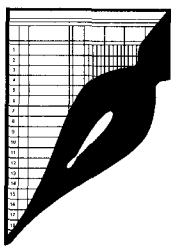


Woodruff-Roebuck Water District

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Statements of Net Position	10-11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-32
Required Supplemental Information	
Woodruff-Roebuck Water District's Proportionate Share of Net Pension Liability	33
Woodruff-Roebuck Water District's Contributions – South Carolina Retirement System	34
Additional Information	
Schedules of Selected Revenues and Expenses	35-36
System Information (Unaudited)	37-40
2015 Annual Report Relating to General Obligation Bonds (Unaudited)	41-44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Performed in Accordance with <i>Government Auditing Standards</i>	45-46



Norman, Johnson & Co., PA

Certified Public Accountants

Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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

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

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

Member: American Institute of Certified Public Accountants

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

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the South Carolina Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 33 and 34, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodruff-Roebuck Water District's basic financial statements. The accompanying schedules of selected revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of selected revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, on our consideration of Woodruff-Roebuck Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woodruff-Roebuck Water District's internal control over financial reporting and compliance.

Norman, Johnson & Co., PA

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

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

Summary of Organization and Business

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

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

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

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

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

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

Financial Highlights

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

Woodruff-Roebuck Water District**Management's Discussion and Analysis****Overview of the Financial Statements**

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

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

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

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

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

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

Woodruff-Roebuck Water District

Management's Discussion and Analysis

Government-Wide Financial Analysis

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

Woodruff-Roebuck Water District's Net Position

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

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

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

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

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

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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

Woodruff-Roebuck Water District's Changes in Net Position

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

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

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

Financial Analysis of the District

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

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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

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

Capital Assets and Debt Administration

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

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

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

Woodruff-Roebuck Water District's Capital Assets

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

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

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

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

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

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

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

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

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

Economic Factors and Next Year's Rates

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

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

Requests for Information

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

Woodruff-Roeback Water District

Statements of Net Position
September 30, 2015 and 2014

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

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

Woodruff-Roebuck Water District

Statements of Net Position
September 30, 2015 and 2014

LIABILITIES AND NET POSITION

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

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

Woodruff-Roebuck Water District

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

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

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

Woodruff-Roebuck Water District

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

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

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

Woodruff-Roebuck Water District

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

a. Reporting Entity

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

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

b. Basis of Presentation

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

c. Measurement Focus and Basis of Accounting

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)**d. Budgets and Budgetary Accounting**

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

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

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

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

1. Allowance for Doubtful Accounts

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

2. Inventory

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

3. Investments

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

4. Capital Assets

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

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

Notes to Financial Statements

Note 1 - (continued)

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

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

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

5. Capitalized Interest

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

6. Premium on Bonds Payable

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

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

7. Compensated Absences

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

8. Pensions

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)**9. Deferred Outflows/Inflows of Resources**

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

10. Operating Revenues and Expenses

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

11. Nonexchange Transactions

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

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

12. Estimates

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

13. Net Position

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)

14. Income Taxes

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

Note 2 - Cash and Cash Equivalents

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

Note 3 - Investments

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

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

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

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

1. Obligations of the United States and its agencies;
2. General obligations of the State of South Carolina and any of its political units. Savings and loan association deposits to the extent they are insured by the Federal Deposit Insurance Corporation;
3. Certificates of deposit which are 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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 4 - Taxes Receivable

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

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

Note 5 - Capital Assets

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 5 - (continued)

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

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

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

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

Note 6 - Receivables and Allowances for Doubtful Accounts

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - Long-Term Obligations

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

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

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

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

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

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

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - Retirement Plan and Contributions

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

a. Plan Description

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

b. Membership

SCRS membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

c. Funding and Benefit Policies

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

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

d. Contributions Required and Contributions Made

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

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

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

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

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

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

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

f. Actuarial Assumptions

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

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

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

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

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

g. Discount Rate

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

h. Sensitivity Analysis

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

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

i. Comprehensive Annual Financial Report

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

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

Note 9 - Litigation

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

Note 10 - Risk Management

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 11 - Series 2010 Revenue Bonds Rate Covenant

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

Note 12 - Municipal Bond Debt Service Reserve Insurance

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

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

Note 13 - Subsequent Events

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 14 - Change in Accounting Principles/Restatement

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

Woodruff -Roebuck Water District

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

South Carolina Retirement System

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

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

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

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

South Carolina Retirement System

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

Woodruff-Roebuck Water District

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

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

Woodruff-Roebuck Water District

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

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

WOODRUFF-ROEBUCK WATER DISTRICT

SYSTEM INFORMATION

Prepared by

WOODRUFF-ROEBUCK WATER DISTRICT

COMMISSIONERS

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

WOODRUFF-ROEBUCK WATER DISTRICT
Operating Data
Fiscal Year 2015

Annual Report

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

Customers

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

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

Usage

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

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

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

Ten Largest Customers

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

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

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

Ratemaking

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

Industrial – Monthly Rates

One Month Minimum	2,500 Gallons	\$	25.85
Next 7,500 Gallons	Cost/1,000 Gallons		5.37
Next 15,00 Gallons	Cost/1,000 Gallons		4.72
Next 975,000 Gallons	Cost/1,000 Gallons		4.49
Next 1,000,000 Gallons	Cost/1,000 Gallons		3.89
Over 2,000,000 Gallons	Cost/1,000 Gallons		3.60
SCDHEC Fee	2,500 Gallons		3.00

Residential – Bi-Monthly Rates

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

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

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

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

Historical Revenues and Expenditures

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

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

Debt Service Requirements

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

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

➤ Note: Totals may not add due to rounding.

2015 Annual Report

Woodruff-Roebuck Water District, South Carolina

Relating to

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

2015* Market Value/Assessment Summary

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

* Values as of June 30, 2015.

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

Source: Offices of the County Treasurer and Auditor.

NOTE: Information as of June 30, 2015

Largest Taxpayers

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

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

* Information as of June 30, 2015.

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

Outstanding Debt

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

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

* Some totals may not foot due to rounding.

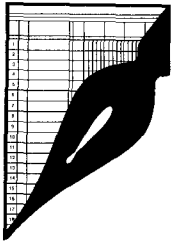
Overlapping Debt

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

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

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Woodruff-Roebuck Water District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Woodruff-Roebuck Water District's basic financial statements, and have issued our report thereon dated February 16, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Norman Johnson & Co., PA

Spartanburg, South Carolina
February 16, 2016