

**Woodruff-Roebuck Water District**

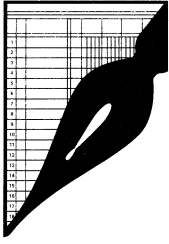
Financial Statements and Supplemental Information  
Years Ended September 30, 2017 and 2016



**Woodruff-Roebuck Water District**

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# Norman, Johnson & Co., PA

Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the **Woodruff-Roebuck Water District** as of and for the years ended September 30, 2017 and 2016, which comprise the statements of financial position as of September 30, 2017 and 2016, 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, 2017 and 2016, 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.

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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 38 and 39, 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 40 and 41 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 28, 2018, 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 28, 2018

## 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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

#### Summary of Organization and Business

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

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

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

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

The District issued its Series 2016 General Obligation Bonds in the amount of \$2,170,000 on April 5, 2016 to provide funds for construction and raw water storage facilities, construction and expansion of the water treatment plant and upgrades and improvements to the water distribution system. As of September 30, 2017, \$1,664,462 of these funds had been spent on these projects.

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

The District'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 \$1,062,702 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 \$1,542,020. In addition, capital grants increased \$255,099 over the prior year.
- Through September 30, 2017, \$4,392,422 has been expended on a reservoir project, \$123,154 has been expended on water supply projects, \$1,455,647 has been expended on improvements to the Highway 221 corridor water system, \$402,200 has been expended on improvements to the Enoree waste water treatment facility, \$447 has been expended on the Enoree dam, \$6,041 has been spent on the ABCO project and

## Woodruff-Roebuck Water District

### Management's Discussion and Analysis

\$525,275 has been expended on the expansion of the water treatment plant. These costs totaling \$6,905,186 are carried in the construction in progress account in the notes to the financial statements.

- Major capital expenditures during the year included: tank improvements in the amount of \$67,421; improvements to the Enoree waste water treatment plant in the amount of \$390,682; \$1,312,794 for improvements to the water system in the Highway 221 corridor; \$63,547 for a Kubota Skid Steer and implements; improvements to the Enoree water system in the amount of \$408,806; \$119,342 for the White Lily project; \$53,699 for the Stone Avenue line extension; \$68,720 for the Sugar Creek Road line extension; \$54,835 for a 2016 Ford F550; and \$303,132 for expansion of the water treatment plant. With the exception of the Highway 221 project, the Enoree Wastewater treatment plant and the water treatment plant expansions, 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 37 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 38 of this report.

### Government-Wide Financial Analysis

The District's net assets at year-end are \$14,860,465. This is an increase of \$1,062,702 over last year's net assets of \$13,797,763. The following table provides a summary of the District's net assets at September 30, 2017 and 2016:

**Woodruff-Roebuck Water District**

Management's Discussion and Analysis

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

	<u>2017</u>	<u>2016</u>
Assets and Deferred Outflows		
Current assets	\$ 4,012,257	\$ 4,158,076
Restricted assets	2,326,146	3,711,146
Capital assets, net of depreciation	53,232,762	51,618,721
Deferred outflows of resources	3,735,523	253,519
Total assets and deferred outflows of resources	<u>63,306,688</u>	<u>59,741,462</u>
Liabilities and Deferred Inflows		
Current liabilities (payable from operating fund)	153,327	154,919
Current liabilities (payable from restricted assets)	2,708,341	2,340,859
Long term liabilities	45,531,481	43,362,658
Deferred inflows of resources	53,074	85,263
Total liabilities and deferred inflows of resources	<u>48,446,223</u>	<u>45,943,699</u>
Net position		
Net investment in capital assets	12,649,158	11,069,110
Restricted	713,717	946,465
Unassigned	1,497,590	1,782,188
Total net position	<u>\$ 14,860,465</u>	<u>\$ 13,797,763</u>

The District's investment in capital assets exceeds related debt by \$12,649,158. 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 \$654,007 is available for future debt service on general obligation bonds.

The remaining net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. There was a decrease of \$284,598 in the unrestricted net position for the District's activities resulting in unrestricted net position of \$1,497,590 at September 30, 2017. There was an increase in net investment in capital assets of \$1,580,148 and revenue exceeded expenses by \$1,062,702.

The following table provides a summary of the District's changes in net position for the years ended September 30, 2017 and 2016:



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

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

	<u>2017</u>	<u>2016</u>
Program revenues		
Charges for services	\$ 5,906,112	\$ 5,603,122
Other operating revenue	46,582	45,752
Nonoperating revenues		
Property taxes	842,019	835,486
Other revenues	138,634	40,741
Capital grants	486,334	231,235
Total revenues	<u>7,419,681</u>	<u>6,756,336</u>
Program expenses		
Direct operating	2,387,653	2,035,019
General and administrative	649,068	619,626
Depreciation and amortization	1,368,333	1,328,745
Bank credit card charges	5,620	5,420
Nonoperating expenses		
Other expenses	1,946,305	1,774,003
Total expenses	<u>6,356,979</u>	<u>5,762,813</u>
Change in net position	1,062,702	993,523
Net position, beginning	<u>13,797,763</u>	<u>12,804,240</u>
Net position, ending	<u>\$ 14,860,465</u>	<u>\$ 13,797,763</u>

The District's total operating revenues increased \$303,820. The total cost of all programs and services increased \$289,230. Net nonoperating expenses increased \$172,302. Key elements of the increase in net nonoperating expenses are as follows:

- Debt issuance costs increased \$357,094 with the issuance of 2016 refunding revenue bonds in the current year.
- Amortization of bond premiums increased \$84,005 in the current year due to the premium on the refunding revenue bonds issued during the year.
- Interest expense decreased \$187,409.

**Financial Analysis of the District**

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

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

## Woodruff-Roebuck Water District

### Management's Discussion and Analysis

Service revenue increased \$302,990 from the previous year. Operating expenses increased \$289,230. The increase in service revenue was principally due to an increase of 4.5% in billing rates effective October 1, 2016, although there was an increase in water consumption and new customers during 2017.

#### Capital Assets and Debt Administration

**Capital Assets.** The District's investment in capital assets for its business-type activities as of September 30, 2017, totals \$53,232,762 (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	\$	390,682
Improvements to Enoree water system paid with grant and operating funds	\$	408,806
Water System improvements corridor paid for with General Obligation Bonds	\$	1,312,794
New Kubota Skid Steer paid for with operating funds	\$	63,547
Expansion of water treatment plant paid for with operating funds	\$	303,132
Tank improvements paid for with operating funds	\$	67,421
White Lily project paid for with operating funds	\$	119,342
Stone Avenue line extension paid for with operating funds	\$	53,699
Sugar Creek Road line extension paid for with operating funds	\$	68,720
2016 Ford F550 paid for with operating funds	\$	54,834

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

	2017	2016
Land	\$ 1,162,625	\$ 1,137,495
Land Improvements	1,405,028	1,496,383
Water Distribution System	19,032,411	18,958,597
Treatment plant	21,803,459	22,284,418
Buildings and Equipment	2,811,737	2,729,982
Vehicles	112,316	90,015
Construction in Progress	6,905,186	4,921,831
Total	\$ 53,232,762	\$ 51,618,721

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

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

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

	2017	2016
Long-term obligations		
General Obligation Bonds	\$ 5,158,000	\$ 6,093,200
Revenue Bonds	36,840,000	35,715,000
Capital lease obligation	396,727	448,897
Compensated absences	117,091	107,897
Net pension liability	2,610,221	2,339,545
Total	\$ 45,122,039	\$ 44,704,539

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, 2017, property tax revenues totaled \$842,019 and debt service payments totaled \$1,074,767. The balance was paid from previously accumulated taxes paid.

Interest on the Series 2010 Revenue Bonds of \$583,812 and principal of \$820,000 were paid during the year. A portion of the interest due on the 2010 Revenue Bonds was defeased with the issuance of the Water System Refunding Revenue Bonds, Series 2016.

On November 22, 2016, the Water District issued \$33,790,000 Water System Refunding Revenue Bonds, Series 2016 to place in escrow \$35,454,153 for purposes of defeasing the interest on the Series 2010 Revenue Bonds due after June 1, 2020 and the principal of the bonds due after June 1, 2020. The remaining Revenue Bonds outstanding after June 1, 2020 are subject to call at face value and will be called on June 1, 2020. Interest of \$666,947 was paid on these bonds during the year ended September 30, 2017.

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

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

The following are key economic indicators for the District:

- The unemployment rate for Spartanburg County, which includes the District compares favorably with the national and state unemployment rate.
- The District serves both the rural and residential community. The District has experienced considerable growth in its customer base in the past few years and continued growth is anticipated.

**Woodruff-Roebuck Water District**

Management's Discussion and Analysis

- For the District's general obligation bond debt service, the property tax rate decreased to 10.6 mills compared to 10.7 mills the previous year. Assessed value of the District's property increased \$1,199,811 for 2017 tax billings.
- As for the District's business-type activities, water rates increased 4.5% for the year.
- A planned increase in water rates of 4.0% is effective for the fiscal year beginning October 1, 2017.

**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, 2017 and 2016

## ASSETS

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,820,128	\$ 2,461,083
Certificates of deposit	744,885	316,820
Accounts receivable, net of allowance	559,805	549,600
Grant and other receivables	41,877	
Unbilled revenues	636,051	621,517
Inventory	172,444	171,073
Prepaid expenses	37,067	37,983
Total current assets	<u>4,012,257</u>	<u>4,158,076</u>
Restricted Assets		
Cash and cash equivalents restricted to capital projects	816,265	1,986,315
Property taxes receivable, net of allowance	41,988	39,769
Cash with fiscal agent	671,728	906,695
Investments for revenue bonds payable	796,165	778,367
Total restricted assets	<u>2,326,146</u>	<u>3,711,146</u>
Other Assets		
Capital assets, net	<u>53,232,762</u>	<u>51,618,721</u>
Total other assets	<u>53,232,762</u>	<u>51,618,721</u>
Total assets	<u>59,571,165</u>	<u>59,487,943</u>
Deferred Outflows of Resources		
Related to pension	359,372	253,519
Related to revenue bond refunding	3,376,151	
Total deferred outflows	<u>3,735,523</u>	<u>253,519</u>
Total assets and deferred outflows	<u>\$ 63,306,688</u>	<u>\$ 59,741,462</u>

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

## Woodruff-Roebuck Water District

Statements of Net Position  
September 30, 2017 and 2016

## LIABILITIES AND NET POSITION

	<u>2017</u>	<u>2016</u>
Liabilities		
Current Liabilities (payable from operating fund)		
Accounts payable	\$ 59,004	\$ 51,306
Salaries and benefits payable	32,253	43,000
Accrued interest payable	5,317	6,048
Customer deposits	2,395	2,395
Current portion of lease payable	54,358	52,170
Total current liabilities (payable from operating fund)	<u>153,327</u>	<u>154,919</u>
Current Liabilities (payable from restricted assets)		
Accounts payable	499,977	42,177
Accrued interest on general obligation bonds	26,646	37,070
Accrued interest on revenue bonds	461,718	506,412
Current portion of general obligation bonds payable	695,000	935,200
Current portion of revenue bonds payable	1,025,000	820,000
Total current liabilities (payable from restricted assets)	<u>2,708,341</u>	<u>2,340,859</u>
Long term liabilities		
Compensated absences payable	117,091	107,897
Lease payable, less current portion	342,369	396,727
Revenue bonds payable, less current portion	35,815,000	34,895,000
General obligation bonds payable, less current portion	4,463,000	5,158,000
Bond premium, net	2,183,800	465,489
Net pension liability	2,610,221	2,339,545
Total long term liabilities	<u>45,531,481</u>	<u>43,362,658</u>
Total liabilities	<u>48,393,149</u>	<u>45,858,436</u>
Deferred Inflows of Resources	<u>53,074</u>	<u>85,263</u>
Net Position		
Net investment in capital assets	12,649,158	11,069,110
Restricted		
General obligation bond repayments	654,007	886,755
Capital projects	59,710	59,710
Unrestricted	1,497,590	1,782,188
Total net position	<u>14,860,465</u>	<u>13,797,763</u>
Total liabilities and net position	<u>\$ 63,306,688</u>	<u>\$ 59,741,462</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
Charges for services	\$ 5,906,112	\$ 5,603,122
Other operating revenue	46,582	45,752
Total operating revenues	<u>5,952,694</u>	<u>5,648,874</u>
Operating expenses		
Personal Services	1,856,363	1,633,051
Water Purchases	61,789	
Contractual Services	72,668	58,181
Repairs, materials and supplies	396,833	343,787
General and administrative	649,068	619,626
Depreciation	1,368,333	1,328,745
Bank credit card charges	5,620	5,420
Total operating expenses	<u>4,410,674</u>	<u>3,988,810</u>
Operating income	1,542,020	1,660,064
Nonoperating revenues (expenses)	<u>(965,652)</u>	<u>(897,776)</u>
Income before capital grants	576,368	762,288
Capital grants	<u>486,334</u>	<u>231,235</u>
Change in net position	1,062,702	993,523
Total net position, beginning of year	<u>13,797,763</u>	<u>12,804,240</u>
Total net position, end of year	<u>\$ 14,860,465</u>	<u>\$ 13,797,763</u>

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

## Woodruff-Roebuck Water District

Statements of Cash Flows  
Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 5,923,955	\$ 5,531,331
Cash paid for goods and services	(1,174,734)	(998,101)
Cash paid to employees for services	(1,725,282)	(1,624,768)
Other expenses	(3,800)	(2,000)
Net cash provided by (used in) operating activities	<u>3,020,139</u>	<u>2,906,462</u>
Cash Flows from Capital and Related Financing Activities		
Property tax collections	839,800	833,478
Change in cash held by fiscal agent	234,967	(146,330)
Proceeds from Series 2016 general obligation bond issue		2,227,990
Proceeds from capital grants	455,463	231,235
Interest paid on capital lease obligation	(18,093)	(20,192)
Interest paid on general obligation bonds	(139,567)	(131,187)
Interest paid on revenue bonds	(1,250,760)	(1,534,585)
Principal payments on capital leases	(52,170)	(50,071)
Principal payments on general obligation bonds	(935,200)	(613,950)
Principal paid on revenue bonds	(820,000)	(650,000)
Payments for debt issuance costs incurred	(2,702)	(97,362)
Debt service funds transferred to refunding escrow	(231,781)	
Acquisition and construction of capital assets	<u>(2,524,575)</u>	<u>(1,597,500)</u>
Net cash provided by (used in) capital and related financing activities	<u>(4,444,618)</u>	<u>(1,548,474)</u>
Cash Flows from Investing Activities		
Interest earned on investments	19,914	17,031
Interest reinvested - net	(4,565)	(3,146)
Purchase of certificates of deposit	(423,500)	
Net proceeds from revenue bond investments	<u>21,625</u>	<u>625,599</u>
Net cash provided by (used in) investing activities	<u>(386,526)</u>	<u>639,484</u>
Net increase (decrease) in cash and cash equivalents	(1,811,005)	1,997,472
Cash and cash equivalents, Beginning of year	<u>4,447,398</u>	<u>2,449,926</u>
Cash and cash equivalents, End of year	<u>\$ 2,636,393</u>	<u>\$ 4,447,398</u>

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



## Woodruff-Roebuck Water District

Statements of Cash Flows  
Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities		
Operating income	<u>\$ 1,542,020</u>	<u>\$ 1,660,064</u>
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities		
Depreciation and amortization	1,368,333	1,328,745
Other expenses	(3,800)	(2,000)
Pension expense	132,634	50,686
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(10,205)	(30,705)
(Increase) decrease in unbilled revenue	(14,534)	(83,838)
(Increase) decrease in inventory	(1,371)	14,404
(Increase) decrease in prepaid expenses	917	1,728
Increase (decrease) in accounts payable	7,698	9,781
Increase (decrease) in accrued salaries and benefits payable	(10,747)	(16,807)
Increase (decrease) in accrued compensated absences	9,194	(25,596)
Total adjustments	<u>1,478,119</u>	<u>1,246,398</u>
Net cash provided by (used in)		
operating activities	<u>\$ 3,020,139</u>	<u>\$ 2,906,462</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, 2017 and 2016, investments of \$796,165 and \$778,367 were restricted for debt service reserves, cash equivalents of \$816,265 and \$1,986,315 were restricted to capital projects, and cash with fiscal agent of \$671,728 and \$906,695 were restricted for debt service and capital projects.

## 1. Allowance for Doubtful Accounts

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

## 2. Inventory

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

## 3. Investments

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

## 4. Capital Assets

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

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

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 1 - (continued)**

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

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

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

5. Capitalized Interest

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

6. Premium on Bonds Payable

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

The premium on revenue bonds payable at September 30, 2017 and 2016, of \$2,127,411 and \$395,871 (net of accumulated amortization of \$94,486 and \$97,256) is being amortized over the term of the bonds. The premium on general obligation bonds payable at September 30, 2017 and 2016 of \$56,389 and \$69,618 (net of accumulated amortization of \$26,077 and \$12,847) 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 \$117,091 and \$107,897 at September 30, 2017 and 2016.

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, 2017 and 2016, there were no contributions of distribution system assets.

## 12. Estimates

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

## 13. Net Position

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

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 1 - (continued)**

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

**14. Income Taxes**

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

**Note 2 - Cash and Cash Equivalents**

The District maintains various checking accounts with three financial institutions. At September 30, 2017, the carrying amount of the District's deposits was \$3,380,928 and the bank balance was \$3,504,052. Of the bank balance at September 30, 2017, \$1,224,945 was insured by federal depository insurance, and \$2,279,107 was collateralized with securities held by the financial institution in the District's name. The District has not experienced any losses in these bank accounts and believes that they are not exposed to any significant risk on cash and temporary investments. The District has no policy regarding custodial credit risks for deposits. In addition, the District has a formal policy regarding investment decisions and credit risk.

**Note 3 - Investments**

As of September 30, 2017 and 2016, the District had \$796,165 and \$778,367 of investments in cash, obligations of the United States and its agencies. At September 30, 2017 and 2016, all investments were in the First American Government Obligation Fund.

Required payments from the District to the Debt Service Fund for the 2010 Revenue Bonds totaled \$1,219,173 and \$1,558,986 for the years ended September 30, 2017 and 2016.

Another Debt Service Fund was funded in connection with the issuance of the 2016 Refunding Revenue Bonds. Required payments from the District to this fund totaled \$1,062,119 for the year ended September 30, 2017.

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

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 3 - (continued)**

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

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

**Note 4 - Taxes Receivable**

Taxes receivable (current and delinquent) represent property and vehicle taxes which have been collected and remitted to Spartanburg County Treasurer's office for its distribution to the District and taxes due but uncollected net of an allowance for uncollectible. At September 30, 2017 and 2016, the District's uncollected assessed taxes that have been transferred to the Spartanburg County Delinquent Tax Collector for the District were \$59,706 and \$56,147. These amounts net of allowances for doubtful accounts of \$30,026 and \$29,582, and plus delinquent and vehicle taxes collected and unremitted of \$12,308 and \$13,204 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 \$77,036,819 and \$75,837,008. The District's debt service tax rate was 10.6 and 10.7 mills for the years ended September 30, 2017 and 2016.

**Note 5 - Receivables and Allowances for Doubtful Accounts**

Accounts receivable consists entirely of water charges to the District's customers. The receivable is shown net of allowance for uncollectible of \$45,000 and \$41,000 at September 30, 2017 and 2016. The District estimates uncollectible accounts based on aging of accounts receivable and collection history.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 6 - Capital Assets

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

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



## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 6 - (continued)

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	<u>5,785,425</u>	<u>1,369,367</u>	<u>1,095,466</u>	<u>6,059,326</u>
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	<u>55,717,104</u>	<u>1,365,775</u>		<u>57,082,879</u>
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	<u>10,194,739</u>	<u>1,328,745</u>		<u>11,523,484</u>
Total capital assets being depreciated, net	<u>45,522,365</u>	<u>37,030</u>		<u>45,559,395</u>
Capital assets, net	<u>\$ 51,307,790</u>	<u>\$ 1,406,397</u>	<u>\$ 1,095,466</u>	<u>\$ 51,618,721</u>

On September 30, 2017 and 2016 construction in progress amounted to \$6,905,186 and \$4,921,831, of which approximately \$4,500,000 represents accumulated costs on a long-range water supply project.

Depreciation expense for the years ended September 30, 2017 and 2016, was charged to operations and totaled \$1,368,333 and \$1,328,745, respectively.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - Long-Term Obligations

A summary of changes in long-term obligations for the District for the year ended September 30, 2017 is as follows:

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

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

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
General Obligation Bond, Series 2008 for \$2,388,000 with annual payments varying between \$76,594 and \$428,804 including interest at 3.3%. Issued December 23, 2008; matures December 23, 2018.	\$ 1,073,000		\$ 345,000	\$ 728,000
General Obligation Bonds, Series 2012 for \$3,395,000 with annual principal payments between \$25,000 and \$410,000. Interest payments due semiannually between 1% and 2.625%; matures March 1, 2027.	2,605,000		25,000	2,580,000
General Obligation Bonds, Series 2014 for \$613,750 with annual principal payments between \$109,600 and \$258,950. Interest payments due semiannually at 1.11%; matures March 1, 2017.	245,200		245,200	

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - (continued)

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
General Obligation Bonds, Series 2016 for \$2,170,000 with principal payments between \$230,000 and \$615,000. Interest payments due semiannually at 2%; matures March 1, 2022.	2,170,000		320,000	1,850,000
Total General Obligation Bonds	<u>6,093,200</u>		<u>935,200</u>	<u>5,158,000</u>
Water System Improvement Revenue Bonds Series 2010 in the original amount of \$37,185,000 with annual principal payments commencing on June 1, 2014 with a final payment on June 1, 2040. Interest is at 3.00% and increases rateably to 5.00% over the bonds 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.	35,715,000		32,665,000	3,050,000
Refunding Revenue Bonds Series 2016 in the amount of \$33,790,000 with annual principal payments beginning June 1, 2018 with a final payment due June 1, 2040. Interest varies from 3.00% to 5.00%.		33,790,000		33,790,000
Total Revenue Bonds	<u>35,715,000</u>	<u>33,790,000</u>	<u>32,665,000</u>	<u>36,840,000</u>
Capital Lease Obligation for \$570,000 with semiannual payments of \$35,132, including interest at 4.15% through December 2023. Collateralized by certain water system equipment.	448,897		52,170	396,727
	<u>\$ 42,257,097</u>	<u>\$33,790,000</u>	<u>\$ 33,652,370</u>	<u>\$ 42,394,727</u>

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

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - (continued)

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

A summary of changes in long-term obligations for the District for the year ended September 30, 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%. Issued May 15, 2012	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 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.	36,365,000		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>

Interest expense for the years ended September 30, 2017 and 2016 was \$1,352,571 and \$1,674,641. In addition, amortization of deferred outflows from the issuance of the Series 2016 Refunding Revenue Bonds totaled \$134,661 and is included in interest expense.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 7 - (continued)

The annual debt service requirements to retire the above referenced general obligation bonds as of September 30, 2017 are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 695,000	\$ 119,989	\$ 814,989
2019	623,000	102,178	725,178
2020	640,000	81,053	721,053
2021	655,000	67,894	722,894
2022	675,000	53,994	728,994
2023-2027	1,870,000	123,594	1,993,594
	<u>\$ 5,158,000</u>	<u>\$ 548,702</u>	<u>\$ 5,706,702</u>

The annual debt service requirements to retire the above referenced revenue bonds as of September 30, 2017 are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 1,025,000	\$ 1,361,875	\$ 2,386,875
2019	1,050,000	1,331,125	2,381,125
2020	1,085,000	1,299,625	2,384,625
2021	1,120,000	1,267,075	2,387,075
2022	1,165,000	1,222,275	2,387,275
2023-2027	6,725,000	5,205,925	11,930,925
2028-2032	8,270,000	3,660,775	11,930,775
2033-2037	9,705,000	2,212,788	11,917,788
2038-2042	6,695,000	456,806	7,151,806
	<u>\$ 36,840,000</u>	<u>\$ 18,018,269</u>	<u>\$ 54,858,269</u>

The annual debt service requirements on the above referenced capital lease as of September 30, 2017 are as follows:

Year Ended September 30,	Principal	Interest	Total
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	64,065	6,199	70,264
2023-2024	101,168	4,227	105,395
	<u>\$ 396,727</u>	<u>\$ 59,988</u>	<u>\$ 456,715</u>

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 8 - Defined Benefit Pension Plan**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**a. Plan Description**

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

**b. Membership**

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

**c. Benefits**

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

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 8 - (continued)**

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

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

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

**d. Contributions Required and Contributions Made**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial evaluation, the PEBA Board may adopt and present to the SFAA for approval an increase in SCRS employer and employee contribution rates, 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.

The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017. The Act became effective July 1, 2017. The legislation lowered the retirement system's assumed rate of return from 7.50 percent to 7.25 percent and reduced the maximum amortization period for the retirement system from 30 years to 20 years over a ten-year schedule. It also increased contribution rates for employees and employers, with employee contribution rates capped. Employee contributions rose from 8.66 percent to 9 percent. The employer contribution rate rose from 11.56 to 13.56 percent. The employer rates for the System will rise one percent every year until July 1, 2022. The scheduled final employer rate is 18.56 percent. The Act also assigned the PEBA Board as custodian of the Retirement Trust Funds and RISC and PEBA as co-trustees.

Plan members are required to contribute 8.66% through June 30, 2017 and 9.00% thereafter of their annual covered salary. The District is required to contribute an actuarially determined rate. The current rates are 11.56% through June 30, 2017 and 13.56% until June 30, 2018 of annual covered payroll.



## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 8 - (continued)

Required contributions for Class Two and Class Three members (100% funded) for the years ended September 30, 2017, 2016 and 2015 are as follows:

Year Ended September 30,	Employee		Employer	
	Amount	Percent of Wages	Amount	Percent of Wages
2017	\$ 101,200	8.66 / 9.00%	\$ 128,752	11.56 / 13.56%
2016	\$ 92,446	8.16 / 8.66%	\$ 122,757	11.06 / 11.56%
2015	\$ 83,657	8.00 / 8.16%	\$ 113,892	10.90 / 11.06%

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

At September 30, 2017 and 2016, the District reported a liability of \$2,610,221 and \$2,339,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The total pension liability was then projected forward to the measurement date of June 30, 2017 and 2016 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, 2017, the District's proportionate share was .011595% compared to .010953% at June 30, 2016.

For the years ended September 30, 2017 and 2016, the District recognized pension expense of \$264,341 and \$173,442, respectively. At September 30, 2017 and 2016, 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>2017</u>		
Differences between actual and expected experience	\$ 11,636	\$ 1,447
Net difference between projected and actual earnings on pension plan investments	72,866	
Changes in assumptions	152,800	
District contributions subsequent to the measurement date	28,491	
Change in proportionate share of plan liabilities	93,579	51,627
Total	<u>\$ 359,372</u>	<u>\$ 53,074</u>
<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>

## Woodruff-Roebuck Water District

## Notes to Financial Statements

**Note 8 - (continued)**

The \$28,491 and \$34,977 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, 2018 and 2017, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions as of September 30, 2017, will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2018	\$ 68,197
2019	124,400
2020	103,154
2021	(17,944)
	<u>\$ 277,807</u>

## f. Actuarial Assumptions

Actuarial valuations involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2016, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2017, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuation for SCRS.

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

The post-retiree mortality assumption is dependent 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 2016. Assumptions used in the July 1, 2016 valuation are 2016 PRSC Males multiplied by 100% and 2016 PRSC Females multiplied by 111%.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 8 - (continued)

## g. Net Pension Liability

The net pension liability (NPL) represents the System's total pension liability determined in accordance with GASB No. 67 less the System's fiduciary net position. NPL totals as of June 30, 2017 for the SCRS are presented below.

Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>\$48,244,437,494</u>	<u>\$25,732,829,268</u>	<u>\$22,511,608,226</u>	<u>53.3%</u>

## h. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2016, actuarial valuations, was based upon the 30-year capital markets assumptions. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning July 1, 2017. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

## Woodruff-Roebuck Water District

## Notes to Financial Statements

## Note 8 - (continued)

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

## i. Discount Rate

The discount rate used to measure the pension liability was 7.25 percent. The projections of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Woodruff-Roebuck Water District**

Notes to Financial Statements

**Note 8 - (continued)**

j. Sensitivity Analysis

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	<u>\$ 3,364,216</u>	<u>\$ 2,610,221</u>	<u>\$ 2,152,723</u>

**Note 9 - Litigation**

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

**Note 10 - Risk Management**

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

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

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

**Note 11 - Series 2016 Refunding Revenue Bonds Rate Covenant**

The Series 2016 Refunding Revenue Bonds and the Series 2010 Revenue Bonds impose an annual rate covenant on the District within the Bond Resolution. The District covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which will yield annual net revenues (as described below) in the current fiscal year, equal to at least 125% of the Annual Principal and Interest Requirement for all Series of Revenue Bonds outstanding in such fiscal year. Net Revenues is defined as Gross Revenues of the System, less Operation and Maintenance Expenses. Gross Revenues is defined in the resolution, but basically includes all revenue except ad valorem taxes and capital grants and includes the proceeds of capital assets sold.

**Woodruff-Roebuck Water District**

## Notes to Financial Statements

**Note 11 - (continued)**

Operation and Maintenance Expenses are also defined in the Bond Resolution and basically include all expenses including principal and interest payments with respect to lease financing agreements except depreciation and amortization allowances, extraordinary repairs, debt issuance costs, amounts paid from government grants, unfunded net pension liabilities or other post-employment benefits that do not result in any actual disposition of cash and interest on Bonds. It is considered an event of default under the Bond Resolution if the District fails to comply with its rate covenant for two consecutive years. For the year ended September 30, 2017, Net Revenues equaled approximately 131.05% of the Annual Principal and Interest Requirement.

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

Section 4.07(b) of the Series Resolution for the Revenue Bonds provides that in lieu of the deposit of moneys into the various Debt Service Reserve Funds, the District may satisfy all or a portion of the Reserve Requirement by causing to be credited thereof an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy. In accordance with Section 7.05(C) of the Bond Resolution, upon execution and delivery of the Policy, the Trustee shall transfer any excess cash that exceeds the Reserve Requirement from the Debt Service Reserve Fund into the Debt Service Fund.

An Insurance Agreement (Surety Policy) was issued on November 21, 2014 for an amount equal to the reserve requirement of the Water System Improvement Revenue Bonds, Series 2010 in consideration of a premium payment. An Insurance Agreement (Surety Policy) was issued on November 22, 2016 for an amount equal to the reserve requirement of the Water System Refunding Revenue Bonds, Series 2016 in consideration of a premium payment. The policies may not be cancelled or revoked prior to maturity of the underlying Bonds which is the earlier of June 1, 2040 or the date the Bonds are no longer outstanding. The District will pay all policy costs including any draws under the Reserve Policy, expenses and interest accrued thereon. The District's payment obligations with respect to policy costs are payable solely from and secured by a pledge of and a lien upon the net revenues of the District. For purposes of calculation of the additional bonds test and the rate covenant in the Bond Resolution, any policy costs due and owing shall be included in the debt service requirements.

**Note 13 - Refunding Revenue Bonds**

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,510,813. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, is being charged to other expenses through the year 2040 using the effective-interest method. The District completed the advance refunding to reduce its total revenue bond debt service payments over the next 23 years by \$2,168,910 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,607,318.

**Woodruff-Roebuck Water District**

Notes to Financial Statements

**Note 14 - Subsequent Events**

Management has evaluated subsequent events through February 28, 2018, 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 Four Fiscal Years\*

South Carolina Retirement System

	2017	2016	2015	2014
Woodruff-Roebuck's proportion of the net pension liability (%)	0.011595%	0.010953%	0.011243%	0.011713%
Woodruff-Roebuck's proportion of the net pension liability (\$)	2,610,221	2,339,545	2,132,289	2,021,120
Woodruff-Roebuck's covered-employee payroll	1,230,979	1,075,723	1,054,170	1,063,379
Woodruff-Roebuck's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.04%	217.49%	202.27%	190.07%
Plan fiduciary net position as a percentage of the net pension liability**	53.34%	52.90%	56.99%	59.88%

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

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



**Woodruff-Roebuck Water District**

Woodruff-Roebuck Water District's Contributions  
Last Four Fiscal Years

South Carolina Retirement System

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

## Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses  
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services		
Customer service fees	\$ 51,907	\$ 46,240
Water sales	5,597,356	5,362,614
Cut off fees	94,047	80,739
Tap fees	119,402	74,169
Line installation fees	43,400	39,360
Total charges for services	<u>\$ 5,906,112</u>	<u>\$ 5,603,122</u>
Operating Expense		
Personal services		
Salaries	\$ 1,217,702	\$ 1,133,627
Payroll taxes	91,502	89,403
Retirement	264,341	173,442
Group insurance	258,818	218,579
Commissioner fee	24,000	18,000
Total personal services	<u>\$ 1,856,363</u>	<u>\$ 1,633,051</u>
Contractual services		
Accounting	\$ 29,169	\$ 26,562
Legal fees	14,228	11,961
Janitorial service and supplies	7,594	8,930
Water analysis	9,907	9,159
Uniform rentals	11,770	1,569
Total contractual services	<u>\$ 72,668</u>	<u>\$ 58,181</u>
Repairs, materials and supplies		
Gas and oil	\$ 26,607	\$ 24,908
Trucks and equipment	18,483	15,090
Water meters	37,467	24,881
Distribution system supplies/repairs	274,747	244,477
Tank repairs and maintenance	27,436	27,462
Enoree sewer system	3,186	2,532
Radio repairs	488	422
Building	8,419	4,015
Total repairs, materials and supplies	<u>\$ 396,833</u>	<u>\$ 343,787</u>

## Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses  
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Expense		
General and administrative		
Consulting expense	\$ 128,745	\$ 62,194
Office supplies and equipment	10,338	9,136
Utilities - power	250,764	268,210
Collection fees		208
Insurance - general	55,092	55,522
Taxes, licenses and permits	298	52
Telephone	24,922	24,056
Insurance - workmen's compensation	22,564	25,422
Postage and bill mailing cost	39,277	35,909
Heating fuel	4,978	2,728
Seminars	11,306	17,103
Meetings and entertainment	7,738	4,457
DHEC fees	30,211	30,286
Dues and subscriptions	14,500	11,263
Computer and office maintenance	27,244	42,199
Car expense	14,040	14,040
Miscellaneous expenses	3,051	13,841
Bad debt expense	4,000	3,000
Total general and administrative	<u>\$ 649,068</u>	<u>\$ 619,626</u>
Nonoperating Revenues (Expenses)		
Property taxes	\$ 842,019	\$ 835,486
Other income	9,279	
Interest income	21,640	17,031
Debt issuance costs	(452,571)	(95,477)
Insurance and fee expenses on bonds	(2,702)	(1,885)
Interest expense	(1,487,232)	(1,674,641)
Amortization of bond premiums	107,715	23,710
Miscellaneous expense	(3,800)	(2,000)
Total nonoperating revenues (expenses), net	<u>\$ (965,652)</u>	<u>\$ (897,776)</u>

# WOODRUFF-ROEBUCK WATER DISTRICT

## SYSTEM INFORMATION

Prepared by

WOODRUFF-ROEBUCK WATER DISTRICT

### COMMISSIONERS

Donald C. West, Chairman (Deceased)

Gary P. Kirkland, Vice Chairman

G. Curtis Walker, Secretary

Cecil L. Bearden, Commissioner

Niles Brown, Commissioner

**WOODRUFF-ROEBUCK WATER DISTRICT**

**Operating Data**

**Fiscal Year 2017**

**Annual Report**

The following information is presented in accordance with the “*Continuing Disclosure Certificate*” executed by the District in connection with the issuance of its \$37,185,000 Water System Improvement Revenue Bonds, Series 2010 and its \$33,790,000 Water System Refunding Revenue Bonds, Series 2016.

**Customers**

The following table shows the system’s number of customers for the Fiscal Years ending September 30, 2013 through 2017.

<b>Year</b>	<b>Number of Meters</b>	<b>Increase</b>	<b>Percentage of Increase</b>
2013	10,031	104	1.04%
2014	10,122	91	0.90%
2015	10,239	117	1.14%
2016	10,413	174	1.67%
2017	10,637	224	2.15%

**Usage**

The following table shows the System’s total annual and daily average potable water flows, peak daily flows and peak monthly flows for the Fiscal Years ending September 30, 2013 through 2017. Such amounts reflect gallons pumped by the District and not actual gallons sold to customers.

<b>Year</b>		<b>Total Annual Flow (MG)</b>	<b>Daily Average Flow (MG)</b>	<b>Peak Daily Flow (MG)</b>	<b>Peak Monthly Flow (MG)</b>
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
2017		1035.57	2.84	3.88	102.40

*\*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, 2017.

Customer Name	Annual Consumption in Gallons	Annual Billing	Percentage of Fiscal Year 2017 Revenues (%)
Celanese Emulsions	71,188,000	\$ 283,699.54	4.80%
Meansville Riley (Wholesale)	48,849,400	\$ 97,698.80	1.65%
Inman Mills	40,672,400	\$ 168,773.86	2.86%
Toray TGES (Wholesale)	33,771,400	\$ 67,542.80	1.14%
Synthomer USA, LLC	15,299,200	\$ 72,550.73	1.23%
Siemens 446300, Mail Stop 5	11,677,783	\$ 69,014.96	1.17%
Toray Carbon Fibers, Inc. (Wholesale)	9,905,000	\$ 21,858.10	0.37%
Spartanburg County District 6	8,932,500	\$ 42,706.57	0.72%
Roebuck Greenhouses	4,978,800	\$ 23,746.43	0.40%
Henkel Corporation MS 4	2,857,000	\$ 13,744.01	0.23%

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

### Rate-making

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

Meter Size	Tap Fees
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, 2013 through 2017. 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,				
	2013	2014	2015	2016	2017
Gross Revenues	\$ 4,229,540	\$ 4,936,610	\$ 5,445,120	\$ 5,665,905	\$ 5,983,613
Operation & Maintenance Expenses	3,130,416	2,522,434	2,505,839	2,706,050	2,966,094
Net Revenues	\$ 1,099,124	\$ 2,414,176	\$ 2,939,281	\$ 2,959,855	\$ 3,017,519
Debt Service Requirement on Revenue Bonds	None	\$ 1,894,185	\$ 2,034,135	\$ 2,184,585	\$ 2,302,539
Coverage Percentage		127.45%	144.50%	135.49%	131.05%

### Debt Service Requirements

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

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service
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	1,165,000	1,222,275	2,387,275
2023	1,220,000	1,164,025	2,384,025
2024	1,285,000	1,103,025	2,388,025
2025	1,350,000	1,038,775	2,388,775
2026	1,415,000	971,275	2,386,275
2027	1,455,000	928,825	2,383,825
2028	1,530,000	856,075	2,386,075
2029	1,590,000	794,875	2,384,875
2030	1,655,000	731,275	2,386,275
2031	1,720,000	665,075	2,385,075
2032	1,775,000	613,475	2,388,475
2033	1,820,000	560,225	2,380,225
2034	1,880,000	505,625	2,385,625
2035	1,935,000	449,225	2,384,225
2036	1,995,000	388,756	2,383,756
2037	2,075,000	308,956	2,383,956
2038	2,160,000	225,956	2,385,956
2039	2,230,000	153,056	2,383,056
2040	2,305,000	77,794	2,382,794
	\$ 33,790,000	\$ 17,833,619	\$ 51,623,619

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

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

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2018	\$ 990,000	\$ 91,500	\$ 1,081,500
2019	1,015,000	61,800	1,076,800
2020	1,045,000	31,350	1,076,350
	<u>\$ 3,050,000</u>	<u>\$ 184,650</u>	<u>\$ 3,234,650</u>



**2017 Annual Report**

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

Relating to

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

**2017\* 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	\$49,357,301	4 & 6%	\$1,042,186,495.00
2. Mobile Homes	1,666,756	4 & 6%	32,976,200.00
3. Business Personal Property	1,466,760	10.5%	9,784,000.00
4. Merchant's Furniture, Fixtures and Equipment	90,110	10.5%	858,190.48
5. Motor Vehicles <sup>1</sup>	10,401,935	6.0%	173,365,583.33
6. Marine Equipment <sup>2</sup>	291,570	10.5%	2,776,857.14
7. Airplanes	0	4.0%	0.00
8. Manufacturing Property	8,452,810	10.5%	88,502,952.38
9. Public Utilities	8,917,307	10.5%	84,926,733.33
10. Transportation	0	9.5%	0.00
<b>TOTAL</b>	<b>\$80,644,549</b>		<b>\$1,435,377,011.66</b>

\* Values as of June 30, 2017.

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

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

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

Source: Office of the County Auditor.

**Tax Collection Record**

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

<u>Fiscal Year</u>	<u>Taxes Subject to Collection</u>	<u>Current Collections</u>	<u>Current % Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Collections</u>	<u>Total % Collected</u>
2016-2017	\$733,502	\$681,359	92.9%	\$40,768	\$722,127	98.4%
2015-16	727,368	671,120	92.3	51,721	722,841	99.4
2014-15	698,407	636,052	91.1	42,342	678,394	97.1
2013-14	705,864	645,199	91.4	42,783	687,982	97.5
2012-13	705,907	645,199	91.4	41,990	687,189	97.3

Source: Offices of the County Treasurer and Auditor.

NOTE: Information as of June 30, 2017

**Largest Taxpayers**

The following table shows the 2017 assessed values and property taxes (including county, school district, municipality and other non-county taxes and fee in lieu payments) paid in Fiscal Year 2016-17 by the ten largest taxpayers in the District:

<u>Entity</u>	2016-17* <u>Assessed Value</u>	2016-17* <u>Amounts Paid</u>	Percentage of Total District <u>Assessed Value</u>
Celanese Corporation Ltd.	\$ 2,718,812	\$ 905,908.14	3.37
Transcontinental Gas Pipeline Co., LLC	2,653,880	936,053.52	3.29
Duke Energy Corporation	1,500,290	531,037.56	1.86
Inman Mills	1,364,377	454,610.29	1.69
Henkel Corp.	1,123,824	374,457.97	1.39
Laurens Electric Co-op Inc.	834,250	292,132.21	1.03
Siemens Industry Inc.	804,280	297,583.60	1.00
Dominion Carolina Gas Trans	618,590	218,034.59	0.77
Colonial Pipeline	609,230	215,263.51	0.76
Hexion Inc.	530,910	196,436.70	0.66

\* Information as of June 30, 2017.

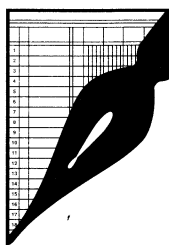
Source: Offices of the County Assessor, Auditor and Treasurer.

### **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>
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
<b>TOTAL</b>	<b>\$ 764,168</b>	<b>\$2,996,135</b>		<b>\$1,946,400</b>	<b>\$5,706,703</b>

\* Some totals may not foot due to rounding.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Woodruff-Roebuck Water District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Woodruff-Roebuck Water District's basic financial statements, and have issued our report thereon dated February 28, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Norman, Johnson & Co., PA*

Spartanburg, South Carolina  
February 28, 2018