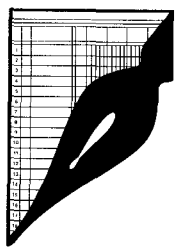


Woodruff-Roebuck Water District

Financial Statements and Supplemental Information
Years Ended September 30, 2016 and 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Statements of Net Position	11-12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14-15
Notes to Financial Statements	16-36
Required Supplemental Information	
Woodruff-Roebuck Water District's Proportionate Share of Net Pension Liability	37
Woodruff-Roebuck Water District's Contributions – South Carolina Retirement System	38
Additional Information	
Schedules of Selected Revenues and Expenses	39-40
System Information (Unaudited)	41-44
2016 Annual Report Relating to General Obligation Bonds (Unaudited)	45-48
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>	49-50



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, 2016 and 2015, which comprise the statements of financial position as of September 30, 2016 and 2015, 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, 2016 and 2015, and changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

Member: American Institute of Certified Public Accountants

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

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the South Carolina Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 37 and 38, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodruff-Roebuck Water District's basic financial statements. The accompanying schedules of selected revenues and expenses on pages 39 and 40 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, 2017, on our consideration of Woodruff-Roebuck Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woodruff-Roebuck Water District's internal control over financial reporting and compliance.

Norman, Johnson & Co., PA

Spartanburg, South Carolina
February 16, 2017

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, 2016. 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 issued its Series 2016 General Obligation Bonds in the amount of \$2,170,000 on April 5, 2016 to provide funds for construction and raw water storage facilities, construction and expansion of the water treatment plant and upgrades and improvements to the water distribution system. As of September 30, 2016, \$183,685 of these funds had been spent on these projects.

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

Financial Highlights

- The District's total net position increased \$993,523 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 \$1,660,064, showing an increase of \$199,752 from the prior year. The largest part of this increase was due to an increase in charges for services of \$398,415.
- Through September 30, 2016, \$4,392,422 has been expended on a reservoir project, \$123,154 has been expended on water supply projects, \$142,853 has been expended on improvements to the Highway 221 corridor water system, \$15,303 has been expended on improvements to the Enoree waste water treatment

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

facility, \$447 has been expended on the Enoree dam, \$23,667 has been expended on the White Lily project, \$1,842 has been spent on the ABCO project and \$222,143 has been expended on the expansion of the water treatment plant. These costs totaling \$4,921,831 are carried in the construction in progress account in the notes to the financial statements.

- Major capital expenditures during the year included: \$582,291 expended on water supply project and rights of way to a new industry; tank improvements in the amount of \$37,709; improvements to the Enoree waste water treatment plant in the amount of \$283,164; \$142,853 for improvements to the water system in the Highway 221 corridor; \$94,856 improvements to Elijah Simmons road area and \$222,143 for expansion of the water treatment plant. With the exception of the Highway 221 project and the water treatment plant expansion, these costs have been capitalized in the water distribution system and equipment accounts and are subject to depreciation.

Overview of the Financial Statements

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

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements are on pages 16 to 36 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 37 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 \$13,797,763. This is an increase of \$993,523 over last year's net assets of \$12,804,240. The following table provides a summary of the District's net assets at September 30, 2016 and 2015:

Woodruff-Roebuck Water District's Net Position

	2016	2015
Assets and Deferred Outflows		
Current assets	\$ 4,158,076	\$ 4,045,416
Restricted assets	3,711,146	2,202,038
Capital assets, net	51,618,721	51,307,790
Deferred outflows of resources	253,519	76,652
Total assets and deferred outflows of resources	<u>59,741,462</u>	<u>57,631,896</u>
Liabilities and Deferred Inflows		
Current liabilities (payable from operating fund)	154,919	160,547
Current liabilities (payable from restricted assets)	2,340,859	1,818,054
Long term liabilities	43,362,658	42,784,088
Deferred inflows of resources	85,263	64,967
Total liabilities and deferred inflows of resources	<u>45,943,699</u>	<u>44,827,656</u>
Net position		
Net investment in capital assets	11,069,110	10,318,521
Restricted	946,465	798,126
Unassigned	1,782,188	1,687,593
Total net position	<u>\$ 13,797,763</u>	<u>\$ 12,804,240</u>

The District's investment in capital assets exceeds related debt by \$11,069,110. 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 \$886,755 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 \$94,595 in the unrestricted net position for the District's activities resulting in unrestricted net position of \$1,782,188 at September 30, 2016. There was an increase in net investment in capital assets of \$750,589 and revenue exceeded expenses by \$993,523.

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, 2016 and 2015:

Woodruff-Roebuck Water District's Changes in Net Position

	2016	2015
Program revenues		
Charges for services	\$ 5,603,122	\$ 5,204,707
Other operating revenue	45,752	99,454
Nonoperating revenues		
Property taxes	835,486	794,686
Other revenues	40,741	157,328
Capital grants	231,235	
Total revenues	<u>6,756,336</u>	<u>6,256,175</u>
Program expenses		
Direct operating	2,035,019	1,921,971
General and administrative	619,626	603,509
Depreciation and amortization	1,328,745	1,313,006
Bank credit card charges	5,420	5,363
Nonoperating expenses		
Losses on capital assets		42,315
Other expenses	1,774,003	1,766,603
Total expenses	<u>5,762,813</u>	<u>5,652,767</u>
Change in net position	993,523	603,408
Net position, beginning	<u>12,804,240</u>	<u>12,200,832</u>
Net position, ending	<u>\$ 13,797,763</u>	<u>\$ 12,804,240</u>

The District's total operating revenues increased \$344,713. The total cost of all programs and services increased \$144,961. Net nonoperating expenses increased \$7,400. Key elements of the increase in net nonoperating expenses are as follows:

- Other income decreased due to sales tax refunds of \$47,028 received in the prior year.
- Debt issuance costs increased \$95,477 with the issuance of 2016 general obligation bonds in the current year.
- Bond insurance and fee expense decreased \$67,845 in the current year due to \$69,730 paid in the prior year for release of revenue bond debt service reserves.
- Interest income decreased \$57,767 due to elimination of debt service reserve fund.

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 \$398,415 from the previous year. Operating expenses increased \$144,961. The increase in service revenue was principally due to an increase of 4.9% in billing rates effective October 1, 2015, although there was an increase in water consumption and new customers during 2016.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its business-type activities as of September 30, 2016, totals \$51,618,721 (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:

Improvements Enoree waste water treatment plant paid with grant and operating funds	\$	283,164
Water System improvements corridor paid for with General Obligation Bonds	\$	142,853
Improvements to the Elijah Simmons Road water system paid for with operating funds	\$	94,856
New industry water supply and right-of-way paid with operating funds	\$	582,291
Expansion of water treatment plant paid for with operating funds	\$	222,143
Tank improvements paid for with operating funds	\$	37,709

Woodruff-Roebuck Water District's Capital Assets

	2016	2015
Land	\$ 1,137,495	\$ 1,134,695
Land Improvements	1,496,383	1,587,738
Water Distribution System	18,958,597	18,259,966
Treatment plant	22,284,418	22,765,376
Buildings and Equipment	2,729,982	2,792,220
Vehicles	90,015	117,065
Construction in Progress	4,921,831	4,650,730
Total	<u>\$ 51,618,721</u>	<u>\$ 51,307,790</u>

Additional information on the District's capital assets can be found in Note 5 of the basic financial statements.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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

	2016	2015
Long-term obligations		
General Obligation Bonds	\$ 6,093,200	\$ 4,537,150
Revenue Bonds	35,715,000	36,365,000
Capital lease obligation	448,897	498,968
Compensated absences	107,897	133,493
Net pension liability	2,339,545	2,132,289
Total	<u>\$ 44,704,539</u>	<u>\$ 43,666,900</u>

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

Property taxes assessed by Spartanburg County, South Carolina are used to fund the repayment of general obligation bonds and the interest thereon. For the year ended September 30, 2016, property tax revenues totaled \$835,486 and debt service payments totaled \$727,536.

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 \$1,534,585 and principal of \$650,000 were paid during the year with \$1,403,926 coming from the former debt service reserve fund.

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

Additional information regarding the District's long-term debt can be found in Notes 7 and 13 of the basic financial statements.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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. 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 increased to 10.7 mills compared to 10.4 mills the previous year. Assessed value of the District's property increased \$1,273,818 for 2016 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, 2016.

Requests for Information

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

Woodruff-Roebuck Water District

Statements of Net Position
September 30, 2016 and 2015

ASSETS

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,461,083	\$ 2,449,926
Certificates of deposit	316,820	313,728
Accounts receivable, net of allowance	549,600	518,895
Unbilled revenues	621,517	537,679
Inventory	171,073	185,477
Prepaid expenses	37,983	39,711
Total current assets	<u>4,158,076</u>	<u>4,045,416</u>
Restricted Assets		
Cash and cash equivalents restricted to capital projects	1,986,315	
Property taxes receivable, net of allowance	39,769	37,761
Cash with fiscal agent	906,695	760,365
Investments for revenue bonds payable	778,367	1,403,912
Total restricted assets	<u>3,711,146</u>	<u>2,202,038</u>
Other Assets		
Capital assets, net	<u>51,618,721</u>	<u>51,307,790</u>
Total other assets	<u>51,618,721</u>	<u>51,307,790</u>
Total assets	<u>59,487,943</u>	<u>57,555,244</u>
Deferred Outflows of Resources	<u>253,519</u>	<u>76,652</u>
Total assets and deferred outflows	<u><u>\$ 59,741,462</u></u>	<u><u>\$ 57,631,896</u></u>

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

Woodruff-Roebuck Water District

Statements of Net Position
September 30, 2016 and 2015

LIABILITIES AND NET POSITION

	2016	2015
Liabilities		
Current Liabilities (payable from operating fund)		
Accounts payable	\$ 51,306	\$ 41,525
Salaries and benefits payable	43,000	59,807
Accrued interest payable	6,048	6,749
Customer deposits	2,395	2,395
Current portion of lease payable	52,170	50,071
Total current liabilities (payable from operating fund)	<u>154,919</u>	<u>160,547</u>
Current Liabilities (payable from restricted assets)		
Accounts payable	42,177	
Accrued interest on general obligation bonds	37,070	41,174
Accrued interest on revenue bonds	506,412	512,930
Current portion of general obligation bonds payable	935,200	613,950
Current portion of revenue bonds payable	820,000	650,000
Total current liabilities (payable from restricted assets)	<u>2,340,859</u>	<u>1,818,054</u>
Long term liabilities		
Compensated absences payable	107,897	133,493
Lease payable, less current portion	396,727	448,897
Revenue bonds payable, less current portion	34,895,000	35,715,000
General obligation bonds payable, less current portion	5,158,000	3,923,200
Bond premium, net	465,489	431,209
Net pension liability	2,339,545	2,132,289
Total long term liabilities	<u>43,362,658</u>	<u>42,784,088</u>
Total liabilities	<u>45,858,436</u>	<u>44,762,689</u>
Deferred Inflows of Resources	<u>85,263</u>	<u>64,967</u>
Net Position		
Net investment in capital assets	11,069,110	10,318,521
Restricted		
General obligation bond repayments	886,755	796,406
Capital projects	59,710	1,720
Unrestricted	<u>1,782,188</u>	<u>1,687,593</u>
Total net position	<u>13,797,763</u>	<u>12,804,240</u>
Total liabilities and net position	<u>\$ 59,741,462</u>	<u>\$ 57,631,896</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, 2016 and 2015

	2016	2015
Operating revenues		
Charges for services	\$ 5,603,122	\$ 5,204,707
Other operating revenue	45,752	99,454
Total operating revenues	<u>5,648,874</u>	<u>5,304,161</u>
Operating expenses		
Personal Services	1,633,051	1,507,440
Contractual Services	58,181	83,462
Repairs, materials and supplies	343,787	331,069
General and administrative	619,626	603,509
Depreciation	1,328,745	1,313,006
Bank credit card charges	5,420	5,363
Total operating expenses	<u>3,988,810</u>	<u>3,843,849</u>
Operating income	1,660,064	1,460,312
Nonoperating revenues (expenses)	<u>(897,776)</u>	<u>(856,904)</u>
Income before capital grants	762,288	603,408
Capital grants	<u>231,235</u>	
Change in net position	993,523	603,408
Total net position, beginning of year	<u>12,804,240</u>	<u>12,200,832</u>
Total net position, end of year	<u>\$ 13,797,763</u>	<u>\$ 12,804,240</u>

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

Woodruff-Roebuck Water District

Statements of Cash Flows
Years ended September 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers	\$ 5,531,331	\$ 5,190,627
Cash paid for goods and services	(998,101)	(1,034,127)
Cash paid to employees for services	(1,624,768)	(1,496,467)
Other income		64,461
Other expenses	(2,000)	(75,636)
Net cash provided by (used in) operating activities	<u>2,906,462</u>	<u>2,648,858</u>
Cash Flows from Capital and Related Financing Activities		
Property tax collections	833,478	785,879
Change in cash held by fiscal agent	(146,330)	(58,342)
Proceeds from Series 2016 general obligation bond issue	2,227,990	
Proceeds from capital grants	231,235	
Interest paid on capital lease obligation	(20,192)	(22,208)
Interest paid on general obligation bonds	(131,187)	(127,927)
Interest paid on revenue bonds	(1,534,585)	(1,549,145)
Principal payments on capital leases	(50,071)	(48,056)
Principal payments on general obligation bonds	(613,950)	(599,600)
Principal paid on revenue bonds	(650,000)	(485,000)
Payments for debt issuance costs incurred	(97,362)	
Proceeds from sale of property and equipment		1,700
Acquisition and construction of capital assets	(1,597,500)	(590,045)
Net cash provided by (used in) capital and related financing activities	<u>(1,548,474)</u>	<u>(2,692,744)</u>
Cash Flows from Investing Activities		
Interest earned on investments	17,031	74,798
Interest reinvested - net	(3,146)	(70,828)
Purchase of certificates of deposit		(267,434)
Net proceeds from Series 2010 revenue bond investments	<u>625,599</u>	<u>1,864,624</u>
Net cash provided by (used in) investing activities	<u>639,484</u>	<u>1,601,160</u>
Net increase (decrease) in cash and cash equivalents	1,997,472	1,557,274
Cash and cash equivalents, Beginning of year	<u>2,449,926</u>	<u>892,652</u>
Cash and cash equivalents, End of year	<u>\$ 4,447,398</u>	<u>\$ 2,449,926</u>

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

Woodruff-Roebuck Water District

Statements of Cash Flows
Years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities		
Operating income	<u>\$ 1,660,064</u>	<u>\$ 1,460,312</u>
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities		
Depreciation and amortization	1,328,745	1,313,006
Other income		64,461
Other expenses	(2,000)	(75,636)
Pension expense	50,686	20,464
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(30,705)	(34,328)
(Increase) decrease in unbilled revenue	(83,838)	(63,006)
(Increase) decrease in inventory	14,404	(13,316)
(Increase) decrease in prepaid expenses	1,728	(22,112)
Increase (decrease) in accounts payable	9,781	8,504
Increase (decrease) in accrued salaries and benefits payable	(16,807)	2,100
Increase (decrease) in accrued compensated absences	(25,596)	(11,591)
Total adjustments	<u>1,246,398</u>	<u>1,188,546</u>
Net cash provided by (used in)		
operating activities	<u><u>\$ 2,906,462</u></u>	<u><u>\$ 2,648,858</u></u>

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

a. Reporting Entity

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

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

b. Basis of Presentation

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

c. Measurement Focus and Basis of Accounting

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

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

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

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

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

Restricted Cash - Certain cash and investments are restricted for debt service and capital expenditures by the District's Bond Ordinances. As of September 30, 2016 and 2015, investments of \$778,367 and \$1,403,912 were restricted for debt service reserves, cash equivalents of \$1,986,315 and \$0 were restricted to capital projects, and cash with fiscal agent of \$906,695 and \$760,365 were restricted for debt service and capital projects.

1. Allowance for Doubtful Accounts

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

2. Inventory

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

3. Investments

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

4. Capital Assets

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

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

Notes to Financial Statements

Note 1 - (continued)

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

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

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

5. Capitalized Interest

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

6. Premium on Bonds Payable

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

The premium on revenue bonds payable at September 30, 2016 and 2015, of \$395,871 and \$412,308 (net of accumulated amortization of \$97,256 and \$80,818) is being amortized over the term of the bonds. The premium on general obligation bonds payable at September 30, 2016 and 2015 of \$69,618 and \$18,901 (net of accumulated amortization of \$12,847 and \$5,575) 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 \$107,897 and \$133,493 at September 30, 2016 and 2015.

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, 2016 and 2015, there were no contributions of distribution system assets.

12. Estimates

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

13. Net Position

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

Woodruff-Roeback Water District

Notes to Financial Statements

Note 1 - (continued)

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

14. Income Taxes

Woodruff-Roeback 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, 2016, the carrying amount of the District's deposits was \$4,763,867 and the bank balance was \$4,835,815. Of the bank balance at September 30, 2016, \$800,000 was insured by federal depository insurance, and \$4,023,229 was collateralized with securities held by the financial institution in the District's name. At September 30, 2016 a total of \$12,592 was uncollateralized. The District has not experienced any losses in these bank accounts and believes that they are not exposed to any significant risk on cash and temporary investments. The District has no policy regarding custodial credit risks for deposits. In addition, the District has a formal policy regarding investment decisions and credit risk.

Note 3 - Investments

As of September 30, 2016 and 2015, the District had \$778,367 and \$1,403,912 of investments in cash, obligations of the United States and its agencies. At September 30, 2016 and 2015, all investments were in the First American Government Obligation Fund.

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 totaled \$1,558,986 and \$169,511 for the years ended September 30, 2016 and 2015.

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;

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 3 - (continued)

3. Certificates of deposit which are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an Agency of the Federal government.
4. Collateralized repurchase agreements which are collateralized by securities as set forth in (1) and (2);
5. South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

Note 4 - Taxes Receivable

Taxes receivable (current and delinquent) represent property and vehicle taxes which have been collected and remitted to Spartanburg County Treasurer's office for its distribution to the District and taxes due but uncollected net of an allowance for uncollectible. At September 30, 2016 and 2015, the District's uncollected assessed taxes that have been transferred to the Spartanburg County Delinquent Tax Collector for the District were \$56,147 and \$106,091. These amounts net of allowances for doubtful accounts of \$29,582 and \$79,322, and plus delinquent and vehicle taxes collected and unremitted of \$13,204 and \$10,992 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 \$75,837,008 and \$74,563,190. The District's debt service tax rate was 10.7 and 10.4 mills for the years ended September 30, 2016 and 2015.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
Not being depreciated				
Land	\$ 1,134,695	\$ 2,800	\$	\$ 1,137,495
Construction in Progress	4,650,730	1,366,567	1,095,466	4,921,831
Total capital assets not being depreciated	5,785,425	1,369,367	1,095,466	6,059,326
Being depreciated				
Land Improvements	1,833,684			1,833,684
Buildings and Equipment	4,146,225	66,051		4,212,276
Water Distribution System	25,351,952	1,299,724		26,651,676
Treatment plant	24,047,933			24,047,933
Vehicles	337,310			337,310
Total capital assets being depreciated	55,717,104	1,365,775		57,082,879
Less accumulated depreciation				
Land Improvements	245,946	91,355		337,301
Buildings and Equipment	1,354,005	128,289		1,482,294
Water Distribution System	7,091,986	601,093		7,693,079
Treatment plant	1,282,557	480,958		1,763,515
Vehicles	220,245	27,050		247,295
Total accumulated depreciation	10,194,739	1,328,745		11,523,484
Total capital assets being depreciated, net	45,522,365	37,030		45,559,395
Capital assets, net	<u>\$ 51,307,790</u>	<u>\$ 1,406,397</u>	<u>\$ 1,095,466</u>	<u>\$ 51,618,721</u>

Woodruff-Roebuck Water District

Page 23

Notes to Financial Statements

Note 5 - (continued)

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

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

On September 30, 2016 and 2015 construction in progress amounted to \$4,921,831 and \$4,650,730, substantially all of which represents accumulated costs on a long-range water supply project.

Depreciation expense for the years ended September 30, 2016 and 2015, was charged to operations and totaled \$1,328,745 and \$1,313,006, 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 \$41,000 and \$38,000 at September 30, 2016 and 2015. 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, 2016 is as follows:

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
General Obligation Bonds	\$ 4,537,150	\$ 2,170,000	\$ 613,950	\$ 6,093,200
Revenue Bonds	36,365,000		650,000	35,715,000
Capital lease obligation	498,968		50,071	448,897
Compensated absences	133,493	17,436	43,032	107,897
Net pension liability	2,132,289	207,256		2,339,545
	<u>\$ 43,666,900</u>	<u>\$ 2,394,692</u>	<u>\$ 1,357,053</u>	<u>\$ 44,704,539</u>

The following details the changes in long-term debt of the District for the year ended September 30, 2016:

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
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.	\$ 1,403,000		\$ 330,000	\$ 1,073,000
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.	2,630,000		25,000	2,605,000
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.	504,150		258,950	245,200

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
General Obligation Bonds, Series 2016 for \$2,170,000 with principal payments between \$230,000 and \$615,000. Interest payments due semiannually at 2%; matures March 1, 2022.		2,170,000		2,170,000
Total General Obligation Bonds	4,537,150	2,170,000	613,950	6,093,200
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.	36,365,000		650,000	35,715,000
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.	498,968		50,071	448,897
	<u>\$ 41,401,118</u>	<u>\$ 2,170,000</u>	<u>\$ 1,314,021</u>	<u>\$ 42,257,097</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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 7 - (continued)

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%. Issued May 15, 2012	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

Page 27

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 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.	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>\$ 1,132,656</u>	<u>\$41,401,118</u>

Interest expense for the years ended September 30, 2016 and 2015 was \$1,674,641 and \$1,690,968.

The annual debt service requirements to retire the above referenced general obligation bonds as of September 30, 2016 are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 935,200	\$ 139,567	\$ 1,074,767
2018	695,000	119,990	814,990
2019	623,000	102,179	725,179
2020	640,000	81,053	721,053
2021	655,000	67,894	722,894
2022-2026	2,135,000	172,206	2,307,206
2027	410,000	5,381	415,381
	<u>\$ 6,093,200</u>	<u>\$ 688,270</u>	<u>\$ 6,781,470</u>

Woodruff-Roebuck Water District

Page 28

Notes to Financial Statements

Note 7 - (continued)

The annual debt service requirements to retire the above referenced revenue bonds as of September 30, 2016 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,080,000	1,398,985	2,478,985
2022-2026	5,960,000	6,437,443	12,397,443
2027-2031	7,180,000	5,209,500	12,389,500
2032-2036	8,840,000	3,547,350	12,387,350
2037-2040	8,785,000	1,124,750	9,909,750
	<u>\$ 35,715,000</u>	<u>\$ 23,614,718</u>	<u>\$ 59,329,718</u>

The annual debt service requirements on the above referenced capital lease as of September 30, 2016 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	61,487	8,777	70,264
2022-2024	165,233	10,427	175,660
	<u>\$ 448,897</u>	<u>\$ 78,083</u>	<u>\$ 526,980</u>

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.

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

Notes to Financial Statements

Note 8 - (continued)

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

b. Membership

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

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.

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

d. Contributions Required and Contributions Made

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

Required contributions for Class Two and Class Three members (100% funded) for the years ended September 30, 2016, 2015 and 2014 are as follows:

Year Ended September 30,	Employee		Employer	
	Amount	Percent of Wages	Amount	Percent of Wages
2016	\$ 92,446	8.16 / 8.66%	\$ 122,757	11.06 / 11.56%
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%

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, 2016 and 2015, the District reported a liability of \$2,339,545 and \$2,132,289 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The total pension liability was then projected forward to the measurement date of June 30, 2016 and 2015 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, 2016, the District's proportionate share was .010953% compared to .011243% at June 30, 2015.

Woodruff-Roeback Water District

Page 31

Notes to Financial Statements

Note 8 - (continued)

For the years ended September 30, 2016 and 2015, the District recognized pension expense of \$173,442 and \$134,356, respectively. At September 30, 2016 and 2015, 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>2016</u>		
Differences between actual and expected experience	\$ 21,711	\$
Net difference between projected and actual earnings on pension plan investments	196,831	
District contributions subsequent to the measurement date	34,977	
Change in proportionate share of plan liabilities		85,263
Total	<u>\$ 253,519</u>	<u>\$ 85,263</u>
<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>

The \$34,977 and \$28,308 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, 2017 and 2016, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions as of September 30, 2016, will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2017	\$ 20,617
2018	7,940
2019	61,982
2020	42,740
	<u>\$ 133,279</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

f. Actuarial Assumptions

Actuarial valuations involve estimates of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience study on the Systems was most recently issued as of July 1, 2015.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	3.5% to 12.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

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. Assumptions used in the July 1, 2015 valuation are RP-2000 male and female multiplied by 100 and 90 percent, respectively.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital markets outlook at the end of the third quarter 2015. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of fees. The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding the expected inflation and 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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Infrastructure	0.0%		
Other Real Assets	0.0%		
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Other Credit	0.0%		
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Global Fixed Income	0.0%		
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	<u>100.0%</u>		5.10%
Inflation for Actuarial Purposes			<u>2.75%</u>
			<u>7.85%</u>

g. Discount Rate

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

h. Sensitivity Analysis

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,918,517	\$ 2,339,545	\$ 1,857,571

Note 9 - Litigation

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

Note 10 - Risk Management

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

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

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

Note 11 - Series 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 capital grants and includes the proceeds of capital assets sold.

Woodruff-Roebuck Water District**Notes to Financial Statements****Note 11 - (continued)**

Operation and Maintenance Expenses are also defined in the Bond Resolution and basically include all expenses except depreciation allowances, extraordinary repairs, debt issuance costs, 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, 2016, Net Revenues equaled approximately 135.49% 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 - Refunding Revenue Bonds

On November 22, 2016, the District issued \$33,790,000 in Water System Refunding Revenue Bonds, Series 2016. The purpose of the bond issue was to place in escrow and defease the principal and interest due on the Water System Improvement Revenue Bonds, Series 2010 maturing after June 1, 2020. The proceeds of the 2016 Series of bonds, plus original issue discount, less underwriter's discount and expenses totaling \$35,454,153 was placed in the Refunding Escrow Account. All 2010 bonds maturing after June 1, 2020 are callable at par and the District plans to call.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 13 - (continued)

Of the scheduled annual debt service requirements to retire the 2010 revenue bonds, the following amounts of principal and interest due to the call date will either be paid from the escrowed funds plus earnings thereon or relieved due to the early call.

Year Ended September 30,	Principal	Interest	Total
2017		\$ 699,493	\$ 699,493
2018		1,398,985	1,398,985
2019		1,398,985	1,398,985
2020		1,398,985	1,398,985
2021	1,080,000	1,398,985	2,478,985
2022-2026	5,960,000	6,437,443	12,397,443
2027-2031	7,180,000	5,209,500	12,389,500
2032-2036	8,840,000	3,547,350	12,387,350
2037-2040	8,785,000	1,124,750	9,909,750
	<u>\$ 31,845,000</u>	<u>\$ 22,614,476</u>	<u>\$ 54,459,476</u>

The annual debt service requirements on the new Series 2016, Revenue Refunding Bonds is as follows:

Year Ended September 30,	Principal	Interest	Total
2017		\$ 666,947	\$ 666,947
2018	35,000	1,270,375	1,305,375
2019	35,000	1,269,325	1,304,325
2020	40,000	1,268,275	1,308,275
2021	1,120,000	1,267,075	2,387,075
2022-2026	6,435,000	5,499,376	11,934,376
2027-2031	7,950,000	3,976,125	11,926,125
2032-2036	9,405,000	2,517,307	11,922,307
2037-2040	8,770,000	765,761	9,535,761
	<u>\$ 33,790,000</u>	<u>\$ 18,500,566</u>	<u>\$ 52,290,566</u>

Note 14 - Subsequent Events

Management has evaluated subsequent events through February 16, 2017, the date the financial statements were available to be issued.

Woodruff -Roebuck Water District

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

South Carolina Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Woodruff-Roebuck's proportion of the net pension liability (%)	0.010953%	0.011243%	0.011713%
Woodruff-Roebuck's proportion of the net pension liability (\$)	2,339,545	2,132,289	2,021,120
Woodruff-Roebuck's covered-employee payroll	1,075,723	1,054,170	1,063,379
Woodruff-Roebuck's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.49%	202.27%	190.07%
Plan fiduciary net postion as a percentage of the net pension liability**	52.90%	56.99%	59.88%

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

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

Woodruff-Roebuck Water District

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

South Carolina Retirement System

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

Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses
Years Ended September 30, 2016 and 2015

	2016	2015
Operating Revenues		
Charges for services		
Customer service fees	\$ 46,240	\$ 43,640
Water sales	5,362,614	4,991,831
Cut off fees	80,739	73,321
Tap fees	74,169	58,250
Line installation fees	39,360	37,665
Total charges for services	<u>\$ 5,603,122</u>	<u>\$ 5,204,707</u>
Operating Expense		
Personal services		
Salaries	\$ 1,133,627	\$ 1,034,285
Payroll taxes	89,403	80,501
Retirement	173,442	134,356
Group insurance	218,579	240,298
Commissioner fee	18,000	18,000
Total personal services	<u>\$ 1,633,051</u>	<u>\$ 1,507,440</u>
Contractual services		
Accounting	\$ 26,562	\$ 42,914
Legal fees	11,961	17,821
Janitorial service and supplies	8,930	9,619
Water analysis	9,159	9,078
Uniform rentals	1,569	4,030
Total contractual services	<u>\$ 58,181</u>	<u>\$ 83,462</u>
Repairs, materials and supplies		
Gas and oil	\$ 24,908	\$ 25,748
Trucks and equipment	15,090	14,068
Water meters	24,881	35,908
Distribution system supplies/repairs	244,477	211,240
Tank repairs and maintenance	27,462	30,909
Enoree sewer system	2,532	5,147
Equipment rental		
Radio repairs	422	756
Building	4,015	7,293
Total repairs, materials and supplies	<u>\$ 343,787</u>	<u>\$ 331,069</u>

Woodruff-Roeback Water District

Schedules of Selected Revenues and Expenses
Years Ended September 30, 2016 and 2015

	2016	2015
Operating Expense		
General and administrative		
Consulting expense	\$ 62,194	\$ 57,357
Office supplies and equipment	9,136	6,856
Utilities - power	268,210	253,567
Collection fees	208	335
Insurance - general	55,522	61,025
Taxes, licenses and permits	52	
Telephone	24,056	20,706
Insurance - workmen's compensation	25,422	25,688
Postage and bill mailing cost	35,909	36,617
Heating fuel	2,728	4,497
Seminars	17,103	23,306
Meetings and entertainment	4,457	3,371
DHEC fees	30,286	30,211
Dues and subscriptions	11,263	7,333
Computer and office maintenance	42,199	30,245
Car expense	14,040	14,040
Miscellaneous expenses	13,841	12,155
Bad debt expense	3,000	16,200
Total general and administrative	<u>\$ 619,626</u>	<u>\$ 603,509</u>
Nonoperating Revenues (Expenses)		
Property taxes	\$ 835,486	\$ 794,686
Other income		64,461
Interest income	17,031	74,798
Debt issuance costs	(95,477)	
Insurance and fee expenses on bonds	(1,885)	(69,730)
Loss on disposal of fixed assets		(42,315)
Interest expense	(1,674,641)	(1,690,968)
Amortization of bond premiums	23,710	18,069
Miscellaneous expense	(2,000)	(5,905)
Total nonoperating revenues (expenses), net	<u>\$ (897,776)</u>	<u>\$ (856,904)</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 2016

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, 2012 through 2016.

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

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, 2012 through 2016. Such amounts reflect gallons pumped by the District and not actual gallons sold to customers.

<u>Year</u>		<u>Total Annual Flow (MG)</u>	<u>Daily Average Flow (MG)</u>	<u>Peak Daily Flow (MG)</u>	<u>Peak Monthly Flow (MG)</u>
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
2016		1011.29	2.77	3.84	102.54

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

Ten Largest Customers

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

<u>Customer Name</u>	<u>Annual Consumption in</u>	<u>Annual Billing</u>	<u>Percentage of Fiscal Year 2016 Revenues (%)</u>
Celanese Emulsions	72,587,000	\$ 276,759.10	4.94%
Inman Mills	34,555,100	\$ 139,280.65	2.49%
Synthomer USA, LLC	14,352,200	\$ 65,313.94	1.17%
Spartanburg County District 6	14,174,700	\$ 64,508.97	1.15%
Siemens 446300, Mail Stop 5	13,244,000	\$ 59,102.53	1.05%
Toray Carbon Fibers, Inc.	6,327,600	\$ 27,793.26	0.50%
Thomas Concrete	4,251,800	\$ 19,466.91	0.35%
Roebuck Greenhouses	3,915,400	\$ 17,961.06	0.32%
City of Woodruff	3,155,400	\$ 14,425.14	0.26%
Woodruff District 4 Schools	2,593,400	\$ 11,992.69	0.21%

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, 2016.

Industrial – Monthly Rates

One Month Minimum	2,500 Gallons	\$ 27.00
Next 7,500 Gallons	Cost/1,000 Gallons	5.61
Next 15,00 Gallons	Cost/1,000 Gallons	4.93
Next 975,000 Gallons	Cost/1,000 Gallons	4.69
Next 1,000,000 Gallons	Cost/1,000 Gallons	4.07
Over 2,000,000 Gallons	Cost/1,000 Gallons	3.76
SCDHEC Fee	2,500 Gallons	3.00

Residential – Bi-Monthly Rates

Two Month Minimum	5,000 Gallons	\$ 54.00
Next 15,000 Gallons	Cost/1,000 Gallons	5.61
Next 30,000 Gallons	Cost/1,000 Gallons	4.93
Next 50,000 Gallons	Cost/1,000 Gallons	4.69
SCDHEC Fee	2,500 Gallons	0.30

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

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

Capital Contribution Fees. In addition to the water tap fees set forth above, the District also charges a \$1,000.00 line installation fee for 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, 2012 through 2016. 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,				
	2012	2013	2014	2015	2016
Gross Revenues	\$ 4,110,716	\$ 4,229,540	\$ 4,936,610	\$ 5,445,120	\$ 5,665,905
Operation & Maintenance Expenses	3,256,672	3,130,416	2,522,434	2,505,839	2,706,050
Net Revenues	\$ 854,044	\$ 1,099,124	\$ 2,414,176	\$ 2,939,281	\$ 2,959,855
Debt Service Requirement on Revenue Bonds	None	None	\$ 1,894,185	\$ 2,034,135	\$ 2,184,585
Coverage Percentage			127.45%	144.50%	135.49%

Debt Service Requirements

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

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

➤ Note: Totals may not add due to rounding.

2016 Annual Report

Woodruff-Roebuck Water District, South Carolina

Relating to

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

2016* Market Value/Assessment Summary

<u>Classification</u>	<u>Assessed Value</u>	<u>Assessment Ratio</u>	<u>Market Value (as of June 30, 2016)</u>
1. Real Property	\$47,753,019	4 & 6%	\$1,305,791,223.00
2. Mobile Homes	1,722,974	4 & 6%	32,130,921.00
3. Business Personal Property	1,176,330	10.5%	11,203,142.88
4. Merchant's Furniture, Fixtures and Equipment	76,070	10.5%	724,476.19
5. Motor Vehicles ¹	10,114,380	6.0%	168,573,000.00
6. Marine Equipment ²	325,414	10.5%	3,099,180.95
7. Airplanes	0	4.0%	0.00
8. Manufacturing Property	8,086,790	10.5%	77,017,047.62
9. Public Utilities	7,762,380	10.5%	73,927,428.57
10. Transportation	312,039	9.5%	3,284,621.05
TOTAL	\$77,329,396		\$1,675,751,041.26

* Values as of June 30, 2016.

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>
2015-16	\$727,368	\$671,120	92.3%	\$51,721	\$722,841	99.4%
2014-15	698,407	636,052	91.1	42,342	678,394	97.1
2013-14	705,864	645,199	91.4	42,783	687,982	97.5
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

Source: Offices of the County Treasurer and Auditor.

NOTE: Information as of June 30, 2016

Largest Taxpayers

The following table shows the 2016 assessed values and property taxes (including county, school district, municipality and other non-county taxes and fee in lieu payments) paid in Fiscal Year 2015-16 by the ten largest taxpayers in the District:

<u>Entity</u>	<u>2015-16*</u> <u>Assessed</u> <u>Value</u>	<u>2015-16*</u> <u>Amounts Paid</u>	<u>Percentage of</u> <u>Total District</u> <u>Assessed Value</u>
Celanese Corporation Ltd.	\$ 2,802,310	\$ 930,086.97	3.62
Transcontinental Gas Pipeline Co., LLC	2,575,850	895,095.98	3.33
Duke Energy Corporation	2,110,000	751,407.24	2.73
Inman Mills	1,322,810	439,040.53	1.71
Henkel Corp.	1,162,571	385,857.16	1.50
Laurens Electric Co-op Inc.	797,140	277,040.79	1.03
Siemens Energy & Automation Inc.	731,510	266,123.34	0.95
Carolina Gas Transmission	643,550	223,219.06	0.83
Colonial Pipeline	602,720	210,466.99	0.78
Hexion Inc.	571,260	207,824.38	0.74

* Information as of June 30, 2016.

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

Outstanding Debt

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

<u>Fiscal Year</u>	<u>2008 Bonds</u>	<u>2012 Bonds</u>	<u>2014 Bonds</u>	<u>2016 Bonds</u>	<u>Total</u>
2017	\$380,409	\$87,597	\$246,561	\$360,200	\$1,074,767
2018	384,024	87,066	-	343,900	814,990
2019	380,144	86,534	-	258,500	725,178
2020	-	86,003	-	635,050	721,053
2021	-	367,444	-	355,450	722,894
2022	-	375,494	-	353,500	728,994
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	\$ 1,144,577	\$3,083,732	\$246,561	\$2,306,600	\$6,781,470

* 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 June 30, 2016:

<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	\$1,044,508,264	\$ 77,329,396	\$ 50,335,293	7.00%	\$ 3,523,471
<u>School Districts</u>					
Spartanburg County School District No. 4	49,154,016	34,921,040	1,230,000	71.00	873,300
Spartanburg County School District No. 6	251,336,232	42,296,703	12,895,000	17.00	2,192,150
Spartanburg County School District No. 7	201,655,515	111,653	56,721,730	0.10	56,722
<u>Special Purpose Districts</u>					
Croft Fire District	33,601,763	379,780	144,482	1.10	1,589
Spartanburg Sanitary Sewer District	632,305,082	28,517,177	30,637,000	5.00	1,531,850
Pelham-Batesville Fire District	104,278,356	221,351	1,000,000	0.20	2,000
TOTAL:					\$ 8,181,082

Sources: Office of the County Auditor; Spartanburg County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

The following political subdivisions also overlap the District, however, as of June 30, 2016, 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 \$61,234,925 for June 30, 2016; 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, 2016, 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, 2017.

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, 2017