

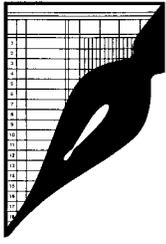
Woodruff-Roebuck Water District

**Financial Statements and Supplemental Information
Years Ended September 30, 2018 and 2017**

Woodruff-Roebuck Water District

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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, 2018 and 2017, which comprise the statements of net position as of September 30, 2018 and 2017, 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 audits. We conducted our audits 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, 2018 and 2017, 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 10 and the South Carolina Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 39 and 40, 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 on pages 41 and 42 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 on pages 43 through 47 and annual report relating to the General Obligation Bonds on pages 48 through 50 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 28, 2019, 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

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, 2018. 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 2016 General Obligation Bonds in the amount of \$2,170,000 on April 5, 2016 to provide funds for construction and raw water storage facilities, construction and expansion of the water treatment plant and upgrades and improvements to the water distribution system. As of September 30, 2018, all of these funds had been spent on these projects.

The District issued its Water System Refunding Revenue Bonds, Series 2016 in the amount of \$33,790,000 on November 22, 2016 for the purpose of defeasing principal and interest due on the Water System Improvement Revenue Bonds, Series 2010 maturing after June 1, 2020 and to pay costs of issuance, including premium due on any financial guaranty insurance policy.

The District issued its Series 2017 General Obligation Bonds in the amount of \$765,000 on October 27, 2017 to provide funds for construction of raw water treatment facilities, construction and expansion of its water treatment facility and upgrades and improvements to the water distribution system. As of September 30, 2018, \$679,638 of these funds 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.

Woodruff-Roebuck Water District**Management's Discussion and Analysis****Financial Highlights**

- The District's total net position increased \$1,069,084 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 \$1,620,066.
- Through September 30, 2018, \$4,392,422 has been expended on a reservoir project, \$123,154 has been expended on water supply projects, \$15,047 has been expended on improvements to the Enoree waste water treatment facility, \$447 has been expended on the Enoree dam, \$6,041 has been spent on the ABCO project, \$670,389 has been expended on the expansion of the water treatment plant and \$265,506 has been expended on the VFD water plant. These costs totaling \$5,473,006 are carried in the construction in progress account in the notes to the financial statements.
- Major capital expenditures during the year included: \$55,307 for a compact excavator; \$59,884 for two 2018 Ford F150 trucks; \$428,306 for improvements to the water system in the Highway 221 corridor; improvements to the Enoree wastewater treatment plant in the amount of \$99,164; \$145,114 for expansion of the water treatment plant; \$265,506 for the VFD water plant; \$132,068 for the Martin Family Road and Zimmerman Lake Road project and \$93,950 for relocation of the East Georgia Road water line. With the exception of the water treatment plant expansions and the VFD water plant, these costs have been capitalized in the water distribution system and equipment accounts and are subject to depreciation.

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 16 to 38 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 39 of this report.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

Government-Wide Financial Analysis

The District's net position at year-end is \$15,929,549. This is an increase of \$1,069,084 over last year's net position of \$14,860,465. The following table provides a summary of the District's net position at September 30, 2018 and 2017:

Woodruff-Roebuck Water District's Net Position

	2018	2017
Assets and Deferred Outflows		
Current assets	\$ 4,010,444	\$ 4,012,257
Restricted assets	1,326,018	2,326,146
Capital assets, net of depreciation	53,569,967	53,232,762
Deferred outflows of resources	3,473,796	3,735,523
Total assets and deferred outflows of resources	62,380,225	63,306,688
Liabilities and Deferred Inflows		
Current liabilities (payable from operating fund)	163,438	153,327
Current liabilities (payable from restricted assets)	2,280,529	2,708,341
Long term liabilities	43,936,917	45,531,481
Deferred inflows of resources	69,792	53,074
Total liabilities and deferred inflows of resources	46,450,676	48,446,223
Net position		
Net investment in capital assets	15,537,434	12,649,158
Restricted	444,218	713,717
Unassigned	(52,103)	1,497,590
Total net position	\$ 15,929,549	\$ 14,860,465

The District's investment in capital assets exceeds related debt by \$15,537,434. 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 \$384,508 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 a decrease of \$1,549,693 in the unrestricted net position for the District's activities resulting in unrestricted net position of \$(52,103) at September 30, 2018. There was an increase in net investment in capital assets of \$2,888,276 and revenue exceeded expenses by \$1,069,084.

The following table provides a summary of the District's changes in net position for the years ended September 30, 2018 and 2017:

Woodruff-Roebuck Water District
Management's Discussion and Analysis

Woodruff-Roebuck Water District's Changes in Net Position

	<u>2018</u>	<u>2017</u>
Program revenues		
Charges for services	\$ 6,117,859	\$ 5,906,112
Other operating revenue	77,372	46,582
Nonoperating revenues		
Property taxes	889,727	842,019
Other revenues	156,061	138,634
Capital grants	44,761	486,334
Total revenues	<u>7,285,780</u>	<u>7,419,681</u>
Program expenses		
Direct operating	2,408,700	2,387,653
General and administrative	745,210	649,068
Depreciation and amortization	1,415,867	1,368,333
Bank credit card charges	5,388	5,620
Nonoperating expenses		
Other expenses	1,641,531	1,946,305
Total expenses	<u>6,216,696</u>	<u>6,356,979</u>
Change in net position	1,069,084	1,062,702
Net position, beginning	<u>14,860,465</u>	<u>13,797,763</u>
Net position, ending	<u>\$ 15,929,549</u>	<u>\$ 14,860,465</u>

The District's total operating revenues increased \$242,537. The total cost of all programs and services increased \$164,491. Net nonoperating expenses decreased \$304,774. Key elements of the decrease in net nonoperating expenses are as follows:

- Debt issuance costs decreased \$430,105 with the issuance of 2016 refunding revenue bonds in the prior year.
- Interest expense increased \$125,131.

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.

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 \$211,747 from the previous year. Operating expenses increased \$164,491. The increase in service revenue was principally due to an increase of 4.0% in billing rates effective October 1, 2017, although there was an increase in water consumption and new customers during 2018.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its business-type activities as of September 30, 2018, totals \$53,569,967 (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:

Enoree wastewater treatment plant improvements paid with grant and operating funds	\$	99,164
Water System improvements using General Obligation Bonds and operating funds	\$	428,306
New compact excavator paid for with operating funds	\$	55,307
Water treatment plant expansion paid for with General Obligation Bonds	\$	145,114
VFD water plant paid for with General Obligation Bonds	\$	265,506
Martin Family/Zimmerman Lake Road project paid for with General Obligation Bonds	\$	132,068
Relocation of East Georgia Road water line paid for with General Obligation Bonds	\$	93,950
Two 2018 Ford F150 trucks paid for with operating funds	\$	59,884

Woodruff-Roebuck Water District's Capital Assets

	2018	2017
Land	\$ 1,172,922	\$ 1,162,625
Land Improvements	1,342,538	1,405,028
Water Distribution System	21,299,618	19,032,411
Treatment plant	21,322,500	21,803,459
Buildings and Equipment	2,837,178	2,811,737
Vehicles	122,205	112,316
Construction in Progress	5,473,006	6,905,186
Total	\$ 53,569,967	\$ 53,232,762

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

Woodruff-Roebuck Water District
Management's Discussion and Analysis

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

	<u>2018</u>	<u>2017</u>
Long-term obligations		
General Obligation Bonds	\$ 4,893,000	\$ 5,158,000
Revenue Bonds	35,815,000	36,840,000
Capital lease obligation	342,369	396,727
Compensated absences	116,075	117,091
Net pension liability	<u>2,544,723</u>	<u>2,610,221</u>
Total	<u>\$ 43,711,167</u>	<u>\$ 45,122,039</u>

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, 2018, property tax revenues totaled \$889,727 and debt service payments totaled \$1,159,224. The balance was paid from previously accumulated taxes paid.

Interest on the Series 2010 Revenue Bonds of \$91,500 and principal of \$990,000 were paid during the year. A portion of the interest due on the 2010 Revenue Bonds was defeased with the issuance of the Water System Refunding Revenue Bonds, Series 2016.

On November 22, 2016, the Water District issued \$33,790,000 Water System Refunding Revenue Bonds, Series 2016 to place in escrow \$35,454,153 for purposes of defeasing the interest on the Series 2010 Revenue Bonds due after June 1, 2020 and the principal of the bonds due after June 1, 2020. The remaining Revenue Bonds outstanding after June 1, 2020 are subject to call at face value and will be called on June 1, 2020. Interest of \$1,270,375 and principal of \$35,000 was paid on these bonds during the year ended September 30, 2017.

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 are key economic indicators for the District:

- 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. The District has experienced considerable growth in its customer base in the past few years and continued growth is anticipated.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

- For the District's general obligation bond debt service, the property tax rate increased to 10.7 mills compared to 10.6 mills the previous year. Assessed value of the District's property increased \$4,081,317 for 2018 tax billings.
- As for the District's business-type activities, water rates increased 4.0% for the year.
- A planned increase in water rates of 5.0% is effective for the fiscal year beginning October 1, 2018.

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, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,822,365	\$ 1,820,128
Certificates of deposit	752,744	744,885
Accounts receivable, net of allowance	605,277	559,805
Grant and other receivables		41,877
Unbilled revenues	615,902	636,051
Inventory	176,447	172,444
Prepaid expenses	37,709	37,067
Total current assets	<u>4,010,444</u>	<u>4,012,257</u>
Restricted Assets		
Cash and cash equivalents restricted to capital projects	85,362	816,265
Property taxes receivable, net of allowance	34,427	41,988
Cash with fiscal agent	409,791	671,728
Investments for revenue bonds payable	796,438	796,165
Total restricted assets	<u>1,326,018</u>	<u>2,326,146</u>
Other Assets		
Capital assets, net	<u>53,569,967</u>	<u>53,232,762</u>
Total other assets	<u>53,569,967</u>	<u>53,232,762</u>
Total assets	<u>58,906,429</u>	<u>59,571,165</u>
Deferred Outflows of Resources		
Related to pension	250,289	359,372
Related to revenue bond refunding	3,223,507	3,376,151
Total deferred outflows	<u>3,473,796</u>	<u>3,735,523</u>
Total assets and deferred outflows	<u>\$ 62,380,225</u>	<u>\$ 63,306,688</u>

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

Woodruff-Roebuck Water District

Statements of Net Position
September 30, 2018 and 2017

LIABILITIES AND NET POSITION

	<u>2018</u>	<u>2017</u>
Liabilities		
Current Liabilities (payable from operating fund)		
Accounts payable	\$ 56,139	\$ 59,004
Salaries and benefits payable	43,712	32,253
Accrued interest payable	4,555	5,317
Customer deposits	2,395	2,395
Current portion of lease payable	56,637	54,358
Total current liabilities (payable from operating fund)	<u>163,438</u>	<u>153,327</u>
Current Liabilities (payable from restricted assets)		
Accounts payable	60,689	499,977
Accrued interest on general obligation bonds	17,572	26,646
Accrued interest on revenue bonds	424,268	461,718
Current portion of general obligation bonds payable	728,000	695,000
Current portion of revenue bonds payable	1,050,000	1,025,000
Total current liabilities (payable from restricted assets)	<u>2,280,529</u>	<u>2,708,341</u>
Long term liabilities		
Compensated absences payable	116,075	117,091
Lease payable, less current portion	285,732	342,369
Revenue bonds payable, less current portion	34,765,000	35,815,000
General obligation bonds payable, less current portion	4,165,000	4,463,000
Bond premium, net	2,060,387	2,183,800
Net pension liability	2,544,723	2,610,221
Total long term liabilities	<u>43,936,917</u>	<u>45,531,481</u>
Total liabilities	<u>46,380,884</u>	<u>48,393,149</u>
Deferred Inflows of Resources	<u>69,792</u>	<u>53,074</u>
Net Position		
Net investment in capital assets	15,537,434	12,649,158
Restricted		
General obligation bond repayments	384,508	654,007
Capital projects	59,710	59,710
Unrestricted	(52,103)	1,497,590
Total net position	<u>15,929,549</u>	<u>14,860,465</u>
Total liabilities and net position	<u>\$ 62,380,225</u>	<u>\$ 63,306,688</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Charges for services	\$ 6,117,859	\$ 5,906,112
Other operating revenue	77,372	46,582
Total operating revenues	<u>6,195,231</u>	<u>5,952,694</u>
Operating expenses		
Personal Services	1,852,178	1,856,363
Water Purchases	50,162	61,789
Contractual Services	102,439	72,668
Repairs, materials and supplies	403,921	396,833
General and administrative	745,210	649,068
Depreciation	1,415,867	1,368,333
Bank credit card charges	5,388	5,620
Total operating expenses	<u>4,575,165</u>	<u>4,410,674</u>
Operating income	1,620,066	1,542,020
Nonoperating revenues (expenses)	<u>(595,743)</u>	<u>(965,652)</u>
Income before capital grants	1,024,323	576,368
Capital grants	<u>44,761</u>	<u>486,334</u>
Change in net position	1,069,084	1,062,702
Total net position, beginning of year	<u>14,860,465</u>	<u>13,797,763</u>
Total net position, end of year	<u>\$ 15,929,549</u>	<u>\$ 14,860,465</u>

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

Woodruff-Roebuck Water District

Statements of Cash Flows
Years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 6,166,908	\$ 5,923,955
Cash paid for goods and services	(1,311,631)	(1,174,734)
Cash paid to employees for services	(1,781,431)	(1,725,282)
Other expenses	(1,050)	(3,800)
Net cash provided by (used in) operating activities	<u>3,072,796</u>	<u>3,020,139</u>
Cash Flows from Capital and Related Financing Activities		
Property tax collections	897,288	839,800
Change in cash held by fiscal agent	261,937	234,967
Proceeds from capital grants	95,730	455,463
Interest paid on capital lease obligation	(15,906)	(18,093)
Interest paid on general obligation bonds	(129,225)	(139,567)
Interest paid on revenue bonds	(1,361,874)	(1,250,760)
Principal payments on capital leases	(54,358)	(52,170)
Proceeds from issuance of general obligation bonds	765,000	
Principal payments on general obligation bonds	(1,030,000)	(935,200)
Principal paid on revenue bonds	(1,025,000)	(820,000)
Payments for debt issuance costs incurred	(28,118)	(2,702)
Debt service funds transferred to refunding escrow		(231,781)
Acquisition and construction of capital assets	(2,192,359)	(2,524,575)
Net cash provided by (used in) capital and related financing activities	<u>(3,816,885)</u>	<u>(4,444,618)</u>
Cash Flows from Investing Activities		
Interest earned on investments	23,555	19,914
Interest reinvested - net	(7,859)	(4,565)
Purchase of certificates of deposit	0	(423,500)
Net proceeds from revenue bond investments	(273)	21,625
Net cash provided by (used in) investing activities	<u>15,423</u>	<u>(386,526)</u>
Net increase (decrease) in cash and cash equivalents	(728,666)	(1,811,005)
Cash and cash equivalents, Beginning of year	<u>2,636,393</u>	<u>4,447,398</u>
Cash and cash equivalents, End of year	<u>\$ 1,907,727</u>	<u>\$ 2,636,393</u>

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

Woodruff-Roebuck Water District

Statements of Cash Flows
Years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities		
Operating income	<u>\$ 1,620,066</u>	<u>\$ 1,542,020</u>
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities		
Depreciation and amortization	1,415,867	1,368,333
Other expenses	(1,050)	(3,800)
Pension expense	60,303	132,634
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(45,472)	(10,205)
(Increase) decrease in unbilled revenue	20,149	(14,534)
(Increase) decrease in inventory	(4,003)	(1,371)
(Increase) decrease in prepaid expenses	(642)	917
Increase (decrease) in accounts payable	(2,865)	7,698
Increase (decrease) in accrued salaries and benefits payable	11,459	(10,747)
Increase (decrease) in accrued compensated absences	(1,016)	9,194
Total adjustments	<u>1,452,730</u>	<u>1,478,119</u>
Net cash provided by (used in)		
operating activities	<u>\$ 3,072,796</u>	<u>\$ 3,020,139</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, 2018 and 2017, investments of \$796,438 and \$796,165 were restricted for debt service reserves, cash equivalents of \$85,362 and \$816,265 were restricted to capital projects, and cash with fiscal agent of \$409,791 and \$671,728 were restricted for debt service and capital projects.

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	3-10
Vehicles and Office Equipment	5-10

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, 2018 and 2017, of \$2,017,228 and \$2,127,411 (net of accumulated amortization of \$204,669 and \$94,486) is being amortized over the term of the bonds. The premium on general obligation bonds payable at September 30, 2018 and 2017 of \$43,159 and \$56,389 (net of accumulated amortization of \$39,307 and \$26,077) 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 \$116,075 and \$117,091 at September 30, 2018 and 2017.

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, 2018 and 2017, 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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)

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.

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, 2018, the carrying amount of the District's deposits was \$2,660,121 and the bank balance was \$2,713,912. Of the bank balance at September 30, 2018, \$1,229,051 was insured by federal depository insurance, \$1,465,125 was collateralized with securities held by the financial institution in the District's name and \$19,376 was uncollateralized. 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, 2018 and 2017, the District had \$796,438 and \$796,165 of investments in cash, obligations of the United States and its agencies. At September 30, 2018 and 2017, all investments were in the First American Government Obligation Fund.

Required payments from the District to the Debt Service Fund for the 2010 Revenue Bonds totaled \$1,075,920 and \$1,219,173 for the years ended September 30, 2018 and 2017.

Required payments from the District to the Debt Service Fund for the 2016 Refunding Revenue Bonds totaled \$1,302,576 and \$1,062,119 for the years ended September 30, 2018 and 2017.

Concurrent with the issuance of the Series 2016 Revenue Refunding Bonds, Assured Guaranty Municipal Corporation issued its Municipal Bond Insurance Policy for the Series 2016 Bonds. The Policy guarantees the scheduled payment of principal and interest on the Series 2016 Bonds when due as set forth in the form of the Policy. The policy is not covered by any insurance security or guaranty fund established under any state insurance law.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 3 - (continued)

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 collaterally secured 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.

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, 2018 and 2017, the District's uncollected assessed taxes that have been transferred to the Spartanburg County Delinquent Tax Collector for the District were \$67,701 and \$59,706. These amounts net of allowances for doubtful accounts of \$46,071 and \$30,026, and plus delinquent and vehicle taxes collected and unremitted of \$12,797 and \$12,308 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 \$81,118,136 and \$77,036,819. The District's debt service tax rate was 10.7 and 10.6 mills for the years ended September 30, 2018 and 2017.

Note 5 - 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 uncollectible of \$48,000 and \$45,000 at September 30, 2018 and 2017. The District estimates uncollectible accounts based on aging of accounts receivable and collection history.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions	Deletions	Balance September 30, 2018
Not being depreciated				
Land	\$ 1,162,625	\$ 10,297	\$	\$ 1,172,922
Construction in Progress	6,905,186	1,070,158	2,502,338	5,473,006
Total capital assets not being depreciated	<u>8,067,811</u>	<u>1,080,455</u>	<u>2,502,338</u>	<u>6,645,928</u>
Being depreciated				
Land Improvements	1,833,684	28,866		1,862,550
Buildings and Equipment	4,432,225	187,944		4,620,169
Water Distribution System	27,350,781	2,898,261		30,249,042
Treatment plant	24,047,933			24,047,933
Vehicles	392,145	59,884		452,029
Total capital assets being depreciated	<u>58,056,768</u>	<u>3,174,955</u>		<u>61,231,723</u>
Less accumulated depreciation				
Land Improvements	428,656	91,356		520,012
Buildings and Equipment	1,620,488	162,503		1,782,991
Water Distribution System	8,318,370	631,054		8,949,424
Treatment plant	2,244,474	480,959		2,725,433
Vehicles	279,829	49,995		329,824
Total accumulated depreciation	<u>12,891,817</u>	<u>1,415,867</u>		<u>14,307,684</u>
Total capital assets being depreciated, net	<u>45,164,951</u>	<u>1,759,088</u>		<u>46,924,039</u>
Capital assets, net	<u>\$ 53,232,762</u>	<u>\$ 2,839,543</u>	<u>\$ 2,502,338</u>	<u>\$ 53,569,967</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 6 - (continued)

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Not being depreciated				
Land	\$ 1,137,495	\$ 25,130	\$	\$ 1,162,625
Construction in Progress	4,921,831	2,538,955	555,600	6,905,186
Total capital assets not being depreciated	<u>6,059,326</u>	<u>2,564,085</u>	<u>555,600</u>	<u>8,067,811</u>
Being depreciated				
Land Improvements	1,833,684			1,833,684
Buildings and Equipment	4,212,276	219,949		4,432,225
Water Distribution System	26,651,676	885,918	186,813	27,350,781
Treatment plant	24,047,933			24,047,933
Vehicles	337,310	54,835		392,145
Total capital assets being depreciated	<u>57,082,879</u>	<u>1,160,702</u>	<u>186,813</u>	<u>58,056,768</u>
Less accumulated depreciation				
Land Improvements	337,301	91,355		428,656
Buildings and Equipment	1,482,294	138,194		1,620,488
Water Distribution System	7,693,079	625,291		8,318,370
Treatment plant	1,763,515	480,959		2,244,474
Vehicles	247,295	32,534		279,829
Total accumulated depreciation	<u>11,523,484</u>	<u>1,368,333</u>		<u>12,891,817</u>
Total capital assets being depreciated, net	<u>45,559,395</u>	<u>(207,631)</u>	<u>186,813</u>	<u>45,164,951</u>
Capital assets, net	<u>\$ 51,618,721</u>	<u>\$ 2,356,454</u>	<u>\$ 742,413</u>	<u>\$ 53,232,762</u>

On September 30, 2018 and 2017 construction in progress amounted to \$5,473,006 and \$6,905,186, of which approximately \$4,500,000 represents accumulated costs on a long-range water supply project.

Depreciation expense for the years ended September 30, 2018 and 2017, was charged to operations and totaled \$1,415,867 and \$1,368,333, respectively.

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, 2018 is as follows:

	Balance September 30, 2017	Increases	Decreases	Balance September 30, 2018
General Obligation Bonds	\$ 5,158,000	\$ 765,000	\$ 1,030,000	\$ 4,893,000
Revenue Bonds	36,840,000		1,025,000	35,815,000
Capital lease obligation	396,727		54,358	342,369
Compensated absences	117,091	21,037	22,053	116,075
Net pension liability	2,610,221		65,498	2,544,723
	<u>\$ 45,122,039</u>	<u>\$ 786,037</u>	<u>\$ 2,196,909</u>	<u>\$ 43,711,167</u>

The following details the changes in long-term debt of the District for the year ended September 30, 2018:

	Balance September 30, 2017	Increases	Decreases	Balance September 30, 2018
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.	\$ 728,000	\$	\$ 360,000	\$ 368,000
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.	2,580,000		25,000	2,555,000
General Obligation Bonds, Series 2016 for \$2,170,000 with principal payments between \$230,000 and \$615,000. Interest payments due semiannually at 2%; matures March 1, 2022.	1,850,000		310,000	1,540,000

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

	Balance September 30, 2017	Increases	Decreases	Balance September 30, 2018
General Obligation Bonds, Series 2017 for \$765,000 with principal payments between \$105,000 and \$335,000. Interest payments due semiannually at 1.93%; matures March 1, 2022.		765,000	335,000	430,000
Total General Obligation Bonds	<u>5,158,000</u>	<u>765,000</u>	<u>1,030,000</u>	<u>4,893,000</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 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.	3,050,000		990,000	2,060,000
Refunding Revenue Bonds Series 2016 in the amount of \$33,790,000 with annual principal payments beginning June 1, 2018 with a final payment due June 1, 2040. Interest varies from 3.00% to 5.00%.	33,790,000		35,000	33,755,000
Total Revenue Bonds	<u>36,840,000</u>		<u>1,025,000</u>	<u>35,815,000</u>
 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.	396,727		54,358	342,369
	<u>\$ 42,394,727</u>	<u>\$ 765,000</u>	<u>\$ 2,109,358</u>	<u>\$ 41,050,369</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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

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, 2017 is as follows:

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
General Obligation Bonds	\$ 6,093,200		\$ 935,200	\$ 5,158,000
Revenue Bonds	35,715,000	33,790,000	32,665,000	36,840,000
Capital lease obligation	448,897		52,170	396,727
Compensated absences	107,897	30,764	21,570	117,091
Net pension liability	2,339,545	270,676		2,610,221
	<u>\$ 44,704,539</u>	<u>\$ 34,091,440</u>	<u>\$ 33,673,940</u>	<u>\$ 45,122,039</u>

The following details the changes in long-term debt of the District for the year ended September 30, 2017:

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
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.	\$ 1,073,000	\$	\$ 345,000	\$ 728,000
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	2,605,000		25,000	2,580,000
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.	245,200		245,200	

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
General Obligation Bonds, Series 2016 for \$2,170,000 with principal payments between \$230,000 and \$615,000. Interest payments due semiannually at 2%, matures March 1, 2022.	2,170,000		320,000	1,850,000
Total General Obligation Bonds	<u>6,093,200</u>		<u>935,200</u>	<u>5,158,000</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.	35,715,000		32,665,000	3,050,000
Refunding Revenue Bonds Series 2016 in the amount of \$33,790,000 with annual principal payments beginning June 1, 2018 with a final payment due June 1, 2040. Interest varies from 3.00% to 5.00%		33,790,000		33,790,000
Total Revenue Bonds	<u>35,715,000</u>	<u>33,790,000</u>	<u>32,665,000</u>	<u>36,840,000</u>
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.	448,897		52,170	396,727
	<u>\$ 42,257,097</u>	<u>\$33,790,000</u>	<u>\$33,652,370</u>	<u>\$42,394,727</u>

Interest expense for the years ended September 30, 2018 and 2017 was \$1,459,719 and \$1,352,571. In addition, amortization of deferred outflows from the issuance of the Series 2016 Refunding Revenue Bonds totaled \$152,644 and \$134,661 for the years ended September 30, 2018 and 2017 and is included in interest expense.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

The annual debt service requirements to retire the above referenced general obligation bonds as of September 30, 2018 are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 728,000	\$ 109,464	\$ 837,464
2020	750,000	86,264	836,264
2021	765,000	70,982	835,982
2022	780,000	55,007	835,007
2023	340,000	42,800	382,800
2024-2028	1,530,000	80,794	1,610,794
	<u>\$ 4,893,000</u>	<u>\$ 445,311</u>	<u>\$ 5,338,311</u>

The annual debt service requirements to retire the above referenced revenue bonds as of September 30, 2018 are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 1,050,000	\$ 1,331,125	\$ 2,381,125
2020	1,085,000	1,299,625	2,384,625
2021	1,120,000	1,267,075	2,387,075
2022	1,165,000	1,222,275	2,387,275
2023	1,220,000	1,164,025	2,384,025
2024-2028	7,035,000	4,897,975	11,932,975
2029-2033	8,560,000	3,364,925	11,924,925
2034-2038	10,045,000	1,878,519	11,923,519
2039-2042	4,535,000	230,850	4,765,850
	<u>\$ 35,815,000</u>	<u>\$ 16,656,394</u>	<u>\$ 52,471,394</u>

The annual debt service requirements on the above referenced capital lease as of September 30, 2018 are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 56,637	\$ 13,627	\$ 70,264
2020	59,012	11,252	70,264
2021	61,487	8,777	70,264
2022	64,065	6,199	70,264
2023	66,751	3,513	70,264
2024	34,417	715	35,132
	<u>\$ 342,369</u>	<u>\$ 44,083</u>	<u>\$ 386,452</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - Defined Benefit Pension Plan

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 State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement System Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the accrual basis of accounting as they are reported by the System in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues 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 through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of 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 eligible 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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

c. Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for 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 reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

An incidental death benefit is also available to beneficiaries of active and retired members who participate in the death benefit program.

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

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 percentage rate in 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.

If the most recent annual actuarial valuation of the System for funding purposes shows a ratio of actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 differential between the employer and employee contribution rates. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

The Retirement System Funding and Administration Act increased employer contribution rates to 13.56 percent, effective July 1, 2017. It also removed the 2.9 percent differential and increased and established a ceiling on employee contribution rates at 9 percent. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term ratio requirement from ninety to eighty-five.

Plan members are required to contribute 9.00% of their annual covered salary. The District is required to contribute an actuarially determined rate. The current rates are 13.41% through June 30, 2018 and 14.41% until June 30, 2019 of annual covered payroll.

Required contributions for Class Two and Class Three members (100% funded) for the years ended September 30, 2018, 2017 and 2016 are as follows:

Year Ended September 30,	Employee		Employer	
	Amount	Percent of Wages	Amount	Percent of Wages
2018	\$ 106,900	9.00%	\$ 161,462	13.56 / 14.56%
2017	\$ 101,200	8.66 / 9.00%	\$ 128,752	11.56 / 13.56%
2016	\$ 92,446	8.16 / 8.66%	\$ 122,757	11.06 / 11.56%

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

At September 30, 2018 and 2017, the District reported a liability of \$2,544,723 and \$2,610,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The total pension liability was then projected forward to the measurement date of June 30, 2018 and 2017 using generally accepted actuarial procedures.

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, 2018, the District's proportionate share was .011357% compared to .011595% at June 30, 2017.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

For the years ended September 30, 2018 and 2017, the District recognized pension expense of \$232,584 and \$264,341, respectively. A general appropriation credit (on-behalf payment) of \$10,819 was received during the year ended September 30, 2018 and was included in miscellaneous income. At September 30, 2018 and 2017, 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>2018</u>		
Differences between actual and expected experience	\$ 4,594	\$ 14,975
Net difference between projected and actual earnings on pension plan investments	40,423	
Changes in assumptions	100,960	
District contributions subsequent to the measurement date	41,185	
Change in proportionate share of plan liabilities	63,127	54,817
Total	<u>\$ 250,289</u>	<u>\$ 69,792</u>
<u>2017</u>		
Differences between actual and expected experience	\$ 11,636	\$ 1,447
Net difference between projected and actual earnings on pension plan investments	72,866	
Changes in assumptions	152,800	
District contributions subsequent to the measurement date	28,491	
Change in proportionate share of plan liabilities	93,579	51,627
Total	<u>\$ 359,372</u>	<u>\$ 53,074</u>

The \$41,185 and \$28,491 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, 2019 and 2018, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions as of September 30, 2018, will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2019	\$ 101,549
2020	81,046
2021	(38,114)
2022	(5,169)
	<u>\$ 139,312</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

f. Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involves estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an experience study be completed at least once in each five-year period. An experience report on the Systems was most recently performed on data through June 30, 2015.

The June 30, 2018 total pension liability, net pension liability, and sensitivity information were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017 and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward pension liability for this assumption change as of the measurement date of June 30, 2017.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2017 valuation for SCRS.

Actuarial cost method	Entry age normal
Investment rate of return	7.25%
Projected salary increases	3% to 12.5%
Includes inflation at	2.25%
Benefit adjustments	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent on the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality Table (2017 PRSC), was developed using the System's mortality experience. The base rates are adjusted for future improvement in mortality using the published scale AA projected from the year 2017.

Assumptions used in the determination of the June 30, 2018 total pension liability for general employees job classification was the 2016 PRSC Males multiplied by 100% and the 2017 PRSC Females multiplied by 111%.

g. Net Pension Liability

The net pension liability (NPL) represents the System's total pension liability determined in accordance with GASB No. 67 less the System's fiduciary net position. NPL totals as of June 30, 2018 for the SCRS are presented below.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>\$48,821,730,067</u>	<u>\$ 26,414,916,370</u>	<u>\$22,406,813,697</u>	<u>54.1%</u>

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

h. Long-term Expected Rate of Return

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 of 2016. 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 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. Expected returns are net of investment fees.

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 purpose, 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 and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Commodities	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.23%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

i. Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on 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)

j. Sensitivity Analysis

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 3,251,683	\$ 2,544,723	\$ 2,039,314

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.

Note 11 - Series 2016 Refunding Revenue Bonds Rate Covenant

The Series 2016 Refunding Revenue Bonds and 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 capital grants and includes the proceeds of capital assets sold.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 11 - (continued)

Operation and Maintenance Expenses are also defined in the Bond Resolution and basically include all expenses including principal and interest payments with respect to lease financing agreements except depreciation and amortization allowances, extraordinary repairs, debt issuance costs, amounts paid from government grants, unfunded net pension liabilities or other post-employment benefits that do not result in any actual disposition of cash 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, 2018, Net Revenues equaled approximately 130.00% of the Annual Principal and Interest Requirement.

Note 12 - Municipal Bond Debt Service Reserve Insurance

Section 4.07(b) of the Series Resolution for the Revenue Bonds provides that in lieu of the deposit of moneys into the various Debt Service Reserve Funds, 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 Debt Service Reserve Fund into the Debt Service Fund.

An Insurance Agreement (Surety Policy) was issued on November 21, 2014 for an amount equal to the reserve requirement of the Water System Improvement Revenue Bonds, Series 2010 in consideration of a premium payment. An Insurance Agreement (Surety Policy) was issued on November 22, 2016 for an amount equal to the reserve requirement of the Water System Refunding Revenue Bonds, Series 2016 in consideration of a premium payment. The policies may not be cancelled or revoked prior to maturity of the underlying 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 - Refunding Revenue Bonds

On November 22, 2016, the District issued \$33,790,000 in Water System Refunding Revenue Bonds, Series 2016 with an average interest rate of 3.63 percent to advance refund \$31,845,000 of outstanding Water System Improvement Revenue Bonds, Series 2010 maturing after June 1, 2020. The net proceeds of the 2016 Series of bonds, plus original issue discount, less underwriter's discount and expenses totaling \$35,454,153 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010 Series revenue bonds maturing after June 1, 2020. As a result, all 2010 Series revenue bonds maturing after June 1, 2020 (callable at par) are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,510,813. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, is being charged to other expenses through the year 2040 using the effective-interest method.

The amount of defeased debt still outstanding at September 30, 2018 totaled \$31,845,000.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 14 - Tax Abatements

Spartanburg County utilizes an economic development program to attract businesses and industry to the County for purposes of expanding and diversifying the local economy and creating jobs. The two mechanisms that the County employs are Fee in Lieu of Tax agreements and Special Source Revenue Credits. For the 2018 tax assessment, abatements from Fee in Lieu of Tax agreements totaled \$48,048 for the District and abatements from Special Source Revenue Credits were \$435.

Note 15 - Subsequent Events

Management has evaluated subsequent events through February 28, 2019, the date the financial statements were available to be issued.

Woodruff -Roebuck Water District

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

South Carolina Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Woodruff-Roebuck's proportion of the net pension liability (%)	0.011357%	0.011595%	0.010953%	0.011243%	0.011713%
Woodruff-Roebuck's proportion of the net pension liability (\$)	2,554,723	2,610,221	2,339,545	2,132,289	2,021,120
Woodruff-Roebuck's covered-employee payroll	1,115,791	1,230,979	1,075,723	1,054,170	1,063,379
Woodruff-Roebuck's proportionate share of the net pension liability as a percentage of its covered-employee payroll	228.96%	212.04%	217.49%	202.27%	190.07%
Plan fiduciary net position as a percentage of the net pension liability**	54.10%	53.34%	52.90%	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 Five Fiscal Years**

South Carolina Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 161,462	\$ 128,752	\$ 122,757	\$ 113,892	\$ 114,270
Contributions in relation to contractually required contribution	161,462	128,752	122,757	113,892	114,270
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Woodruff-Roebuck's covered-employee payroll	1,187,779	1,157,210	1,122,344	1,041,119	1,070,402
Contributions as a percentage of covered-employee payroll	13.59%	11.13%	10.94%	10.94%	10.68%

Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services		
Customer service fees	\$ 46,520	\$ 51,907
Water sales	5,837,631	5,597,356
Cut off fees	104,958	94,047
Tap fees	93,250	119,402
Line installation fees	35,500	43,400
Total charges for services	<u>\$ 6,117,859</u>	<u>\$ 5,906,112</u>
Operating Expense		
Personal services		
Salaries	\$ 1,234,175	\$ 1,217,702
Payroll taxes	93,285	91,502
Retirement	232,584	264,341
Group insurance	269,716	258,818
Commissioner fee	22,418	24,000
Total personal services	<u>\$ 1,852,178</u>	<u>\$ 1,856,363</u>
Contractual services		
Accounting	\$ 70,544	\$ 29,169
Legal fees	3,948	14,228
Janitorial service and supplies	7,909	7,594
Water analysis	13,675	9,907
Uniform rentals	6,363	11,770
Total contractual services	<u>\$ 102,439</u>	<u>\$ 72,668</u>
Repairs, materials and supplies		
Gas and oil	\$ 35,822	\$ 26,607
Trucks and equipment	19,519	18,483
Water meters	15,171	37,467
Distribution system supplies/repairs	282,057	274,747
Tank repairs and maintenance	27,436	27,436
Enoree sewer system		3,186
Radio repairs	362	488
Building	23,554	8,419
Total repairs, materials and supplies	<u>\$ 403,921</u>	<u>\$ 396,833</u>

Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Expense		
General and administrative		
Consulting expense	\$ 181,898	\$ 128,745
Office supplies and equipment	10,319	10,338
Utilities - power	267,033	250,764
Insurance - general	54,759	55,092
Taxes, licenses and permits	121	298
Telephone	23,699	24,922
Insurance - workmen's compensation	24,426	22,564
Postage and bill mailing cost	42,727	39,277
Heating fuel	5,426	4,978
Seminars	17,780	11,306
Meetings and entertainment	7,431	7,738
DHEC fees	30,211	30,211
Dues and subscriptions	13,751	14,500
Computer and office maintenance	39,692	27,244
Car expense	13,725	14,040
Miscellaneous expenses	9,212	3,051
Bad debt expense	3,000	4,000
Total general and administrative	<u>\$ 745,210</u>	<u>\$ 649,068</u>
Nonoperating Revenues (Expenses)		
Property taxes	\$ 889,727	\$ 842,019
Other income	10,819	9,279
Interest income	21,829	21,640
Debt issuance costs	(22,466)	(452,571)
Insurance and fee expenses on bonds	(5,652)	(2,702)
Interest expense	(1,612,363)	(1,487,232)
Amortization of bond premiums	123,413	107,715
Miscellaneous expense	(1,050)	(3,800)
Total nonoperating revenues (expenses), net	<u>\$ (595,743)</u>	<u>\$ (965,652)</u>

WOODRUFF-ROEBUCK WATER DISTRICT

SYSTEM INFORMATION

Prepared by

WOODRUFF-ROEBUCK WATER DISTRICT

COMMISSIONERS

Gary P. Kirkland, Chairman
G. Curtis Walker, Secretary
Patsy Taylor, Commissioner
Niles Brown, Commissioner
Mark West, Commissioner

WOODRUFF-ROEBUCK WATER DISTRICT
Operating Data
Fiscal Year 2018

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 and its \$33,790,000 Water System Refunding Revenue Bonds, Series 2016.

Customers

The following table shows the system’s number of customers for the Fiscal Years ending September 30, 2014 through 2018.

<u>Year</u>	<u>Number of Meters</u>	<u>Increase</u>	<u>Percentage of Increase</u>
2014	10,122	91	0.90%
2015	10,239	117	1.14%
2016	10,413	174	1.67%
2017	10,637	224	2.15%
2018	10,759	122	1.15%

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, 2014 through 2018. 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>
2014	* 856.20	2.35	3.25	84.47
2015	* 945.57	2.59	3.85	99.24
2016	1011.29	2.77	3.84	102.54
2017	1035.57	2.84	3.88	102.4
2018	1058.56	2.90	3.89	102.17

*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, 2018.

<u>Customer Name</u>	<u>Annual Consumption in Gallons</u>	<u>Annual Billing</u>	<u>Percentage of Fiscal Year 2018 Revenues (%)</u>
Celanese Emulsions	68,528,800	\$ 279,176.84	4.56%
Meansville Riley (Wholesale)	48,020,300	\$ 96,040.60	1.57%
Inman Mills	34,749,600	\$ 152,327.88	2.49%
Toray TGES (Wholesale)	19,297,182	\$ 53,234.40	0.87%
Praxair, Inc.	17,687,000	\$ 80,540.23	1.32%
Synthomer USA, LLC	16,639,600	\$ 74,606.12	1.22%
Spartanburg County District 6	14,869,400	\$ 77,128.76	1.26%
Siemens 446300	11,202,700	\$ 55,179.04	0.90%
Toray Composite Materials	8,985,900	\$ 18,898.81	0.31%
Woodruff District 4 Schools	6,498,500	\$ 40,638.03	0.66%

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, 2017.

Industrial – Monthly Rates

One Month Minimum	2,500 Gallons	\$	29.50
Next 7,500 Gallons	Cost/1,000 Gallons		6.12
Next 15,00 Gallons	Cost/1,000 Gallons		5.39
Next 975,000 Gallons	Cost/1,000 Gallons		5.12
Next 1,000,000 Gallons	Cost/1,000 Gallons		4.44
Over 2,000,000 Gallons	Cost/1,000 Gallons		4.11
SCDHEC Fee	2,500 Gallons		3.00

Residential – Bi-Monthly Rates

Two Month Minimum	5,000 Gallons	\$	59.00
Next 15,000 Gallons	Cost/1,000 Gallons		6.12
Next 30,000 Gallons	Cost/1,000 Gallons		5.39
Next 50,000 Gallons	Cost/1,000 Gallons		5.12
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, 2014 through 2018. 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,				
	2014	2015	2016	2017	2018
Gross Revenues	\$ 4,936,610	\$ 5,445,120	\$ 5,665,905	\$ 5,983,613	\$ 6,227,879
Operation & Maintenance Expenses	2,522,434	2,505,839	2,706,050	2,966,094	3,124,949
Net Revenues	\$ 2,414,176	\$ 2,939,281	\$ 2,959,855	\$ 3,017,519	\$ 3,102,930
Debt Service Requirement on Revenue Bonds	\$ 1,894,185	\$ 2,034,135	\$ 2,184,585	\$ 2,302,539	\$ 2,386,875
Coverage Percentage	127.45%	144.50%	135.49%	131.05%	130.00%

Debt Service Requirements

The following table sets forth, on a fiscal year basis, the debt service on the Series 2016 Bonds.

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service
2019	\$ 35,000	\$ 1,269,325	\$ 1,304,325
2020	40,000	1,268,275	1,308,275
2021	1,120,000	1,267,075	2,387,075
2022	1,165,000	1,222,275	2,387,275
2023	1,220,000	1,164,025	2,384,025
2024	1,285,000	1,103,025	2,388,025
2025	1,350,000	1,038,775	2,388,775
2026	1,415,000	971,275	2,386,275
2027	1,455,000	928,825	2,383,825
2028	1,530,000	856,075	2,386,075
2029	1,590,000	794,875	2,384,875
2030	1,655,000	731,275	2,386,275
2031	1,720,000	665,075	2,385,075
2032	1,775,000	613,475	2,388,475
2033	1,820,000	560,225	2,380,225
2034	1,880,000	505,625	2,385,625
2035	1,935,000	449,225	2,384,225
2036	1,995,000	388,756	2,383,756
2037	2,075,000	308,956	2,383,956
2038	2,160,000	225,956	2,385,956
2039	2,230,000	153,056	2,383,056
2040	2,305,000	77,794	2,382,794
	\$ 33,755,000	\$ 16,563,244	\$ 50,318,244

The Water System Refunding Revenue Bonds, Series 2016 were issued to place in escrow monies, together with earnings thereon, to pay all principal and interest on the Water System Revenue Bonds, Series 2010 maturing after June 1, 2020. The bonds maturing after June 1, 2020 will be called on that date.

The following table sets forth, on a fiscal year basis, the remaining debt service on the Series 2010 Bonds which were not defeased.

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service
2019	\$ 1,015,000	\$ 61,800	\$ 1,076,800
2020	1,045,000	31,350	1,076,350
	<u>\$ 2,060,000</u>	<u>\$ 93,150</u>	<u>\$ 2,153,150</u>

2018 Annual Report

Woodruff-Roebuck Water District, South Carolina

Relating to

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

2018* Market Value/Assessment Summary

<u>Classification</u>	<u>Assessed Value</u>	<u>Assessment Ratio</u>	<u>Market Value (as of June 30, 2018)</u>
1. Real Property	\$56,626,939	4 & 6%	\$1,776,694,635.00
2. Mobile Homes	1,352,853	4 & 6%	41,445,608.00
3. Business Personal Property	1,762,460	10.5%	16,785,333.33
4. Merchant's Furniture, Fixtures and Equipment	135,660	10.5%	1,292,000.00
5. Motor Vehicles ¹	10,023,895	6.0%	167,064,916.67
6. Marine Equipment ²	359,360	10.5%	3,422,476.19
7. Airplanes	0	4.0%	0.00
8. Manufacturing Property	7,921,110	10.5%	75,439,142.86
9. Public Utilities	8,992,734	10.5%	85,645,085.71
10. Transportation	338,750	9.5%	3,565,789.47
TOTAL	\$87,513,761		\$1,435,377,011.66

* Values as of June 30, 2018.

¹ Includes personal automobiles and commercial vehicles, which are assessed at different ratios.

² 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>
2017-18	\$800,522	\$745,285	93.1%	\$37,834	\$783,119	97.8%
2016-17	733,502	681,359	92.9	40,768	722,127	98.4
2015-16	727,368	671,120	92.3	51,721	722,841	99.4
2014-15	698,407	636,052	91.1	42,342	678,394	97.1
2013-14	705,864	645,199	91.4	42,783	687,982	97.5

Source: Offices of the County Treasurer and Auditor.

NOTE: Information as of June 30, 2018

Largest Taxpayers

The following table shows the 2018 assessed values and property taxes (including county, school district, municipality and other non-county taxes and fee in lieu payments) paid in Fiscal Year 2017-18 by the ten largest taxpayers in the District:

<u>Entity</u>	2017-18* <u>Assessed Value</u>	2017-18* <u>Amounts Paid</u>	Percentage of Total District <u>Assessed Value</u>
Celanese Corporation Ltd.	\$2,820,929	\$938,804.81	3.22
Transcontinental Gas Pipeline Co., LLC	2,758,730	980,923.89	3.15
Duke Energy Corporation	2,465,887	857,754.02	2.82
TGES America Ltd	2,307,207	842,822.43	2.64
Inman Mills	1,385,152	460,978.16	1.58
Henkel Corp.	1,123,755	373,985.76	1.28
Siemens Industry Inc.	853,930	315,356.35	0.98
Laurens Electric Co-op Inc.	838,890	293,725.67	0.96
Dominion Carolina Gas Trans	595,380	212,095.02	0.68
Piedmont Natural Gas	457,013	163,330.63	0.52

* Information as of June 30, 2018.

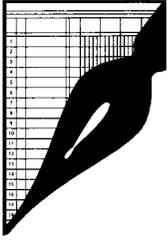
Source: Offices of the County Assessor, Auditor and Treasurer.

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 Bonds</u>	<u>2012 Bonds</u>	<u>2016 Bonds</u>	<u>2017 Bonds</u>	<u>Total</u>
2019	\$380,144	\$86,534	\$258,500	\$112,286	\$837,464
2020	-	86,003	635,050	115,211	836,264
2021	-	367,444	355,450	113,088	835,982
2022	-	375,494	353,500	106,013	835,007
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
2028	-	-	-	-	-
TOTAL	\$ 380,144	\$2,909,069	\$1,602,500	\$446,598	\$5,338,311

* Some totals may not foot due to rounding.



**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, 2018, 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 28, 2019.

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.

Norman, Johnson & Co., PA

Spartanburg, South Carolina
February 28, 2019