

Woodruff-Roebuck Water District

Financial Statements and Supplemental Information

Years Ended September 30, 2023 and 2022

Woodruff-Roebuck Water District

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individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Woodruff-Roebuck Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Woodruff-Roebuck Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

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

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the **Woodruff-Roebuck Water District** as of and for the years ended September 30, 2023 and 2022, which comprise the statements of net position as of September 30, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodruff-Roebuck Water District as September 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Woodruff-Roebuck Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Woodruff-Roebuck Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

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 March 25, 2024, 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.

Elliott & Painter, LLP

Spartanburg, South Carolina
March 25, 2024

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, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

Summary of Organization and Business

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

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

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

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

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

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

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

The District issued its Series 2018 General Obligation Bonds in the amount of \$451,250 on October 24, 2018 for the purpose of integrating the waterworks system with the adjoining system and for designing, equipping and constructing improvements to the System. As of September 30, 2019, all of these funds had been spent on these projects.

The District issued its Water System Improvement Revenue Bond Anticipation Note, Series 2018 in the amount of \$3,030,000 on November 28, 2018 for the purpose of providing funds to defray the costs of improvements and costs of issuance. As of September 30, 2021, all of these funds had been spent on these projects.

The District issued its Water System Improvement Revenue Bond Anticipation Note, Series 2019 in the amount of \$4,710,000 on November 26, 2019 for the purpose of redeeming the 2018 Series Bond Anticipation Note and to

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Management's Discussion and Analysis

provide funds to defray the costs of improvements and the costs of issuance. As of September 30, 2021, all of these funds had been spent for these purposes.

The District issued its Series 2020 Revenue Bonds on the amount of \$8,210,000 on June 2, 2020 for the purposes of redeeming the Series 2019 Revenue Bond Anticipation Note and providing funds to defray the costs of improvements and the costs of issuance. As of September 30, 2022 \$4,751,369 had been spent to redeem the 2019 Bond Anticipation Note, \$256,256 had been spent on costs of issuance, and \$3,186,251 had been spent on improvements.

The District issued its Series 2021 General Obligation bonds in the amount of \$5,000,000 on April 29, 2021 for the purpose of defraying the costs of capital improvements to the water system. As of September 30, 2022, \$2,954,587 had been spent on these improvements.

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 398 miles of water mains and distribution lines varying in size from one (1) to thirty (30) inches in diameter. The system also includes a 8.8 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 28,897 residents.

Financial Highlights

- The District's total net position increased \$4,855,786 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 \$3,007,681.
- Through September 30, 2023, \$5,130,971 has been expended on a reservoir project, \$370,354 has been expended on water supply projects, \$447 has been expended on the Enoree dam, \$6,041 has been spent on the ABCO project, \$241,836 has been spent on the Racetrack Road project, \$267,502 has been spent on Enoree Phase IV, and \$12,887,307 has been expended on the expansion of the water treatment plant. A net of \$(1,111) was spent on the Quartermile Road project. These costs totaling \$18,903,347 are carried in the construction in progress account in the notes to the financial statements.
- Major capital expenditures during the year included \$2,280,187 for additions to the water, plant and distribution systems. These costs have been capitalized in the water distribution system 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.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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 17 to 40 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 41 of this report.

Government-Wide Financial Analysis

The District's net position at year-end is \$30,283,383. This is an increase of \$4,855,786 over last year's net position of \$25,427,597. The following table provides a summary of the District's net position at September 30, 2023 and 2022:

Woodruff-Roebuck Water District's Net Position

	2023	2022
Assets and Deferred Outflows		
Current assets	\$ 6,641,943	\$ 6,247,121
Restricted assets	4,263,438	4,012,429
Capital assets, net of depreciation	66,699,523	64,724,797
Deferred outflows of resources	3,267,355	3,648,271
Total assets and deferred outflows of resources	80,872,259	78,632,618
Liabilities and Deferred Inflows		
Current liabilities (payable from operating fund)	232,812	308,218
Current liabilities (payable from restricted assets)	2,778,887	2,718,852
Long term liabilities	47,247,266	49,684,609
Deferred inflows of resources	329,911	493,342
Total liabilities and deferred inflows of resources	50,588,876	53,205,021
Net position		
Net investment in capital assets	25,252,627	21,176,683
Restricted	1,367,840	970,913
Unassigned	3,662,916	3,280,001
Total net position	\$ 30,283,383	\$ 25,427,597

The District's investment in capital assets exceeds related debt by \$25,252,627. The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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 \$1,306,280 is available for future debt service on general obligation bonds and \$61,560 is available for capital projects.

The remaining net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. There was an increase of \$382,915 in the unrestricted net position for the District's activities resulting in unrestricted net position of \$3,662,916 at September 30, 2023. There was an increase in net investment in capital assets of \$4,075,944 and revenue exceeded expenses by \$4,855,796.

The following table provides a summary of the District's changes in net position for the years ended September 30, 2023 and 2022:

Woodruff-Roebuck Water District's Changes in Net Position

	2023	2022
Program revenues		
Charges for services	\$ 9,261,409	\$ 8,728,673
Other operating revenue	186,292	75,732
Nonoperating revenues		
Property taxes	1,281,270	1,357,662
Other revenues	2,132,614	1,227,387
Total revenues	12,861,585	11,389,454
Program expenses		
Direct operating	3,681,383	3,111,459
General and administrative	908,224	982,466
Depreciation and amortization	1,697,010	1,649,222
Bank credit card charges	153,403	17,788
Nonoperating expenses		
Other expenses	1,565,779	1,697,512
Total expenses	8,005,799	7,458,447
Change in net position	4,855,786	3,931,007
Net position, beginning	25,427,597	21,496,591
Net position, ending	\$ 30,283,383	\$ 25,427,597

The District's total operating revenues increased \$643,296. Nonoperating revenues increased \$828,835. The total cost of all programs and services increased \$679,085. Net nonoperating expenses decreased \$131,733.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

Financial Analysis of the District

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

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

Service revenue increased \$532,736 from the previous year. Operating expenses increased \$679,085. The increase in service revenue was due to an increase of 2.0% in billing rates effective October 1, 2022 and an increase in water consumption and new customers during 2023.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its business-type activities as of September 30, 2023, totals \$66,699,523 (net of accumulated depreciation). These assets include buildings, land, machinery, equipment, vehicles, water distribution systems, treatment plant, and construction in progress.

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

Water, plant and distribution upgrades paid for with operating funds	\$ 2,280,187
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Woodruff-Roebuck Water District's Capital Assets

	2023	2022
Land	\$ 1,172,922	\$ 1,172,922
Land Improvements	1,100,752	1,207,184
Buildings and Equipment	2,388,447	2,488,657
Water Distribution System	23,960,320	22,580,913
Treatment plant	18,917,707	19,355,877
Vehicles	256,028	144,807
Construction in Progress	18,903,347	17,774,437
Total	\$ 66,699,523	\$ 64,724,797

Additional information on the District's capital assets can be found in Note 8 of the basic financial statements.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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

	2023	2022
Long-term obligations		
General Obligation Bonds	\$ 5,850,000	\$ 6,670,000
Revenue Bonds	38,045,000	39,435,000
Capital lease obligation	34,418	101,169
Compensated absences	66,850	159,968
Net pension liability	3,220,940	3,108,857
Total	\$ 47,217,208	\$ 49,474,994

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, 2023, property tax revenues totaled \$1,281,270 and debt service payments totaled \$916,152.

Interest on the Series 2016 Refunding Revenue Bonds of \$1,164,025 and principal of \$1,220,000 were paid during the year.

On June 2, 2020, the Water District issued \$8,210,000 Water System Revenue Bonds, Series 2020 to redeem the 2019 Revenue Bond Anticipation Note and provide funds to defray the costs of improvements and the costs of issuance. Interest of \$293,050 and principal of \$170,000 was paid on these bonds during the year ended September 30, 2023.

Additional information regarding the District's long-term debt can be found in Note 9 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.
- For the District's general obligation bond debt service, the property tax rate decreased from 11.7 mills to 10.0 mills. Assessed value of the District's property increased \$8,328,565 for 2023 tax billings.

Woodruff-Roebuck Water District

Management's Discussion and Analysis

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, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,610,721	\$ 3,429,321
Certificates of deposit	251,029	248,944
Investments	3,053,368	1,023,495
Accounts receivable, net of allowance	642,125	525,554
Unbilled revenues	618,719	639,168
Inventory	395,243	309,047
Prepaid expenses	70,738	71,592
Total current assets	<u>6,641,943</u>	<u>6,247,121</u>
Restricted Assets		
Cash with fiscal agent	1,334,154	927,881
Investments restricted to capital projects	2,061,536	2,245,164
Investments for revenue bonds payable	834,062	796,352
Property taxes receivable, net of allowance	33,686	43,032
Total restricted assets	<u>4,263,438</u>	<u>4,012,429</u>
Other Assets		
Capital assets, net	<u>66,699,523</u>	<u>64,724,797</u>
Total other assets	<u>66,699,523</u>	<u>64,724,797</u>
Total assets	<u>77,604,904</u>	<u>74,984,347</u>
Deferred Outflows of Resources		
Related to pension	807,068	1,035,340
Related to revenue bond refunding	<u>2,460,287</u>	<u>2,612,931</u>
Total deferred outflows	<u>3,267,355</u>	<u>3,648,271</u>
Total assets and deferred outflows	<u>\$ 80,872,259</u>	<u>\$ 78,632,618</u>

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

Woodruff-Roebuck Water District

Statements of Net Position
September 30, 2023 and 2022

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
Liabilities		
Current Liabilities (payable from operating fund)		
Accounts payable	\$ 116,992	\$ 158,955
Salaries and benefits payable	78,768	78,943
Accrued interest payable	239	1,174
Customer deposits	2,395	2,395
Current portion of lease payable	34,418	66,751
Total current liabilities (payable from operating fund)	<u>232,812</u>	<u>308,218</u>
Current Liabilities (payable from restricted assets)		
Accounts payable	24,865	28,017
Accrued interest on revenue bonds	459,022	480,835
Current portion of general obligation bonds payable	830,000	820,000
Current portion of revenue bonds payable	1,465,000	1,390,000
Total current liabilities (payable from restricted assets)	<u>2,778,887</u>	<u>2,718,852</u>
Long term liabilities		
Compensated absences payable	66,850	159,968
Lease payable, less current portion		34,418
Revenue bonds payable, less current portion	36,580,000	38,045,000
General obligation bonds payable, less current portion	5,020,000	5,850,000
Bond premium, net	2,359,476	2,486,366
Net pension liability	3,220,940	3,108,857
Total long term liabilities	<u>47,247,266</u>	<u>49,684,609</u>
Total liabilities	<u>50,258,965</u>	<u>52,711,679</u>
Deferred Inflows of Resources	<u>329,911</u>	<u>493,342</u>
Net Position		
Net investment in capital assets	25,252,627	21,176,683
Restricted		
General obligation bond repayments	1,306,280	910,959
Capital projects	61,560	59,954
Unrestricted	3,662,916	3,280,001
Total net position	<u>30,283,383</u>	<u>25,427,597</u>
Total liabilities and net position	<u>\$ 80,872,259</u>	<u>\$ 78,632,618</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Charges for services	\$ 9,261,409	\$ 8,728,674
Other operating revenue	186,292	75,732
Total operating revenues	<u>9,447,701</u>	<u>8,804,406</u>
Operating expenses		
Personal Services	2,798,630	2,261,148
Water Purchases		177,789
Contractual Services	113,920	78,926
Repairs, materials and supplies	768,833	593,597
General and administrative	908,224	982,466
Depreciation	1,697,010	1,649,222
Bank credit card charges	153,403	17,788
Total operating expenses	<u>6,440,020</u>	<u>5,760,936</u>
Operating income	3,007,681	3,043,470
Nonoperating revenues (expenses)	<u>(137,892)</u>	<u>(351,073)</u>
Income (loss) before contributions	2,869,789	2,692,397
Capital contributions		
Capital contribution	1,781,729	1,037,040
Grant income	204,268	201,569
Total capital contributions	<u>1,985,997</u>	<u>1,238,609</u>
Change in net position	4,855,786	3,931,006
Total net position, beginning of year	<u>25,427,597</u>	<u>21,496,591</u>
Total net position, end of year	<u>\$ 30,283,383</u>	<u>\$ 25,427,597</u>

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

Woodruff-Roebuck Water District

Statements of Cash Flows
Years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 9,351,579	\$ 8,534,059
Cash paid for goods and services	(2,071,685)	(1,917,411)
Cash paid to employees for services	(2,714,999)	(2,158,893)
Other expenses	(526)	(500)
Net cash provided by (used in) operating activities	<u>4,564,369</u>	<u>4,457,255</u>
Cash Flows from Capital and Related Financing Activities		
Property tax collections	1,290,616	1,355,975
Change in cash held by fiscal agent	(406,273)	(219,891)
Proceeds from capital grants	204,268	201,569
Interest paid on capital lease obligation	(3,513)	(6,199)
Interest paid on general obligation bonds	(96,152)	(112,944)
Interest paid on revenue bonds	(1,457,074)	(1,520,425)
Principal payments on capital leases	(66,751)	(64,064)
Principal payments on general obligation bonds	(820,000)	(1,025,829)
Principal paid on revenue bonds	(1,390,000)	(1,335,000)
Payments for debt costs incurred	(5,507)	(5,661)
Acquisition and construction of capital assets	(1,793,158)	(3,767,473)
Net cash provided by (used in) capital and related financing activities	<u>(4,543,544)</u>	<u>(6,499,942)</u>
Cash Flows from Investing Activities		
Interest earned on investments	103,768	14,531
Interest reinvested - net	(2,085)	102,282
Net transfer to investment account	(1,534,835)	(1,471,908)
Net proceeds from revenue bond investments	(531)	(531)
Net cash provided by (used in) investing activities	<u>(1,433,152)</u>	<u>(1,355,626)</u>
Net increase (decrease) in cash and cash equivalents	(1,412,327)	(3,398,313)
Cash and cash equivalents, Beginning of year	<u>4,357,202</u>	<u>7,755,515</u>
Cash and cash equivalents, End of year	<u>\$ 2,944,875</u>	<u>\$ 4,357,202</u>
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents - unrestricted	\$ 1,610,721	\$ 3,429,321
Cash with fiscal agent	1,334,154	927,881
	<u>\$ 2,944,875</u>	<u>\$ 4,357,202</u>

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

Woodruff-Roebuck Water District

Statements of Cash Flows
Years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities		
Operating income	<u>\$ 3,007,681</u>	<u>\$ 3,043,470</u>
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities		
Depreciation and amortization	1,697,010	1,649,222
Other expenses	(526)	(500)
Pension expense	176,924	148,558
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(116,571)	(150,032)
(Increase) decrease in unbilled revenue	20,449	(120,315)
(Increase) decrease in inventory	(86,196)	(142,154)
(Increase) decrease in prepaid expenses	854	14,794
Increase (decrease) in accounts payable	(41,963)	60,516
Increase (decrease) in accrued salaries and benefits payable	(175)	(23,152)
Increase (decrease) in accrued compensated absences	(93,118)	(23,152)
Total adjustments	<u>1,556,688</u>	<u>1,413,785</u>
Net cash provided by (used in)		
operating activities	<u><u>\$ 4,564,369</u></u>	<u><u>\$ 4,457,255</u></u>

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

a. Reporting Entity

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

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

b. Basis of Presentation

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

c. Measurement Focus and Basis of Accounting

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

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

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)

d. Budgets and Budgetary Accounting

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

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

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

Restricted Cash - Certain cash and investments are restricted for debt service and capital expenditures by the District's Bond Ordinances. As of September 30, 2023 and 2022, investments of \$834,062 and \$796,352 were restricted for revenue bond debt service, investments of \$2,061,536 and \$2,245,164 were restricted to capital projects, and cash with fiscal agent of \$1,334,154 and \$927,881 were restricted for general obligation debt service.

1. Allowance for Doubtful Accounts

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

2. Inventory

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

3. Investments

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

4. Capital Assets

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)

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

	<u>Years</u>
Land Improvements	20
Building, Treatment Plant and Water Distribution System	5-50
Machinery and Equipment	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, 2023 and 2022, of \$2,353,629 and \$2,478,887 (net of accumulated amortization of \$747,906 and \$622,648) is being amortized over the term of the bonds. The premium on general obligation bonds payable at September 30, 2023 and 2022 of \$5,847 and \$7,479 (net of accumulated amortization of \$76,619 and \$74,987) 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 if they have less than 15 years of service. The District will pay 50% of the unused balance if the employee has 15 years or more of service. The accrued liability for compensated absences totaled \$66,850 and \$159,968 at September 30, 2023 and 2022.

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.

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

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

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 1 - (continued)

14. Income Taxes

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

Note 2 - Cash and Cash Equivalents

The District maintains various checking accounts with four financial institutions. At September 30, 2023, the carrying amount of the District's deposits was \$2,944,375 and the bank balance was \$2,941,401. Of the bank balance at September 30, 2023, \$553,815 was insured by federal depository insurance, and \$2,390,560 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, 2023, investments were composed of the following:

First Citizens Brokerage Accounts	\$ 4,479,506
SC State Treasurer Local Government Investment Pool	252,115
US Bank Accounts	996,658
Truist Bank Investment Account	220,687
	\$ 5,948,966

The First Citizens Brokerage accounts and Truist Investment accounts were composed of certificates of deposit with maturities from 2024 to 2029 and U.S. Treasury Securities.

The SC State Treasurer Local Government Investment Pool investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any local governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, SC 29211-1950, or at www.treasurer.gov.

Accounts at US Bank are composed of investments in the First American Government Obligation Fund.

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.

Investment measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The District's investments at First Citizens, US Bank and Truist are considered level 2 investments.

Note 4 - Debt Funds

Required payments from the District to the Debt Service Fund for the 2016 Refunding Revenue Bonds totaled \$2,385,358 and \$2,386,103 for the years ended September 30, 2023 and 2022.

Required payments from the District to the Debt Service Fund for the 2020 Revenue Bonds were \$464,646 and \$568,286 for the years ended September 30, 2023 and 2022.

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.

Concurrent with the issuance of the Series 2020 Revenue Bonds, Assured Guaranty Municipal Corporation issued its Municipal Bond Insurance Policy for the Series 2020 Bonds. The policy guarantees the scheduled payment of principal and interest on the Series 2020 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 5 - Cash with Fiscal Agent

As of September 30, 2023 and 2022, the District had \$1,334,154 and \$927,881 of cash restricted to general obligation debt payments which was held by a fiscal agent.

Note 6 - 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, 2023 and 2022, the District's uncollected assessed taxes that have been transferred to the Spartanburg County Delinquent Tax Collector for the District were \$48,764 and \$82,430. These amounts net of allowances for doubtful accounts of \$32,227 and \$56,955, and plus delinquent and vehicle taxes collected and unremitted of \$17,149 and \$17,557 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 \$110,620,788 and \$102,292,223. The District's debt service tax rate was 10.0 and 11.7 mills for the years ended September 30, 2023 and 2022.

Note 7 - Receivables and Allowances for Doubtful Accounts

Accounts receivable consists entirely of water charges to the District's customers. The receivable is shown net of allowance for uncollectible of \$48,000 and \$48,000 at September 30, 2023 and 2022. The District estimates uncollectible accounts based on aging of accounts receivable and collection history.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance September 30, 2022	Additions	Deletions	Balance September 30, 2023
Not being depreciated				
Land	\$ 1,172,922	\$	\$	\$ 1,172,922
Construction in Progress	17,774,437	1,128,910	-	18,903,347
Total capital assets not being depreciated	<u>18,947,359</u>	<u>1,128,910</u>	<u>-</u>	<u>20,076,269</u>
Being depreciated				
Land Improvements	2,110,110			2,110,110
Buildings and Equipment	4,719,130	105,024		4,824,154
Water Distribution System	34,612,100	2,280,187		36,892,287
Treatment plant	24,047,933			24,047,933
Vehicles	575,634	157,615		733,249
Total capital assets being depreciated	<u>66,064,907</u>	<u>2,542,826</u>	<u>-</u>	<u>68,607,733</u>
Less accumulated depreciation				
Land Improvements	902,926	106,432		1,009,358
Buildings and Equipment	2,273,262	162,445		2,435,707
Water Distribution System	12,031,187	900,780		12,931,967
Treatment plant	4,649,267	480,959		5,130,226
Vehicles	430,827	46,394		477,221
Total accumulated depreciation	<u>20,287,469</u>	<u>1,697,010</u>	<u>-</u>	<u>21,984,479</u>
Total capital assets being depreciated, net	<u>45,777,438</u>	<u>845,816</u>	<u>-</u>	<u>46,623,254</u>
Capital assets, net	<u>\$ 64,724,797</u>	<u>\$ 1,974,726</u>	<u>\$ -</u>	<u>\$ 66,699,523</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 8 - (continued)

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance September 30, 2021	Additions	Deletions	Balance September 30, 2022
Not being depreciated				
Land	\$ 1,172,922	\$	\$	\$ 1,172,922
Construction in Progress	16,063,613	1,887,057	176,233	17,774,437
Total capital assets not being depreciated	<u>17,236,535</u>	<u>1,887,057</u>	<u>176,233</u>	<u>18,947,359</u>
Being depreciated				
Land Improvements	1,911,377	198,733		2,110,110
Buildings and Equipment	4,587,156	131,974		4,719,130
Water Distribution System	32,567,420	2,044,680		34,612,100
Treatment plant	24,047,933			24,047,933
Vehicles	505,185	70,449		575,634
Total capital assets being depreciated	<u>63,619,071</u>	<u>2,445,836</u>		<u>66,064,907</u>
Less accumulated depreciation				
Land Improvements	802,223	100,703		902,926
Buildings and Equipment	2,086,586	186,676		2,273,262
Water Distribution System	11,184,915	846,272		12,031,187
Treatment plant	4,168,309	480,958		4,649,267
Vehicles	396,214	34,613		430,827
Total accumulated depreciation	<u>18,638,247</u>	<u>1,649,222</u>		<u>20,287,469</u>
Total capital assets being depreciated, net	<u>44,980,824</u>	<u>796,614</u>		<u>45,777,438</u>
Capital assets, net	<u>\$ 62,217,359</u>	<u>\$ 2,683,671</u>	<u>\$ 176,233</u>	<u>\$ 64,724,797</u>

On September 30, 2023 and 2022 construction in progress amounted to \$18,903,347 and \$17,774,437, of which approximately \$5,100,000 and \$4,575,000 represents accumulated costs on a long-range water supply project.

Depreciation expense for the years ended September 30, 2023 and 2022, was charged to operations and totaled \$1,697,010 and \$1,649,222, respectively.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 9 - Long-Term Obligations

A summary of changes in long-term obligations for the District for the year ended September 30, 2023 is as follows:

	Balance September 30, 2022	Increases	Decreases	Balance September 30, 2023
General Obligation Bonds	\$ 6,670,000	\$	\$ 820,000	\$ 5,850,000
Revenue Bonds	39,435,000		1,390,000	38,045,000
Capital lease obligation	101,169		66,751	34,418
Compensated absences	159,968		93,118	66,850
Net pension liability	3,108,857	112,083		3,220,940
	<u>\$ 49,474,994</u>	<u>\$ 112,083</u>	<u>\$ 2,369,869</u>	<u>\$ 47,217,208</u>

The following details the changes in long-term debt of the District for the year ended September 30, 2023:

	Balance September 30, 2022	Increases	Decreases	Balance September 30, 2023
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. Matures March 1, 2027. (Current principal of \$350,000)	\$ 1,870,000	\$	\$ 340,000	\$ 1,530,000
General Obligation Bonds, Series 2021 for \$5,000,000 with principal payments between \$200,000 and \$750,000. Interest payments due semiannually at 1.17%; matures March 31, 2031. Issued April 29, 2021. (Current principal \$480,000)	4,800,000		480,000	4,320,000
Total General Obligation Bonds	<u>6,670,000</u>		<u>820,000</u>	<u>5,850,000</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 9 - (continued)

	Balance September 30, 2022	Increases	Decreases	Balance September 30, 2023
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%. (Current principal \$1,285,000)	31,395,000		1,220,000	30,175,000
Water System Improvement Revenue Bonds Series 2020 in the original amount of \$8,210,000 with annual principal payments commencing June 1, 2022 and a final payment on June 1, 2050. Interest is 3% to 4% over the bonds period. Secured by a pledge and lien on net revenues and a priority statutory lien on the system as a whole. (Current principal \$180,000)	8,040,000		170,000	7,870,000
Total Revenue Bonds	<u>39,435,000</u>		<u>1,390,000</u>	<u>38,045,000</u>
	Balance September 30, 2022	Increases	Decreases	Balance September 30, 2023
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. (Current principal \$34,318)	101,169		66,751	34,418
	<u>\$ 46,206,169</u>	<u>\$</u>	<u>\$ 2,276,751</u>	<u>\$ 43,929,418</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 9 - (continued)

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

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

A summary of changes in long-term obligations for the District for the year ended September 30, 2022 is as follows:

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
General Obligation Bonds	\$ 7,695,829	\$	\$ 1,025,829	\$ 6,670,000
Revenue Bonds	40,770,000		1,335,000	39,435,000
Capital lease obligation	165,233		64,064	101,169
Compensated absences	183,120		23,152	159,968
Net pension liability	2,462,468	646,389		3,108,857
	<u>\$ 51,276,650</u>	<u>\$ 646,389</u>	<u>\$ 2,448,045</u>	<u>\$ 49,474,994</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 9 - (continued)

The following details the changes in long-term debt of the District for the year ended September 30, 2022:

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
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	\$ 2,195,000	\$	\$ 325,000	\$ 1,870,000
General Obligation Bonds, Series 2017 for \$765,000 with principal payments between \$105,000 and \$335,000. Interest payments due semiannually at 1.93%; matures March 1, 2022.	105,000		105,000	
General Obligation Bonds, Series 2016 for \$2,170,000 with principal payments between \$230,000 and \$615,000. Interest payments due semiannually at 2%, matures March 1, 2022.	350,000		350,000	
General Obligation Bonds, Series 2021 for \$5,000,000 with principal payments between \$200,000 and \$750,000. Interest payments due semiannually at 1.17%; matures March 31, 2031. Issued April 29, 2021.	5,000,000		200,000	4,800,000
General Obligation Bonds, Series 2018 for \$451,250 with principal payments between \$317,327 and \$43,463. Interest due semiannually at 2.65% matures March 1, 2022	45,829		45,829	
Total General Obligation Bonds	<u>7,695,829</u>		<u>1,025,829</u>	<u>6,670,000</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 9 - (continued)

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
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.	32,560,000		1,165,000	31,395,000
Water System Improvement Revenue Bonds Series 2020 in the original amount of \$8,210,000 with annual principal payments commencing June 1, 2022 and a final payment on June 1, 2050. Interest is 3% to 4% 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 paid for the year 2021.	<u>8,210,000</u>		<u>170,000</u>	<u>8,040,000</u>
Total Revenue Bonds	<u>40,770,000</u>		<u>1,335,000</u>	<u>39,435,000</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.	<u>165,233</u>		<u>64,064</u>	<u>101,169</u>
	<u>\$ 48,631,062</u>	<u>\$</u>	<u>\$ 2,424,893</u>	<u>\$ 46,206,169</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 9 - (continued)

Interest expense for the years ended September 30, 2023 and 2022 was \$1,533,992 and \$1,617,765. In addition, amortization of deferred outflows from the issuance of the Series 2016 Refunding Revenue Bonds totaled \$152,644 and \$152,644 for the years ended September 30, 2023 and 2022 and is included in interest expense.

The annual debt service requirements to retire the above referenced general obligation bonds as of September 30, 2023 are as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 830,000	\$ 82,124	\$ 912,124
2025	865,000	67,387	932,387
2026	890,000	51,999	941,999
2027	910,000	35,860	945,860
2028	750,000	23,166	773,166
2029-2031	1,605,000	21,734	1,626,734
	<u>\$ 5,850,000</u>	<u>\$ 282,270</u>	<u>\$ 6,132,270</u>

The annual debt service requirements to retire the above referenced revenue bonds as of September 30, 2023 are as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 1,465,000	\$ 1,390,975	\$ 2,855,975
2025	1,535,000	1,319,525	2,854,525
2026	1,605,000	1,244,625	2,849,625
2027	1,655,000	1,194,575	2,849,575
2028	1,740,000	1,113,825	2,853,825
2029-2033	9,725,000	4,528,975	14,253,975
2034-2038	11,405,000	2,849,469	14,254,469
2039-2043	6,115,000	975,800	7,090,800
2044-2048	1,920,000	412,400	2,332,400
2049-2051	880,000	53,200	933,200
	<u>\$ 38,045,000</u>	<u>\$ 15,083,369</u>	<u>\$ 53,128,369</u>

The annual debt service requirements on the above referenced capital lease as of September 30, 2023 are as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 34,418	\$ 714	\$ 35,132
	<u>\$ 34,418</u>	<u>\$ 714</u>	<u>\$ 35,132</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - Defined Benefit Pension Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed the by Governor and General Assembly Leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

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. A member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. A member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - (continued)

c. Benefits

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

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

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

d. Contributions Required and Contributions Made

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS until reaching 18.56 percent for SCRS. The legislation included a further provision that if the scheduled rates are not sufficient to meet the funding periods set forth in state statute, the PEBA board shall increase the employer rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. The Statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plan is at least 85 percent funded.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - (continued)

Plan members are required to contribute 9.00% of their annual covered salary. The District is required to contribute an actuarially determined rate. The current rates are 17.41% through June 30, 2023 and 18.41% until June 30, 2024 of annual covered payroll.

Required contributions for Class Two and Class Three members (100% funded) for the years ended September 30, 2023, 2022 and 2021 are as follows:

Year Ended September 30,	Employee		Employer	
	Amount	Percent of Wages	Amount	Percent of Wages
2023	\$ 153,220	9.00%	\$ 303,302	17.41%/18.41%
2022	\$ 138,696	9.00%	\$ 257,060	16.41%/17.41%
2021	\$ 118,672	9.00%	\$ 215,972	15.41%/16.41%

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

At September 30, 2023 and 2022, the District reported a liability of \$3,220,940 and \$3,108,857 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively. The total pension liability was then projected forward to the measurement date of June 30, 2023 and 2022 using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating SCRS employers, actuarially determined. At June 30, 2023, the District's proportionate share was .013322% compared to .012824% at June 30, 2022.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - (continued)

For the years ended September 30, 2023 and 2022, the District recognized pension expense of \$477,610 and \$333,851, respectively. At September 30, 2023 and 2022, 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>2023</u>		
Differences between actual and expected experience	\$ 55,921	\$ 8,932
Net difference between projected and actual earnings on pension plan investments	316,570	320,979
Changes in assumptions	49,349	
District contributions subsequent to the measurement date	80,796	
Change in proportionate share of plan liabilities	304,432	
Total	<u>\$ 807,068</u>	<u>\$ 329,911</u>
<u>2022</u>		
Differences between actual and expected experience	\$ 27,010	\$ 13,548
Net difference between projected and actual earnings on pension plan investments	457,356	452,562
Changes in assumptions	99,708	
District contributions subsequent to the measurement date	73,267	
Change in proportionate share of plan liabilities	377,999	27,232
Total	<u>\$ 1,035,340</u>	<u>\$ 493,342</u>

The \$80,796 and \$73,267 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, 2024 and 2023, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions as of September 30, 2023, will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2024	\$ 242,439
2025	39,792
2026	116,021
2027	(1,890)
	<u>\$ 396,362</u>

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - (continued)

f. Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study should be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2023 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023 using generally accepted actuarial principles. There was no legislation during the 2023 legislative session that had a material change in the benefit provisions for any of the plan systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023.

Actuarial cost method	Entry age normal
Investment rate of return	7.00%
Projected salary increases	3% to 11%
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. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the System's mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2023 TPL for general employees job classification was the 2020 PRSC Males multiplied by 97% and the 2020 PRSC Females multiplied by 107%.

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, 2023 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
\$ 58,464,402,454	\$ 34,286,961,942	\$ 24,177,440,512	58.6%

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - (continued)

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

h. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent 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 target asset allocation adopted at the beginning of the 2023 fiscal year. The long-term expected rate of return is produced by weighting the expected future rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7% assumed annual investment rate of return used in the calculation of the TPL includes a 4.75% real rate of return and a 2.25% inflation component.

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private Equity	9.0%	10.91%	0.98%
Private Debt	7.0%	6.16%	0.43%
Real Assets	12.0%		
Real Estate	9.0%	6.41%	0.58%
Infrastructure	3.0%	6.62%	0.20%
Total Expected Return	<u>100.0%</u>		5.31%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.56%</u>

i. Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 10 - (continued)

j. Sensitivity Analysis

The following presents the District's proportionate share of the NPL calculated using the discount rate of 7 percent, as well as what the District's proportionate share of the NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District's proportionate share of the net pension liability	\$ 4,161,761	\$ 3,220,940	\$ 2,438,961

Note 11 - 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 12 - 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 13 - Series 2016 Refunding Revenue Bonds Rate Covenant

The Series 2016 Refunding Revenue Bonds and the Series 2020 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 13 - (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, 2023, Net Revenues equaled approximately 172.46% of the Annual Principal and Interest Requirement.

Note 14 - 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 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. An Insurance Agreement (Surety Policy) was issued June 2, 2020 for an amount equal to the reserve requirement of the Water System Improvement Revenue Bonds, Series 2020 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 15 - 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) were considered to be defeased and the liability for those bonds was removed from the statement of net position.

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.

Woodruff-Roebuck Water District

Notes to Financial Statements

Note 16 - Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which approximate fair value at the time of the District's acquisition, and are recorded as revenue when received. During the year ended September 30, 2023, the District recognized capital contributions of \$1,781,729 for systems contributed by developers.

Note 17 - Tax Abatements

Spartanburg County utilizes an economic development program to attract businesses and industry to the County for purposes of expanding and diversifying the local economy and creating jobs. The two mechanisms that the County employs are Fee in Lieu of Tax agreements and Special Source Revenue Credits. For the 2022 and 2021 tax assessments, abatements from Fee in Lieu of Tax agreements totaled \$286,875 and \$179,818 for the District.

Note 18 - Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentations in the current year financial statements.

Note 19 - Subsequent Events

Management has evaluated subsequent events through March 25, 2024, 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 Nine Fiscal Years*

South Carolina Retirement System

Fiscal Year*	Woodruff-Roebuck's Proportion of Net Pension Liability	Woodruff-Roebuck's Proportionate Share of the Net Pension Liability	Woodruff-Roebuck's Covered Payroll	Woodruff-Roebuck's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability**
2023	0.013322%	3,220,940	1,684,351	191.23%	58.60%
2022	0.012824%	3,108,857	1,521,651	204.31%	57.10%
2021	0.011380%	2,462,828	1,286,431	191.45%	60.79%
2020	0.010231%	2,614,317	1,141,458	229.03%	54.40%
2019	0.010709%	2,445,316	1,130,845	216.24%	54.40%
2018	0.011357%	2,554,723	1,115,791	228.96%	54.10%
2017	0.011595%	2,610,221	1,230,979	212.04%	53.34%
2016	0.010953%	2,339,545	1,075,723	217.49%	52.90%
2015	0.011243%	2,132,289	1,054,170	202.27%	56.99%
2014	0.011713%	2,021,120	1,063,379	190.07%	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 Nine Fiscal Years

South Carolina Retirement System

Fiscal Year *	Actuarial Required Contribution	Actual Contributions	Contribution Deficiency/ Excess	Woodruff- Roebuck's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	303,302	303,302		1,669,000	18.17%
2022	259,372	259,372		1,514,783	17.12%
2021	218,036	218,036		1,351,270	16.14%
2020	183,662	183,662		1,180,351	15.56%
2019	162,889	162,889		1,099,735	14.81%
2018	161,462	161,462		1,187,779	13.59%
2017	128,752	128,752		1,157,210	11.13%
2016	122,757	122,757		1,122,344	10.94%
2015	113,892	113,892		1,041,119	10.94%
2014	114,270	114,270		1,070,402	10.68%

Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses
Years Ended September 30, 2023 and 2022

	2023	2022
Operating Revenues		
Charges for services		
Customer service fees	\$ 44,395	\$ 36,146
Water sales	8,302,023	8,087,939
Cut off fees	314,171	124,300
Tap fees	600,820	480,289
Total charges for services	<u>\$ 9,261,409</u>	<u>\$ 8,728,674</u>
Operating Expense		
Personal services		
Salaries	\$ 1,741,864	\$ 1,437,418
Payroll taxes	131,949	121,744
Retirement	477,610	331,851
Group insurance	409,452	332,069
Commissioner fee	37,755	38,066
Total personal services	<u>\$ 2,798,630</u>	<u>\$ 2,261,148</u>
Contractual services		
Accounting	\$ 30,275	\$ 28,975
Legal fees	31,034	9,622
Janitorial service and supplies	17,947	15,844
Water analysis	20,928	17,799
Uniforms	13,736	6,686
Total contractual services	<u>\$ 113,920</u>	<u>\$ 78,926</u>
Repairs, materials and supplies		
Gas and oil	\$ 60,160	\$ 58,429
Trucks and equipment	44,344	21,911
Water meters	9,984	6,550
Distribution system supplies/repairs	632,049	460,546
Tank repairs and maintenance	229	30,454
Enoree sewer system	5,510	770
Radio repairs		471
Building	16,557	14,466
Total repairs, materials and supplies	<u>\$ 768,833</u>	<u>\$ 593,597</u>

Woodruff-Roebuck Water District

Schedules of Selected Revenues and Expenses
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Expense		
General and administrative		
Consulting expense	\$ 133,139	\$ 261,562
Office supplies and equipment	33,958	21,473
Utilities - power	338,950	312,766
Insurance - general	69,841	93,619
Taxes, licenses and permits	554	2,739
Telephone	29,832	24,522
Insurance - workmen's compensation	37,038	28,881
Postage and bill mailing cost	110,572	70,945
Heating fuel	4,577	6,594
Seminars	16,677	27,925
Meetings and entertainment	5,705	11,425
DHEC fees	30,193	31,393
Dues and subscriptions	29,837	19,578
Computer and office maintenance	41,506	42,855
Car expense	9,075	9,900
Miscellaneous expenses	16,770	16,289
Total general and administrative	<u>\$ 908,224</u>	<u>\$ 982,466</u>
Nonoperating Revenues (Expenses)		
Property taxes	\$ 1,281,270	\$ 1,357,662
Interest income	103,768	14,531
Insurance and fee expenses on bonds	(5,507)	(5,661)
Interest expense	(1,533,992)	(1,617,765)
Amortization of bond premiums	(25,754)	(25,754)
Unrealized loss on investments	42,849	(73,586)
Miscellaneous expense	(526)	(500)
Total nonoperating revenues (expenses), net	<u>\$ (137,892)</u>	<u>\$ (351,073)</u>

WOODRUFF-ROEBUCK WATER DISTRICT

SYSTEM INFORMATION

Prepared by

WOODRUFF-ROEBUCK WATER DISTRICT

COMMISSIONERS

Gary P. Kirkland, Chairman
G. Curtis Walker, Secretary
Horace Jones, Commissioner
Niles Brown, Vice Chairman
Mark West, Commissioner

WOODRUFF-ROEBUCK WATER DISTRICT
Operating Data
Fiscal Year 2023

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 \$33,790,000 Water System Refunding Revenue Bonds, Series 2016 and its \$8,210,000 Water System Revenue Bonds, Series 2020.

Customers

The following table shows the system’s number of customers for the Fiscal Years ending September 30, 2019 through 2023.

<u>Year</u>	<u>Number of Meters</u>	<u>Increase</u>	<u>Percentage of Increase</u>
2019	10,899	140	1.30%
2020	11,231	333	3.06%
2021	11,466	234	2.08%
2022	12,200	734	6.40%
2023	12,551	351	2.88%

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, 2019 through 2023. Such amounts reflect gallons pumped by the District and not actual gallons sold to customers.

<u>Year</u>	<u>Total Annual Flow (MG)</u>	<u>Daily Average Flow (MG)</u>	<u>Peak Daily Flow (MG)</u>	<u>Peak Monthly Flow (MG)</u>
2019	1066.71	2.92	4.08	107.02
2020	1062.13	2.91	4.05	106.94
2021	1111.28	3.04	5.02	102.68
2022	1096.57	3.37	5.20	129.22
2023	1222.71	3.37	7.40	115.64

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, 2023.

<u>Customer Name</u>	<u>Annual Consumption in Gallons</u>	<u>Annual Billing</u>	<u>Percentage of Fiscal Year 2023 Revenues (%)</u>
Toray Tges Toray Composite	131,643,300	\$ 263,286.60	2.84%
Celanese Emulsions	60,165,700	\$ 320,798.90	3.46%
Meansville-Riley Road Water	47,793,100	\$ 95,586.20	1.03%
Praxair, Inc.	27,705,700	\$ 158,008.10	1.71%
Toray Composite Materials	21,129,300	\$ 42,649.10	0.46%
Inman Mills Ramey Plant	19,073,000	\$ 113,004.15	1.22%
Spartanburg County District 6	16,694,100	\$ 107,222.20	1.16%
Synthomer USA, LLC	15,807,500	\$ 99,702.34	1.08%
Spartanburg Sanitary Sewer	14,467,600	\$ 88,894.04	0.96%
Siemens 446300	11,255,300	\$ 70,317.70	0.76%

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, 2022.

Monthly Rates

One Month Minimum	2,500 Gallons	\$ 35.90
Next 7,500 Gallons	Cost/1,000 Gallons	7.44
Next 15,00 Gallons	Cost/1,000 Gallons	6.55
Next 975,000 Gallons	Cost/1,000 Gallons	6.23
Next 1,000,000 Gallons	Cost/1,000 Gallons	5.40
Over 2,000,000 Gallons	Cost/1,000 Gallons	5.00
SCDHEC Fee - Industrial		3.00
SCDHEC Fee - Residential		0.15

Economic Development Rates. On November 17, 2016, the Commission adopted a resolution ratifying and approving its Economic Development Rate Class. Under such class, the District offers two rate classes for economic development purposes, the Large Industrial User rate class, and the Wholesale Public Utility Purchaser rate class. In order to qualify for the Large Industrial User rate class, the user shall purchase a minimum of 10 million gallons of water per month. In order to qualify for the Wholesale Public Utility Purchaser rate class, the user shall purchase water from Woodruff Roebuck Water District for resale to a customer base consisting of at least 200 customers. Economic Development Rates are as follows:

Large Industrial User	Cost/1,000 Gallons	\$ 2.00
Wholesale Public Utility Purchaser	Cost/1,000 Gallons	2.00

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

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

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, 2019 through 2023. 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.

	<u>Fiscal Year Ended September 30,</u>				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross Revenues	\$ 6,819,073	\$ 7,135,731	\$ 7,936,686	\$ 8,818,937	\$ 9,551,469
Operation & Maintenance Expenses	3,155,213	3,548,531	3,584,276	4,090,707	4,641,448
Net Revenues	<u>\$ 3,663,860</u>	<u>\$ 3,587,200</u>	<u>\$ 4,352,410</u>	<u>\$ 4,728,230</u>	<u>\$ 4,910,021</u>
Debt Service Requirement on Revenue Bonds	<u>\$ 2,381,125</u>	<u>\$ 2,384,625</u>	<u>\$ 2,684,397</u>	<u>\$ 2,855,425</u>	<u>\$ 2,847,075</u>
Coverage Percentage	<u>153.87%</u>	<u>150.43%</u>	<u>162.14%</u>	<u>165.59%</u>	<u>172.46%</u>

Debt Service Requirements

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

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
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
	<u>\$ 30,175,000</u>	<u>\$ 10,372,268</u>	<u>\$ 40,547,268</u>

The following table sets forth, on a fiscal year basis, the debt service on the Series 2020 Revenue Bonds.

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service
2024	\$ 180,000	\$ 287,950	\$ 467,950
2025	185,000	280,750	465,750
2026	190,000	273,350	463,350
2027	200,000	265,750	465,750
2028	210,000	257,750	467,750
2029	215,000	249,350	464,350
2030	225,000	240,750	465,750
2031	235,000	231,750	466,750
2032	240,000	224,700	464,700
2033	250,000	217,500	467,500
2034	255,000	210,000	465,000
2035	265,000	202,350	467,350
2036	270,000	194,400	464,400
2037	280,000	186,300	466,300
2038	290,000	177,900	467,900
2039	295,000	169,200	464,200
2040	305,000	160,350	465,350
2041	315,000	151,200	466,200
2042	325,000	138,600	463,600
2043	340,000	125,600	465,600
2044	355,000	112,000	467,000
2045	370,000	97,800	467,800
2046	380,000	83,000	463,000
2047	400,000	67,800	467,800
2048	415,000	51,800	466,800
2049	430,000	35,200	465,200
2050	450,000	18,000	468,000
	\$ 7,870,000	\$ 4,711,100	\$ 12,581,100

The following table sets forth, on a fiscal year basis, the combined total debt service on the Series 2016 and Series 2020 Revenue Bonds:

Fiscal Year Ending September 30	Principal	Interest	Annual Debt Service
2024	\$ 1,465,000	\$ 1,390,975	\$ 2,855,975
2025	1,535,000	1,319,525	2,854,525
2026	1,605,000	1,244,625	2,849,625
2027	1,655,000	1,194,575	2,849,575
2028	1,740,000	1,113,825	2,853,825
2029	1,805,000	1,044,225	2,849,225
2030	1,880,000	972,025	2,852,025
2031	1,955,000	896,825	2,851,825
2032	2,015,000	838,175	2,853,175
2033	2,070,000	777,725	2,847,725
2034	2,135,000	715,625	2,850,625
2035	2,200,000	651,575	2,851,575
2036	2,265,000	583,156	2,848,156
2037	2,355,000	495,256	2,850,256
2038	2,450,000	403,856	2,853,856
2039	2,525,000	322,256	2,847,256
2040	2,610,000	238,144	2,848,144
2041	315,000	151,200	466,200
2042	325,000	138,600	463,600
2043	340,000	125,600	465,600
2044	355,000	112,000	467,000
2045	370,000	97,800	467,800
2046	380,000	83,000	463,000
2047	400,000	67,800	467,800
2048	415,000	51,800	466,800
2049	430,000	35,200	465,200
2050	450,000	18,000	468,000
	<u>\$ 38,045,000</u>	<u>\$ 15,083,368</u>	<u>\$ 53,128,368</u>

2023 Annual Report
Woodruff-Roebuck Water District, South Carolina

Relating to

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

2023* Market Value/Assessment Summary

Classification	Assessed Value *	Assessment Ratio	Market Value (as of June, 30 2023) *
1. Real Estate	\$ 71,064,762	4-6%	1,988,295,807
2. Mobile Homes	1,564,204	4-6%	33,749,700
3. Business Personal Property	2,019,800	10.5%	19,236,190
4. Furniture, Fixtures & Equipment	143,550	10.5%	1,367,143
5. Motor Vehicles	13,259,931	6%	220,998,850
6. Marine Equipment	654,119	10.5%	6,229,705
7. Aircraft	450	4%	11,250
8. Manufacturing Property	8,921,300	10.5%	84,964,762
9. Public Utilities	14,746,163	10.5%	140,439,648
10. Transportation	427,782	9.5%	4,502,968
TOTAL	\$ 112,802,061		2,499,796,023

*Values as of June 30, 2023

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

Fiscal Year	Taxes Subject to Collection	Current Collections	Current % Collected	Delinquent Taxes Collected	Total Collections	Total % Collected
2022-2023	\$ 1,163,841	\$ 1,104,387	94.8%	\$ 30,839	\$ 1,135,226	97.5%
2021-2022	1,196,819	1,093,367	91.4%	35,036	1,128,403	94.3%
2020-2021	985,261	942,591	95.7%	9,803	952,754	96.7%
2019-2020	953,072	903,770	94.8%	42,916	946,686	99.3%
2018-2019	986,249	935,362	94.8%	36,916	972,278	98.6%

Source: Offices of the County Treasurer and Auditor

Note: Information as of June 30, 2023

Largest Taxpayers

The following table shows the 2023 assessed values and property taxes (including county, school district, municipality and other non-county taxes and fee in lieu payments) paid in Fiscal Year 2022-23 by the then largest taxpayers in the District:

<u>Entity</u>	<u>2022-23*</u> <u>Assessed Value</u>	<u>2022-23*</u> <u>Amounts Paid</u>	<u>Percentage of Total</u> <u>District Assessed</u> <u>Value</u>
Mactac	\$ 5,493,738	\$ 2,053,010.00	18.40%
Toray Composite Materials America Inc	\$ 5,351,886	\$ 2,000,000.00	18.00%
Transcontinental Gas Pipeline	\$ 4,918,200	\$ 1,795,769.00	16.50%
Celanese LTD	\$ 2,595,900	\$ 864,442.00	8.70%
Mactac Inc	\$ 2,309,810	\$ 863,176.00	7.80%
Carolina Gas Transmission LLC	\$ 2,220,400	\$ 806,717.00	7.50%
Kobelco Construction Machinery USA	\$ 1,829,270	\$ 683,598.00	6.10%
TGES America LTD	\$ 1,800,616	\$ 672,879.00	6.00%
Duke Energy Carolinas	\$ 1,683,070	\$ 661,183.00	5.70%
Duke Energy Carolinas LLC	\$ 1,580,653	\$ 634,009.00	5.30%

*Information as of June 30, 2023

Source; Office 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>2012 Bonds</u>	<u>2021 Bonds</u>	<u>Total</u>
2024	\$ 384,388	\$ 527,736	\$ 912,124
2025	400,325	532,062	932,387
2026	410,700	531,299	941,999
2027	415,381	530,479	945,860
2028		773,166	773,166
2029-2032		1,626,733	1,626,733
TOTAL	\$ 1,610,794	\$ 4,521,475	\$ 6,132,270

*Some totals may not foot due to rounding.

Overlapping Debt

The following table shows those local political subdivisions that overlap the District and had outstanding general obligation debt as of June 30, 2023:

Jurisdiction	Assessed Value		Overlapping Assessed Value	Outstanding General Obligation Debt	Percentage Applicable to the District	Amount Applicable to the District
<u>The County</u>						
Spartanburg County	\$ 1,412,825,698	(1)	\$ 98,897,799	\$ 60,552,725	7.00%	\$ 4,238,691
<u>School Districts</u>						
Spartanburg County School District No. 4	84,634,227	(2)	44,060,579	102,140,683	52.06%	53,174,440
Spartanburg County School District No. 6	344,613,306	(2)	112,516,244	9,245,000	32.65%	3,018,493
Spartanburg County School District No. 7	247,289,433	(2)	2,473	184,504,000	0.001%	1,845
<u>Special Purpose Districts</u>						
Roebuck Fire District (3)	47,047,515	(1)	531,637	1,383,463	1.13%	15,633
Spartanburg Sanitary Sewer District	827,763,874	(2)	41,388,194	26,509,000	5.00%	1,325,450
					TOTAL	61,774,552

Sources: Office of the Spartanburg County Auditor; Croft Fire District Financial Statements for the fiscal year ended June 30, 2022; Spartanburg County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022; Spartanburg County School District No. 4 Financial Statements for the fiscal year ended June 30, 2023; Spartanburg County School District No. 6 Financial Statements for the fiscal year ended June 30, 2023; Spartanburg County School District No. 7 Financial Statements for the fiscal year ended June 30, 2023; and Spartanburg Sanitary Sewer District Comprehensive Annual Report for the fiscal year ended June 30, 2023.

(1) Amounts obtained from the Spartanburg County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022.

(2) Assessed value sourced from the most recent available financial statements of the political subdivision.

(3) As of January 26, 2022 the Croft Fire District was consolidated with the Roebuck Fire District, South Carolina.

The following political subdivisions also overlap the District, however, based upon research and a review of the most recent available financial statements for each entity, none had general obligation bonds outstanding as of June 30, 2023: the Glenn Springs-Pauline Rural Fire District, Poplar Springs Fire District, Pelham-Batesville Fire District, Reidville Fire District, the Trinity Fire Service Area, and Westview-Fairforest Fire District. Any or all of these entities could increase the overlapping outstanding debt burden of taxpayers within the District through the issuance of general obligation bonds.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Woodruff-Roebuck Water District, as of and for the year ended September 30, 2023, 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 March 25, 2024.

Report on 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) as a basis for designing 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.

Report on 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.

Elliott & Painter, LLP

Spartanburg, South Carolina
March 25, 2024