

**SPARTANBURG METROPOLITAN  
SUB-DISTRICT B WATER  
AND SEWER WORKS**

**Spartanburg, South Carolina**

**Financial Statements**

**For the Year Ended June 30, 2018**

**Edwards & Hedrick, P.A.**  
*Certified Public Accountants*  
1109 West Poinsett Street, Suite C  
Greer, South Carolina 29650

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
TABLE OF CONTENTS  
JUNE 30, 2018**

	<u>Page (s)</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Table of Contents	i-ii
Listing of Principal Officials	iii
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements:</b>	
<i>Government-Wide Basic Financial Statements:</i>	
Statement of Net Position	9
Statement of Activities	10
<i>Fund Basic Financial Statements:</i>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
<i>Notes to the Basic Financial Statements</i>	18-36
<b>Required Supplementary Information:</b>	
<u>General Fund Budgetary Comparison Schedule</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	37
<u>Proprietary Fund Budgetary Comparison Schedule</u>	
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Actual Compared to Budgetary Basis	38
<u>Proprietary Fund Pension Plan Schedules</u>	
Schedule of The District's Proportionate Share of The Net Pension Liability	39
Schedule of District Contributions	40

**Other Supplementary Information:**

Proprietary Fund

Schedule of Revenues, Expenditures, and Changes in Fund Net Position -  
Actual Compared to Final Budgetary Basis

41

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS**

Spartanburg, South Carolina

A Special Purpose District

created by the

South Carolina Legislature

1932

Mike Campbell, General Manager

COMMISSIONERS

**Bob Hinson**

**Bobby Morgan**

**Chris Threatt**

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Spartanburg Metropolitan Sub-District B  
Water and Sewer Works  
Spartanburg, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business activities, and each major fund of Spartanburg Metropolitan Sub-District B Water and Sewer Works (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business activities and each major fund of Spartanburg Metropolitan Sub-District B Water and Sewer Works as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension plan schedules as listed in the table of contents 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 opinions on the financial statements that collectively comprise Spartanburg Metropolitan Sub-District B Water and Sewer Works' basic financial statements. The introductory section, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This information has 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 it.

August 22, 2018

*Edwards & Hedrick, CPAs, P.A.*  
Edwards & Hedrick, CPAs, P.A.  
Greer, South Carolina



**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Spartanburg Metropolitan Sub-District B Water and Sewer Works (the District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of three parts – Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplementary Information. The intent of this discussion is to present the District's financial performance as a whole.

**THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the Spartanburg Metropolitan Sub-District B Water and Sewer Works (the District) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the District as well as all liabilities.

The Fund Financial Statements include statements for each of the two categories of activities – governmental and business-type. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found following the proprietary fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, pension information, budgetary comparison schedules for the General and Proprietary funds. Required supplementary information can be found following the notes to the basic financial statements.

## **REPORTING THE DISTRICT AS A WHOLE**

### **The Statement of Net Position and the Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent 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 related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future periods (i.e. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the Statement of Net Position and the Statement of Activities, we separate the District Activities as follows:

**Governmental Activities** - Property tax collections are reported in this section. Historically, the property tax collections are transferred to the Proprietary Fund for general operations of the water and sewer works.

**Business Type Activities** - The District's water and sewer works is reported in this category.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the Governmental and Proprietary Funds. These two funds comprise the entire District.

## Fund Financial Statements (Continued)

**Governmental Funds** - Property tax collections are reported in this section. Historically, the property tax collections are transferred to the Proprietary Fund for general operations of the water and sewer works.

**Proprietary Funds** - When the District charges customers for services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's proprietary fund is the same as the business-type activity reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## FINANCIAL HIGHLIGHTS

During the year ending June 30, 2018, the District's total revenues decreased \$9,400 (or 1.0%) and total expenses increased \$76,700 (or 4.7%), resulting in an operating loss of \$286,941. This is an increase of \$86,100 in the operating loss sustained for the previous year. The decrease in total revenues for this year was mainly the result of a decrease in operating revenues offset by an increase in property taxes. The increase in operating expenses is the result of higher employee costs, mainly insurance and pension expenditures.

## Financial Analysis of the District

**Net Position** - The District's net position decreased \$252,883 between fiscal years 2017 and 2018. This decrease was primarily due to increased operating costs and lower revenues.

### Spartanburg Metropolitan Sub-District B Water and Sewer Works Statement of Net Position

	June 30, 2018	June 30, 2017
Current and other assets	\$ 2,001,447	2,068,958
Capital assets	1,445,885	1,594,237
Total assets	<u>3,447,332</u>	<u>3,663,195</u>
Deferred outflows of resources	199,896	141,958
Other liabilities	157,254	172,617
Long-term liabilities	803,213	666,640
Total liabilities	<u>960,467</u>	<u>839,257</u>
Deferred inflows of resources	4,311	30,563
Net investment in capital assets	1,445,885	1,594,237
Unrestricted	1,236,565	1,341,096
Net position	<u>\$ 2,682,450</u>	<u>2,935,333</u>

## Financial Analysis of the District (Continued)

### Spartanburg Metropolitan Sub-District B Water and Sewer Works Change In Net Position For the Years Ended

	June 30, 2018	June 30, 2017
Operating revenues	\$ 927,824	\$ 968,460
Property taxes	479,797	448,501
Investment earnings	2,485	2,539
Total revenues	<u>1,410,106</u>	<u>1,419,500</u>
Operating expenses	<u>1,697,047</u>	<u>1,620,331</u>
Total expenses	<u>1,697,047</u>	<u>1,620,331</u>
Excess (deficiency) before special items	(286,941)	(200,831)
Tower rental	29,235	26,707
Gain on sale of assets	4,200	14,000
Miscellaneous revenue	623	1,637
Change in net position	(252,883)	(158,487)
Beginning net position	<u>2,935,333</u>	<u>3,093,820</u>
Ending net position	<u>\$ 2,682,450</u>	<u>\$ 2,935,333</u>

### Final Budget versus Actual Results – Proprietary Fund

The budget excludes certain items from actual expenses, and includes other items for budgetary purposes. Depreciation is excluded from actual results for operating expenses, and fixed asset additions and principal reductions on debt are included for budgetary purposes. The District also budgets for receipt of loan and grant funds. The District's Board of Commissioners approved all expenditures in excess of the original budget.

Revenues exceeded the budget by \$8,020. The majority of this excess is attributable to charges for water and sewer services. Operating expenses exceeded the budget by \$165,680. The primary reason for this excess is due to insurance and pension costs.

Other financing sources are primarily transfers from the general fund of property taxes. Property taxes exceeded the budget as the District received more than the anticipated collection of property taxes from the County of Spartanburg.

## Final Budget versus Actual Results – Proprietary Fund (Continued)

### Spartanburg Metropolitan Sub-District B Water and Sewer Works Actual versus Budget-Proprietary Fund For the Year Ended June 30, 2018

	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating revenues	\$ 927,824	\$ 919,800	\$ 8,024
Operating expenses	1,422,727	1,257,040	(165,687)
Non-operating revenues (expenses)	(89,425)	(62,198)	(27,227)
Other financing sources	484,494	399,438	85,056

### Capital Assets

As of June 30, 2018, the District has invested \$6,465,300 in capital assets net of \$5,019,400 of accumulated depreciation. This amount represents a net decrease (including additions and deductions) of \$148,350 (or 9.31%) over the prior year. A condensed schedule of Capital assets for June 30, 2018 and 2017 follows:

### Spartanburg Metropolitan Sub-District B Water and Sewer Works Capital Assets

	June 30, 2018	June 30, 2017
Land and buildings	\$ 590,856	\$ 590,856
Distribution system	5,097,959	5,097,959
Office furniture & equipment	62,796	199,099
Vehicles	243,891	200,876
Machinery and equipment	469,783	446,903
Total Capital Assets	6,465,285	6,535,693
Accumulated depreciation	(5,019,400)	(4,941,456)
Total Net of Accumulated Depreciation	\$ 1,445,885	\$ 1,594,237

During the year, the District added \$125,968 in capital additions, and recorded depreciation expense of \$274,320. For more information on changes in capital assets, see Note 7 of the financial statements.

### Pensions

Government Standards Board Statement No. 68 has created a long-term liability of \$803,213, the District's proportionate share of the South Carolina Retirement System's net pension liability as of June 30, 2018. For more information on the District's net pension liability, pension expense, deferred outflows and inflows of resources related to pensions, see Note 10 of the financial statements.

## **Economic Factors**

The District's general area is a residential and commercial area. Property tax growth is expected to rise for the next several years as the property values increase. The District continues to evaluate and balance available revenue against expenditures and service levels to seek operating efficiencies. Management emphasizes sound financial and operational decision-making with a focus on strategic thinking and planning. Key objectives at present include focusing services to promote the District's core mission and development of a financial plan that fosters sustainability for the future.

## **Fiscal Year 2018-19 Budget**

Many factors were considered by the District's administration during the process of developing the 2018-19 budget. The District's budget was prepared to continue the vision and mission of the District. No new programs were added to the 2018-19 budget.

## **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Spartanburg Metropolitan Sub-District B Water and Sewer Works at 7520 Jennings Street, Spartanburg South Carolina, 29303-1723, (864) 503-0822.

## **Basic Financial Statements**

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 1,626,575	\$ 1,626,575
Receivables:			
Taxes - net	20,275	-	20,275
Trade accounts - net	-	126,602	126,602
Due from County Treasurer	4,223	-	4,223
Inventory	-	42,878	42,878
Prepaid expenses	-	31,884	31,884
Designated cash	-	149,010	149,010
Capital assets, non depreciable	-	22,430	22,430
Capital assets, depreciable - net	-	1,423,455	1,423,455
<b>TOTAL ASSETS</b>	<b>24,498</b>	<b>3,422,834</b>	<b>3,447,332</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	-	199,896	199,896
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>199,896</b>	<b>199,896</b>
<b>LIABILITIES</b>			
Accounts payable:			
Trade accounts	-	34,742	34,742
Sewer collections	-	114,701	114,701
Accrued expenses	-	7,811	7,811
Noncurrent liabilities:			
Due within one year	-	-	-
Net pension liability	-	803,213	803,213
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>960,467</b>	<b>960,467</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	-	4,311	4,311
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>4,311</b>	<b>4,311</b>
<b>NET POSITION</b>			
Net Investment in capital assets	-	1,445,885	1,445,885
Unrestricted	24,498	1,212,067	1,236,565
<b>TOTAL NET POSITION</b>	<b>\$ 24,498</b>	<b>\$ 2,657,952</b>	<b>\$ 2,682,450</b>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>PROGRAM REVENUES</b>			<b>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</b>		
<b>FUNCTIONS/PROGRAMS</b>	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
<b>PRIMARY GOVERNMENT:</b>	Expenses	Governmental Activities	Business-Type Activities	Total		
Governmental Activities:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities:						
Water and sewer service	<u>1,697,047</u>	<u>927,824</u>	<u>-</u>	<u>(769,223)</u>	<u>(769,223)</u>	<u>(769,223)</u>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<u>\$ 1,697,047</u>	<u>\$ 927,824</u>	<u>\$ -</u>	<u>(769,223)</u>	<u>(769,223)</u>	<u>(769,223)</u>
General Revenues:						
Property taxes levied for general purposes		479,797		-	-	479,797
Unrestricted investment earnings		-		2,485	2,485	2,485
Miscellaneous		-		623	623	623
Tower rental		-		29,235	29,235	29,235
Gain on sale of assets		-		4,200	4,200	4,200
Transfers:		<u>(484,494)</u>		<u>484,494</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers		<u>(4,697)</u>		<u>521,037</u>	<u>516,340</u>	<u>516,340</u>
<b>Change in net position</b>		<b>(4,697)</b>		<b>(248,186)</b>	<b>(252,883)</b>	<b>(252,883)</b>
<b>NET POSITION, Beginning of Year</b>		<u>29,195</u>		<u>2,906,138</u>	<u>2,935,333</u>	<u>2,935,333</u>
<b>NET POSITION, End of Year</b>		<u>\$ 24,498</u>		<u>\$ 2,657,952</u>	<u>\$ 2,682,450</u>	<u>\$ 2,682,450</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>GENERAL</u>
ASSETS	
Property Taxes Receivable - net	\$ 20,275
Due from County Treasurer	<u>4,223</u>
TOTAL ASSETS	<u>\$ 24,498</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	\$ 18,653
FUND BALANCE	
Unassigned	<u>5,845</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 24,498</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	5,845
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, have been deferred in the funds.		<u>18,653</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>24,498</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL
REVENUES	
Property taxes	\$ <u>481,794</u>
TOTAL REVENUES	481,794
EXPENDITURES	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	481,794
OTHER FINANCING (USES) Operating transfers out	<u>(484,494)</u>
NET CHANGE IN FUND BALANCE	(2,700)
FUND BALANCE - BEGINNING OF YEAR	<u>8,545</u>
FUND BALANCE - END OF YEAR	\$ <u><u>5,845</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	(2,700)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount between the prior and current year.		
		(1,997)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(4,697)

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<u>ENTERPRISE</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 1,626,575
Receivables:	
Trade accounts - net	126,602
Inventory	42,878
Prepaid expenses	31,884
Total Current Assets - Unrestricted	1,827,939
Designated Assets	
Cash and cash equivalents - designated	149,010
Total Designated Assets	149,010
Total Current Assets	1,976,949
Noncurrent assets	
Capital Assets:	
Nondepreciable	22,430
Depreciable, net	1,423,455
Total Noncurrent Assets	1,445,885
TOTAL ASSETS	3,422,834
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	199,896
TOTAL DEFERRED OUTFLOWS OF RESOURCES	199,896
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable:	
Trade accounts	34,742
Sewer collections	114,701
Accrued expenses	7,811
Total Current Liabilities	157,254
Non-current liabilities	
Net pension liability	803,213
Total Noncurrent Liabilities	803,213
TOTAL LIABILITIES	960,467
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	4,311
TOTAL DEFERRED INFLOWS OF RESOURCES	4,311
<b>NET POSITION</b>	
Net investment in capital assets	1,445,885
Unrestricted	1,212,067
TOTAL NET POSITION	\$ 2,657,952

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	ENTERPRISE		
	WATER DEPARTMENT	SEWER DEPARTMENT	TOTAL
<b>OPERATING REVENUES</b>			
Water and sewer service	\$ 773,482	\$ 143,002	\$ 916,484
Meter, tap and application fees	11,340	-	11,340
Total Operating Revenues	<u>784,822</u>	<u>143,002</u>	<u>927,824</u>
<b>OPERATING EXPENSES</b>			
Purchases of water	352,945	-	352,945
Depreciation	262,520	11,800	274,320
General, administrative, customer service, and other	908,419	161,363	1,069,782
Total Operating Expenses	<u>1,523,884</u>	<u>173,163</u>	<u>1,697,047</u>
OPERATING INCOME (LOSS)	<u>\$ (739,062)</u>	<u>\$ (30,161)</u>	<u>(769,223)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Tower rental			29,235
Interest revenue			2,485
Miscellaneous income			623
Gain on sale of assets			4,200
Total Nonoperating Revenues (Expenses)			<u>36,543</u>
INCOME (LOSS) BEFORE TRANSFERS			(732,680)
OPERATING TRANSFERS IN			<u>484,494</u>
CHANGE IN NET POSITION			(248,186)
NET POSITION - BEGINNING OF YEAR			<u>2,906,138</u>
NET POSITION - END OF YEAR			<u>\$ 2,657,952</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**INCREASE (DECREASE) IN CASH AND DESIGNATED CASH**

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		<u>Enterprise</u>
Cash received from customers		\$ 932,060
Cash paid to suppliers		(991,390)
Cash paid to employees		(406,735)
NET CASH (USED FOR) OPERATING ACTIVITIES		<u>(466,065)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	\$ 484,494	
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES		484,494
CASH FLOWS FROM (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(125,968)	
Proceeds from sale of capital assets	4,200	
NET CASH (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES		(121,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,485	
Miscellaneous revenue	623	
Tower rental	29,235	
NET CASH FROM INVESTING ACTIVITIES		<u>32,343</u>
NET DECREASE IN CASH & CASH EQUIVALENTS		(70,996)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>1,846,581</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>\$ 1,775,585</u>

**Reconciliation of Cash and Cash Equivalents to the Balance Sheet**

	End of Year	Beginning of Year
Unrestricted cash and cash equivalents	\$ 1,626,575	\$ 1,700,640
Designated cash and cash equivalents	149,010	145,941
Total cash and cash equivalents	<u>\$ 1,775,585</u>	<u>\$ 1,846,581</u>

**Reconciliation of Proprietary Operating Loss to Net Cash Used for Operating Activities**

Proprietary operating loss		\$ (769,223)
Adjustments		
Depreciation expense	\$ 274,320	
Increase in deferred outflows of resources	(57,938)	
Increase in inventory	(5,214)	
Decrease in trade payables	(14,123)	
Decrease in deferred inflows of resources	(26,252)	
Increase in accrued expenses	339	
Decrease in sewer collections payable	(1,579)	
Increase in net pension liability	136,573	
Increase in prepaids	(7,204)	
Decrease in trade receivables	4,236	
Total adjustments		<u>303,158</u>
Net cash (used for) operating activities		<u>\$ (466,065)</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 1 - HISTORY AND ORGANIZATION**

Spartanburg Metropolitan Sub-District B Water and Sewer Works (the District) is a special purpose district created in 1932 by an Act of the General Assembly of the State of South Carolina. The District is exempt from federal and state income taxes and local property taxes. All customers served by the District are located in Spartanburg County within the geographical boundaries established by the General Assembly of South Carolina in 1932. The District is a primary government with no component units. The District is governed by a three member commission elected by citizens residing within the District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The governmental fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included in the balance sheet. The operating statement for this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. The governmental fund types are maintained using the modified accrual basis of accounting whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Those revenues susceptible to accrual are property taxes.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Fund Type

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District that are not required to be accounted for in the Enterprise Fund.

In the Fund financial statements, fund balance consists of Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balances are amounts restricted to specific purposes. Committed fund balances are amounts that can only be used for specific purposes as pursuant to official action by the Commissioners prior to the end of the reporting period. Assigned fund balances are amounts the District intends to use for a specific purpose but is neither restricted nor committed. The Commissioners have authority to assign fund balance. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Proprietary Fund Type

The Proprietary Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis is financed through user charges. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for water and sewer services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets

Budgets are presented in the required supplementary information section of the financial statements for the General Fund and Proprietary Fund. The General Fund budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. The Proprietary Fund budget is prepared on the accrual basis with the following adjustments: (1) The District does not budget depreciation expense; and (2) the District includes Capital asset additions and long-term debt reduction as expenses. Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes.

Prior to July 1 each year, the Board of Commissioners adopts an annual budget ordinance for the General Fund and Proprietary Fund. The presented budgetary information is as originally adopted or as amended by the Board of Commissioners. The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual – contain the original budget and the final budget.

Inventories and Prepaid Items

Materials and supplies are carried in an inventory account and valued at the lower of average cost or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

General Fixed Assets

Fixed assets used in proprietary fund type operations are accounted for in the Enterprise Fund. Fixed assets are carried at cost. Additions and betterments are capitalized; maintenance and repairs are expensed in the year incurred. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Capital assets are defined by the District as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Depreciation has been calculated on each class of depreciable property using the straight-line method. The composite rates are as follows:

Water and sewer lines	1½ – 10%
Office buildings	2 – 6⅔%
Office equipment	10 – 20%
Vehicles	10 – 20%
Work equipment	10 – 20%

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Comparative Data

Comparative data (i.e., presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statement unduly complex and difficult to read.

Cash Equivalents, Deposits and Investments

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted, designated, and unrestricted cash on hand or on deposit, certificates of deposit, and investments with a maturity of three months or less.

Investments are reported at their fair value. The District is permitted to invest through various investment advisors in a pool managed by the South Carolina State Treasurer, certificates of deposit, repurchase agreements, and United States or State of South Carolina general obligations.

The District does not typically invest its available funds in security investments and thus has not developed a policy for credit risk, custodial credit risk, concentration of credit risk, or interest rate risk for these types of investments, or any other types of investments. The District's current policy does not utilize amortized cost for any applicable investments.

Reporting Entity

The District's general purpose financial statements include the accounts of all District operations. The District is not included in any other "reporting entity" as defined in GASB pronouncements, since Commissioners of the District are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Designated and Restricted Assets

Whereas *restricted* assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the District or by agreement for funding certain debt service payments, *designated* assets represent cash that has been designated formally and consistently by Board action.

Impact fees, which are held in water capital funds, are considered designated assets. These fees are cash contributed capital received in exchange for the purchase of capacity in the system. The capacity certificate represents ownership of system capacity, and, as such, the District must ensure that the funds are utilized for growth infrastructure.

Capital Contributions

Contributions are recognized in the Statement of Revenues, Expenses and Changes in Net Position when earned. Contributions include impact fees, and other supplemental support by customers.

Receivables

All property taxes receivable are shown net of an allowance for uncollectibles. All trade receivables for water and sewer charges are shown net of an allowance for uncollectible accounts.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net assets component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. District contributions to the pension plan subsequent to the measurement date, the net difference between expected and actual experience in the pension plan, and changes in proportion and differences between employer contributions and proportionate share of contributions are included as deferred outflows of resources.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The net difference between expected and actual experience in the pension plan and changes in proportion and differences between employer contributions and proportionate share of contributions are included as deferred inflows of resources.

General and Administrative Expense Allocations

For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, general and administrative expenses were allocated at approximately 85% and 15% to the water and sewer divisions for fiscal year ended June 30, 2018. This allocation is based on revenues derived from the respective divisions and is reviewed each year by Management.

Internal Balances

Internal balances are presented only in government-wide financial statements. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**NOTE 3 - WATER SERVICE AGREEMENT**

In August of 1987, the District entered into an agreement with the Commissioners of Public Works of the City of Spartanburg, South Carolina, which allows the District to purchase its entire water supply from them. Construction of the water system improvements necessary pursuant to this agreement was completed in October of 1988. The District's distribution system includes \$296,472 of construction costs relating to this project. Total water purchases pursuant to this agreement during the year ended June 30, 2018 were \$352,945.

**NOTE 4 - COMPENSATED ABSENCES**

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for any unused accumulated leave. The District has no liability for unused vacation and sick pay since all vacation and sick leave is used or lost if not taken each year. Vacation and sick pay are charged to operations when taken by the employees of the District.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 5 - PROPERTY TAXES**

The District's property taxes (except vehicles) are levied by the Spartanburg County Auditor each fall on the assessed valuation of the property located in the District's area as of the preceding January 1. The tax books are open for collection September 1, with the first penalty of 3% applied to payments made after January 15, the due date. A total penalty of 10% is charged for payments made after January 31. Uncollected property taxes attach as an enforceable lien on January 1. Uncollected property taxes as of March 15 are transferred to the Spartanburg County Delinquent Tax Collector at which time a total penalty of 15% is assessed. Spartanburg County bills and collects the District's property taxes. The District recognizes property tax revenues when assessed by Spartanburg County.

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 taxes, excluding merchants' inventory and vehicles, in the District's area was assessed at 62.5 mills on approximately 6.6 million of property value.

The District has recorded uncollected, delinquent property taxes at June 30, 2018, of \$20,275 (net of allowance for uncollectibles portion of \$10,703). Delinquent property taxes of \$1,622 have been recognized as revenue at June 30, 2018, because they are expected to be collected within 60 days of the year end. The remaining amount of \$18,653 has been recorded as deferred inflows of resources on the governmental fund statements because they will not be collected within 60 days after year end.

The District has established an allowance for uncollectible property taxes. At June 30, 2018, the allowance totaled \$10,703.

**NOTE 6 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2018, the District's bank balances of \$1,775,585 (which had a carrying value of \$1,776,992) were fully insured by the FDIC and pledged securities.

Credit Risk

Investments of the District must comply with South Carolina Code Section 6-5-10, which states that the District may invest money subject to its control and jurisdiction in, obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the Federal Government, certificates of deposit where the certificates are collaterally secured by

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 6 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

Credit Risk (Continued)

the U.S. Treasury or its agencies, and repurchase agreements when collateralized by securities as set forth in this section. The provisions of South Carolina Code Section 6-5-10 do not impair the power of the District to hold funds in deposit accounts with banking institutions as otherwise authorized by law. The District has not developed a formal policy for credit risk, custodial credit risk, or concentration of credit risk.

**NOTE 7 - CAPITAL ASSETS**

The capital asset activity for the District for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business – Type Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 22,430	\$ --	\$ --	\$ 22,430
Total Capital Assets, Non-depreciable	<u>22,430</u>	<u>--</u>	<u>--</u>	<u>22,430</u>
Capital Assets, Depreciable:				
Buildings and improvements	568,426	--	--	568,426
Distribution system	5,097,959	--	--	5,097,959
Office furniture and fixtures	199,099	27,196	(163,499)	62,796
Vehicles	200,876	51,032	(8,017)	243,891
Machinery and equipment	446,903	47,740	(24,860)	469,783
Total Capital Assets, Depreciable	<u>6,513,263</u>	<u>125,968</u>	<u>(196,376)</u>	<u>6,442,855</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	345,924	13,528	--	359,452
Distribution system	3,937,310	195,654	--	4,132,964
Office furniture and fixtures	179,799	7,939	(163,499)	24,239
Vehicles	144,684	27,056	(8,017)	163,723
Machinery and equipment	333,739	30,143	(24,860)	339,022
Total Accumulated Depreciation	<u>4,941,456</u>	<u>274,320</u>	<u>(196,376)</u>	<u>5,019,400</u>
Total Capital Assets – Depreciable, Net	<u>1,571,807</u>	<u>(148,352)</u>	<u>--</u>	<u>1,423,455</u>
Business – Type Activities Capital Assets, Net	<u>\$ 1,594,237</u>	<u>\$ (148,352)</u>	<u>\$ --</u>	<u>\$ 1,445,885</u>

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 8 - INTERFUND OPERATING TRANSFERS**

Individual fund operating transfers for the year ended June 30, 2018, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	--	A) \$ 484,494
Enterprise Fund	A) \$ <u>484,494</u>	<u>          --</u>
Totals	\$ <u>484,494</u>	\$ <u>484,494</u>

A) To transfer property tax revenues levied for operations of the District.

**NOTE 9 - 401(k) SAVINGS PLAN**

A deferred compensation plan is available to District employees. The multi-employee plan, created under the Internal Revenue Code Section 401(k) is administered and accounted for by the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate employment with approval of the State’s Deferred Compensation Commission. Employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested.

Compensation deferred under the plan is placed in trust for the contributing employees. Neither the State nor the District has any liability for losses under the plan.

**NOTE 10 - PENSION PLAN**

**General Information about the Pension Plan**

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 fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS’s fiduciary net position have been determined on the accrual basis of accounting as they are reported by the SCRS in accordance with accounting principles generally accepted in the United States of America (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.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description**

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

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the custodian of the Retirement Trust Funds, and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

**Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the system is presented below.

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

**Benefits Provided**

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

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Benefits Provided (Continued)**

SCRS – 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 of employers 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 age 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.

**Contributions**

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease, the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Contributions (Continued)**

provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

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

Required employee contribution rates of earnable compensation are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%

Required employer contributions of earnable compensation are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
<b>SCRS</b>		
Employee Class Two	13.41%	11.41%
Employee Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

Contributions to the SCRS pension plan from the District were \$51,654 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$803,213 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability was determined based on the July 1, 2016, actuarial valuations using membership data as of July 1, 2015, rolled forward from the valuation date to the Plan's fiscal year ended June 30, 2017, using generally accepted actuarial procedures. The Retirement System Funding

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, the actuary made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017. Actuarial information is based on the certification provided by the SCRS's Consulting Actuary, Gabriel, Roeder, Smith and Company.

For the year ended June 30, 2018, the District recognized pension expense of \$104,037. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,581	\$ 445
Assumption changes	47,020	--
Net difference between projected and actual investment earnings	22,422	--
Deferred amounts from changes in proportionate share and differences between employee contributions and proportionate share of total plan employee contributions	75,219	3,866
Contributions subsequent to the measurement date	51,654	--
	\$ 199,896	\$ 4,311

\$51,654 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Difference Between Expected and Actual Experience

Balance		3,136
Amortization Period		4.15
Amortized period ending June 30:		
2018	\$	(1,755)
2019		(820)
2020		(525)
2021		(36)

Difference Between Projected and Actual Investment Earnings

Initial Balance		22,422
Amortization Period		5.00
Amortized period ending June 30:		
2018	\$	(4,909)
2019		(17,856)
2020		(7,013)
2021		7,356

Assumption Changes

Initial Balance		47,020
Amortization Period		4.15
Amortized period ending June 30:		
2018	\$	(15,301)
2019		(15,301)
2020		(15,301)
2021		(1,117)

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**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 be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2017 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS), and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement

System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	<b>SCRS</b>
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.5% to 12.5% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	lesser of 1% or \$500

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

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (CONTINUED)**

**Actuarial Assumptions and Methods (Continued)**

Assumptions used in the determination of the June 30, 2107 TPL are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety, Firefighters and members of the South Carolina National Guard	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%%

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

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

Continued on page 34

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (CONTINUED)**

**Actuarial Assumptions and Methods (Continued)**

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITS)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA / Risk Parity	10.0%	4.16%	0.42%
HF (Non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

**Discount Rate**

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

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (CONTINUED)**

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1.0% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
District’s Proportionate Share of the Net Pension Liability	<u>\$ 1,035,233</u>	<u>\$ 803,213</u>	<u>\$ 662,433</u>

**Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA’s Retirement Benefits’ website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

**Payables to the Pension Plan**

At June 30, 2018, the District’s outstanding payable to the SCRS totaled \$7,811.

**NOTE 11 – DESIGNATED AND RESTRICTED CASH**

Certain resources set aside for their repayment or to satisfy certain restrictive covenants of the bond agreements, are classified as *restricted* cash on the balance sheet because their use is limited by those covenants.

*Designated* cash funds are established by consistent Board action and are included in the funding sources available for Board approval. The “contingency fund” account is used to accumulate resources to be used for contingencies and for improvements, betterments, and extensions of the system.

Impact fees are accumulated in an account to pay for future expansion of the District’s water distribution system.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 11 – DESIGNATED AND RESTRICTED CASH (CONTINUED)**

The components of designated cash as of June 30, 2018 were as follows:

Board designated:	
Contingency fund	\$ 60,387
Impact fees	<u>88,623</u>
Total	<u>\$ 149,010</u>

**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; injuries to employees; and natural disasters. The District maintains insurance coverage with outside carriers for workman’s compensation, a commercial package policy covering buildings and contents and storage tanks and pumps, a commercial vehicle policy covering the District’s vehicles, and a commercial general liability policy. The District did not have settled claims that exceeded the District’s insurance coverage in any of the last three years. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provisions for unasserted claims is necessary.

In addition, the District provides a health insurance program for its employees. The District pays a monthly premium to the insurer for its health coverage (insured plan) with the insurer being responsible for claims.

**NOTE 13 – EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The Board (governing body) approved all expenditures in excess of the original budget.

**NOTE 14 – ACCOUNTS RECEIVABLE**

Accounts receivable for water and sewer charges are stated net of an allowance for estimated uncollectibles of \$47,700 at June 30, 2018.

**NOTE 15 – SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through August 22, 2018, the date on which the financial statements were available to be issued.

## **Required Supplementary Information**

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Property taxes	\$ 399,438	\$ 399,438	\$ 481,794	\$ 82,356
Total Revenues	399,438	399,438	481,794	82,356
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	399,438	399,438	481,794	82,356
OTHER FINANCING (USES)				
Operating transfers out	(399,438)	(399,438)	(484,494)	(85,056)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (2,700)	\$ (2,700)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
REQUIRED SUPPLEMENTARY INFORMATION - PROPRIETARY FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
ACTUAL COMPARED TO BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	BUDGET AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE
	ORIGINAL	FINAL		
<b>OPERATING REVENUES</b>				
Water and sewer service	\$ 910,800	\$ 910,800	\$ 916,484	\$ 5,684
Meter, tap and application fees	9,000	9,000	11,340	2,340
Total Operating Revenues	<u>919,800</u>	<u>919,800</u>	<u>927,824</u>	<u>8,024</u>
<b>OPERATING EXPENSES</b>				
Purchases of water	359,800	359,800	352,945	6,855
Depreciation	-	-	-	-
General, administrative, customer service, and other	897,240	897,240	1,069,782	(172,542)
Total Operating Expenses	<u>1,257,040</u>	<u>1,257,040</u>	<u>1,422,727</u>	<u>(165,687)</u>
<b>OPERATING LOSS</b>	<u>(337,240)</u>	<u>(337,240)</u>	<u>(494,903)</u>	<u>(157,663)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Tower rental	27,000	27,000	29,235	2,235
Interest revenue	5,000	5,000	2,485	(2,515)
Miscellaneous income	-	-	623	623
Gain on sale of assets	-	-	4,200	4,200
Capital asset additions	(94,198)	(94,198)	(125,968)	(31,770)
Total Nonoperating Revenues (Expenses)	<u>(62,198)</u>	<u>(62,198)</u>	<u>(89,425)</u>	<u>(27,227)</u>
<b>LOSS BEFORE TRANSFERS</b>	(399,438)	(399,438)	(584,328)	(184,890)
<b>OPERATING TRANSFERS IN</b>	<u>399,438</u>	<u>399,438</u>	<u>484,494</u>	<u>85,056</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,834)</u>	<u>\$ (99,834)</u>

Note: The District does not budget depreciation expense and includes Capital asset additions as an expense in the budget. Actual operating expenses have been reduced by \$274,320 (depreciation expense) and nonoperating expenses have been increased by \$125,968 of Capital asset additions.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
 REQUIRED SUPPLEMENTARY INFORMATION - PROPRIETARY FUND  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 SOUTH CAROLINA RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS\*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability	0.0036%	0.0031%	0.0030%	0.0031%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 803,213	\$ 666,640	\$ 591,913	\$ 519,255	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 359,996	\$ 302,224	\$ 282,784	\$ 280,692	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.12%	220.58%	209.32%	184.99%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	53.34%	52.91%	56.99%	59.92%	N/A	N/A	N/A	N/A	N/A	N/A

\* The amounts represented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
 REQUIRED SUPPLEMENTARY INFORMATION - PROPRIETARY FUND  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 SOUTH CAROLINA RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	\$ 51,654	\$ 41,616	\$ 33,426	\$ 30,824	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	\$ 51,654	\$ 41,616	\$ 33,426	\$ 30,824	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 403,661	\$ 359,996	\$ 302,224	\$ 282,784	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	13.56%	11.56%	11.06%	10.90%	N/A	N/A	N/A	N/A	N/A	N/A

N/A -- Not Available

## **Other Supplementary Information**

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION-  
ACTUAL COMPARED TO FINAL BUDGETARY BASIS-PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	ACTUAL	ADJUSTMENT TO BUDGETARY BASIS	ACTUAL ON BUDGETARY BASIS	FINAL BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b>OPERATING REVENUES</b>					
Water & sewer service	\$ 916,484	\$ -	\$ 916,484	\$ 910,800	\$ 5,684
Meter, tap & application fees	11,340	-	11,340	9,000	2,340
Total Operating Revenues	<u>927,824</u>	<u>-</u>	<u>927,824</u>	<u>919,800</u>	<u>8,024</u>
<b>OPERATING EXPENSES</b>					
Purchases of water	352,945	-	352,945	359,800	6,855
Salaries & wages	406,735	-	406,735	400,000	(6,735)
Water & sewer line maintenance	54,417	-	54,417	47,500	(6,917)
Commissioners' fees	7,200	-	7,200	7,200	-
Utilities	22,243	-	22,243	24,000	1,757
Repairs & maintenance	31,185	-	31,185	15,000	(16,185)
Office supplies & postage	31,523	-	31,523	26,000	(5,523)
Insurance	290,131	-	290,131	205,000	(85,131)
Professional fees	22,330	-	22,330	24,500	2,170
Retirement plan	104,037	-	104,037	54,240	(49,797)
Taxes & licenses	31,350	-	31,350	30,600	(750)
Telephone	21,469	-	21,469	16,000	(5,469)
Vehicles	21,850	-	21,850	23,000	1,150
Laundry & uniforms	2,627	-	2,627	3,200	573
Depreciation	274,320	(274,320)	-	-	-
Miscellaneous	22,685	-	22,685	21,000	(1,685)
Total Operating Expenses	<u>1,697,047</u>	<u>(274,320)</u>	<u>1,422,727</u>	<u>1,257,040</u>	<u>(165,687)</u>
OPERATING INCOME (LOSS)	<u>(769,223)</u>	<u>274,320</u>	<u>(494,903)</u>	<u>(337,240)</u>	<u>(157,663)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Tower rental	29,235	-	29,235	27,000	2,235
Interest revenue	2,485	-	2,485	5,000	(2,515)
Capital asset additions	-	(125,968)	(125,968)	(94,198)	(31,770)
Gain on sale of assets	4,200	-	4,200	-	4,200
Miscellaneous revenue	623	-	623	-	623
Total Nonoperating Revenues (Expenses)	<u>36,543</u>	<u>(125,968)</u>	<u>(89,425)</u>	<u>(62,198)</u>	<u>(27,227)</u>
INCOME (LOSS) BEFORE TRANSFERS	(732,680)	148,352	(584,328)	(399,438)	(184,890)
OPERATING TRANSFERS IN	<u>484,494</u>	<u>-</u>	<u>484,494</u>	<u>399,438</u>	<u>85,056</u>
CHANGE IN NET POSITION	<u>\$ (248,186)</u>	<u>\$ 148,352</u>	<u>\$ (99,834)</u>	<u>\$ -</u>	<u>\$ (99,834)</u>

Note: The District does not budget depreciation expense and includes Capital asset additions in their budgeted expenses.