed (1) to secure the timely payment of the principal of and interest on the respective Series of Bonds Outstanding and issued pursuant to this Master Bond Resolution, and (2) to provide for the redemption of such Series of Bonds Outstanding prior to their stated maturity, as established by the provisions of Section 7.04 hereof.

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

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**"Depreciation and Contingent Fund"** shall mean the fund herein so designated and designed to provide for contingencies, for the replacement of depreciated or obsolete parts of the System and for improvements, betterments and extensions of the System, as established by the provisions of Section 7.06 hereof.

**"District"** shall mean the Woodruff-Roebuck Water District, South Carolina.

**"District Representative"** shall mean the General Manager of the District or any other official authorized by the District to act in such capacity.

**"Enabling Act"** shall mean Chapter 21 of Title 6, Code of Laws of South Carolina, 1976, as amended, and all other statutory authorizations, authorizing and enabling the District to adopt this Master Bond Resolution.

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

**"Fiduciary"** or **"Fiduciaries"** shall mean the Trustee and any Registrar and any other agent of the District appointed pursuant to the authorizations of this Master Bond Resolution or any Series Resolution or any or all of them, as may be appropriate.

**"Fitch"** shall mean Fitch, Inc. and its successors.

**"Fiscal Year"** shall mean the period of twelve (12) calendar months, beginning on October 1 of each year, and ending on September 30 of the next year, unless the same shall have been changed by the District pursuant to the authorization contained in Section 3.01 hereof.

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

**"Government Obligations"** shall mean direct general obligations of the United States of America, the payment of which is fully and unconditionally guaranteed by the United States of America.

**"Gross Revenues"** or **"Gross Revenues of the System"** shall mean for the period in question:

(a) all receipts and revenues (except customers' deposits) derived from the operation of the System, except for those allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds, including all service fees (which may include, but are not limited to tap-in fees, connection fees, and availability fees);

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fidelity bonds required by this Master Bond Resolution. Operation and Maintenance Expenses shall not include:

- (a) depreciation allowances;
- (b) amounts paid as interest on Bonds;
- (c) amounts expended for extraordinary repairs to the System;
- (d) amounts paid from government grants or aids-to-construction;
- (e) the amortization of financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds; and
- (f) amounts paid as capital costs pursuant to the provisions of long-term contracts which the District has entered into in order to provide water services to the areas included within its service area, such obligations being specifically included within the definitions of Bonds or Junior Lien Bonds depending upon the pledge given to secure the same.

**"Operation and Maintenance Fund"** shall mean the fund established by the provisions of Section 7.05 hereof and which is designed to provide for the payment of all Operation and Maintenance Expenses.

**"Outstanding"**, when used with reference to any Bonds and subject to Section 17.01 hereof and except as may be modified for any Series of Bonds pursuant to the provisions of a Series Resolution, shall mean, as of any date, all such Bonds theretofore or then being authenticated and delivered except:

- (a) Bonds canceled at or prior to such date;
- (b) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered;
- (c) Bonds deemed to have been paid as provided in Article XVI hereof; and
- (d) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds, Bonds held by, or for the account of, the District, or by any person controlling, controlled by, or under common control with the District, unless all Bonds are so held.

**"Paying Agent"** shall mean the financial institution which is authorized by the Commission to pay the principal of or interest on and redemption premium, if any, on any Bonds and having the duties, responsibilities and rights provided for in this Master Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association

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

(c) all interest and other income received by the District, directly or indirectly from the investment of any moneys or accounts relating to the System; excluding, however, investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service, and specifically excluding (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the District;

(d) all other unencumbered money to which the District may become entitled from any source whatsoever, but specifically excluding any amounts received by way of government grants and aids-to-construction; and

(e) all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. Any Interest Payment Subsidies payable to the Trustee and used to pay debt service on a Series of Bonds shall not be included in Gross Revenues

All amounts received as *ad valorem* taxes shall not be included in Gross Revenues.

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

**"Interest Payment Subsidies"** shall mean the refundable tax credit subsidies payable to the District from the federal government under Section 54AA(g) of the Code or any other Section of the Code that authorizes refunding tax credits.

**"Junior Lien Bonds"** shall mean any revenue bonds issued by the District or other obligations entered into by the District including such obligations under the provisions of long-term contracts which are secured by pledges of and liens on the revenues of the System which are junior and subordinate in all respects to the pledges and liens made to secure Bonds and to the payment by the District of all Operation and Maintenance Expenses.

**"Moody's"** shall mean Moody's Investors Service, Inc. and its successors.

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

**"Net Revenues"** shall mean, for the period in question, the Gross Revenues of the System, less Operation and Maintenance Expenses.

**"Operation and Maintenance Expenses"** shall mean for the period in question all expenses incurred in connection with the administration and the operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order, the fees and charges of the Trustee and the custodian or trustee of any fund, the costs of audits required hereunder, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and

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which at anytime may be substituted in its place pursuant to this Master Bond Resolution. Pursuant to the provisions of Section 15.02 of this Master Bond Resolution, the Trustee serves as the Paying Agent.

**"Principal Installment"** shall mean, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds stated to mature on a Bond Payment Date, reduced by the aggregate principal amount of such Bonds which will be retired by reason of any mandatory sinking fund payment payable before a Bond Payment Date, plus (ii) any mandatory sinking fund payment due on such certain date, together with the aggregate amount of the premiums, if any, applicable to such mandatory sinking fund payments, plus (iii) with respect to any Capital Appreciation Bonds required to be paid on such certain date, the Accreted Value as of such certain date of such Capital Appreciation Bonds; and in this latter respect, any reference to "principal" of Bonds in this Master Bond Resolution shall mean, with respect to Capital Appreciation Bonds, the Accreted Value of such Capital Appreciation Bonds.

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

**"Registrar"** shall mean the Trustee or any bank, trust company, or national banking association which is authorized by the District to maintain an accurate list of those who from time to time shall be the Holders of Bonds of a particular Series and to effect the transfer of such Bonds in accordance with the provisions of this Master Bond Resolution and having the duties, responsibilities, and rights provided for in this Master Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Master Bond Resolution; however, the Commission may, pursuant to a Series Resolution, authorize the District to serve as Registrar for the applicable Series of Bonds, in lieu of the institutions referred to above.

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

**"S&P"** shall mean Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., and its successors.

**"Secretary"** shall mean the Secretary of the Commission. The term shall include the acting Secretary or the assistant Secretary whenever, by reason of absence, illness or other reason, the person who is the Secretary is unable to act. In the event the Commission has not chosen or appointed an assistant Secretary, any Commission member in good standing may so act.

**"Securities Depository"** shall mean The Depository Trust Company, New York, New York, or other recognized securities depository selected by the District, which securities depository maintains a book-entry system with respect to the Bonds of any Series, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

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

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

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

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

“*Special Facilities*” shall mean those facilities financed with the proceeds of Special Facilities Bonds as described in Section 6.02 hereof.

“*Special Facilities Bonds*” shall mean those obligations issued in accordance with Section 6.02 hereof.

“*State*” shall mean the State of South Carolina.

“*System*” shall mean the water system of the District as the same is now or may be constituted, all property real and personal, used and useful therefor, all apparatus and equipment used in connection therewith, and all acquisitions, replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto at any time hereafter; provided, that during such time as any Special Facilities Bonds issued to finance Special Facilities are outstanding, the term “System” shall not include such Special Facilities.

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

“*Trustee*” shall mean the financial institution serving as Trustee pursuant to this Master Bond Resolution and which shall have such other duties, privileges and functions as are set forth herein. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party.

### ARTICLE III - FISCAL YEAR

#### Section 3.01 Establishment and Modification of Fiscal Year.

The System shall continue to be operated on a Fiscal Year basis, which, until changed, shall commence on the first (1st) day of October of each year and shall end on the thirtieth (30th) day of September of the next year. The District, in its sole discretion, may, from time to time, change the Fiscal Year from that now existing to a different twelve (12) month period.

[End of Article III]

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

#### Section 2.03 Interpretations.

In this Master Bond Resolution, unless the context otherwise requires:

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

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

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

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

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

[End of Article II]

### ARTICLE IV - THE BONDS

#### Section 4.01 Authorization for Bonds in Series.

(A) From time to time and for the purposes of:

(1) Obtaining funds for the expansions, additions and improvements to the System, including the recoupment or reimbursement of funds already so expended;

(2) Providing funds for the payment of any bond anticipation note or notes issued in order to defray the cost of expansions and improvements to the System and that were issued in anticipation of the issuance and sale of Bonds;

(3) Refunding bonds or other obligations issued to provide land or facilities which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System;

(4) Providing funds for the payment of interest due on any Bonds;

(5) Funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund to the amount equal to its Reserve Requirement, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to Section 7.05(E) hereof; and

(6) Paying the costs of issuance of Bonds, including any credit enhancement therefor;

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

(B) Each Series Resolution shall include a determination by the District to the effect that the issuance of such Series of Bonds is necessary to provide funds to be used and expended for one or more of the purposes set out in Section 4.01(A) hereof. Each Series Resolution shall specify and determine:

- (1) The then period of usefulness of the System;
- (2) The Date of Issue of such Series of Bonds;
- (3) The maximum authorized principal amount of such Series of Bonds, and the manner of determining the precise principal amount and the officials authorized to make such determination;
- (4) The Bond Payment Dates for the Bonds in such Series and the Record Dates, and the date or dates of maturity and the amounts thereof, or the manner of determining such dates and amounts and the officials authorized to make such determinations, provided that the Series Resolution shall specify a date beyond which the final maturity of such Series shall not extend which date shall not be longer than forty-five (45) years from the date of such Series of Bonds as prescribed by the Enabling Act;
- (5) The specific purposes for which such Series of Bonds is being issued;
- (6) The title and designation of the Bonds of such Series;
- (7) The manner in which Bonds of such Series are to be sold and provisions for the sale thereof;
- (8) The interest rate or rates, or the manner of determining such rate or rates, of the Bonds of such Series, including whether and on what terms there shall be entered by the District an agreement for any form of interest rate hedge or similar transaction with respect to such Series;
- (9) The portion of such Series that are Serial Bonds and that are Term Bonds and that are Capital Appreciation Bonds, if any, including the amount and date of each mandatory redemption or sinking fund installment, if any, required by such Series Resolution to be paid for the retirement of any such Bonds, or the manner of making such designations and the officials authorized to make such designations;
- (10) The redemption price or redemption prices and the redemption date or redemption dates and other terms of redemption (if any) applicable to any of the Bonds of such Series for such payments, or the manner of determining such dates and prices and the officials authorized to make such determinations;
- (11) The Trustee, Paying Agent and Registrar for such Bonds, if any, and if other than the Trustee, the manner of determining the Paying Agent and Registrar; additionally, the escrow agent if such Bonds are advance refunding Bonds;
- (12) The form or forms of the Bonds of such Series;
- (13) The manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

Resolution creates the valid pledge of the Net Revenues subject to the application thereof to the purposes and on the conditions permitted by this Master Bond Resolution.

- (6) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement, there shall be deposited in such Debt Service Reserve Fund such amounts as may be necessary to make the value of the moneys and securities in each Debt Service Reserve Fund equal to the Reserve Requirement.
- (7) In the event a Series of Bonds issued hereunder is Outstanding and the proposed Series of Bonds is not issued for the purpose of refunding any Bonds (which must meet the test prescribed in Section 4.02(8) herein), the District shall comply with the following additional bonds test:

Net Revenues during the most recent Fiscal Year for which audited financial statements of the System are completed shall be certified by the Accountants or by the Consulting Engineers on the basis of such audited financial statements to be not less than one hundred twenty-five percent (125%) of the average Annual Principal and Interest Requirement on all Bonds Outstanding and on such proposed Series of Bonds; provided that for purposes of this Section 4.02(7), such Net Revenues shall be adjusted to reflect (1) any rate increases currently adopted prior to or coincident with the issuance of such proposed Series of Bonds and determined pro forma as though such rate increases had been in continuous effect during such recent Fiscal Year; (2) in the event a utility, system or enterprise that is in existence and operating and whose current customers have become customers of the System prior to the issuance of the proposed Series of Bonds or will become customers of the System concurrently with the issuance of such proposed Series of Bonds, one hundred percent (100%) of the Net Revenues that the Accountants or Consulting Engineers estimate would have been received during such Fiscal Year if the utility, system or enterprise had been a part of the System throughout such recent Fiscal Year, taking into account, for the estimation of such Net Revenues in this subparagraph (2) only, the then-existing customer base and population of the acquired utility, system or enterprise; (3) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire a newly-constructed utility, system, enterprise, or component of the System which will serve an existing customer base and currently-populated area, one hundred percent (100%) of the Net Revenues, estimated by the Consulting Engineers, to be received by the System during the first Fiscal Year beginning after the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service, taking into account for the estimation of such Net Revenues in this subparagraph (3) only the then-existing customer base and population; (4) in the event proceeds of such proposed Series of Bonds will be used to pay interest on such proposed Series, one hundred percent (100%) of the interest that will accrue on such Series of Bonds during the first twelve (12) full months following the date of delivery of the proposed Series and that will be paid from such proceeds, provided however that any such interest accruing in such

- (14) Whether the Bonds of such Series shall be issued in book-entry form pursuant to Section 4.19 hereof;
- (15) That the then applicable Reserve Requirements for all Series of Bonds Outstanding has been or will be met;
- (16) The disposition or application of the proceeds of the sale of such Series of Bonds;
- (17) That a Debt Service Fund shall be and a Debt Service Reserve Fund may be established for the Series of Bonds, and that a construction fund be established if the proceeds of the Bonds of any Series are intended to be used for the expansion or improvement of the System, and that a capitalized interest account be established as a standalone account or within any such construction fund if interest for any period is to be paid from proceeds of such Series of Bonds; and
- (18) Any other provisions deemed advisable by the District not in conflict with or in substitution for the provisions of this Master Bond Resolution.

Section 4.02 Conditions to Issuance of Bonds of a Series.

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

- (1) Bonds shall be stated to mature and/or have mandatory or sinking fund redemptions on the dates and in the amounts prescribed or approved by the Series Resolution.
- (2) Bonds shall bear interest at the rates and on the occasions prescribed by the Series Resolution.
- (3) Bonds shall be issued for a purpose or purposes set forth in Section 4.01(A) hereof.
- (4) There shall exist, on the occasion of the issuance of the Bonds, no default in the payment of the principal of or interest on any Bonds or Junior Lien Bonds then Outstanding.
- (5) The District shall obtain an opinion of Bond Counsel to the effect that: (a) this Master Bond Resolution and the Series Resolution have been duly and lawfully adopted and are in full force and effect; (b) the Bonds have been duly and lawfully authorized; executed and issued by the District and are valid and binding upon, and enforceable against, the District (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (c) with respect to such Bonds, this Master Bond

twelve month period that is to be paid on a date within the Fiscal Year of maximum Annual Principal and Interest Requirement shall not be so added into such Net Revenues; and (5) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire an expansion to the System and to the extent not included by sub-paragraph (3) herein, one hundred percent (100%) of estimated Net Revenues to be received by the System in the first Fiscal Year following the completion of such project, certified by the Consulting Engineers, from customers under long-term contracts which extend for the life of such proposed Series of Bonds.

Provided that in the instance of any Series of Bonds in the aggregate principal amount of \$1,000,000 or less, such calculation required by Section 4.02(7) may, unless provided to the contrary in any Series Resolution, be made by the District Representative.

In the event that a Series of Bonds is Outstanding and the District determines to issue a note or other obligation in anticipation of the issuance of a Series of Bonds, for the purposes of complying with the additional bonds test established in this Section 4.02(7) above, the Accountants, Consulting Engineers, the District's financial advisor or the District's underwriter shall project the maturity schedule (including rate, term and principal maturities) of the future Series of Bonds that will be used to pay the note or other obligation at maturity; such future Series of Bonds and the accompanying projections shall qualify as a proposed Series of Bonds for purposes of the additional bonds test in Section 4.02(7).

For the purpose of providing the certification for the most recent Fiscal Year for which audited financial statements are available, the District may, in its discretion, provide for a special audit and a certification based upon such special audit, in lieu of the audit for such Fiscal Year, provided such special audit covers twelve (12) consecutive calendar months of the eighteen (18) full consecutive calendar months preceding the date of issuance of the proposed Series of Bonds.

- (8) In the case of Bonds issued for the purpose of refunding any Bonds, Series of Bonds, or a portion of a Series of Bonds:
  - (a) the Annual Principal and Interest Requirement of the refunding Bonds shall not exceed one hundred five percent (105%) of the Annual Principal and Interest Requirement of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds issued prior to the issuance of such refunding Bonds which are not refunded and which remain Outstanding following the issuance of the refunding Bonds; or
  - (b) the additional bonds test prescribed by paragraph (7) herein shall be complied with.
- (9) Any proceedings authorizing the issuance of Bonds or Junior Lien Bonds may prescribe, in addition to the requirements set forth in Sections 4.02(7) and 4.02(8)

hereof, further requirements that must be met for the issuance of Bonds either on a parity with such Bonds or senior to such Junior Lien Bonds.

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

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

(b) The liquidity provider for such Bonds shall be rated in at least the second highest short term rating category by either Moody's, Fitch or S&P; and

(c) Any accelerated principal payments or any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if the tests referred to in Sections 4.02(7) and 4.02(8) of this Master Bond Resolution are calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

(11) All amounts then due under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(E) hereof shall have been paid.

#### Section 4.03 Reliance Upon Certificates.

The District, the Trustee and any purchaser of any Bonds shall be entitled to rely upon reports or certificates of the Accountants and/or the Consulting Engineers, made in good faith, pursuant to any provision of this Article.

#### Section 4.04 Execution of Bonds.

(A) Unless otherwise prescribed by any Series Resolution, the Bonds shall be executed in the name of and on behalf of the District by the Chairman with the corporate seal of the District to be impressed or reproduced thereon and the same shall be attested by the Secretary. Such officers may employ facsimiles of their signatures.

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

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

(C) Notwithstanding anything in paragraphs (A) and (B) of this Section 4.08 to the contrary, Bonds may be issued in the form of contractual obligations which are not instruments and which may be transferred as provided in such contracts.

#### Section 4.09 Date and Payment Provisions.

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

Owners of at least \$1,000,000 principal amount of Bonds may, by written notice containing wiring instructions filed with the Trustee at least twenty (20) days prior to any Bond Payment Date, provide for the payment of the interest on such Bonds by wire transfer to an account at a bank located in the continental United States.

#### Section 4.10 Transferability of Bonds.

Bonds of a Series, upon surrender thereof at the office of the Trustee or the Registrar, as the case may be, for the Bonds of such Series with a written instrument of transfer satisfactory to the Trustee or the Registrar, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder and upon payment by such Holder of any charges made pursuant to Section 4.11 hereof, be exchanged for an equal aggregate principal amount of Bonds of such Series of like maturity and interest rate of any other authorized denominations.

#### Section 4.11 Regulations With Respect to Exchanges and Transfer.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the District shall execute and the Trustee or the Registrar, as the case may be, shall authenticate and deliver Bonds in accordance with the provisions of this Master Bond Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee or the Registrar, as the case may be, to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Master Bond Resolution. There shall be no charge to the Holder for such exchange or transfer of Bonds except that the Trustee or the Registrar, as the case may be, may make a charge

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#### Section 4.05 Authentication.

Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed by the Trustee or the Registrar shall be entitled to any right or benefit under this Master Bond Resolution. No such Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee or Registrar, and such executed certificate of the Trustee or Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Master Bond Resolution. The Trustee's certificate of authentication on any such Bond shall be deemed to have been duly executed by it if signed by any authorized officer of the Trustee or by any authorized officer of the Registrar.

#### Section 4.06 Medium of Payment.

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

#### Section 4.07 Mutilated, Lost, Stolen or Destroyed Bonds.

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

#### Section 4.08 Transfer and Registry; Persons Treated as Owners.

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

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sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Trustee or the Registrar, as the case may be, shall be required to register, transfer or exchange Bonds of a Series during the period between a Record Date and its related Bond Payment Date, or during the period beginning thirty (30) days prior to any selection of Bonds for redemption and ending upon the mailing of any notice of redemption; nor shall either be required to register, transfer or exchange any Bonds called for redemption.

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

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

#### Section 4.13 Notice of Redemption.

If any of the Bonds, or portions thereof, are called for redemption, the Trustee shall give notice to the Holders of any Bonds to be redeemed, in the name of the District, of the redemption of such Bonds, or portions thereof. Notice of each redemption of Bonds is required to be mailed by the Trustee by first class mail, postage prepaid, at least thirty (30) but no more than sixty (60) days prior to the redemption date to each registered owner of Bonds to be redeemed, at the address of such owner recorded on the registration books and to be otherwise given in accordance with, among others, the following requirements:

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

(2) notices must be sent to Bondholders of \$1,000,000 or more, to the Municipal Securities Rulemaking Board (via its Electronic Municipal Markets Access (EMMA) System), and any Securities Depository by certified mail-return receipt requested; notices sent to any Securities Depository must be sent so that such notice is received by such Securities Depository at least two days prior to the mailing of such notices to Bondholders, in addition, any Bondholder holding in excess of \$1,000,000 principal amount of Bonds may request the Trustee to send notices to any additional addressee specified;

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

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(4) notice of redemptions effected by advance refundings must also be given in accordance with the above requirements at least thirty (30) days but not more than sixty (60) days prior to the actual redemption date; and

(5) CUSIP number identification with appropriate dollar amounts for each CUSIP number must accompany all redemption payments and interest payments, whether by check or by wire transfer.

The obligation to provide notice shall not be conditioned upon the prior payment to the Paying Agent of money or the delivery to the Paying Agent of Authorized Investments or Government Obligations sufficient to pay the redemption price of the Bonds to which such notice relates or the interest thereon to the redemption date.

If at the time of mailing of notice of redemption, there shall not have been deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Trustee or Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

The failure of the Trustee to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds for which notice is properly given. Any Bondholder may waive notice of redemption by delivery of a written waiver to the Trustee.

Any Series Resolution providing for the issuance of Bonds consisting of contractual obligations not in the form of an instrument or providing for Bonds in bearer form may provide alternative methods for delivery of notice of redemption.

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

#### Section 4.14 Cancellation of Bonds That Have Been Redeemed.

All Bonds that have been redeemed shall be canceled and destroyed by the Trustee and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the District. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Master Bond Resolution.

#### Section 4.15 Selection of Bonds To Be Redeemed.

In the event that less than all of the Bonds of any Series are to be redeemed at the option of the District, Bonds to be redeemed shall be in such order of maturity as selected by the District. In the event of redemption of less than all of the Bonds of a Series of any maturity, the

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are expressly not pledged therefor. The District is not obligated to pay any of the Bonds or the interest thereon except from the Net Revenues.

#### Section 4.19 Bonds in Book-Entry Form.

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

#### Section 4.20 Waiver of Certain Provisions.

Notwithstanding anything in this Master Bond Resolution to the contrary, whenever all of the debt issued or all of the obligations incurred by the District under a Series Resolution are acquired by and are held by a single entity, that single entity, at its sole option, may waive any provision or requirement of this Master Bond Resolution that relates separately to the governance of such Series and is for the protection and benefit of such single entity only and not for the protection or benefit of any other Holder or Holders of Bonds; provided that if such Series of Bonds is insured by an Insurer, then any such waiver shall require the prior written approval of such Insurer.

#### Section 4.21 Bonds Not in the Form of an Instrument.

In the event that the District issues any Series of Bonds which are contractual obligations not in the form of an instrument, the provisions regarding redemption or prepayment of such Bonds, notices to Bondholders and transfers of such Bonds contained herein may be altered or supplemented by the provisions of the Series Resolution pursuant to which such Bonds are issued or the contract pursuant to which such obligations are created.

#### Section 4.22 Bonds Issued as Taxable Obligations.

Notwithstanding anything in this Master Bond Resolution to the contrary, the District may from time to time, pursuant to one or more Series Resolutions, provide for the issuance of Bonds (including the issuance of BABs) the interest on which may be includable in gross income of the Holders of such Bonds for federal income taxation purposes. In such event, such Bonds may, at the option of the District, be issued as coupon bonds, payable to bearer, as provided in the applicable Series Resolution. Such Series Resolution shall provide such rules and regulations with respect to the ownership, transfer and substitution of such Bonds as are not inconsistent with the other provisions of this Master Bond Resolution.

[End of Article IV]

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Bonds or portions of Bonds to be redeemed, shall be selected by lot by the Trustee. The portion of any Bond of a denomination which is larger than the minimum denomination for the Bonds of such Series shall be in the principal amount of such minimum denomination or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of the minimum denomination; provided further that, if less than all of the beneficial interests in a Bond of a single maturity registered in the name of a Securities Depository or a Securities Depository Nominee are to be redeemed, the beneficial interests to be redeemed shall be selected by lot or in such manner as may be directed by the Securities Depository. If there shall be drawn for redemption less than all of a Bond, the District shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of the same Series in any authorized denomination. The procedures for selection of Bonds of a Series for redemption set forth in this Section 4.15 are subject, however, to any alternative provisions set forth in a Series Resolution applicable to such Series of Bonds.

#### Section 4.16 Restriction on Optional Redemption.

Notwithstanding anything in this Master Bond Resolution to the contrary, no optional redemption of Bonds may occur unless all amounts payable by the District owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(E) hereof shall have been paid in full.

#### Section 4.17 Purchase of Bonds.

The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the District at such time, in such manner and at such price as may be specified by the District. The Trustee may so purchase Bonds for cancellation with any money then held by the Trustee which is available for the redemption or purchase of Bonds and in excess of that set aside for the payment of Bonds called for redemption; provided, that the Trustee is provided with an opinion of Bond Counsel to the effect that such redemption or purchase complies with any limitations or restrictions on such redemption or purchase contained in this Master Bond Resolution.

#### Section 4.18 Security for Payment of Bonds; Priority of Lien.

The Bonds shall be payable solely from and shall be secured by a pledge of and a lien upon the Net Revenues. As additional security for the payment of Bonds, a statutory lien on the System is hereby created and granted. Such pledge and liens securing the Bonds at all times and in all respects shall be and remain superior to pledges and liens made to secure any other bonds or other obligations payable from the revenues of the System.

The Bonds shall not constitute an indebtedness of the District within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license; and the faith, credit and taxing power of the District

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## **ARTICLE V - RATES AND CHARGES**

#### Section 5.01 Rate Covenant.

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

- (1) To provide for the payment of the Operation and Maintenance Expenses;
- (2) To provide for the punctual payment of the principal of and interest on all Bonds that may from time to time hereafter be Outstanding;
- (3) To maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on the Bonds;
- (4) To maintain the Debt Service Reserve Funds, if any, in the manner herein prescribed;
- (5) To pay all amounts owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(E) hereof;
- (6) To provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding;
- (7) To build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order; and
- (8) To discharge all obligations imposed by the Enabling Legislation, the Enabling Act and by this Master Bond Resolution.

(B) The District covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual Net Revenues in the current Fiscal Year equal to at least the sum of (i) one hundred twenty-five percent (125%) of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year plus (ii) one hundred percent (100%) of the amount necessary to make payment of any amounts owing in such Fiscal Year under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(E) hereof plus (iii) one hundred percent (100%) of the principal and interest on Junior Lien

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Bonds, or the capital costs pursuant to the provisions of long-term contracts which the District has entered into in order to provide water services to the areas included within its service area, due in such Fiscal Year plus (iv) one hundred percent (100%) of any required payment into a Debt Service Reserve Fund, if any, due in such Fiscal Year. Promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the District shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the District shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year which shall include the amount to be deposited during such Fiscal Year in the Depreciation and Contingent Fund. The District may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

(C) If the District, in adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant established hereinabove or if the audited financial statements of the District indicate that the District did not satisfy the rate covenant for the prior year, the District shall, within forty-five (45) days, engage a Consulting Engineer to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the District to meet the rate covenant. Copies of such report shall be made available to the District and the Trustee no later than sixty (60) days after the engagement of the Consulting Engineer.

The District agrees that shall use its best efforts to effect such changes recommended by the Consulting Engineer in its report. So long as the District uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under Article XIII hereof; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

[End of Article V]

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deposit on the date of accession in a Debt Service Reserve Fund an amount equal to the Reserve Requirement for such Junior Lien Bonds which are being acceded to the status of Bonds.

(6) On the date of accession, the earnings test prescribed by subparagraph (7) of Section 4.02 herein shall have been met.

(7) In the event such Junior Lien Bonds were issued with variable rates, the provisions of subparagraph (10) of Section 4.02 herein shall have been met.

#### Section 6.02 Right to Issue Special Facilities Bonds.

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

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

(B) The revenues derived from Special Facilities need not be deposited in the General Revenue Fund, and may be pledged to secure Special Facilities Bonds; but no debt service or other costs or expense related to any Special Facilities may be paid from System revenues deposited in the General Revenue Fund except pursuant to Section 8.08 hereof.

For purposes of this Section 6.02, the term "Special Facilities" shall include all or a portion of water facilities (or those enterprises, if any referred to in Section 11.02 hereof) and rights to all or a portion of the use of, or the capacity available from, any such facilities.

#### Section 6.03. Lease Financing Agreements.

The District shall have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System; provided, however, that: (1) the aggregate principal amount of such obligations outstanding at any time shall not exceed ten percent (10%) of the property, plant and equipment of the System less accumulated depreciation as shown on the audited balance sheet of the District for the most recent Fiscal Year for which audited financial statements are available; and (2) the loss of the property secured by the lien will not materially adversely affect the ability of the District to meet its financial obligations under this Master Bond Resolution.

[End of Article VI]

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## **ARTICLE VI - JUNIOR LIEN BONDS AND SPECIAL FACILITIES BONDS**

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

Notwithstanding that Bonds may be Outstanding, the District may at any time, and without limitation and free of all conditions issue Junior Lien Bonds, in such amount as it may from time to time determine, payable from the revenues of the System, provided that the pledge of revenues and any lien upon the revenues of the System granted for the protection of said Junior Lien Bonds, shall at all times be and remain subordinate and inferior in all respects to the pledges of revenues and liens upon such revenues made or authorized for the Bonds and to the payment of all Operation and Maintenance Expenses; and provided, further, that the maturity of Junior Lien Bonds may not be accelerated and paid in full unless all of the Bonds shall have been paid or provision therefor has been made pursuant to Article XVI hereof.

By proceedings authorizing the issuance of Junior Lien Bonds, the District may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the following conditions are met:

(1) The Junior Lien Bonds were issued for a purpose or purposes set forth in Section 4.0(A) hereof.

(2) There shall exist on the date of accession (a) no default in the payment of the principal of or interest on any Bonds or any Junior Lien Bonds then Outstanding, (b) no default in the performance of any duties required under the provisions of this Master Bond Resolution and (c) no amount owed by the District with respect to the full funding of a Debt Service Reserve Fund, either by way of cash or reimbursement of any other funding mechanism.

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

(4) There shall be deposited in the Debt Service Fund for such Series of newly-acceded Bonds the amounts which would have been required under the provisions of Section 8.02 hereof to be accumulated therein on the date of accession if said Junior Lien Bonds had originally been issued as Bonds.

(5) In the event such proceedings require a Reserve Requirement to be maintained for such Series of newly-acceded Bonds, then in such event, there shall be on

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## **ARTICLE VII - ESTABLISHMENT OF FUNDS**

### Section 7.01 Requirement for Special Funds.

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

#### Section 7.02 The General Revenue Fund.

(A) There shall be established and maintained a fund or account designated as the General Revenue Fund. This account shall be so maintained as to reflect accurately:

- (1) the Gross Revenues of the System; and
- (2) the Net Revenues.

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

#### Section 7.03 The Operation and Maintenance Fund.

(A) There shall be established and maintained an Operation and Maintenance Fund. The Operation and Maintenance Fund is intended to provide for the payment of the Operation and Maintenance Expenses.

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

#### Section 7.04 The Debt Service Funds.

(A) There shall be established and maintained a Debt Service Fund for each Series of Bonds Outstanding. The respective Debt Service Funds are intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on the respective Series of Bonds as the same respectively fall due. Payments into such Debt Service Funds shall be made in the manner prescribed by this Master Bond Resolution, including the applicable provisions of Article VIII hereof, and, except as herein provided, all money in the respective Debt Service Funds shall be used solely to pay the principal of, redemption premium, if any, and interest on

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the respective Series of Bonds, and for no other purpose. Each Debt Service Fund shall bear a number Series designation as may be necessary to distinguish each Debt Service Fund.

(B) The Debt Service Funds shall be kept in the complete custody and control of the Trustee and withdrawals from the Debt Service Funds shall be made only by such Trustee who shall transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds. Amounts held by the Trustee due to non-presentation of Bonds on any redemption date must be retained by the Trustee for a period of at least one year after the final maturity of such Bonds. Provided, however, in the event (1) a Series of Bonds is purchased by a single institution and thereafter held by a single Bondholder, and (2) there is not established for such Series of Bonds a Reserve Requirement, the Debt Service Fund established for such Series of Bonds may be held by the Holder of that Series of Bonds, and the Holder of any such Series of Bonds must provide to the Trustee, as and when requested by the Trustee, a written certificate containing current information as to the principal Outstanding, the redemption premium, if any, and accrued interest on such Series of Bonds, and, if the Holder of such Series of Bonds does not provide the Trustee such written certificate within five (5) Business Days of a request by the Trustee, the Trustee, for all purposes of this Bond Resolution, shall conclusively assume that such Series of Bonds has been paid in accordance with the original tenor of such Series of Bonds.

(C) Money in the Debt Service Funds shall be invested and reinvested at the direction of a District Representative in Authorized Investments, maturing not later than the date on which such money is required to pay the principal of, premium, if any, and interest on the next occurring maturity of the Bonds. Unless otherwise provided in a Series Resolution, all earnings from such investments shall be added to and become a part of the Debt Service Fund in which such investments are held, but shall be credited against payments that would otherwise be made to such Debt Service Fund pursuant to the provisions of Section 8.02 hereof.

(D) All monies received by the Trustee as Interest Payment Subsidies shall be deposited in the Debt Service Fund for such Series of Bonds and used to pay debt service on the Series of Bonds with respect to which such Interest Payment Subsidy was received.

Section 7.05 The Debt Service Reserve Funds.

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

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

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

(3) To effect partial redemption of the Bonds of that Series; but subject to the restrictions of Section 4.16 hereof and provided that subsequent to said partial redemption, the market value of the cash and securities in the Debt Service Reserve Fund shall be not less than the Reserve Requirement therefor.

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

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

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

(D) In the event a Series Resolution requires a Reserve Requirement to be established for such Series of Bonds, such Series Resolution may provide that in lieu of the deposit of moneys into such Debt Service Reserve Fund, the District may alternatively satisfy such Reserve Requirement by causing to be credited therefor an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy.

(E) In the event the amount on deposit in, or credited to, a Debt Service Reserve Fund, in addition to the amount available under the surety bond, line of credit, insurance policy or letter of credit in question (the "**Original Funding Instrument**") includes amounts available under another surety bond, line of credit, insurance policy or letter of credit (the "**Additional Funding Instrument**"), draws in the Original Funding Instrument and the Additional Funding

Instrument shall be made on a pro rata basis to fund any insufficiency in the Debt Service Fund. In the event a Debt Service Reserve Fund is funded with both monies and a surety bond, line of credit, insurance policy or letter of credit, (1) any withdrawals from such Debt Service Reserve Fund shall be made first from such monies (or the liquidation of investments made therewith) and second from such surety bond, line of credit, insurance policy or letter of credit, and (2) deposits to such Debt Service Reserve Fund pursuant to Section 8.04 shall be used first to reinstate the surety bond, line of credit, insurance policy or letter of credit and second to restore the cash balance. The surety bond, line of credit, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any Bond Payment Date on which moneys will be required to be withdrawn from such Debt Service Reserve Fund and applied to the payment of the principal of or interest on the Outstanding Series of Bonds to which such surety bond, line of credit, insurance policy or letter of credit relates when such payments cannot be made by amounts otherwise credited to such Debt Service Reserve Fund.

Section 7.06 The Depreciation and Contingent Fund.

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

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

(1) For the purpose of restoring depreciated or obsolete items of the System;

(2) For improvements, betterments and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order;

(3) To defray the cost of unforeseen contingencies and extraordinary repairs to the System;

(4) To prevent defaults of Bonds and Junior Lien Bonds; and

(5) For optional redemption of Bonds or Junior Lien Bonds.

(C) Withdrawals from this fund shall be made by or on order of the District.

Section 7.07 Investments of Funds.

Whenever, in the opinion of the District, it becomes desirable to invest money in any of the funds established by this Article (other than the Debt Service Reserve Funds and the Debt Service Funds for which provisions are made above) the District may make Authorized Investments. In the event the District directs the Trustee to so invest, the Trustee shall act in compliance with such directions. Earnings resulting from the investment of money in a particular fund shall be deposited into the General Revenue Fund (i) except as provided in Sections 7.04

and 7.05 hereof, and (ii) unless the District shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Depreciation and Contingent Fund shall remain therein.

[End of Article VII]

**ARTICLE VIII - DISPOSITION OF REVENUES**

Section 8.01 Deposits to General Revenue Fund; Dispositions Therefrom.

The Gross Revenues of the System excluding that money the disposition of which is controlled by other provisions of this Master Bond Resolution, are declared to be a part of the General Revenue Fund and shall be, as received, deposited into the General Revenue Fund. The dispositions from the General Revenue Fund required by the remaining Sections of this Article shall be made on or before the twenty-fifth Business Day of each month following the delivery of the first Series of Bonds issued pursuant to this Master Bond Resolution or as otherwise provided herein and in the order of priority established by the sequence of the remaining sections of this Article.

Section 8.02 Deposits for the Operation and Maintenance Fund.

There shall be transferred to the Operation and Maintenance Fund the amounts budgeted for Operation and Maintenance Expenses for the ensuing month.

Section 8.03 Payments for Bonds.

Provision shall be made for the payment of the principal of and interest on all Bonds then Outstanding, all without priority of any Bonds over others but ratably as to each Series of Bonds. To that end:

- (1) There shall be deposited into the respective Debt Service Funds the monthly fraction of the aggregate amount of interest to become due on the respective Series of Bonds on the next ensuing Bond Payment Date. Provided, however, that if provision has been made for the payment of all or part of the next installment of interest to become due on any particular Series of Bonds, or the Trustee is in receipt of any Interest Payment Subsidies, pursuant to any other provision of this Master Bond Resolution, or any Series Resolution, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.
- (2) There shall be deposited into the respective Debt Service Funds the monthly fraction of the aggregate amount of principal of the respective Series of Bonds becoming due and payable on the next ensuing principal maturity date (whether at stated maturity or by sinking fund installments), so that on each principal maturity date, the amount of principal to be paid shall have been accumulated and be on hand. Provided, however, that if provision has been made for the payment of all or part of the next installment of principal to become due on a Series of Bonds, pursuant to any other provision of this Master Bond Resolution, or any Series Resolution, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.
- (3) If, on the occasion when the deposits required by paragraphs (1) and (2) of this Section are to be made, the sum total of the deposits required thereby plus previous

- (iv) as to any investment not specified above: the value thereof established by prior agreement between the District and the Trustee and, with respect to any insured Series of Bonds, the Insurer.

Section 8.05 Reimbursement of Interest on Amounts Advanced for Debt Service Reserve Fund.

Provision shall then be made for payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit as contemplated in Section 7.05(D) hereof.

Section 8.06 Deposits for the Depreciation and Contingent Fund.

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

Section 8.07 Payments for Junior Lien Bonds.

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

Section 8.08 Use of Surplus Money.

All money remaining after making the payments required by Sections 8.01 to 8.07 hereof, shall be used for the maintenance or improvement, or payment of debt payable from the revenues, of the System or for the payment of Special Facilities Bonds, as determined from time to time by the District.

[End of Article VIII]

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

Section 8.04 Deposits for the Debt Service Reserve Funds - Valuation.

Deposits shall next be made in the amounts required by this Section 8.04 into the respective Debt Service Reserve Funds. The Trustee shall calculate the value of the cash and securities in each Debt Service Reserve Fund fifteen (15) days prior to each Bond Payment Date, in order to determine if the Debt Service Reserve Fund contains the Reserve Requirement therefor, and the extent to which payments therefor or withdrawals therefrom must be made, and the timing thereof, pursuant to this Master Bond Resolution and the respective Series Resolutions. Unless a Debt Service Reserve Fund then contains in cash and securities (or a surety bond, insurance policy, line of credit or letter of credit as provided in Section 7.05 hereof) an amount at least equal to its Reserve Requirement, there shall be paid into such Debt Service Reserve Fund on the last Business Day of each of the twenty-four (24) months following a determination of a deficiency in such Debt Service Reserve Fund one-twenty-fourth (1/24) of the amount necessary to re-establish in such Debt Service Reserve Fund its Reserve Requirement; provided, however, nothing herein shall preclude the District from fully re-establishing such Reserve Requirement in a more timely fashion than as so prescribed. Any surety bond, line of credit, insurance policy or letter of credit being used to meet the Reserve Requirement of a Debt Service Reserve Fund shall be valued at the amount still remaining to be drawn thereon; and in the event that any such surety bond, line of credit, insurance policy or letter of credit has been drawn upon, the amount necessary to restore the principal balance thereof shall be paid by the District in the same manner and on a parity with the payments described in this Section 8.04.

The market value of any Authorized Investments in a Debt Service Reserve Fund shall be calculated as follows:

- (i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not published therein, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to the time of determination;
- (ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at the time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

**ARTICLE IX - AGREEMENT TO FURNISH INFORMATION WITH RESPECT TO SYSTEM**

Section 9.01 Keeping Records.

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

- (A) The number of customers who may from time to time make use of the System;
- (B) The Gross Revenues of the System and the source from whence derived;
- (C) All expenses incurred in the operation of the System suitably identified as to purpose;
- (D) The Net Revenues of the System;
- (E) All expenditures made from the several funds established by this Master Bond Resolution, and Series Resolutions authorizing the issuance of the Bonds; and
- (F) The rate schedules that may from time to time be in force.

Section 9.02 Audit Required.

The District further covenants and agrees that so long as any Bonds are Outstanding, it will, not later than one hundred and eighty (180) days after the close of each Fiscal Year, cause to be made and completed by the Accountants, an audit of the records, books and accounts pertaining to the System, made in accordance with recognized accounting practices, showing, among other things, Gross Revenues and Net Revenues; and that it will furnish a copy of such audit to the Trustee. Such audit shall comment upon any violation of any provision of any resolution authorizing the issuance of any Bonds or Junior Lien Bonds and any violation of any provision of this Master Bond Resolution noted by the Accountants, and such other matters as to them seem pertinent. The cost of such audit shall be treated as an Operation and Maintenance Expense of the System. Any copies so furnished need not be certified.

[End of Article IX]

## ARTICLE X - INSURANCE

### Section 10.01 Requirement of Insurance.

The District covenants and agrees that so long as any Bonds are Outstanding:

(A) To the extent insurance coverage is available, that it will insure and at all times keep the System insured against physical loss or damage with a responsible insurance company or companies, authorized and qualified under the laws of the State of South Carolina, to assume the risks insured against, in such amount as private corporations engaged in similar endeavors would customarily insure for;

(B) That it will secure adequate fidelity bonds (blanket or individual) of a surety company doing business in the State, indemnifying the District against defalcation of all persons handling money derived from the System or signing checks on any bank accounts relating to the System, other than the Trustee or any Registrar;

(C) That all premiums on all bonds or insurance policies shall be deemed a part of the cost of operating and maintaining the System;

(D) That all insurance policies shall be open to the inspection of any Bondholder at any reasonable time;

(E) That all money received by the District as a consequence of any defalcation, covered by any fidelity bond, shall be used to restore the fund depleted by the defalcation. All sums received by the District from insurance policies covering the System may, to the extent necessary, be applied to the repair and replacement of the damaged or destroyed property, but, in the event that such money is not used for such purposes, then the same shall be deposited in the Depreciation and Contingent Fund; and

(F) That it will comply with the requirements of State law regarding the mandatory purchase of liability insurance contained in Section 15-78-140(b) of the Code of Laws of South Carolina, 1976, as amended and as the same from time to time shall be amended.

[End of Article X]

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reasonably expected on the date of the issuance of the Bonds of such Series would have caused such Bonds or any other Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and will observe and not violate the requirements of Section 148 of the Code;

(I) That, as to any Series of Bonds that was intended at the time of their issuance to be exempt from federal income taxation, it will take all actions required of it under the Code that are necessary to preserve the tax-exempt status of such Series of Bonds, including without limitation, actions necessary to comply with all information reporting requirements and any obligation to rebate arbitrage earnings on the proceeds of such Bonds to the United States Government; and

(J) That it will make all payments or deposits required under Articles VII and VIII of this Master Bond Resolution in a timely manner.

### Section 11.02 Acquisition of Additional Utilities.

No provision of this Master Bond Resolution shall prevent the combining of the System with any other utility system or enterprise of whatever type if such combination then be permitted or authorized by the provisions of the South Carolina Code and if the requirements set forth below are met; but no such combination shall impair the validity or priority of the pledge of revenues and the lien thereon created by this Master Bond Resolution. The District shall have the right from time to time to add other utilities, enterprises, activities and facilities (which at the date of adoption of this Master Bond Resolution were not included in the definition of System hereunder) to the definition of System hereunder, provided that:

(A) the Commission shall have determined that such utilities, enterprises, activities or facilities are of a similar public utility nature as are the utilities now constituting the System;

(B) the Commission shall have adopted an appropriate amendatory resolution to this Master Bond Resolution;

(C) the District shall have received an opinion of Bond Counsel to the effect that such action to be taken under this Section is authorized under this Master Bond Resolution and the laws of the State and will not adversely affect the excludability of interest on the Bonds which were intended upon their issuance to be exempt from federal income taxation; and

(D) the acquisition of the additional utility, enterprise, activity or facility does not result in the District's then-existing underlying credit rating from Moody's, S&P, and/or Fitch being reduced or withdrawn.

[End of Article XI]

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## ARTICLE XI - ADDITIONAL COVENANTS

### Section 11.01 Additional Covenants to Secure Bonds.

The District further covenants and agrees:

(A) That neither the System, nor any part thereof, nor any of the revenues derived from the System, have been or will be hypothecated, mortgaged, otherwise pledged or encumbered, save and except in accordance with the provisions hereof;

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

(C) That, to the extent lawful, it will not permit competing systems to operate within its boundaries;

(D) That except for fire suppression systems which are charged a flat rate, it will permit no water customer to be connected to the System, or to receive any service afforded by the System, unless a proper meter shall be installed, and such customer shall become obligated to pay for the service rendered at the appropriate rate according to the rate schedule then in force;

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

(F) That it will not pledge, mortgage, or otherwise encumber the System or any portion thereof, or any revenues therefrom except in the manner herein authorized, and it will not sell, lease or otherwise dispose of any portion of the System, necessary or useful in the operation of the System, until all Bonds shall be paid in full, or unless and until provision shall have been made for the payment of all Bonds and the interest thereon in full, and the District further obligates itself and covenants and agrees with the Bondholders to maintain in good condition and to operate said System, and to collect and charge such rates for the services and facilities of the System so that the income and revenues of the System will be sufficient at all times to meet the requirements of this Master Bond Resolution. If, pursuant to this Section, anything belonging to the System which is not deemed by the District to be necessary or useful therefor shall be sold or disposed of, the proceeds of such sale or disposition shall be deposited in the Depreciation and Contingent Fund;

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

(H) That it will not make any use, and it shall direct the Trustee and each Fiduciary not to make any use of the proceeds of any Series of Bonds which Bonds were intended upon the issuance thereof to be exempt from federal income taxation, which, if such use had been

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## ARTICLE XII - MODIFICATION OF RESOLUTION

### Section 12.01 Modification Without Bondholder Approval.

(A) Provided always that the security of the Bonds shall not be lessened, or in any manner impaired, the District may for anyone or more of the following purposes at any time, or from time to time, adopt a resolution, supplementing this Master Bond Resolution, which supplemental resolution shall be fully effective in accordance with its terms:

(1) To provide for the issuance of a Series of Bonds in accordance with Article IV of this Master Bond Resolution;

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

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

(4) To cure, correct and remove any ambiguity or inconsistent provisions contained in this Master Bond Resolution; and

(5) For any other purpose which, in the opinion of Bond Counsel, does not materially affect the interests of the Bondholders.

(B) It is further provided that such supplemental resolution shall not become effective until (1) a copy thereof, duly certified, shall have been filed in the office of the Clerk of Court for Spartanburg County, and (2) the District shall have received an opinion of Bond Counsel to the effect that such supplemental resolution has been lawfully adopted in accordance with the provisions hereof and is in full force and effect. The Trustee will promptly give notice of adoption and a copy of any modification made hereunder to any Insurer.

### Section 12.02 Modification with Bondholder Approval.

The rights and duties of the District and the Bondholders and the terms and provisions of this Master Bond Resolution may be modified or altered in any respect by a resolution adopted by the District with the consent of the Holders of fifty-one percent (51%) in principal amount of all Bonds of each Series which would be affected by such modification or alteration then Outstanding, if any, of each such Series of Bonds, such consent to be evidenced by an instrument or instruments executed by such Holders and duly acknowledged or proved before a notary public or other public officer authorized to take oaths, but no such modification or alteration shall, without the consent of the Holders of all Bonds affected by such change or modification:

(A) Extend the maturity of any payment of principal or interest due upon any Bond;

(B) Effect a reduction in the amount which the District is required to pay by way of principal, interest or redemption premium on any Bond;

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**ARTICLE XIII - EVENTS OF DEFAULT**

(C) Effect a change as to the type of currency in which the District is obligated to effect payment of the principal, interest and redemption premium of any Bond;

(D) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds except as may be permitted under the provisions of this Master Bond Resolution;

(E) Permit preference or priority of any Bonds to others;

(F) Alter or modify the provisions of Section 4.02 or of Articles V, VII, and VIII; or

(G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of this Master Bond Resolution.

Section 12.03 Procedure for Procuring Bondholder Approval.

The District and the Trustee may rely upon the registry books maintained by the Registrar to determine who are the Holders of the Bonds. Any and all modifications made pursuant to Section 12.02 shall not become effective until (1) there has been filed with the Clerk of Court for Spartanburg County and with the Trustee a copy of such amendatory resolution hereinabove provided for, duly certified, (2) there has been filed with the Trustee an opinion of Bond Counsel stating that such amendatory resolution has been duly and lawfully adopted by the District in accordance with the provisions of this Master Bond Resolution and is valid and binding upon the District and (3) proof of consent to such modification by the Holders (depending on the type of type of modification) of (A) fifty-one percent (51%) in principal amount of the Bonds of each Series then Outstanding or (B) all Bonds Outstanding, shall be filed with the Trustee. In the event that any Series of Bonds are held under a book-entry system pursuant to Section 4.19, the approvals of Bondholders may be obtained in the manner provided in the agreement with the Securities Depository.

Section 12.04 Notice to Rating Agencies.

Any rating agency rating a Series of Bonds shall be provided notice and a copy of any amendment to this Master Bond Resolution or to any Series Resolution within fifteen (15) days of its execution or adoption.

[End of Article XIII]

Section 13.01 Events of Default.

(A) Each of the following events is hereby declared to be an "Event of Default":

(1) Payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption;

(2) Payment of any installment of interest on any Bonds shall not be made when the same becomes due and payable;

(3) Payment of any installment of either interest or principal on any Junior Lien Bonds shall not be made when the same becomes due and payable;

(4) Except as provided in Section 5.01(C) hereof, the District shall not comply with the rate covenant found in Section 5.01(B) herein;

(5) An order or decree shall be entered with the consent or acquiescence of the District appointing a receiver, or receivers, of the System, or of the revenues thereof, or any proceedings shall be instituted with the consent or acquiescence of the District for the purpose of effecting a composition between the District and its creditors whose claims relate to the System, or for the purpose of adjusting claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, or if such order or decree, having been entered without the consent or acquiescence of the District, shall not be vacated or discharged or stayed on appeal within sixty (60) days after entry thereof, or if such proceeding having been instituted without the consent or acquiescence of the District, shall not be withdrawn or any orders entered shall not be vacated, discharged, or stayed on appeal within sixty (60) days after the institution of such proceedings, or the entry of such orders;

(6) The District shall fail to operate the System in an efficient and businesslike fashion so as to materially impair the operations of the System or shall default in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds or in any Series Resolution or in this Master Bond Resolution and such default as to efficient operation or otherwise shall continue for thirty (30) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the District by any Bondholder, provided that in the case of default specified in this paragraph (4), if the default be such that it cannot be corrected within the said thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the District within said thirty (30) day period and diligently pursued until the default is corrected; and

(7) Such other Events of Default as may be specified in a Series Resolution.

In determining whether a default in payment has occurred under paragraphs (1) or (2) of this subsection (A) and in determining whether a payment on Bonds has been made under any other provision of this Resolution, no effect shall be given to payments made under a Municipal Bond Insurance Policy.

(B) The foregoing provisions of paragraphs (4) and (6) of the preceding subsection (A) are subject to the following limitations: If by reason of "force majeure" the District is unable in whole or in part to carry out its agreements herein contained (other than the obligations on the part of the District contained in any of Section 4.02 or Articles V, VII and VIII as to which this paragraph shall have no application), the District shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, tunnels or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the District, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the District, and the District shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the District unfavorable to the District.

[End of Article XIII]

**ARTICLE XIV - REMEDIES**

Section 14.01 Acceleration; Annulment of Acceleration.

(A) Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the District, declare all Bonds Outstanding immediately due and payable, and such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Master Bond Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

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

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

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

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

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

Section 14.02 Additional Remedies and Enforcement of Remedies.

(A) Upon the occurrence and continuance of any Event of Default, subject to the provisions of Section 17.01 hereof, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under this Master Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(1) Seeking a writ of mandamus, requiring the District to carry out its duties and obligations under the terms of the Master Bond Resolution, the Enabling Legislation and under the Enabling Act;

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

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

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

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

(B) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall institute and maintain such suits and proceedings as it may be advised by counsel shall be necessary or expedient:

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

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

#### Section 14.03 Application of Revenues and Other Moneys After an Event of Default.

(A) The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee:

(1) Forthwith, all moneys and securities then held by the District which are credited to any fund under this Master Bond Resolution (specifically including any moneys and securities in any construction fund created with proceeds of Bonds if construction of the projects to be paid for thereby has been completed or terminated but exclusive of any amounts remaining in such construction fund that are in dispute between the District and any contractor); and

(2) As promptly as practicable after receipt thereof, all Gross Revenues.

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(6) To the payment of the amounts required by Section 8.07, ratably, according to the amounts due thereon to the persons entitled thereto.

#### Section 14.04 Remedies Not Exclusive.

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

#### Section 14.05 Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Master Bond Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 14.03 hereof, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

#### Section 14.06 Majority of Bondholders Control Proceedings.

If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Master Bond Resolution to the contrary, the Holders of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Master Bond Resolution or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is in accordance with law and the provisions of this Master Bond Resolution (including indemnity to the Trustee) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Bondholders not joining in such direction and provided further that nothing in this Section 14.06 shall impair the right of the Trustee in its discretion to take any other action under this Master Bond Resolution which it may deem proper and which is not inconsistent with such direction by Bondholders.

#### Section 14.07 Individual Bondholder Action Restricted.

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

(1) An Event of Default has occurred;

(a) under paragraph (1) or (2) of subsection (A) of Section 13.01 hereof;

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

(1) To the payment of the reasonable and proper charges of the Trustee and its reasonable counsel fees and expenses;

(2) To the payment of all other Operation and Maintenance Expenses;

(3) To the payment of the interest and principal (and redemption premium, if any) then due on the Bonds, as follows:

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

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

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

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

(4) To the payment of the amounts required by Sections 8.04 and 8.05, ratably, according to the amounts due thereon to the persons entitled thereto;

(5) To the payment of the required deposits to the Depreciation and Contingent Fund under Section 8.06; and

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(b) as to which the Trustee has actual notice; or

(c) as to which the Trustee has been notified in writing; and

(2) The Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Master Bond Resolution or to institute such action, suit or proceeding in its own name; and

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

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

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

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

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

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

#### Section 14.08 Termination of Proceedings.

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

#### Section 14.09 Waiver and Nonwaiver of Event of Default.

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

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

(C) Notwithstanding anything contained in this Master Bond Resolution to the contrary but subject to the provisions of Section 17.01 hereof, the Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one Series of Bonds shall at the time be Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), shall waive any Event of Default hereunder and its consequences; provided, however, that except under the circumstances set forth in subsection (B) of Section 14.01 hereof or subsection (B) of this Section 14.09, a default in the payment of the principal of, premium, if any, or interest on, any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

(D) In case of any waiver by the Trustee of an Event of Default hereunder, the District, the Trustee, each Insurer and the Bondholders shall be restored to their former positions and rights under the Master Bond Resolution, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section 14.09.

Section 14.10 Notice of Events of Default.

(A) Within thirty (30) days after:

(1) The receipt of notice of an Event of Default as provided in Section 14.07(A)(1)(b) or (c) hereof; or

(2) The occurrence of an Event of Default under paragraphs (1) or (2) of subsection (A) of Section 13.01 hereof, as to which the Trustee shall be deemed to have notice,

the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Insurer of any Series of Bonds then Outstanding, if any, and to each Holder of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal of, together with premium, if any and interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(B) The Trustee shall immediately notify the District and each Insurer of any Series of Bonds then Outstanding of any Event of Default known to the Trustee.

**ARTICLE XV - TRUSTEE AND ITS FUNCTIONS; OTHER FIDUCIARIES**

Section 15.01 Appointment and Vesting of Powers in Trustee; Limitation of Rights of Bondholders to Appoint Trustee.

Prior to the delivery of any Bonds pursuant to this Master Bond Resolution, the District shall appoint the Trustee. The Trustee shall be and is hereby vested with all rights and powers necessary to enable it to discharge its duties hereunder but the right of the Bondholders to appoint a Trustee hereunder is limited to the circumstances contemplated by Section 15.10 hereof.

Section 15.02 Functions of Trustee.

The Trustee shall have the following additional functions:

(A) To authenticate the Bonds of all Series that may be issued;

(B) To act as custodian of the Debt Service Funds;

(C) To act as custodian of the Debt Service Reserve Funds, if any;

(D) To act as Paying Agent for the Bonds;

(E) In the event Bonds are issued in registered form, to act as Registrar for the Bonds, and to maintain a set of registration books therefor, which shall at all times accurately reflect the names and addresses of all those who may be Holders of any Bonds;

(F) To make reports to the District on a monthly or such other basis as may be requested by the District, but not less often than semi-annually:

(1) Establishing balances on hand;

(2) Listing investments made for any fund handled by the Trustee;

(3) Establishing the market value of the Debt Service Reserve Funds; and

(4) Listing all securities, if any, pledged pursuant to Section 15.13 hereof.

Section 15.03 Duty of Trustee with Respect to Deficits in Debt Service Funds.

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

Section 14.11 Rights of Insurers.

Any Series Resolution may provide that any Insurer, insuring the applicable Series of Bonds, upon the occurrence of an Event of Default and with respect to all remedies provided herein, may prevent the acceleration of the Bonds of all Series or permit the annulment of the acceleration of the Bonds of all Series. Such Insurer may be subrogated to the rights to payment of the Holders of any Bonds with respect to which it pays any principal or interest on the Bonds owned by that Holder.

[End of Article XIV]

Section 15.04 Acceptance by Trustee Required.

Prior to the delivery of any Bonds, the Trustee appointed pursuant to Section 15.01 hereof shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Master Bond Resolution, by executing and delivering to the District a written acceptance thereof.

Section 15.05 Liability as to Recitals in Bond Resolution and Bonds.

The recitals of fact made in this Master Bond Resolution and in the Bonds shall be taken as statements of the District, and the Trustee shall not be deemed to have made any representation as to the correctness of the same, nor shall the Trustee be deemed to have made any representation whatsoever as to the validity or sufficiency of this Master Bond Resolution or of the Bonds issued hereunder except with respect to the authentication of any Bonds. Nor shall the Trustee be under any responsibility or duty with respect to the issuance of said Bonds, or the application of the proceeds thereof, except to the extent provided for herein. Nor shall the Trustee be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 15.06 Trustee May Rely on Notices, etc.

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

Section 15.07 Trustee Permitted to Resign.

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

Section 15.08 Removal of Trustee.

(A) The Trustee may be removed at any time by the Holders of not less than fifty percent (50%) of the principal amount of Bonds at such time Outstanding.

(B) Provided an Event of Default has not occurred and is not continuing, the Trustee may be removed at any time by the District.

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

Section 15.09 Appointment of Successor Trustee Upon Resignation or Removal of Trustee.

(A) In case at any time the Trustee shall resign, or be removed or become incapable of acting, or be adjudged bankrupt or insolvent, or a receiver of its property shall be appointed, or any public officer shall take charge or control of its property or affairs, a successor trustee shall be promptly appointed by a resolution of the District duly adopted. Such successor shall in all instances be a bank or a trust company, acceptable to each Insurer and duly chartered pursuant to the laws of the United States or of any state and shall have a combined capital and surplus of not less than \$100,000,000.

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

Section 15.10 When Bondholder May Seek Successor Trustee.

If, in a proper case, no appointment of a successor Trustee shall be promptly made pursuant to Section 15.09, any Bondholder, the resigning or removed Trustee or any Insurer may make application to any court of competent jurisdiction for the appointment of a successor and said court may thereupon, after such notice, if any, as such court may prescribe, appoint a successor.

Section 15.11 Acceptance by Successor Trustee.

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

Section 15.12 Effect of Trustee Merging With Another Bank.

Any bank or trust company into which the Trustee may be merged, or with which it may be consolidated, or any bank or trust company resulting from any merger or consolidation to which it shall be a party, or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall become the successor without the execution or filing of any paper or the performance of any further act; provided, always, that if the District shall be dissatisfied with the institution resulting from the merger, consolidation or other action spoken of above, then the District may at any time within thirty (30) days after such action name a new Trustee (with the qualifications prescribed by Section 15.09 hereof) in lieu of the Trustee then acting.

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**ARTICLE XVI - DEFEASANCE**

Section 16.01 Defeasance Generally.

Subject to the provisions of any Series Resolution, if all of the Bonds issued pursuant to this Master Bond Resolution and any other amounts required to be paid to a provider of a surety bond, line of credit, insurance policy or letter of credit hereunder shall have been paid and discharged, then the obligations of the District under this Master Bond Resolution, the pledge of Gross Revenues made hereby, and all other rights granted hereby shall cease and determine. Subject to the provisions of any Series Resolution, Bonds shall be deemed to have been paid and discharged within the meaning of this Article under each of the following circumstances:

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

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

(C) If the District shall have deposited with the Trustee, or any other bank or trust company which would otherwise meet the chartering and capital and surplus requirements contained in Section 15.09(A) hereof, in an irrevocable trust money or Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof) will, as certified in a verification report provided by an independent entity providing such services and deemed qualified by the Trustee, provide money which, together with the money, if any, deposited at the same time, shall be sufficient to pay, when due, the principal, interest and redemption premium, if any, due and to become due on and prior to the maturity, or, if the District has irrevocably elected to redeem Bonds, on and prior to the redemption date, of such Bonds; additionally, the District shall provide to the Trustee an opinion of Bond Counsel that such action does not result in any adverse tax consequences with respect to such Series of Bonds.

Section 16.02 Money to be Held in Trust - When Returnable to the District.

Any money which at any time shall be deposited with the Trustee or other escrow holder authorized under Section 16.01(C), by or on behalf of the District, for the purpose of paying and discharging any Bonds or the interest thereon, shall be and is hereby assigned, transferred and set over to the Trustee or such other escrow holder in trust for the respective Holders of the Bonds, and such money shall be and is hereby irrevocably appropriated to the payment and discharge thereof. But if, through lapse of time or otherwise, the Holders of said Bonds shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Trustee or such other escrow holder to forthwith return said funds to the District.

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Section 15.13 Trustee to Secure Funds and Securities Held in Trust.

(A) Unless the same be secured as trust funds in the manner provided by the regulations of the Comptroller of the Currency as from time to time in effect, all funds or securities in the custody of the Trustee, in excess of the amount of such deposit insured by the Federal Deposit Insurance Corporation, shall be secured and kept secured by direct obligations of the United States of a market value at least equal to the sum on deposit and not insured as aforesaid by the Federal Deposit Insurance Corporation.

(B) All securities which shall be given to secure any fund as required by the provisions of this Article shall be placed in the custody of a duly chartered bank, other than the Trustee, which is a member of the Federal Deposit Insurance Corporation. Such other bank shall have a combined capital and surplus of not less than \$25 million.

Section 15.14 Disposition of Paid Bonds.

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

Section 15.15 Appointment of Substitute Registrar.

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

[End of Article XV]

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Section 16.03 Deposits With Trustee Subject to Conditions of Article XVI.

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

Section 16.04 No Defeasance of Series of Bonds Paid by Insurer.

In the event that the principal and/or interest due on a Series of Bonds shall be paid by an Insurer pursuant to a Municipal Bond Insurance Policy, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District until the Insurer has been reimbursed in full therefor in accordance with the terms of the Municipal Bond Insurance Policy, and the assignment and pledge of the Gross Revenues of the System and all covenants, agreements and other obligations of the District to the registered Holders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Holders.

[End of Article XVI]

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ARTICLE XVII - MISCELLANEOUS

Section 17.01 Miscellaneous Insurer Rights.

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

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

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

(D) In the event that the principal of and/or interest on any Bonds shall be paid by the Insurer pursuant to the terms of its Municipal Bond Insurance Policy, (i) such Bonds shall continue to be "Outstanding" under this Master Bond Resolution and (ii) the assignment and pledge of the Gross Revenues and all covenants, agreements and other obligations of the District to the registered Holders shall continue to exist, and the Insurer shall be fully subrogated to all of the rights of such registered Holders in accordance with the terms and conditions of subparagraph (C) above and the Insurer's Municipal Bond Insurance Policy.

(E) The terms and provisions of this Master Bond Resolution or of any applicable Series Resolution may not be terminated as long as there are any moneys owed to an Insurer under such terms and provisions of this Master Bond Resolution or the applicable Series Resolution or any agreement between such Insurer and the District.

Section 17.02 Purpose of Covenants in Master Bond Resolution.

Every covenant, undertaking and agreement made on behalf of the District, as set forth in this Master Bond Resolution is made, undertaken and agreed to, for the proper securing of the payment of the principal of and interest on the Bonds. Each shall be deemed to partake of the obligation of the contract between the District and the Bondholders and shall be enforceable

DONE, RATIFIED AND ADOPTED ON AUGUST 12, 2010.

WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA

(SEAL)

  
Chairman  
Woodruff-Roebuck Water District Commission

Attest:

  
Secretary  
Woodruff-Roebuck Water District Commission

accordingly. In this connection, any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.05(E) hereof may enforce the terms, conditions and obligations under this Master Bond Resolution as a third party beneficiary hereunder. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Insurers, the Trustee, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Issuer shall be for the sale and exclusive benefit of the District, the Insurers, the Trustee, and the registered owners of the Bonds.

Section 17.03 Effect of Invalidity of Provisions of Master Bond Resolution.

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

Section 17.04 Remedies Granted by Resolution Not Being Available to Holders of Other Bonds.

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

Section 17.05 Authorization to Sign.

For purposes of all consents and other necessary documentation associated with the issuance of Bonds, the District Representative shall be authorized to sign on behalf of the District and the Commission.

Section 17.06 Repealing Clause.

All resolutions, or parts thereof, inconsistent herewith shall be and the same are hereby repealed to the extent of such inconsistencies.

Section 17.07 Date Effective.

The provisions of this Master Bond Resolution shall become effective as of the adoption date hereof.

WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA

AMENDMENTS TO MASTER BOND RESOLUTION

A RESOLUTION

PROVIDING FOR AND APPROVING AMENDMENTS TO A RESOLUTION ENTITLED, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO" WHICH AMENDMENTS CURE AND CORRECT AMBIGUITIES AND INCONSISTENCIES, ESTABLISH THE REQUIREMENTS FOR A COMMON DEBT SERVICE RESERVE FUND AND AUTHORIZE THE ESTABLISHMENT OF A RATE STABILIZATION FUND; AND OTHER MATTERS RELATING THERETO.

ORIGINALLY ADOPTED AUGUST 12, 2010  
AS AMENDED OCTOBER 13, 2016  
(MASTER BOND RESOLUTION)

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EXHIBIT A – CONSENT OF INSURER

BE IT RESOLVED BY THE WOODRUFF-ROEBUCK WATER DISTRICT COMMISSION OF WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, IN A MEETING DULY ASSEMBLED:

ARTICLE I – FINDINGS OF FACT

Section 1.01. Recitals and Statements of Purpose

Incident to the adoption of this Resolution, the Woodruff-Roebuck Water District Commission (the "Commission"), the governing body of Woodruff-Roebuck Water District, South Carolina (the "District"), finds, as a fact, that each of the statements hereinafter set forth is in all respects true and correct.

(A) The District was created and established as a body politic and corporate pursuant to Act No. 1101 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1956, as amended. The District is located wholly within Spartanburg County, South Carolina.

(B) Heretofore, the Commission adopted a resolution entitled, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO," on August 12, 2010 (the "2010 Bond Resolution"), to provide for the issuance of bonds payable from revenues of the waterworks system of the District (the "System") from time to time, and to provide a mechanism for the ordering of pledges and liens created to secure such bonds. The 2010 Bond Resolution, as amended by the terms of this resolution shall be referred to herein as the "Master Bond Resolution."

(C) The District currently has outstanding \$35,715,000 of its originally issued \$37,185,000 Water System Improvement Revenue Bonds, Series 2010 (the "Series 2010 Bonds" or the "Prior Bonds") which are paid solely from and are secured by the revenues of the System. The Prior Bonds are the only Bonds (as defined in the 2010 Bond Resolution) currently Outstanding (as defined in the 2010 Bond Resolution) that were issued under the provisions of the 2010 Bond Resolution. Additionally, the Series 2010 Bonds are insured by Assured Guaranty Municipal Corporation (the "2010 Insurer").

(D) The District wishes to amend the 2010 Bond Resolution in order to: (1) cure, correct and remove any ambiguities and inconsistent provisions in the 2010 Bond Resolution; (2) provide the District with the option to (a) create and fund a common debt service reserve fund, or (b) elect to issue any Series of Bonds without participating in the common debt service reserve fund; and (3) provide for the creation of a rate stabilization fund.

(E) Pursuant to Section 12.02 of the 2010 Bond Resolution, the 2010 Bond Resolution may be modified or altered in any respect by a resolution adopted by the Commission with the consent of the Holders (as defined in the 2010 Bond Resolution) of fifty-one percent (51%) in principal amount of all Bonds (as defined in the 2010 Bond Resolution) of each Series

(as defined in the 2010 Bond Resolution) which would be affected by such modification or alteration. However, the consent of the Holders of all Bonds is required when a modification or change is made that will: "(A) Extend the maturity of any payment of principal or interest due upon any Bond; (B) Effect a reduction in the amount which the District is required to pay by way of principal, interest or redemption premium on any Bond; (C) Effect a change as to the type of currency with which the District is obligated to effect payment of the principal, interest and redemption premiums of any Bond; (D) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds; (E) Permit preference or priority of any Bonds to others; (F) Alter or modify the provisions of Section 4.02 or of Articles V, VII, and VIII; or (G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of the Master Bond Resolution, without the consent of the Holders of all Bonds affected by such change or modification."

(F) By the terms of this Resolution, the District proposes to amend various provisions of the 2010 Bond Resolution, including amendments to Article VII. As a result, the written consent of all of the Holders of the Outstanding Bonds is required to implement the provisions of this Resolution.

(G) The Prior Bonds are currently held by a variety of Holders in the open market (the "2010 Holders"). While the District cannot properly identify all of the 2010 Holders, Section 17.01 of the 2010 Bond Resolution provides that each Insurer (as defined in the 2010 Bond Resolution) shall be deemed the exclusive Holder of all Bonds insured by that Insurer for the purpose of all approvals and consents. Under this authorization, the 2010 Insurer is authorized to consent to the implementation of the amendatory provisions of this Resolution.

(H) Assuming that the 2010 Insurer will grant their consent to the implementation of this Resolution and its provisions, the provisions of this Resolution shall take effect upon the due adoption of this Resolution and the receipt of a properly executed consent from the 2010 Insurer (the "Consent"), the form of which is attached hereto as Exhibit A. It is not anticipated that the 2010 Insurer will execute the Consent.

(I) Absent the receipt of the executed Consent, the provisions of the 2010 Bond Resolution shall remain in full force and effect until the occurrence of the Effective Date (as such term is defined in Section 3.01 hereinbelow)

(J) Any future Series of Bonds issued under the 2010 Bond Resolution after the date of adoption of this Resolution but prior to the Effective Date shall be deemed to have consented to the implementation of the Master Bond Resolution.

(K) This Resolution is intended to, and upon the Effective Date, shall amend certain provisions of the 2010 Bond Resolution. Upon the Effective Date, the Master Bond Resolution shall control: (i) the Prior Bonds, if any; (ii) any Bonds issued under the 2010 Bond Resolution on or after the date of adoption of this Resolution but prior to the Effective Date; and (iii) any future Series of Bonds issued after the Effective Date.

[End of Article I]

ARTICLE II – DEFINITIONS AND INTERPRETATION

Section 2.01. Use of Defined Terms

All terms used herein and not otherwise defined shall have the meaning ascribed thereto in the 2010 Bond Resolution.

Section 2.02. Interpretation

In this Resolution, unless the context otherwise requires:

(A) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs of this Resolution unless otherwise stated to refer to the Master Bond Resolution.

(B) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms as used in this Resolution refer to this Resolution or Sections or paragraphs of this Resolution, unless otherwise stated to refer to the Master Bond Resolution, and the term "hereafter" shall mean any date after the date of adoption of this Resolution.

[End of Article II]

ARTICLE III – CONSENT FOR THE EFFECTIVE DATE PROVISIONS

Section 3.01. The Effective Date

Pursuant to Section 1.01(I) of this Resolution, the amendments authorized herein shall take effect upon such time as one of the following conditions is met with respect to each of the Prior Bonds:

- (1) the Prior Bonds have been paid at their respective maturities or redemption dates, if redeemed as a whole;
(2) the Prior Bonds have been defeased under the provisions of the 2010 Bond Resolution; or
(3) the Consent is executed and delivered by the 2010 Insurer.

The earliest date on which one or a combination of the stated conditions has been met with respect to the Prior Bonds is the "Effective Date."

Section 3.02. Effect of Consent on the Master Bond Resolution

Upon the occurrence of the Effective Date, the following provisions shall (1) be added to the 2010 Bond Resolution and/or (2) amend certain provisions in the 2010 Bond Resolution (the "Effective Date Provisions").

Section 2.02. Defined Terms.

"Debt Service Fund" shall mean the funds herein so designated and designed to provide for the payment of the principal of and interest on the respective Series of Bonds issued pursuant to this Master Bond Resolution...

"Debt Service Reserve Fund" shall mean the funds, if any, so designated and designed (1) to insure the timely payment of the principal of and interest on the respective Series of Bonds Outstanding secured by the Debt Service Reserve Fund...

"Funding Substitute" shall have the meaning provided in Section 7.05(D) hereof.

not secured by the Debt Service Reserve Fund) at the time of issuance of such Bonds or (c) the sum of one hundred twenty-five percent (125%) of the average Annual Principal and Interest Requirement for the then-current and each future Fiscal Year with respect to all Series of Bonds Outstanding...

Section 4.01. Authorization for Bonds in Series.

(A) From time to time and for the purpose of:

(5) Funding the Debt Service Reserve Fund or restoring the value of the cash and securities in any the Debt Service Reserve Fund to the amount equal to the Reserve Requirement and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit Funding Substitute...

(B) Each Series Resolution shall include a determination by the District to the effect that the issuance of such Series of Bonds is necessary to provide funds to be used and expended for one or more of the purposes set out in Section 4.01(A) hereof.

(15) That the then applicable Reserve Requirements for all Series of Bonds Outstanding has been or will be met (a) If the Bonds of such Series will be secured by the Debt Service Reserve Fund, that the Bonds of such Series shall be subject to the provisions of Section 7.05 hereof...

(17) (a) That a Debt Service Fund shall be established and (b) the a Debt Service Reserve Fund shall be has been established and may be funded for the Series of Bonds in an amount equal to the Reserve Requirement (c) that a construction fund may be established if the proceeds of the Bonds of any Series are intended to be used for the expansion or improvement of the System...

(18) For any Series of Bonds secured by the Debt Service Reserve Fund, the Bond Payment Dates for such Series of Bonds shall be

"Operation and Maintenance Expenses" shall mean for the period in question all expenses incurred in connection with the administration and the operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order...

- (a) depreciation and amortization allowances;
(b) amounts paid as interest on Bonds;
(c) amounts expended for extraordinary repairs to the System;
(d) amounts paid from government grants or aids-to-construction;

(e) unfunded net pension liabilities, other post-employment benefit liabilities or similar accounting determinations under generally accepted accounting principles that do not result in any actual disposition of cash;

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

(g) amounts paid as capital costs pursuant to the provisions of long-term contracts which the District has entered into in order to provide water services to the areas included within its service area, such obligations being specifically included within the definitions of Bonds or Junior Lien Bonds depending upon the pledge given to secure the same.

"Rate Stabilization Fund" shall mean the fund designed to provide for the stabilization of rates of the System or any component thereof by carrying forward surplus revenues.

"Reserve Requirement" shall mean, as of any date of calculation, the debt service reserve fund requirement, if any, established by a Series Resolution authorizing a Series of Bonds the least of (a) the sum of the greatest remaining Annual Principal and Interest Requirement for the then-current and each future Fiscal Year with respect to all Series of Bonds Outstanding...

the same dates as all other Bonds then Outstanding which are secured by the Debt Service Reserve Fund.

(19) Any other provisions deemed advisable by the District not in conflict with or in substitution for the provisions of this Master Bond Resolution.

Section 4.02. Conditions to Issuance of Bonds of a Series.

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

(6) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each the Debt Service Reserve Fund the amount equal to the Reserve Requirement for all Bonds to be Outstanding following the proposed issuance of Bonds that are or will be secured by the Debt Service Reserve Fund, there shall be deposited in the Debt Service Reserve Fund such amount as may be necessary to make the value of the moneys and securities in the Debt Service Reserve Fund equal to the Reserve Requirement, unless:

(a) the Series Resolution shall have provided for successive monthly payments beginning in the first month following the date of the issuance of the Bonds of any such Series in substantially equal monthly amounts (the "Monthly Series Payments") so that by the end of the period determined by the Series Resolution, there shall be in the Debt Service Reserve Fund an amount equal to the Reserve Requirement; and

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

Section 4.18 Security for Payment of Bonds; Priority of Lien.

The Bonds shall be payable solely from and shall be secured by a pledge of and a lien upon the Net Revenues. As additional security for the payment of Bonds, a statutory lien on the System is hereby created and granted. Such pledge and liens securing the Bonds at all times and in all respects shall be and remain superior to pledges and liens made to secure any other bonds or other obligations payable from the revenues of the System.

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

Section 5.01 Rate Covenant.

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

(4) To maintain the Debt Service Reserve Fund, ~~if any~~, in the manner ~~herein~~ prescribed in this Master Bond Resolution and in the applicable Series Resolution;

(5) To pay all amounts owing under a reimbursement agreement with any provider of a ~~Funding Substitute surety bond, line of credit, insurance policy or letter of credit~~ as contemplated under Section 7.05(E) hereof.

(B) The District covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual Net Revenues in the current Fiscal Year equal to at least the sum of (i) one hundred twenty-five percent (125%) of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year plus (ii) one hundred percent (100%) of the amount necessary to make payment of any amounts owing in such Fiscal Year under a reimbursement agreement with any provider of a ~~surety bond, line of credit, insurance policy or letter of credit~~ Funding Substitute as contemplated under Section 7.05(E) hereof plus (iii) one hundred percent (100%) of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts which the District has entered into in order to provide water services to the areas included within its service area, due in such Fiscal Year plus (iv) one hundred percent (100%) of any required payment into ~~any~~ the Debt Service Reserve Fund, ~~if any~~, due in such Fiscal Year. Promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the District shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. Prior to the beginning of each Fiscal Year, the District shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year which shall include the amount to be deposited during such Fiscal Year in the Depreciation and Contingent Fund. The District may at any

~~institution and thereafter held by a single Bondholder, and (2) there is not established for such Series of Bonds a Reserve Requirement, the Debt Service Fund established for such Series of Bonds may be held by the Holder of that Series of Bonds, and the Holder of any such Series of Bonds must provide to the Trustee, as and when requested by the Trustee, a written certificate containing current information as to the principal Outstanding, the redemption premium, if any, and accrued interest on such Series of Bonds, and, if the Holder of such Series of Bonds does not provide the Trustee such written certificate within five (5) Business Days of a request by the Trustee, the Trustee, for all purposes of this Bond Resolution, shall conclusively assume that such Series of Bonds has been paid in accordance with the original tenor of such Series of Bonds.~~

Section 7.05 Debt Service Reserve Fund.

(A) ~~Each Series Resolution may create a Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. The Debt Service Reserve Fund is hereby established and shall be maintained at the Reserve Requirement so long as Bonds shall be Outstanding for the equal and ratable benefit of all Bonds, except for any Bonds of a Series not secured by the Debt Service Reserve Fund. The Debt Service Reserve Fund is intended to insure the timely payment of the principal of, and premium, if any, and interest on the Bonds (except for any Bonds not secured by the Debt Service Reserve Fund), and to provide for the redemption of such Bonds prior to their stated maturities. Money in the Debt Service Reserve Fund shall be used for the following purposes, and for no other:~~

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

(2) To pay the principal of, interest on, and redemption premium of the Bonds of such Series ~~secured by the Debt Service Reserve Fund~~ in the event that all such Outstanding Bonds be redeemed as a whole; or

(3) To effect partial redemption of the Bonds of such Series ~~secured by the Debt Service Reserve Fund~~; but subject to the restrictions of Section 4.16 hereof and provided that subsequent to said partial redemption, the market value of the cash and securities in the Debt Service Reserve Fund, ~~plus the aggregate amount of any Funding Substitute credited thereto~~, shall be not less than the Reserve Requirement therefor.

~~The requirements for and provisions governing any Debt Service Reserve Fund in the remainder of this Master Bond Resolution shall, in references to "the Debt~~

time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

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

Notwithstanding that Bonds may be Outstanding, the District may at any time, and without limitation and free of all conditions issue Junior Lien Bonds, in such amount as it may from time to time determine, payable from the revenues of the System, provided that the pledge of revenues and any lien upon the revenues of the System granted for the protection of said Junior Lien Bonds, shall at all times be and remain subordinate and inferior in all respects to the pledges of revenues and liens upon such revenues made or authorized for the Bonds and to the payment of all Operation and Maintenance Expenses; and provided, further, that the maturity of Junior Lien Bonds may not be accelerated and paid in full unless all of the Bonds shall have been paid or provision therefor has been made pursuant to Article XVI hereof.

By proceedings authorizing the issuance of Junior Lien Bonds, the District may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the following conditions are met:

(2) There shall exist on the date of accession (a) no default in the payment of the principal of or interest on any Bonds or any Junior Lien Bonds then Outstanding and (b) no default in the performance of any duties required under the provisions of this Master Bond Resolution and (c) no amount owed by the District with respect to the full funding of ~~the~~ the Debt Service Reserve Fund, ~~as applicable~~, either by way of cash or reimbursement of any other funding mechanism, ~~except in accordance with Section 4.02(6) hereof~~.

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

Section 7.04 The Debt Service Funds.

(B) The Debt Service Funds shall be kept in the complete custody and control of the Trustee and withdrawals from the Debt Service Funds shall be made only by such Trustee who shall transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds. Amounts held by the Trustee due to non-presentment of Bonds on any redemption date must be retained by the Trustee for a period of at least one year after the final maturity of such Bonds. ~~Provided, however, in the event (1) a Series of Bonds is purchased by a single~~

~~Service Reserve Fund", "the Reserve Requirement", "the Debt Service Fund(s)" and "the Bonds", be deemed to refer to each such Debt Service Reserve Fund created by a Series Resolution and in each case to the respective Reserve Requirement and Debt Service Fund for the respective Series of Bonds, and to Bonds only of that respective Series and not to any other Bonds.~~

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

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

(D) ~~In the event a Series Resolution requires a Reserve Requirement to be established for such Series of Bonds, such Series Resolution may provide that in lieu of the deposit of moneys into such Debt Service Reserve Fund, the District may alternatively satisfy such Reserve Requirement by causing to be credited therefor an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy. The District may satisfy all or a portion of the Reserve Requirement by causing to be credited thereto an irrevocable and unconditional surety bond, line of credit, insurance policy, letter of credit or other funding instrument (any such surety bond, line of credit, insurance policy, letter of credit or other funding instrument, a "Funding Substitute").~~

(E) In the event the amount on deposit in, or credited to, ~~a~~ the Debt Service Reserve Fund, in addition to the amount available under the ~~surety bond, line of credit, insurance policy or letter of credit Funding Substitute~~ in question (the "Original Funding Instrument") includes amounts available under another ~~surety bond, line of credit, insurance policy or letter of credit Funding Substitute~~ (the "Additional Funding Instrument"), draws in the Original Funding Instrument and the Additional Funding Instrument shall be made on a pro rata basis to fund any insufficiency in the ~~respective~~ Debt Service Fund. In the event ~~a~~ the Debt Service Reserve Fund is funded with both monies and a Funding Substitute, (1) any withdrawals from ~~such~~ the Debt Service Reserve Fund shall be

made first from such monies (or the liquidation of investments made therewith) and second from such Funding Substitute, and (2) deposits to such the Debt Service Reserve Fund pursuant to Section 8.04 shall be used first to reinstate the Funding Substitute and second to restore the cash balance. The ~~surety bond, line of credit, insurance policy or letter of credit~~ Funding Substitute shall be payable (upon the giving of notice as required thereunder) on any Bond Payment Date on which moneys will be required to be withdrawn from such the Debt Service Reserve Fund and applied to the payment of the principal or interest on the ~~Outstanding Series of Bonds to which such surety bond, line of credit, insurance policy or letter of credit relates when such payments cannot be made by amounts otherwise credited to such Debt Service Reserve Fund the affected Bonds.~~

Section 7.07 The Rate Stabilization Fund

The District may establish a Rate Stabilization Fund, as needed, and, if created, shall administer such fund under the provisions of this Master Bond Resolution and State law.

Section 7.07 7.08 Investments of Funds.

Whenever, in the opinion of the District, it becomes desirable to invest money in any of the funds established by this Article (other than the Debt Service Reserve Funds and the Debt Service Funds for which provisions are made above) the District may make Authorized Investments. In the event the District directs the Trustee to so invest, the Trustee shall act in compliance with such directions. Earnings resulting from the investment of money in a particular fund shall be deposited into the General Revenue Fund (i) except as provided in Sections 7.04, and 7.05 and 7.07 hereof, and (ii) unless the District shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Depreciation and Contingent Fund shall remain therein.

Section 8.04 Deposits for the Debt Service Reserve Funds - Valuation.

(A) Deposits, if any, shall next be made in the amounts required by this Section 8.04 into the ~~respective~~ Debt Service Reserve Fund. The Trustee shall calculate the value of the cash and securities in ~~each~~ the Debt Service Reserve Fund fifteen (15) days prior to each Bond Payment Date associated therewith, in order to determine if the Debt Service Reserve Fund contains the Reserve Requirement therefor, and the extent to which payments therefor or withdrawals therefrom must be made, and the timing thereof, pursuant to this Master Bond Resolution and the respective Series Resolutions.

(B) To the extent the Trustee determines that a deficiency exists, but such deficiency is solely the result of accounting practices governing the valuation of securities in the Debt Service Reserve Fund, the Trustee may alternatively calculate the value of the securities in the Debt Service Reserve

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Section 8.05 Reimbursement of Interest on Amounts Advanced for a the Debt Service Reserve Fund.

Provision shall then be made for payment of interest on amounts advanced by the provider of any ~~surety bond, line of credit, insurance policy or letter of credit as contemplated in Section 7.05(D) hereof~~ Funding Substitute.

Section 8.08 Use of Surplus Money.

(a) All money remaining after making the payments required by Sections 8.01 to 8.07, shall be used for the maintenance or improvement, or payment of debt payable from the revenues, of the System or for the payment of Special Facilities Bonds, as determined from time to time by the District.

(b) Additionally, the District may determine, at any time, to deposit any percentage or any set amount of surplus money under this Section 8.08 into the Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Fund may, at the direction of a District Representative, be withdrawn and used for any other required purpose of the System.

Section 15.02 Functions of Trustee.

The Trustee shall have the following additional functions:

- (C) To act as custodian of the Debt Service Reserve Funds, ~~if any~~;
- (F) To make reports to the District on a monthly or such other basis as may be requested by the District, but not less often than semi-annually:
  - (1) Establishing balances on hand;
  - (2) Listing investments made for any fund handled by the Trustee;
  - (3) Establishing the market value of the Debt Service Reserve Funds and maintaining adequate records as to the amounts available to be drawn at any given time under any Funding Substitute and as to the amounts paid and owing to the provider of any such Funding Substitute, and the Trustee shall verify all such records with any such provider; and
  - (4) Listing all securities, if any, pledged pursuant to Section 15.13 hereof.

[End of Article III]

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Fund as of the maturity date of such securities, so long as such securities mature on or prior to the next Bond Payment Date.

(C) Unless a the Debt Service Reserve Fund then contains in cash and securities (or a Funding Substitute ~~surety bond, line of credit, insurance policy or letter of credit~~) in an amount at least equal to its Reserve Requirement, there shall be paid into such the Debt Service Reserve Fund on the last Business Day of each of the twenty-four (24) months following a determination of a deficiency in such the Debt Service Reserve Fund one-twenty-fourth (1/24) of the amount necessary to restore re-establish in such the Debt Service Reserve Fund to its Reserve Requirement; provided, however, nothing herein shall preclude the District from fully re-establishing such the Reserve Requirement in a more timely fashion than as so prescribed.

(D) Any Funding Substitute ~~surety bond, line of credit, insurance policy or letter of credit~~ being used to meet the Reserve Requirement shall be valued at the amount still remaining to be drawn thereon; and in the event that any such Funding Substitute ~~surety bond, line of credit, insurance policy or letter of credit~~ has been drawn upon, the amount necessary to restore the principal balance thereof shall be paid by the District in the same manner and on a parity with the payments described in this Section 8.04.

(E) The market value of any Authorized Investments in a the Debt Service Reserve Fund shall be calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not published therein, then in The New York Times); the average of the bid and asked prices for such investments so published on or most recently prior to the time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times; the average bid price at the time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

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

(iv) as to any investment not specified above: the value thereof established by prior agreement between the District and the Trustee and, with respect to any insured Series of Bonds, the Insurer.

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**ARTICLE IV – MISCELLANEOUS PROVISIONS**

Section 4.01. Severability.

The provisions of this Resolution are severable, and if one or more of the provisions, sentences, clauses, sections or parts hereof shall be held or deemed to be or shall in fact, be inoperative or unenforceable or invalid as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because of conflict with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatever. It is hereby declared that this Resolution would have been enacted if such inoperative or unenforceable or invalid provisions, sentences, clauses or sections or parts (i) shall be deemed severable from the remaining covenants and agreements and portions thereof provided in this Resolution, and (ii) shall in no way affect the validity of the other provisions of the Resolution.

Section 4.02. Effectiveness.

This Resolution shall become effective upon its enactment.

[End of Article IV]

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This Resolution shall take effect as of this 13th day of October, 2016 upon the approval of a majority of the Commission.

Donald C. Head  
Chairman  
Woodruff-Roebuck Water District Commission

(SEAL)  
[Signature]  
Secretary  
Woodruff-Roebuck Water District Commission

EXHIBIT A

FORM OF CONSENT

CONSENT OF ASSURED GUARANTY MUNICIPAL CORP.

Heretofore, the Woodruff-Roebuck Water District Commission, the governing body of the Woodruff-Roebuck Water District, South Carolina (the "District") adopted a resolution entitled, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO," on August 12, 2010 (the "2010 Bond Resolution"), to provide for the issuance of bonds payable from revenues of the waterworks system of the District (the "System") from time to time, and to provide a mechanism for the ordering of pledges and liens created to secure such bonds.

Under the terms of the 2010 Bond Resolution and a Series Resolution dated August 12, 2010, the District issued its \$37,185,000 Water System Improvement Revenue Bonds, Series 2010 (the "Series 2010 Bonds"). The Series 2010 Bonds are the only Bonds (as defined in the 2010 Bond Resolution) currently Outstanding (as defined in the 2010 Bond Resolution) that were issued under the provisions of the 2010 Bond Resolution. Additionally, the Series 2010 Bonds are insured by Assured Guaranty Municipal Corp. (the "2010 Insurer"). Pursuant to Section 17.01 of the 2010 Bond Resolution, the 2010 Insurer shall be deemed the Holder of the Series 2010 Bonds for the purposes of all approvals, consents, waiver, institution of action and the direction of all remedies.

The District has recently adopted a resolution amending the provisions of the 2010 Bond Resolution, which is entitled, "A RESOLUTION PROVIDING FOR AND APPROVING AMENDMENTS TO A RESOLUTION ENTITLED, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO" WHICH AMENDMENTS CURE AND CORRECT AMBIGUITIES AND INCONSISTENCIES, ESTABLISH THE REQUIREMENTS FOR A COMMON DEBT SERVICE RESERVE FUND AND AUTHORIZE THE ESTABLISHMENT OF A RATE STABILIZATION FUND; AND OTHER MATTERS RELATING THERETO" dated October 13, 2016 (the "Amendment").

The 2010 Insurer consents to the provisions of the Amendment and upon the execution of this consent, the Effective Date (as defined in the Amendment) shall have occurred and the Effective Date Provisions (as defined in the Amendment) shall be immediately effective.

ASSURED GUARANTY MUNICIPAL CORP.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: \_\_\_\_\_

A RESOLUTION

PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REFUNDING REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, TO BE DESIGNATED SERIES 2016, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING THIRTY-SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$37,500,000), AND OTHER MATTERS RELATING THERETO.

(2016 SERIES RESOLUTION)

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BE IT RESOLVED BY THE WOODRUFF-ROEBUCK WATER DISTRICT COMMISSION, THE GOVERNING BODY OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, IN A MEETING DULY ASSEMBLED:

**ARTICLE I - FINDINGS OF FACT**

Section 1.01 Findings.

Incident to the adoption of this series resolution (this "**2016 Series Resolution**"), and the issuance of the bonds provided for herein, the Woodruff-Roebuck Water District Commission (the "**Commission**"), the governing body of the Woodruff-Roebuck Water District, South Carolina (the "**District**"), finds that the facts set forth in this Article exist and the following statements are in all respects true and correct:

(1) The District was created and established as a body politic and corporate pursuant to Act No. 1101 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1956, as amended. The District is located wholly within Spartanburg County, South Carolina.

(2) Chapter 21 of Title 6, Code of Laws of South Carolina, 1976, as amended, permits the Commission to incur debt for the purpose of financing facilities for the furnishing of water services and authorizes the securing of such indebtedness with a pledge of revenues and a statutory lien upon the system from which such revenues are derived.

(3) Chapter 21 of Title 11, Code of Laws of South Carolina, 1976, as amended (the "**Advance Refunding Act**"), provides that the governing body of a special purpose district may issue advance refunding bonds on a date that is more than six months prior to the date on which the outstanding bonds may be called for redemption, and provides further that the issuance of refunding bonds shall be effected under Chapter 17 of Title 6, Code of Laws of South Carolina, 1976, as amended (together with the Advance Refunding Act, the "**Refunding Act**").

(4) The Commission has made general provision for the issuance from time to time of Water System Revenue Bonds (the "**Bonds**") of the District by a resolution entitled, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO," adopted by the Commission on August 12, 2010 (the "**2010 Bond Resolution**"), as amended on October 13, 2016 (as amended, the "**Master Bond Resolution**"). The Bonds authorized herein shall be initially issued under the terms of the 2010 Bond Resolution; upon the occurrence of the Effective Date, the Bonds shall be subject to the Master Bond Resolution. Terms utilizing initial capitals and not otherwise defined herein shall have the meanings ascribed thereto in the Master Bond Resolution.

(5) It is provided in and by the Master Bond Resolution that, upon adoption of a "Series Resolution," there may be issued one or more series of Bonds for the purpose of, among other things: (1) obtaining funds for the payment of any bond anticipation note; (2) obtaining

funds for the expansions, additions and improvement to the water system of the District (the "**System**"), including the reimbursement of funds already so expended; (3) providing funds for the payment of interest due on any Bonds; (4) funding the Debt Service Reserve Fund in an amount equal to the Reserve Requirement; (5) paying the costs of issuance of Bonds, including any credit enhancement therefor.

(6) The District currently has outstanding \$35,715,000 of its originally issued \$37,185,000 Water System Improvement Revenue Bonds, Series 2010 (the "**Series 2010 Bonds**"). The Series 2010 Bonds are the only Bonds (as defined in the Master Bond Resolution) currently Outstanding (as defined in the Master Bond Resolution) under Master Bond Resolution.

(7) In order to effect interest cost savings, the District, in consultation with its municipal advisor and the Underwriter, has determined to effect the defeasance and redemption (the "**Refunding**") of all or a portion of the callable maturities of the Series 2010 Bonds as further provided herein. In connection with the consummation of the Refunding, the District has determined to issue water system refunding revenue bonds pursuant to the provisions of the Enabling Act (as defined in the Master Bond Resolution), the Refunding Act and the Master Bond Resolution and hereby designates such bonds as the "Woodruff-Roebuck Water District, South Carolina Water System Refunding Revenue Bonds, Series 2016 (the "**Series 2016 Bonds**").

(8) By reason of the foregoing, the District has determined to adopt this 2016 Series Resolution in accordance with the terms and provisions of the Master Bond Resolution in order to provide for the issuance of the Series 2016 Bonds.

[End of Article I]

**ARTICLE II - DEFINITIONS AND CONSTRUCTION**

Section 2.01 Definitions.

(a) Except as provided in subsection (b) below, all terms which are defined in Section 2.02 of the Master Bond Resolution shall have the same meanings in this 2016 Series Resolution as such terms are prescribed to have in the Master Bond Resolution.

(b) As used in this 2016 Series Resolution, unless the context shall otherwise require the following terms shall have the following respective meanings:

"**2016 COI Fund**" shall mean the fund of that name established by Section 6.02 of this 2016 Series Resolution.

"**2016 Debt Service Fund**" shall mean the fund of that name established by this 2016 Series Resolution pursuant to Section 7.04 of the Master Bond Resolution.

"**2016 Debt Service Reserve Fund**" shall mean the fund of that name established by this 2016 Series Resolution pursuant to Section 7.05 of the Master Bond Resolution.

"**2016 Reserve Requirement**" shall mean the amount determined by a District Representative in compliance with the provisions and requirements of the Code and the Master Bond Resolution.

"**2016 Series Resolution**" shall mean this resolution of the Commission.

"**Bond Purchase Agreement**" shall mean the contract between the District and the Underwriter pursuant to Section 7.01 of this 2016 Series Resolution.

"**Continuing Disclosure Agreement**" shall mean the certificate of the District pursuant to Section 9.02 of this 2016 Series Resolution.

"**District Representative**" shall mean the General Manager of the District or any other official authorized by the District pursuant to this Series Resolution to act in such capacity.

"**Insurer**" shall mean the institution chosen by the District to insure the Series 2016 Bonds.

"**Refunded Bonds**" shall mean all or a portion of the callable maturities of the Series 2010 Bonds maturing or subject to mandatory sinking fund redemption on June 1, 2021 through June 1, 2040, inclusive.

"**Trustee**" shall mean U.S. Bank National Association.

“Underwriter” shall mean Raymond James & Associates, Inc., as senior manager and any co-manager, if any, approved by the District.

Section 2.02 Authority for this 2016 Series Resolution.

This 2016 Series Resolution is adopted pursuant to the provisions of the Master Bond Resolution.

[End of Article II]

**ARTICLE III - USEFUL LIFE**

Section 3.01 Determination of the Useful Life of the System.

The period of usefulness of the System is hereby determined to be not less than forty (40) years from the date of adoption of this 2016 Series Resolution.

[End of Article III]

**ARTICLE IV – AUTHORIZATION AND TERMS OF THE SERIES 2016 BONDS**

Section 4.01 Principal Amount; Designation of Series 2016 Bonds.

Pursuant to the provisions of the Master Bond Resolution, a Series of Bonds of the District entitled to the benefits, protection, and security of the provisions of the Master Bond Resolution is hereby authorized in the principal amount of not exceeding Thirty-Seven Million Five Hundred Thousand Dollars (\$37,500,000). The Series of Bonds so authorized shall be designated the “Woodruff-Roebuck Water District, South Carolina Water System Refunding Revenue Bonds, Series 2016” (the “**Series 2016 Bonds**”). As determined by the District Representative, the Series 2016 Bonds may be sold in multiple series bearing any such designation as appropriate. References herein to the Series 2016 Bonds shall include all Series of Bonds. As authorized by Section 4.22 of the Master Bond Resolution, any series of the Series 2016 Bonds issued as taxable obligations shall bear an appropriate designation so as to distinguish its tax status.

Section 4.02 Purposes of the Series 2016 Bonds.

The Series 2016 Bonds are authorized for the principal purposes of:

- (a) effecting the defeasance and redemption of the Refunded Bonds;
- (b) funding the 2016 Debt Service Reserve Fund in an amount equal to the 2016 Reserve Requirement, or for paying the premium associated with the issuance of a Funding Substitute, which in lieu of cash shall satisfy the 2016 Reserve Requirement for the 2016 Debt Service Reserve Fund; and
- (c) paying certain costs and expenses relating to the issuance of the Series 2016 Bonds, including the payment of any premium due on any financial guaranty insurance policy.

Section 4.03 Date of Issue; Interest Rates; Maturity; Redemption.

The Date of Issue of the Series 2016 Bonds shall be the date of delivery thereof, or such date as designated by the District Representative. The Series 2016 Bonds shall have such principal amounts and shall bear interest at such rates and shall mature as Serial Bonds or as Term Bonds with such mandatory sinking fund installments as are set forth in a schedule approved by the District Representative prior to or simultaneously with the issuance of the Series 2016 Bonds, provided that the final maturity of the Series 2016 Bonds shall not extend beyond 30 years from the Date of Issue.

Interest on the Series 2016 Bonds shall be payable on June 1 and December 1 of each year commencing on such date as determined by the District Representative; such dates are the same Bond Payment Dates that interest is currently due and payable on the Series 2010 Bonds. The Record Dates for the payment of interest on the Series 2016 Bonds shall be the 15th day of the month prior to each interest payment date.

The Series 2016 Bonds shall be subject to redemption prior to maturity, upon such terms and conditions, and at such prices, as may be established by the District Representative prior to or simultaneously with the issuance of the Series 2016 Bonds.

Section 4.04 Authentication; Payment of Series 2016 Bonds.

(a) The Series 2016 Bonds shall be authenticated on such dates as they shall, in each case, be delivered. Each Series 2016 Bond shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Series 2016 Bond’s authentication.

(b) The interest on all Series 2016 Bonds shall be paid by check or draft mailed from the office of the Trustee to the person in whose name each Series 2016 Bond is registered at the close of business on the Record Date; provided, however, that any Holder of Series 2016 Bonds in the aggregate principal amount of \$1,000,000 or more may request, prior to the applicable Record Date, that interest payments be made by wire transfer to such Holder at an account maintained by a financial institution located in the continental United States specified in such request.

Section 4.05 Denomination and Numbering of the Series 2016 Bonds.

The Series 2016 Bonds shall be issued in the denomination of \$5,000 or any multiple thereof, not exceeding the principal amount of the Series 2016 Bonds maturing in such year. Each Series 2016 Bond shall be numbered by the Trustee in such a fashion as to reflect the fact that it is one of the Series 2016 Bonds, and to identify the owner thereof on the books kept by the Registrar.

Section 4.06 Establishment of 2016 Debt Service Fund.

In accordance with Section 7.04 of the Master Bond Resolution, the 2016 Debt Service Fund is hereby directed to be established by the Trustee on the date of original delivery of the Series 2016 Bonds for the benefit of the Holders of the Series 2016 Bonds. In the event that more than one Series of Bonds is issued pursuant to the terms of this 2016 Series Resolution, a Debt Service Fund shall be established for each such Series.

Section 4.07 Establishment of the 2016 Debt Service Reserve Fund and 2016 Reserve Requirement.

(a) In accordance with Section 7.05 of the Master Bond Resolution and the terms of this 2016 Series Resolution, the Trustee is hereby directed to establish the 2016 Debt Service Reserve Fund on the Date of Issue for the benefit of the Holders of the Series 2016 Bonds.

(b) The 2016 Debt Service Reserve Fund shall be maintained by the Trustee in accordance with the provisions of the Master Bond Resolution in an amount equal to the 2016 Reserve Requirement, as may be determined in accordance with Section 4.11 hereof.

(c) The 2016 Debt Service Reserve Fund shall be funded by cash or another method permitted by Section 7.05(D) of the Master Bond Resolution, such method of funding to be determined by a District Representative.

(d) As noted in Section 1.01(6) herein and as required by Section 4.01(B)(15) of the Master Bond Resolution, the Series 2010 Bonds are the only Bonds currently Outstanding under the 2010 Bond Resolution and the Reserve Requirement therefor has been met and maintained by a debt service reserve insurance policy from Assured Guaranty Municipal Corporation.

(e) Upon the Effective Date, the 2016 Debt Service Reserve Fund shall be consolidated into or established as the Debt Service Reserve Fund established by the Master Bond Resolution. When the 2016 Debt Service Reserve Fund is consolidated into or otherwise established as the Debt Service Reserve Fund, there shall no longer be a 2016 Reserve Requirement, but rather such fund shall be maintained in an amount equal to the Reserve Requirement established by the Master Bond Resolution and the Code.

Section 4.08 Appointment of Trustee, Paying Agent and Registrar.

The Trustee is hereby appointed to act as Trustee, Paying Agent, and Registrar under the Master Bond Resolution and this 2016 Series Resolution; the Trustee shall signify its acceptance of the duties of Trustee, Paying Agent and Registrar upon delivery of the Series 2016 Bonds. The District shall pay to the Trustee from time to time reasonable compensation based on the then-standard fee schedule of such parties for all services rendered under the Master Bond Resolution and this 2016 Series Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Master Bond Resolution and this 2016 Series Resolution.

The Series 2016 Bonds shall be presented for registration of transfers and exchanges, and notices and demands to or upon the Trustee and the District in respect of the Series 2016 Bonds may be served, at the corporate trust office of the Trustee.

The Trustee shall be a member of the Federal Deposit Insurance Corporation (the "FDIC") and shall remain such a member throughout the period during which it shall act as Trustee, Paying Agent, and Registrar. The Trustee, in its capacity as Trustee, Paying Agent, and Registrar, shall accept its appointment by a written instrument embodying its agreement to remain a member of the FDIC. Unless the same be secured as trust funds in the manner provided by the applicable regulations of the Comptroller of the Currency of the United States of America, and unless otherwise provided for in the Master Bond Resolution and in this 2016 Series Resolution, all moneys in the custody of the Trustee in excess of the amount of such deposit insured by the FDIC, shall be secured and kept secure by direct obligations of the United States of America or an agency thereof of a market value at least equal to the sum on deposit and not insured by the FDIC.

Section 4.09 Form of Series 2016 Bonds.

The Series 2016 Bonds, together with the certificate of authentication, assignment, and/or statement of insurance, if any, are to be in substantially the following form with necessary and appropriate variations, omissions and insertions as permitted or required by the Master Bond Resolution or this resolution, to wit:

(FORM OF BOND)

**WOODRUFF-ROEBUCK WATER DISTRICT  
STATE OF SOUTH CAROLINA  
WATER SYSTEM REFUNDING REVENUE BOND  
SERIES 2016**

No. \_\_\_\_\_

Interest Rate                      Maturity Date                      Date of Issue                      CUSIP

Registered Holder:

Principal Amount: DOLLARS (\$ \_\_\_\_\_)

**WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA** (the "District"), acknowledges itself indebted and for value received hereby promises to pay, solely from the sources and as hereinafter provided, to the Registered Holder named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Series 2016 Bond (this "Series 2016 Bond") be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender of this Series 2016 Bond at the corporate trust office of U.S. Bank National Association (the "Trustee") in the City of St. Paul, Minnesota and to pay interest on such principal amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months) until the obligation of the District with respect to the payment of such principal amount shall be discharged.

This Series 2016 Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee, as Registrar.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions as such term is defined below. Certified copies of the Resolutions are on file in the office of the Trustee and in the office of the Clerk of Court for Spartanburg County, South Carolina.

This Series 2016 Bond is one of the Series 2016 Bonds issued in the aggregate principal amount of \_\_\_\_\_ (\$ \_\_\_\_\_) of like tenor, except as to number, rate of interest, date of maturity and redemption provisions issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "State") including particularly Chapter 21, Title 6, and Chapter 21, Title 11 inclusive, Code of Laws of South Carolina, 1976, as amended (the "South Carolina Code"), and a by a resolution entitled, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO," adopted by the Woodruff-Roebuck Water District Commission (the "Commission"), the governing body of the District, on August 12, 2010, as amended on October 13, 2016 (the "Master Bond Resolution"), and a series resolution entitled, "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REFUNDING REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, TO BE DESIGNATED SERIES 2016, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING THIRTY-SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$37,500,000), AND OTHER MATTERS RELATING THERETO" (the "2016 Series Resolution") duly adopted by the Commission on October 13, 2016 (the Master Bond Resolution and the 2016 Series Resolution are hereinafter together referred to as the "Resolutions") for the purposes of obtaining funds: (1) to defease and redeem the Refunded Bonds (as defined in the 2016 Series Resolution); (2) fund the 2016 Debt Service Reserve Fund (defined in the 2016 Series Resolution) with cash, or to pay the premium or fees associated with a Funding Substitute, which in lieu of cash shall satisfy the 2016 Reserve Requirement; and (3) pay the costs of issuance of the Series 2016 Bonds.

The Date of Issue of the Series 2016 Bonds is set forth on the face hereof. The Series 2016 Bonds shall be authenticated on such dates as they shall, in each case, be delivered. Each Series 2016 Bond shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Series 2016 Bond's authentication. Interest on this Series 2016 Bond is payable on June 1 and December 1 of each year beginning \_\_\_\_\_, 20\_\_\_\_. The interest so payable on any June 1 or December 1 will be paid to the person in whose name this Series 2016 Bond is registered at the close of business on the May 15 or November 15 immediately preceding such June 1 or December 1 (the "Record Date").

Interest hereon shall be payable by check or draft mailed at the times provided herein from the office of the Paying Agent to the person in whose name this Series 2016 Bond is registered on the Record Date at the address shown on the registration books; provided, however, that any Holder of Series 2016 Bonds in the aggregate principal amount of \$1,000,000 or more may request in writing delivered to the Paying Agent, prior to the applicable Record Date, that interest payments be made by wire transfer to such Holder at an account maintained by a financial institution located in the continental United States specified in such request. The principal of, redemption premium, if any, and interest on this Series 2016 Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Series 2016 Bond is being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Resolutions. One bond certificate with respect to each date on which the Series 2016 Bonds are stated to mature is being issued and is required to be deposited with the Securities Depository (as defined in the Master Bond Resolution) and immobilized in its custody. The book-entry system will evidence positions held in this Series 2016 Bond by the Securities Depository's participants (as described in the Series Resolution), beneficial ownership of the Series 2016 Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants.

For the payment of the principal of and interest on this Series 2016 Bond, there are hereby irrevocably pledged the Net Revenues. The Series 2016 Bonds are further secured by a statutory lien on the System under Section 6-21-330, Code of Laws of South Carolina, 1976, as amended. Such pledge securing the Series 2016 Bonds shall have priority over all other pledges except those made to secure any Bonds (as defined hereinbelow) as may be currently outstanding or issued from time to time in the future.

**THIS SERIES 2016 BOND SHALL NOT IN ANY EVENT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR STATUTES OF THE STATE, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE; AND THE FAITH, CREDIT AND TAXING POWER OF THE DISTRICT ARE EXPRESSLY NOT PLEDGED THEREFOR. THE DISTRICT IS NOT OBLIGATED TO PAY THIS SERIES 2016 BOND, OR THE INTEREST HEREON, SAVE AND EXCEPT FROM THE NET REVENUES.**

The Master Bond Resolution authorizes the issuance of additional bonds on a parity with the Series 2016 Bonds and any outstanding parity bonds which, when issued in accordance with the provisions of the Master Bond Resolution, will rank equally and be on a parity herewith and therewith ("**Additional Bonds**") (the Series 2016 Bonds, the Series 2010 Bonds (as defined in the Resolutions) and any Additional Bonds are hereinafter collectively referred to as the "**Bonds**").

The District has covenanted to continuously operate and maintain the System and fix and maintain such rates for the services and facilities furnished by the System as shall at all times be sufficient (a) to provide for the payment of Operation and Maintenance Expenses, (b) to provide for the punctual payment of principal of and interest on all Bonds Outstanding, (c) to maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on all Bonds issued pursuant to the Master Bond Resolution, (d) to maintain the Debt Service Reserve Funds, if any, in the manner therein prescribed, (e) to pay all amounts owing under any reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit used to fund a Debt Service Reserve Fund, (f) to provide for the

and redemption conditions shall otherwise comply with Section 4.13 of the Master Bond Resolution.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Series 2016 Bond, exist, have been performed and have happened, that the amount of this Series 2016 Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by such Constitution or statutes.

**IN WITNESS WHEREOF, THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA**, has caused this Series 2016 Bond to be signed by the signature of the Chairman of its governing commission, its corporate seal to be reproduced hereon and the same to be attested by the signature of the Secretary of said Commission.

**WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA**

(SEAL)

By: \_\_\_\_\_  
Chairman  
Woodruff-Roebuck Water District Commission

Attest:

By: \_\_\_\_\_  
Secretary  
Woodruff-Roebuck Water District Commission

punctual payment of principal of an interest on all Junior Lien Bonds Outstanding, (g) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order, and (h) to discharge all obligations imposed by the Enabling Act and the Master Bond Resolution.

The Master Bond Resolution provides that, in addition to other remedies, upon a default in payment of principal of or interest on any Bond, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall, declare all Bonds Outstanding immediately due and payable.

This Series 2016 Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Series 2016 Bond is transferable, as provided in the Master Bond Resolution, only upon the registration books of the District kept for that purpose and maintained by the Registrar, by the holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Series 2016 Bond and an assignment with a written instrument of transfer satisfactory to the Trustee or any other Registrar, as the case may be, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Resolutions. Thereupon a new Series 2016 Bond or Series 2016 Bonds of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Master Bond Resolution. The District, the Trustee and the Registrar may deem and treat the person in whose name this Series 2016 Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of the Series 2016 Bonds, the District or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[Insert Redemption Provisions]

If less than all of the Series 2016 Bonds are to be redeemed, the particular Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed shall be selected in such order of maturity as determined by the District. In the event of redemption of less than all of the Series 2016 Bonds of any maturity, the Series 2016 Bonds or portions of Bonds to be redeemed shall be selected by the Trustee by lot. Series 2016 Bonds in a denomination of more than \$5,000 may be redeemed in part from time to time in one or more units of \$5,000 in the manner provided in the Master Bond Resolution.

If any of the Series 2016 Bonds, or portions thereof, are called for redemption, the Trustee will give notice to the Holders of any such Series 2016 Bonds to be redeemed, in the name of the District, of the redemption of such Series 2016 Bonds, or portions thereof. Notice

**CERTIFICATE OF AUTHENTICATION**

This Series 2016 Bond is one of the Series 2016 Bonds of the issue described in the within mentioned Resolutions.

U.S. BANK NATIONAL ASSOCIATION,  
as Registrar

By: \_\_\_\_\_  
Authorized Officer

Date: \_\_\_\_\_

**(FORM OF ASSIGNMENT)**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_ (please print or type name and address of Transferee )

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_ Authorized Individual or Officer

NOTICE: Signature(s) to the assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or any change whatever.

**(STATEMENT OF INSURANCE)**

\_\_\_\_\_ has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Series 2016 Bond to U.S. Bank National Association, or its successor, as paying agent for the Bonds. Such policy is on file and available for inspection at the offices of the paying agent and a copy thereof may be obtained therefrom.

beneficial owners of the Series 2016 Bonds by mailing an appropriate notice to DTC, upon receipt by the District of the Series 2016 Bonds together with an assignment duly executed by DTC, the District shall execute physical certificates for, and cause to be authenticated and delivered pursuant to the instructions of DTC, the Series 2016 Bonds in fully registered form, in substantially the form set forth in this 2016 Series Resolution, in the denomination of \$5,000 or any integral multiple thereof.

Notwithstanding any other provisions of the Master Bond Resolution to the contrary, so long as any Series 2016 Bond is registered in the name of Cede & Co., all payments with respect to the principal of, premium, if any, and interest on such Series 2016 Bonds and all notices with respect to such Series 2016 Bonds shall be made and given, respectively, to DTC, as provided in the letter of representations from the District to DTC.

In connection with any notice or other communication to be provided to the Holders by the District or the Trustee with respect to any consent or other action to be taken by the Holders, the District or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than fifteen (15) days in advance of such record date to the extent possible.

**Section 4.11 Delegations to District Representative.**

The Commission hereby delegates to the District Representative the authority: (a) to determine the aggregate principal amount of the Series 2016 Bonds to be issued, and the interest rates, initial interest payment date, maturities and redemptions provisions with respect thereto; (b) to determine the Date of Issue of the Series 2016 Bonds; (c) to determine whether to use bond insurance with respect to the Series 2016 Bonds and, if so, make appropriate arrangements therefor, including the execution of any documentation associated therewith (d) to determine the amount of the 2016 Reserve Requirement and the method of funding the 2016 Debt Service Reserve Fund; (e) to determine whether to purchase a new Funding Substitute or renew an existing Funding Substitute to fund the 2016 Debt Service Reserve Fund in lieu of cash; (f) to, upon the Effective Date, implement the establishment of the 2016 Debt Service Reserve Fund as, or the consolidation of the 2016 Debt Service Reserve Fund into, the Debt Service Reserve Fund, (h) to determine the redemption provisions for the Series 2016 Bonds; and (i) to make any such other decisions concerning the Series 2016 Bonds as may be necessary, appropriate or otherwise delegated herein.

The District Representative is further directed to consult with the District's municipal advisor and such other advisors as he determines to be appropriate in making any such decisions.

[End of Article IV]

**Section 4.10 Book-Entry System.**

Pursuant to Section 4.19 of the Master Bond Resolution, the Series 2016 Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by The Depository Trust Company, New York, New York ("DTC"), and transfers of beneficial ownership of the Series 2016 Bonds shall be made only through DTC and its participants in accordance with rules specified by DTC. Such beneficial ownership must be of a \$5,000 principal amount of the Series 2016 Bonds of the same maturity or any integral multiple of \$5,000, with each increment of \$5,000 being separately of a single maturity.

The Series 2016 Bonds shall be issued in fully registered form, one certificate for each of the maturities of the Series 2016 Bonds, in the name of Cede & Co., as the nominee of DTC. When any principal of, premium, if any, or interest on the Series 2016 Bonds becomes due, the Trustee, from available monies on deposit for such purposes under the provisions of the Master Bond Resolution, shall transmit or cause the Paying Agent to transmit to DTC an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of DTC as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of DTC shall be considered to be the owner of the Series 2016 Bonds so registered for all purposes of this 2016 Series Resolution, including, without limitation, payments as aforesaid and receipt of notices and exercise of rights of beneficial owners of Series 2016 Bonds.

The Trustee shall notify DTC of any notice of redemption required to be given pursuant to this 2016 Series Resolution at least thirty (30) days prior to the date fixed for redemption.

DTC is expected to maintain records of the positions of participants in the Series 2016 Bonds, and the participants and persons acting through participants are expected to maintain records of the beneficial owners in the Series 2016 Bonds. The District makes no assurances that DTC and its participants will act in accordance with such rules or expectations on a timely basis, and the District shall have no responsibility for any such maintenance of records of transfer or payments by DTC to its participants, or by the participants or persons acting through participants to the beneficial owners.

If (a) DTC determines not to continue to act as securities depository for the Series 2016 Bonds, or (b) the District has advised DTC of the District's determination that DTC is incapable of discharging its duties, the District shall attempt to retain another qualified securities depository to replace DTC. Upon receipt by the District of the Series 2016 Bonds together with an assignment duly executed by DTC, the District shall execute and deliver to the successor depository, Series 2016 Bonds of the same principal amount, interest rate and maturity.

If the District is unable to retain a qualified successor to DTC or the District has determined that it is in the best interest of the District and the System not to continue the Book-Entry System of transfer or that the interest of the beneficial owners of the Series 2016 Bonds might be adversely affected if the Book-Entry System of transfer is continued (the District undertakes no obligation to make any investigation to determine the occurrence of any events that would permit them to make any such determination), and has made provision to so notify

**ARTICLE V - EXECUTION; NO RECOURSE**

**Section 5.01 Execution of the Series 2016 Bonds.**

The Series 2016 Bonds shall be executed and authenticated in accordance with the applicable provisions of the Master Bond Resolution.

**Section 5.02 No Recourse on the Series 2016 Bonds.**

All covenants, stipulations, promises, agreements and obligations of the District contained in the Master Bond Resolution or in this 2016 Series Resolution shall be deemed to be the covenants, stipulation, promises, agreements and obligations of the District and not those of any officer or employee of the District in his or her individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Series 2016 Bonds or for any claim based thereon or on the Master Bond Resolution or on this 2016 Series Resolution, either jointly or severally, against any officer or employee of the District or any person executing the Series 2016 Bonds.

[End of Article V]

ARTICLE VI - APPLICATION OF BOND PROCEEDS

Section 6.01 Use and Disposition of Bond Proceeds.

Upon the delivery of the Series 2016 Bonds and receipt of the proceeds thereof, net of underwriter's discount or premium, such funds and other available funds shall be disposed of as follows:

- (1) the sum necessary to defease and redeem the Refunded Bonds shall be deposited with an escrow agent pursuant to the terms and conditions of an escrow deposit agreement dated as of the date of closing of the Series 2016 Bonds (the "Escrow Deposit Agreement"), in order to effect the defeasance of the Refunded Bonds;
(2) the sum equal to the 2016 Reserve Requirement shall be deposited into the 2016 Debt Service Reserve Fund held with the Trustee, or in the alternative, an amount equal to the premium or fees due on any Funding Substitute, which in lieu of cash shall be issued in an amount equal to the 2016 Reserve Requirement for the 2016 Debt Service Reserve Fund shall be transferred to the provider thereof; and
(3) all remaining proceeds and other available funds shall be deposited with the Trustee in the 2016 Cost of Issuance Fund (the "2016 COI Fund") and used to pay the costs of issuance on the Series 2016 Bonds, including the payment of any premium due on any Municipal Bond Insurance Policy.

Section 6.02 Establishment of 2016 COI Fund.

There is hereby established, in accordance with the provisions of the Master Bond Resolution and this 2016 Series Resolution, the 2016 COI Fund. There shall be paid into the 2016 COI Fund the sums prescribed by Section 6.01(3) hereof. The 2016 COI Fund shall be held and controlled by the Trustee, unless otherwise determined by the District Representative at the closing of the Series 2016 Bonds. Withdrawals for the payment of costs of issuance from the 2016 COI Fund shall be made upon written order of the District. The Trustee shall be fully protected in releasing monies from the 2016 COI Fund based upon such written orders of the District.

Moneys in the 2016 COI Fund shall be invested and reinvested at the written direction of the District in Authorized Investments. Upon written notification from the District that the payment of all costs of issuance for the Series 2016 Bonds have been paid, the remaining sums therein shall be transferred by the Trustee and applied to the 2016 Debt Service Fund.

[End of Article VI]

ARTICLE VIII - COMPLIANCE WITH REQUIREMENTS OF THE CODE

Section 8.01 General Covenant.

The District hereby represents and covenants that it will comply with all requirements of the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations issued thereunder (together, the "Code"), and that it will not take any action which will, or fail to take any action (including, without limitation, filing the required information report with the Internal Revenue Service) which failure will, cause interest on the Series 2016 Bonds to become includable in the gross income of the Holders thereof for federal income tax purposes. Without limiting the generality of the foregoing, the District represents and covenants that:

- (a) All property financed or refinanced with the net proceeds of the Series 2016 Bonds will be owned by the District for federal income tax purposes.
(b) The District shall not permit the proceeds of the Series 2016 Bonds or any property financed or refinanced with the proceeds of the Series 2016 Bonds to be used such that (i) five percent (5%) or more of such proceeds are considered as having been used in a Private Business Use; or (ii) an amount greater than the lesser of five percent (5%) of such proceeds or \$5,000,000 are considered as having been used directly or indirectly to make or finance loans to any person other than a governmental unit as provided in Section 141(c) of the Code.
(c) The District is not a party to, will not enter into, or permit any other party to enter into, any contracts with any entity involving the management of any property provided with the proceeds of the Series 2016 Bonds that do not conform to the guidelines set forth in Revenue Procedure 2016-44, or a successor revenue procedure, Code provision or Federal Income Tax Regulation.
(d) The District will not sell or lease or permit any other party to sell or lease, any property financed or refinanced with the proceeds of the Series 2016 Bonds to any person unless it obtains the opinion of nationally recognized bond counsel that such lease, sale or other disposition will not adversely affect the tax exemption of interest on the Series 2016 Bonds.
(e) The Series 2016 Bonds will not be "federally guaranteed" within the meaning of Section 149(b) of the Code. The District shall not enter into any leases or sales or service contracts with any federal government agency unless it obtains the opinion of nationally recognized bond counsel that such action will not adversely affect the tax exemption of interest on the Series 2016 Bonds.

Section 8.02 Arbitrage Covenant; Authorization to Execute Tax Compliance Agreement and Arbitrage Certificates.

(a) The District hereby covenants that no use of the proceeds of the Series 2016 Bonds will be made which, if such use had been reasonably expected on the date of issue of the Series 2016 Bonds, would have caused the Series 2016 Bonds to be an issue of "arbitrage

ARTICLE VII - SALE OF BONDS

Section 7.01 Approval of Underwriter and Execution of Bond Purchase Agreement.

The Series 2016 Bonds shall be sold to the Underwriter pursuant to the terms of the Bond Purchase Agreement to be negotiated by and between the District (acting through the District Representative) and the Underwriter. The Bond Purchase Agreement shall be executed on behalf of the District by the official(s) designated therein and with such changes as such official(s) shall approve. The execution of the Bond Purchase Agreement by such official(s) shall constitute conclusive evidence of their approval to any changes herein authorized and the selection of the Underwriter.

Section 7.02 Approval of Preliminary and Final Official Statement.

The Preliminary Official Statement, in the form presented to the Commission prior to the enactment of this 2016 Series Resolution, with such changes as a District Representative may approve prior to the distribution thereof, is hereby approved and its use by the Underwriter for such purposes is hereby approved and ratified. Such Preliminary Official Statement is hereby "deemed final" within the meaning of Rule 15c2-12 of the rules and regulations of the United States Securities and Exchange Commission. The use and distribution by the Underwriter of a final Official Statement for such purposes, dated the date of the Bond Purchase Agreement, in substantially the form of the Preliminary Official Statement, with such changes as contemplated by the Bond Purchase Agreement and as may be approved by the officials of the District executing the final Official Statement, is hereby approved and authorized. The execution of the final Official Statement by such officials shall constitute conclusive evidence of their approval to any changes herein authorized.

[End of Article VII]

bonds," as defined in the Code, and that it will comply with the requirements of Section 148 of the Code and Regulations with respect to the Series 2016 Bonds.

(b) In order to comply with the requirements of paragraph (a) of this Section, the District further agrees to compute and pay arbitrage rebate required under Section 148(f) of the Code.

(c) Supplemental to the covenant of Section 8.01 hereof, and in no way in limitation thereof, the District Representative is hereby authorized and directed to execute, at or prior to delivery of the Series 2016 Bonds, a certificate or certificates specifying actions taken or to be taken by the District, and the reasonable expectations of such officials, with respect to the Series 2016 Bonds, the proceeds thereof, or the District.

[End of Article VIII]

**ARTICLE X - AUTHORIZATION TO REDEEM BONDS AND EXECUTE ESCROW DEPOSIT AGREEMENT**

**ARTICLE IX – CONTINUING DISCLOSURE**

Section 9.01 State Law Continuing Disclosure.

The District covenants to comply with the requirements of S.C. Code Section 11-1-85 by filing with a central repository for availability in the secondary bond market when requested:

- (i) An annual independent audit, within thirty (30) days of the District’s receipt of the audit; and
- (ii) Event specific information within thirty (30) days of an event adversely affecting more than five percent (5%) of the Gross Revenues or the District’s tax base.

The District specifically reserves the right to amend the above covenant in order to reflect any applicable change in law, including without limitation said Section 11-1-85, without the consent of the Insurer, the Trustee or the Holders of any Series 2016 Bonds.

Section 9.02 Rule 15c2-12 Undertaking.

The Chairman (or in his absence for any reason, the Vice Chairman or acting Chairman) of the Commission is hereby authorized to execute and deliver on behalf of the District the Continuing Disclosure Agreement in a form similar to that presented to the Commission prior to the enactment of this 2016 Series Resolution, with such changes thereto as such official(s) shall approve. The District hereby covenants and agrees to comply with and carry out its obligations pursuant to said Continuing Disclosure Agreement. Additionally, the District Representative is authorized to contract with DAC Bond for certain dissemination services associated with the execution and delivery of the Continuing Disclosure Agreement.

Section 9.03 Remedy.

The only remedy for failure by the District to comply with the covenants set forth in Sections 9.01 and 9.02 hereof shall be an action for specific performance of such covenants; and failure to comply with such covenants shall not constitute a default or an “Event of Default” under the Master Bond Resolution or this 2016 Series Resolution. The Trustee shall have no responsibility to monitor the District’s compliance with such covenants. However, any holder of the Series 2016 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Article.

[End of Article IX]

Section 10.01 Authorization to Redeem Bonds.

The Commission does hereby determine that the Series 2010 Bonds to be redeemed by the Series 2016 Bonds shall be irrevocably called for redemption on such dates as determined by the District Representative. The District Representative is hereby authorized to (i) determine and select which maturities of the Series 2010 Bonds are to be redeemed with a portion of the proceeds of the Series 2016 Bonds, (ii) provide for the notice of defeasance and notice of redemption, in such manner, forms and times as required by the proceedings authorizing the issuance of the Series 2010 Bonds, the Enabling Act and the Refunding Act, and (iii) direct the investment of the proceeds pending the use thereof for the purposes provided herein. Upon defeasance of the Refunded Bonds, the District Representative is directed to provide for the notice of defeasance thereof as required by Title 11, Chapter 21 of the Code of Laws of South Carolina, 1976, as amended.

Section 10.02 Authorization to Execute Escrow Deposit Agreement.

The District Representative is authorized to execute and deliver the Escrow Deposit Agreement in such form as he deems necessary in order to establish an escrow deposit account. The District Representative is hereby authorized to determine the type of investments, including, without limitation, U.S. Treasury Securities – State and Local Government Series and open market securities, which shall be made in each Escrow Deposit Agreement. The Trustee shall act as the Escrow Agent.

[End of Article X]

**ARTICLE XI – MISCELLANEOUS**

Section 11.01 Severability.

If anyone or more of the covenants or agreements provided in this 2016 Series Resolution on the part of the District or any fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2016 Series Resolution.

Section 11.02 Additional Documents.

The Commission authorizes the District Representative to execute and sign all other documents necessary to effect the purchase and sale of the Series 2016 Bonds.

Section 11.03 Table of Contents and Section Headings Not Controlling.

The Table of Contents and the headings of the several articles and sections of this 2016 Series Resolution have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this 2016 Series Resolution.

[End of Article XI]

DONE, RATIFIED AND ADOPTED this 13th day of October, 2016.

**WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA**

(SEAL)

  
Chairman  
Woodruff-Roebuck Water District Commission

Attest:

  
Secretary  
Woodruff-Roebuck Water District Commission

**APPENDIX C**

**Economic and Demographic Data for Spartanburg County**

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## ECONOMIC CHARACTERISTICS AND DATA

### Population

The following table shows population information for the County for the last four decades for which census figures are available:

<u>Year</u>	<u>Population</u>	<u>Percent Increase from Prior Census</u>
1980	202,700	16.7%
1990	226,793	11.9
2000	253,791	11.9
2010	284,307	12.0
2015*	297,302	4.6

\*Estimated

Source: U.S. Census Bureau

The Spartanburg, SC Metropolitan Statistical Area (the “*Spartanburg MSA*”) is comprised solely of Spartanburg County. The Spartanburg MSA had a 2010 population of 313,268 with an estimated 2015 population of 325,079. The Spartanburg MSA is a part of the Greenville-Spartanburg-Anderson, SC Combined Statistical Area (the “*Greenville-Spartanburg-Anderson CSA*”), which also includes the metropolitan statistical area of Greenville-Anderson-Mauldin and the metropolitan statistical areas of Gaffney, Greenwood and Seneca. The Greenville-Spartanburg-Anderson CSA had a 2010 population of 1,362,073 with an estimated July 1, 2015 population of 1,426,625.

### Per Capita Personal Income

The per capita personal income of the County for each of the last five (5) years for which information is available is shown below:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2010	\$31,190	\$33,628	\$41,603
2011	32,273	34,079	42,332
2012	34,024	35,347	44,200
2013	34,482	35,831	44,765
2014	36,583	36,677	46,049

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

### Unemployment

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

	<u>County</u>	<u>State</u>	<u>U.S.</u>
August 2016	5.3 <sup>P</sup> %	5.5%	5.0
July 2016	5.4	5.4	5.1
June 2016	5.6	5.6	5.1
May 2016	4.6	4.8	4.5
April 2016	4.9	5.2	4.7
March 2016	5.3	5.6	5.1
February 2016	5.2	5.6	5.2
January 2016	5.2	5.6	5.3
December 2015	4.9	5.4	4.8
November 2015	5.0	5.3	4.8
October 2015	5.2	5.6	4.8
September 2015	5.4	5.7	4.9

<sup>P</sup>: Preliminary

Source: United States Department of Labor, Bureau of Labor Statistics

## Retail Sales

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

<u>Year</u>	<u>Retail Sales</u>	<u>Increase/(Decrease) Over Previous Year</u>
2011	\$ 8,747,450,950	11.6%
2012	11,683,685,428	33.6
2013	11,198,351,528	(4.1)
2014	11,009,268,837	(1.7)
2015	10,118,783,829	(8.1)

Source: S. C. Department of Revenue

## Capital Investment

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

<u>Year</u>	<u>Announced Jobs</u>	<u>Announced Investment</u>
2011	964	\$ 269,600,000
2012	1,178	1,026,900,000
2013	1,211	112,587,650
2014	2,114	2,327,950,000
2015	1,999	479,467,360

Source: Spartanburg County Economic Futures Group

## Major Employers

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

<u>Industry</u>	<u>Product/Service</u>	<u>Employees</u>
BMW Manufacturing Corporation	Automotive Manufacturer	8,000
Spartanburg County Schools	Seven Public School Districts	6,650
Spartanburg Regional Medical Center	Hospital	6,422
State of South Carolina	State Government	2,385
Spartanburg County	County Government	1,528
Milliken & Company	Research & development of yarns, chemicals	1,100
Mary Black Health System	Private Hospital	1,060
Michelin Tire Company	Radial Truck Tire Manufacturer	1,060
Sealed Air (Cryovac)	Plastic Packaging Material Manufacturer	900
BI-LO	Retail Grocery	N/A

Source: Comprehensive Annual Financial Report June 30, 2015

## Education

The County is home to seven public school districts comprised of more than 44,000 students. The combined school districts consist of 44 elementary schools, 18 middle schools, 5 junior high school, 9 high schools and 4 career centers or vocational schools. Approximately seventeen fully accredited private and parochial schools also are located in the County. The school districts are independent political entities and receive no funding from County government.

The South Carolina School for the Deaf and the Blind offers programs for preschool, elementary, middle and high schools, sensory multidisabled vocational and postsecondary education students in addition to a vast array of outreach services. The Charles Lea Center, a comprehensive facility for evaluation, training, education and rehabilitation of exceptional children, also assists the area schools through therapeutic programs for learning or emotional disorders.

### **Higher Education**

The University of South Carolina – Upstate had a Fall 2014 enrollment of approximately 5,585 students, and is one of the largest campuses of the University of South Carolina System. The four-year institution offers undergraduate degree programs in 11 fields of study in business administration and economics, education, humanities and sciences and nursing. Several graduate programs are also offered. Wofford College, a four-year liberal arts college with a Fall 2014 enrollment of approximately 1,658 students, and Converse College, a four-year liberal arts college for women with a Fall 2014 enrollment of approximately 1,394 undergraduate and graduate students, are also located in the County. Spartanburg Community College, a public two-year college offering associate degrees and certificates in a variety of fields, had a Fall 2014 enrollment of approximately 5,495 credit-seeking students. Sherman College of Straight Chiropractic had a Fall 2014 enrollment of approximately 346 students. Spartanburg Methodist College, a fully-accredited private junior college, had a Fall 2014 enrollment of approximately 793 students and offers associate degrees in liberal arts and science and several career tracks. The Edward Via College of Osteopathic Medicine (“*VCOM*”) is a private, nonprofit osteopathic medical school. VCOM established this campus in 2010 and had a Fall 2014 enrollment of approximately 1,400 students.

### **Medical Facilities**

The County is served by numerous state-of-the-art healthcare facilities. The Spartanburg Regional Health Services District, Inc. is an integrated-delivery healthcare system, comprising a variety of health services and facilities which include Spartanburg Medical Center, a 540-bed research and teaching hospital; Spartanburg Hospital for Restorative Care, a 97-bed long-term acute-care hospital with a 25-bed skilled nursing facility; Pelham Medical Center, a 48-bed, acute-care facility, including an emergency center, a medical office building, and numerous amenities and practices; Medical Group of the Carolinas, a network of physician practices; Regional HealthPlus, a network of physicians and hospitals offering a variety of services; Gibbs Cancer Center & Research Institute, which includes five locations across the Upstate; AccessHealth, a collaborative enterprise to connect uninsured individuals with community health care providers; and the Spartanburg Regional Foundation, which has reverted more than \$30 million to support health and wellness to community.

Mary Black Health System LLC consists of the Mary Black Memorial Hospital, Mary Black Physicians Group and Mary Black Health Network, Inc., with more than 330 doctors and allied healthcare professionals. Mary Black Memorial Hospital is a 207-bed facility with surgical suites, a Family Birthing Center, a Breast Health Center, inpatient rehabilitation and outpatient therapy, a 24-bed Emergency Department, Imaging Services, a Wound Center, Geriatric Psychiatric Services, an Intensive Care Unit, and a Sleep Center.

Ernest Health, Inc. constructed a 40-bed rehabilitation hospital, the Spartanburg Rehabilitation Institute (“*SRI*”), which is the only freestanding acute rehabilitation hospital in the County. SRI provides comprehensive physical medicine and rehabilitation services to patients with functional deficits resulting from injury or illness. Inpatient services include acute rehabilitation, nursing care and medical management for patients suffering from stroke, spinal cord injury, brain injury, and amputation to name a few.

Also within the County is the Carolina Center for Behavioral Health, a 130-bed private behavioral health system which specializes in psychiatric and chemical dependency treatment and provides inpatient, partial hospitalization and intensive outpatient programs.

## Financial Institutions

County residents are presently served by 67 branches of all major state and local commercial banks. The top ten financial institutions as of June 30, 2016 in the County are as follows:

<u>Rank</u>	<u>Institution</u>	<u># of Branches</u>	<u>Deposits Share</u>	<u>% Market</u>
1	SunTrust Bank	6	\$1,258,451,000	25.15
2	Branch Banking and Trust Company	8	763,785,000	15.26
3	Wells Fargo Bank, National Association	7	520,570,000	10.40
4	First-Citizens Bank & Trust Company	11	467,755,000	9.35
5	Bank of America, National Association	6	467,117,000	9.33
6	Carolina Alliance Bank	1	298,142,000	5.96
7	Capital Bank Corporation	3	160,197,000	3.20
8	Arthur State Bank	6	155,282,000	3.10
9	First South Bank	2	152,307,000	3.04
10	United Community Bank	5	146,503,000	2.93

Source: Federal Deposit Insurance Corporation

## Transportation

Air. The Greenville-Spartanburg International Airport (“*GSP*”), which is located approximately 20 miles from the City of Spartanburg, serves more than 1.8 million passengers per year by 5 major airlines offering 49 nonstop daily departures to 15 major cities and 18 airports across the United States. The GSP terminal building has more than 226,000 square feet and consists of two Federal Inspections Stations consisting of Customs, Immigrations and Agriculture. At 11,001 feet long, GSP can accommodate any aircraft currently in operation today. A 120,000 square-foot Federal Express facility and rental car service facilities are adjacent to GSP.

In 2010, GSP announced a terminal expansion estimated to cost around \$115 million in order to increase capacity and improve efficiency, which it intends to construct in three phases. Phase I consisted of moving the rental car customer care center, updating Concourse A and B restrooms and concessions, constructing a north wing to temporarily relocate airline facilities, moving utility infrastructure, installing new baggage carousels, adding canopies over passenger loading and unloading areas, constructing a covered walkway to Garage A and B, and installing new glass on the terminal front. Phase II includes adding a new food, beverage and retail concessions area, renovating the existing ticketing lobby, creating new customer service booths, adding a landside garden, installing baggage screening equipment and facilities, consolidating security areas, and renovating Concourse A and B. Phase III includes adding administrative offices and a conference center.

In addition, the County has access to general aviation services through the Spartanburg Downtown Memorial Airport which hosts business executives, government officials and tourists traveling by private aircraft and charter services. The Spartanburg Downtown Memorial Airport has nearly 80,000 operations annually and serves more than 100 local aircraft with a 5,203 foot by 100 foot runway.

Bus. Spartanburg Area Regional Transit Agency (“*SPARTA*”) provides public transit in and around the City. The bus system has eight fixed routes which serve employment sites, education centers, medical facilities and retail areas. All SPARTA buses are handicapped accessible. Intercity bus service is provided by Greyhound Bus Lines. As the hub of a modern highway system and served by interstate highways I-85, I-26, and three U.S. highways, the County is easily accessible to major metropolitan areas by car, truck and bus.

Railway and Trucking. CSX Transportation Company and Norfolk-Southern Corporation offer rail service within the County. Piggyback service is available through Norfolk-Southern Corporation. Trucking facilities in the County include 25 major common carrier terminals and over 50 freight lines.

Inland Port. The South Carolina Inland Port (“*SCIP*”), owned and operated by the South Carolina Ports Authority, opened in October 2013 as an intermodal facility located near GSP in the County. SCIP extended the Port of Charleston’s reach by providing shippers with access to more than 95 million consumers within a one-day drive. SCIP boosts efficiency for international freight movements between the Port of Charleston and companies located across the

Southeast. SCIP currently has capacity for 120,000 lifts per year. Norfolk Southern serves SCIP through its main rail line, and the facility is positioned along the Interstate 85 corridor between Charlotte and Atlanta, where Norfolk Southern operates additional rail yards.

**Utilities**

Electric power is provided by Duke Energy, which serves most of the County. Broad River Electric Cooperative, Laurens Electric Cooperative, Lockhart Power Company and the Greer Commission of Public Works also serve consumers in the County. Natural gas is supplied and distributed by Piedmont Natural Gas Company and the Greer Commission of Public Works. The Spartanburg Water System supplies water to approximately 80% of the County’s population. Other waterworks service is provided by Woodruff-Roebuck Water District, Startex-Jackson-Wellford-Duncan Water District, Inman-Campobello Water District and the Greer Commission of Public Works. Several not-for-profit water companies also provide water service in the County. The Spartanburg Sanitary Sewer District owns and operates several sewage treatment facilities which serve the County. The Greer Commission of Public Works and the Town of Lyman also provide sewage treatment facilities.

**Recreation**

The County is the summer home of the Carolina Panthers National Football League. The summer training camp is held on the campus of Wofford College and was held July 31 through August 20 this year. The County oversees 26 County parks along with numerous organized team sports. One of these parks is the Tyger River Park which is a 137 acre youth baseball and softball regional sports complex which includes twelve lighted fields, a lighted championship stadium, meeting space, concession stands, multiple restrooms, a playground and an observation tower.

Tourists and residents also are drawn to the Zentrum, a visitor’s center operated by BMW Manufacturing Corp. The Zentrum houses a museum, an auditorium and other special attractions and draws approximately 60,000 visitors annually. Located in the County are Cowpens National Battlefield, which is the site of a major battle of the Revolutionary War, and Walnut Grove Plantation, which is a restored estate with authentic furnishings and a number of restored outbuildings.

Also located in the County is the Upward Star Center, which is a private, nonprofit sports complex owned and operated by Upward Sports. It features six full-sized basketball courts, twelve regulation indoor volleyball courts, four batting cages, a running track, a strength and conditioning area with trainers, weights and cardio machines, a speed and agility area, team rooms, players’ lounge, meeting rooms, a café, a retail shop, four lighted sand volleyball courts, two lighted artificial turf and four grass fields.

**Library**

The Spartanburg County Library System has eleven branches and one mobile unit. The library serves over 100,000 people annually with a variety of services, including computer internet services, audio-visual materials and equipment, story hours, film programs, talking books for the disabled, government documents, tours and talks.

**Building Permit**

The following table shows the number of residential and non-residential building permits issued by the County for the fiscal years shown.

Year	<u>RESIDENTIAL</u>		<u>COMMERCIAL</u>	
	<u># of Permits</u>	<u>Cost</u>	<u># of Permits</u>	<u>Cost</u>
2011	514	\$ 51,732,563	248	\$ 103,795,621
2012	700	83,516,901	275	283,086,208
2013	915	129,533,495	261	107,950,718
2014	1040	179,673,160	274	117,939,699
2015	1334	226,205,210	384	489,242,927

Source: Spartanburg County Building Code Office

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**APPENDIX D**

**Form of Opinion of Bond Counsel**

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COLUMBIA | CHARLOTTE | SPARTANBURG

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November \_\_, 2016

Woodruff-Roebuck Water District Commission  
Woodruff, South Carolina

Raymond James & Associates, Inc.  
Atlanta, Georgia

Re: \$\_\_\_\_\_ Water System Refunding Revenue Bonds, Series 2016, of the Woodruff-Roebuck Water District, South Carolina

Ladies and Gentlemen:

As Bond Counsel to the Woodruff-Roebuck Water District, South Carolina (the "**District**"), we have examined a certified copy of the Transcript of Proceedings and other proofs submitted to us, including the Constitution and statutes of the State of South Carolina (the "**State**"), in relation to the issuance of the \$\_\_\_\_\_ Water System Refunding Revenue Bonds, Series 2016, of the Woodruff-Roebuck Water District, South Carolina (the "**Bonds**").

The Bonds are issued by the District pursuant to (i) a resolution of the Woodruff-Roebuck Water District Commission (the "**Commission**"), the governing body of the District, entitled "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO" adopted on August 12, 2010, as amended on October 13, 2016 (as amended, the "**Bond Resolution**"), (ii) a resolution of the Commission entitled "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REFUNDING REVENUE BONDS OF THE WOODRUFF-ROEBUCK WATER DISTRICT, SOUTH CAROLINA, TO BE DESIGNATED SERIES 2016, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING THIRTY-SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$37,500,000), AND OTHER MATTERS RELATING THERETO" adopted on October 13, 2016 (the "**2016 Series Resolution**" and together with the Bond Resolution, the "**Resolution**"), and (iii) under and in full compliance with the Constitution and statutes of the State, including particularly Chapter 21, Title 6, and Chapter 21, Title 11 of the Code of Laws of South Carolina 1976, as amended, in order to obtain funds that will be sufficient to: (1) defease and redeem certain maturities of the District's \$37,185,000 original principal amount Water System Improvement Revenue Bonds, Series 2010; (2) fund the 2016 Debt Service Reserve Fund (as defined in the Resolution) with cash, or pay the premium associated with the issuance of a credit instrument for the 2016 Debt Service Reserve Fund; and (3) pay the costs of issuance of the Bonds.

The Bonds will mature on June 1 in the respective principal amounts and shall bear interest, payable semiannually each June 1 and December 1, beginning June 1, 2017, at the respective interest rates per annum, all as set forth on the cover of the Official Statement dated November \_\_, 2016, prepared in connection with the issuance of the Bonds (the "**Official Statement**").

The Bonds maturing on or after June 1, 2027, are subject to redemption prior to maturity, at the option of the District, on or after June 1, 2026, in the manner and upon the terms set forth in the Resolution. The Bonds maturing on June 1, 20\_\_ are subject to mandatory sinking fund redemption in the manner and upon the terms set forth in the Resolution. The Bonds are issued in fully registered form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the principal amount of the Bonds maturing in each year. The Bonds are numbered from 1 upwards in such fashion as to maintain a proper record thereof.

Further bonds on a parity with the Bonds of this issue may be issued under the conditions prescribed in the Resolution.

In our opinion:

1. The District is a duly created and validly existing public corporation and political subdivision of the State.

2. The Bonds have been duly and lawfully authorized, executed and issued and are enforceable in accordance with their terms and the terms of the Resolution, and constitute valid and binding special obligations of the District enforceable against the District in accordance with their terms, except to the extent that the enforceability of the Bonds may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. The Bonds are secured in the manner and to the extent prescribed by the Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements set forth therein.

3. Both the principal of and interest on the Bonds are payable solely from and are secured by a valid pledge of the Net Revenues, subject to the application thereof to the purposes and on the conditions permitted by the Resolution. Additionally, the Bonds are secured by a statutory lien upon the water system of the District (the "*System*").

4. The pledge of and lien upon the Net Revenues and the statutory lien upon the System made to secure the Bonds has priority over all pledges and liens heretofore or hereafter made, except pledges and liens (on a parity with the pledge and lien securing the Bonds) given to secure additional Bonds issued heretofore or hereafter, provided such additional Bonds are issued in the manner and under the conditions prescribed by the Resolution.

Neither the principal of nor interest on the Bonds constitutes an indebtedness of the District within the meaning of any provision, limitation or restriction of the Constitution or laws of the State, nor a charge, lien or encumbrance, legal or equitable, upon any property of the District or upon any income, receipts or revenues of the District save and except those revenues derived from the operation of the System and pledged to the payment of the principal of and interest on the Bonds, and neither the credit nor the taxing power of the District is pledged therefor.

5. The Bonds and the interest thereon (including any original issue discount properly allocable to the owner thereof) are exempt from all State, county, school district, municipal and other taxes or assessments of the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer or franchise taxes (specifically including, without limitation, the tax imposed on banks by Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, enforced by the South Carolina Department of Revenue as a franchise tax).

6. Under presently existing statutes, regulations and judicial decisions, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Additionally, interest will not, under present law, be treated as an item of tax preference for purposes of computing the alternative minimum tax for individuals or corporations; however interest may be includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax for such corporations. The Internal Revenue Code of 1986, as amended (the "*Code*") establishes certain continuing requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes, including without limitation certain requirements with respect to the use of proceeds of the Bonds and the obligation to rebate certain earnings on the gross proceeds of the Bonds to the United States Government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds, regardless of the date on which such noncompliance occurs or is ascertained. The District, pursuant to the Resolution and related certifications, has covenanted to comply with the requirements of the Code, and in rendering our opinion

with respect to the exclusion of the interest on the Bonds from gross income for federal income tax purposes, we have assumed compliance with such covenants. Except as set forth above, we express no opinion regarding any such other federal tax consequences arising with respect to the Bonds.

It is understood that the obligations of the District under the Bonds, the Bond Resolution and the 2016 Series Resolution and the enforceability thereof, may be subject to judicial discretion, the valid exercise of the sovereign powers of the State of South Carolina and of the constitutional powers of the United States of America, and applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditor rights.

As Bond Counsel to the District, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering certain specific opinions herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representations or information concerning the business or financial condition of the District or the System in connection with the sale of the Bonds, including any information set forth as to the same in the Official Statement, or appendices thereto, pertaining to the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

The opinions expressed herein are based upon existing law and upon certain factual representations made to us as of the date hereof. Such opinions speak only as to the date hereof, and we have assumed no duty to update or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in law that may hereafter occur or become effective.

Very truly yours,

Pope Flynn, LLC

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**APPENDIX E**

**Form of Continuing Disclosure Certificate**

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Woodruff-Roebuck Water District, South Carolina (the “**Issuer**”), in connection with the issuance of its \$ \_\_\_\_\_ Water System Refunding Revenue Bonds, Series 2016 (the “**Bonds**”). The Bonds are being issued pursuant to a Bond Resolution adopted by the Woodruff-Roebuck Water District Commission (the “**Commission**”), the governing body of the District, on August 12, 2010, as amended on October 13, 2016 (as amended, the “**Bond Resolution**”). The Bonds are also issued pursuant to a 2016 Series Resolution (the “**2016 Series Resolution**”) adopted by the Commission on October 13, 2016. The Bond Resolution and the 2016 Series Resolution are together referred to herein as the “**Resolution**.” The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Underwriter in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Beneficial Owner**” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Bondholder**” or “**Holder**” shall mean the registered owner of a Bond and any Beneficial Owner thereof.

“**Dissemination Agent**” shall mean the Issuer or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation. The initial Dissemination Agent shall be the Issuer.

“**EMMA**” shall mean MSRB’s Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 (or any successor electronic information system) and maintained by the MSRB (as the sole repository for central filing of electronic disclosure) for the purposes of the Rule as further described herein.

“**Fiscal Year**” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on October 1 of each calendar year and ending September 30 of the next calendar year.

“**Listed Event**” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“**MSRB**” means the Municipal Securities Rulemaking Board, or any successor thereto for purposes of the Rule.

“**Official Statement**” means the final Official Statement dated November \_\_, 2016, prepared in connection with the Bonds.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“State Depository”** shall mean any public or private depository or entity designated by the State of South Carolina as a state depository for purposes of the Rule. As of the date of this Disclosure Certificate, there is no State Depository established in South Carolina.

**“Underwriter”** shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

### SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than seven (7) months after the end of each Fiscal Year (which shall be April 30 of each year, so long as the Issuer’s Fiscal Year ends on September 30), commencing with the report for Fiscal Year ended September 30, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) All documents provided to the MSRB pursuant to this Disclosure Certificate shall be submitted in electronic format and shall identify the Bonds by name and CUSIP number or shall be accompanied by such identifying information as described from time to time by the MSRB.

(c) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the Issuer shall, in a timely manner, send or cause to be sent a notice to the MSRB and to the State Depository, if any, in substantially the form attached as Appendix A.

(d) In the event the Dissemination Agent is not the Issuer, then not later than fifteen (15) days prior to each due date, the Issuer shall provide the Annual Report to the Dissemination Agent for distribution to the MSRB. In connection with this distribution of the Annual Report, the Dissemination Agent, if any, shall file a report with the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to the MSRB.

### SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate:

(a) the Issuer’s complete audited financial statements for such Fiscal Year prepared in accordance with generally accepted accounting principles in the United States of America applicable to governmental entities from time to time by the Governmental Standards Accounting Board. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) herein, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) Financial and statistical data as of a date not earlier than the end of such fiscal year comparable to the information included in the Official Statement in the sections entitled **“THE SYSTEM – Customers,” “THE SYSTEM – Usage,” “THE SYSTEM – Ten Largest Customers,” “THE SYSTEM – Ratemaking,” “FINANCIAL INFORMATION – Historical Revenues and Expenditures,”** including the debt service coverage ratios, **“FINANCIAL INFORMATION – Debt Service Requirements,”** and **“FINANCIAL INFORMATION – Operating Budget.”**

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of Bondholders, if material;
8. bond calls, if material and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of any obligated person, which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;
13. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of trustee, if material.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds; provided, however, that if the Rule (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided, then such information shall no longer be required herein; and further, provided that if and to the extent the Rule (or any successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of the Rule so declared, shall no longer be required to be provided hereunder.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 herein, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;
- (b) This Disclosure Certificate, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given by filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person.

**WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA**

By: \_\_\_\_\_  
Chairman  
Woodruff-Roebuck Water District Chairman

Date: November \_\_, 2016

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

**NAME OF ISSUER:** Woodruff-Roebuck Water District, South Carolina  
**NAME OF BOND ISSUE:** \$ \_\_\_\_\_ Water System Refunding Revenue Bonds, Series 2016  
**DATE OF ISSUANCE:** November \_\_, 2016  
**CUSIP No.:** \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated November \_\_, 2016. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

**WOODRUFF-ROEBUCK WATER DISTRICT,  
SOUTH CAROLINA**

By: \_\_\_\_\_  
Chairman  
Woodruff-Roebuck Water District Chairman

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**APPENDIX F**

**Form of Specimen Municipal Bond Insurance Policy**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)



Woodruff  Roebuck  
WATER DISTRICT



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