

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

AUDITED FINANCIAL STATEMENTS

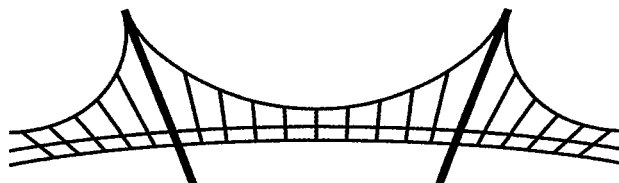
YEAR ENDED JUNE 30, 2023

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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Phillips CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spartanburg Metropolitan Sub-District B Water and Sewer Works (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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-type activities, each major fund, and the aggregate remaining fund information of Spartanburg Metropolitan Sub-District B Water and Sewer Works, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 Spartanburg Metropolitan Sub-District B Water and Sewer Works, 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 Spartanburg Metropolitan Sub-District B Water and Sewer Works' 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.

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To the Board of Commissioners
Spartanburg Metropolitan Sub-District B
Water and Sewer Works
December 27, 2024

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, 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 Spartanburg Metropolitan Sub-District B Water and Sewer Works' 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 Spartanburg Metropolitan Sub-District B Water and Sewer Works' 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 Management's Discussion and Analysis, budgetary comparison information, Schedule of Pension Plan Contributions, and Schedule of Proportionate Share of Net Pension Liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

To the Board of Commissioners
Spartanburg Metropolitan Sub-District B
Water and Sewer Works
December 27, 2024

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 Supplementary Information

Management is responsible for the other information included in the annual report. The other information comprises the Proprietary Fund Schedule of Revenues, Expenditures, and Changes in Fund Net Position – Actual Compared to Final Budgetary Basis but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection of our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Phillips CPAs and Advisors

Greenville, South Carolina
December 27, 2024

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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, and 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.

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, 2023, the District's total revenues increased \$271,400 (or 15.1%) and total expenses increased \$235,500 (or 13.4%), resulting in an increase of 79,200 in net position. This is an increase of \$35,900 from the previous year. The decrease in total revenues for this year was mainly the result of an increase in operating revenues offset by a decrease in property taxes. The decrease in operating expenses is the result of higher employee costs, offset by lower maintenance and operating costs.

Financial Analysis of the District

Net Position - The District's net position increased \$79,200 between fiscal years 2022 and 2023. This increase was primarily due to increased operating costs and higher revenues. The higher revenues resulted from rate increases for water and sewer costs and increased property tax receipts.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current and Other Assets	\$ 2,420,657	\$ 2,260,223
Capital Assets	829,050	885,276
Total assets	<u>3,249,707</u>	<u>3,145,499</u>
Deferred outflows of resources	<u>154,490</u>	<u>186,606</u>
Other Liabilities	174,111	224,252
Long-term Liabilities	1,084,910	953,289
Total liabilities	<u>1,259,021</u>	<u>1,177,541</u>
Deferred inflows of resources	<u>43,778</u>	<u>132,350</u>
Net Investment in Capital Assets	829,050	885,276
Unrestricted	1,272,348	1,136,938
Net position	<u>\$ 2,101,398</u>	<u>\$ 2,022,214</u>

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Operating Revenues	\$ 1,236,026	\$ 1,067,913
Property Tax	755,544	655,681
Investment Earnings	11,921	2,298
Total revenues	<u>2,003,491</u>	<u>1,725,892</u>
Operating Expenses	<u>1,988,095</u>	<u>1,752,616</u>
Total Expenses	<u>1,988,095</u>	<u>1,752,616</u>
Excess (deficiency) before special items	15,396	\$ (26,724)
Tower rental	53,219	48,389
Gain on sale of assets	10,200	20,400
Miscellaneous	369	1,188
Change in net position	<u>\$ 79,184</u>	<u>\$ 43,253</u>

Final Budget versus Actual Results – Proprietary Fund

The budget excludes certain items from actual expenses, and includes other items for budgetary purposes. Depreciation and pension expense in excess of required contributions are 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 were over the budget by \$72,400. The majority of this excess is attributable to higher than anticipated water and sewer usage. Operating expenses exceeded the budget by \$221,200.

Other financing sources are primarily transfers from the general fund of property taxes. Property taxes were over budget as the District received more than the anticipated collection of property taxes from the County of Spartanburg. Capital expenditures exceeded budget primarily from the unexpected sewer line replacement.

**Spartanburg Metropolitan Sub-District B Water and Sewer Works
Actual versus Budget-Proprietary Fund
For the Year Ended June 30, 2023**

	<u>Actual</u>	<u>Budget</u>	Variance Favorable/ (Unfavorable)
Operating revenues	\$ 1,236,026	\$ 1,163,629	\$ 72,397
Operating expenses	1,792,664	1,571,485	(221,179)
Non-operating revenues (expenses)	(55,746)	(79,297)	23,551
Other financing sources	757,924	487,153	270,771

Capital Assets

As of June 30, 2023 the District has invested \$6,539,500 in capital assets net of \$5,710,400 of accumulated depreciation. This amount represents a net decrease (including additions and deductions) of \$56,200 (or 6.4%) over the prior year. A condensed schedule of Capital assets for June 30, 2023 and 2022 follows:

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Land and Buildings	\$ 595,014	\$ 595,014
Distribution system	5,053,893	5,053,893
Office furniture and equipment	35,711	35,711
Vehicles	279,279	279,279
Machinery and equipment	575,579	498,505
Total Capital Assets	<u>6,539,476</u>	<u>6,462,402</u>
Accumulated depreciation	<u>(5,710,426)</u>	<u>(5,577,126)</u>
Total Net of Accumulated Depreciation	<u>\$ 829,050</u>	<u>\$ 885,276</u>

During the year, the District added \$131,455 in capital additions, and recorded depreciation expense of \$187,681. 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 \$949,248 , the District's proportionate share of the South Carolina Retirement System's net pension liability as of June 30, 2023. 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 2023-24 Budget

Many factors were considered by the District's administration during the process of developing the 2023-24 budget. The District's budget was prepared to continue the vision and mission of the District. No new programs were added to the 2023-24 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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF NET POSITION
JUNE 30, 2023

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,899,828	\$ 1,899,828
Receivables:			
Taxes - net	83,861	-	83,861
Trade accounts - net	-	146,490	146,490
Due from County Treasurer	91,233	-	91,233
Inventory	-	16,460	16,460
Prepaid expenses	-	31,788	31,788
Designated cash	-	150,997	150,997
Capital assets, non depreciable	-	22,430	22,430
Capital assets, depreciable - net	-	806,620	806,620
TOTAL ASSETS	175,094	3,074,613	3,249,707
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	154,490	154,490
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	154,490	154,490
LIABILITIES			
Accounts payable:			
Trade accounts	-	34,641	34,641
Sewer collections	-	127,363	127,363
Accrued expenses	-	12,107	12,107
Noncurrent liabilities:			
Due within one year	-	67,831	67,831
Due in more than one year	-	67,831	67,831
Net pension liability	-	949,248	949,248
TOTAL LIABILITIES	-	1,259,021	1,259,021
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	43,778	43,778
TOTAL DEFERRED INFLOWS OF RESOURCES	-	43,778	43,778
NET POSITION			
Net Investment in capital assets	-	829,050	829,050
Unrestricted	175,094	1,097,254	1,272,348
TOTAL NET POSITION	\$ 175,094	\$ 1,926,304	\$ 2,101,398

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, 2023**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
FUNCTIONS/PROGRAMS	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
PRIMARY GOVERNMENT:	Expenses	Governmental Activities	Business-Type Activities	Total		
Governmental Activities:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities:						
Water and sewer service	<u>1,988,095</u>	<u>1,236,026</u>	<u>-</u>	<u>(752,069)</u>	<u>(752,069)</u>	<u>(752,069)</u>
TOTAL - PRIMARY GOVERNMENT	<u>\$ 1,988,095</u>	<u>\$ 1,236,026</u>	<u>\$ -</u>	<u>(752,069)</u>	<u>(752,069)</u>	<u>(752,069)</u>
General Revenues:						
Property taxes levied for general purposes		755,544		-	-	755,544
Unrestricted investment earnings		-		11,921	-	11,921
Miscellaneous		-		369	-	369
Tower rental		-		53,219	-	53,219
Gain on sale of assets		-		10,200	-	10,200
Transfers:		<u>(757,924)</u>		<u>757,924</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers		<u>(2,380)</u>		<u>833,633</u>	<u>831,253</u>	<u>831,253</u>
Change in net position		<u>(2,380)</u>		<u>81,564</u>	<u>79,184</u>	<u>79,184</u>
NET POSITION, Beginning of Year		<u>177,474</u>		<u>1,844,740</u>	<u>2,022,214</u>	<u>2,022,214</u>
NET POSITION, End of Year		<u>\$ 175,094</u>		<u>\$ 1,926,304</u>	<u>\$ 2,101,398</u>	<u>\$ 2,101,398</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, 2023**

	<u>GENERAL</u>
ASSETS	
Property Taxes Receivable - net	\$ 83,861
Due from County Treasurer	<u>91,233</u>
TOTAL ASSETS	<u>\$ 175,094</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	\$ 82,122
FUND BALANCE	
Unassigned	<u>92,972</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 175,094</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, 2023**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 92,972
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>82,122</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 175,094</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, 2023**

	GENERAL
REVENUES	
Property taxes	\$ <u>840,380</u>
TOTAL REVENUES	840,380
EXPENDITURES	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	840,380
OTHER FINANCING (USES)	
Operating transfers out	<u>(757,924)</u>
NET CHANGE IN FUND BALANCE	82,456
FUND BALANCE - BEGINNING OF YEAR	<u>10,516</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 92,972</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, 2023**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 82,456
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.	<u>(84,836)</u>
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (2,380)</u></u>

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, 2023

	ENTERPRISE
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,899,828
Receivables:	
Trade accounts - net	146,490
Inventory	16,460
Prepaid expenses	31,788
Total Current Assets - Unrestricted	2,094,566
Designated Assets	
Cash and cash equivalents - designated	150,997
Total Designated Assets	150,997
Total Current Assets	2,245,563
Noncurrent assets	
Capital Assets:	
Nondepreciable	22,430
Depreciable, net	806,620
Total Noncurrent Assets	829,050
TOTAL ASSETS	3,074,613
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	154,490
TOTAL DEFERRED OUTFLOWS OF RESOURCES	154,490
LIABILITIES	
Current liabilities	
Accounts payable:	
Trade accounts	34,641
Sewer collections	127,363
Accrued expenses	12,107
Compensated Absences	67,831
Total Current Liabilities	241,942
Noncurrent liabilities	
Compensated Absences	67,831
Net pension liability	949,248
Total Noncurrent Liabilities	1,017,079
TOTAL LIABILITIES	1,259,021
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	43,778
TOTAL DEFERRED INFLOWS OF RESOURCES	43,778
NET POSITION	
Net investment in capital assets	829,050
Unrestricted	1,097,254
TOTAL NET POSITION	\$ 1,926,304

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, 2023**

	ENTERPRISE		
	WATER DEPARTMENT	SEWER DEPARTMENT	TOTAL
OPERATING REVENUES			
Water and sewer service	\$ 1,102,817	\$ 101,346	\$ 1,204,163
Meter, tap and application fees	31,863	-	31,863
Total Operating Revenues	<u>1,134,680</u>	<u>101,346</u>	<u>1,236,026</u>
OPERATING EXPENSES			
Purchases of water	365,389	-	365,389
Depreciation	174,597	13,084	187,681
General, administrative, customer service, and other	1,224,043	210,982	1,435,025
Total Operating Expenses	<u>1,764,029</u>	<u>224,066</u>	<u>1,988,095</u>
OPERATING INCOME (LOSS)	<u>\$ (629,349)</u>	<u>\$ (122,720)</u>	<u>(752,069)</u>
NONOPERATING REVENUES (EXPENSES)			
Tower rental			53,219
Interest revenue			11,921
Miscellaneous income			369
Gain on sale of assets			10,200
Total Nonoperating Revenues (Expenses)			<u>75,709</u>
INCOME (LOSS) BEFORE TRANSFERS			(676,360)
OPERATING TRANSFERS IN			<u>757,924</u>
CHANGE IN NET POSITION			81,564
NET POSITION - BEGINNING OF YEAR			<u>1,844,740</u>
NET POSITION - END OF YEAR			<u>\$ 1,926,304</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, 2023
INCREASE (DECREASE) IN CASH AND DESIGNATED CASH

		Enterprise
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Cash received from customers		\$ 1,233,226
Cash paid to suppliers		(1,256,621)
Cash paid to employees		(498,046)
NET CASH (USED FOR) OPERATING ACTIVITIES		<u>(521,441)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	\$ 757,924	
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES		757,924
CASH FLOWS FROM (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(131,455)	
Proceeds from sale of capital assets	10,200	
NET CASH (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES		(121,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	11,921	
Miscellaneous revenue	369	
Tower rental	53,219	
NET CASH FROM INVESTING ACTIVITIES		<u>65,509</u>
NET INCREASE IN CASH & CASH EQUIVALENTS		180,737
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>1,870,088</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>\$ 2,050,825</u>

Reconciliation of Cash and Cash Equivalents to the Balance Sheet

	End of Year	Beginning of Year
Unrestricted cash and cash equivalents	\$ 1,899,828	\$ 1,719,666
Designated cash and cash equivalents	150,997	150,422
Total cash and cash equivalents	<u>\$ 2,050,825</u>	<u>\$ 1,870,088</u>

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

Proprietary operating loss		\$ (752,069)
Adjustments		
Depreciation expense	\$ 187,681	
Decrease in deferred outflows of resources	32,116	
Decrease in inventory	20,723	
Decrease in trade payables	(6,696)	
Decrease in deferred inflows of resources	(88,572)	
Decrease in accrued expenses	(2,649)	
Increase in sewer collections payable	14,938	
Increase in net pension liability	51,694	
Increase in trade receivables	(2,800)	
Increase in compensated absences	24,193	
Total adjustments		<u>230,628</u>
Net cash (used for) operating activities		<u>\$ (521,441)</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, 2023

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.

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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

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.

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 or pension expense in excess of the required contributions; 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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

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 – 6.67%
Office equipment	10 – 20%
Vehicles	10 – 20%
Work equipment	10 – 20%

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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

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.

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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

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.

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, changes in proportion and differences between employer contributions and proportionate share of contributions, and net differences between projected and actual investment earnings 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, 2023. 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, 2023 were \$365,389.

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 sick leave and up to forty hours of vacation. 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 - Continued YEAR ENDED JUNE 30, 2023

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. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. 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 65.9 mills on approximately 9.9 million of property value.

The District has recorded uncollected, delinquent property taxes at June 30, 2023, of \$83,861 (net of allowance for uncollectibles portion of \$30,319). Delinquent property taxes of \$1,739 have been recognized as revenue at June 30, 2023, because they are expected to be collected within 60 days of the year end. The remaining amount of \$82,122 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, 2023, the allowance totaled \$30,319.

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, 2023, the District's bank balances of \$2,094,634 (which had a carrying value of \$2,050,825) 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 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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

NOTE 7 – CAPITAL ASSETS

The capital asset activity for the District for the year ended June 30, 2023, 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	572,584	-	-	572,584
Distribution system	5,053,893	-	-	5,053,893
Office furniture and fixtures	35,711	-	-	35,711
Vehicles	279,279	-	-	279,279
Machinery and equipment	498,505	131,455	(54,381)	575,579
Total capital assets being depreciated	<u>6,439,972</u>	<u>131,455</u>	<u>(54,381)</u>	<u>6,517,046</u>
Less accumulated depreciation for:				
Buildings and improvements	410,439	14,113	-	424,552
Distribution systems	4,536,928	111,461	-	4,648,389
Office furniture and fixtures	26,264	2,119	-	28,383
Vehicles	197,590	25,930	-	223,520
Machinery and equipment	405,905	34,058	(54,381)	385,582
Total accumulated depreciation	<u>5,577,126</u>	<u>187,681</u>	<u>(54,381)</u>	<u>5,710,426</u>
Total capital assets - depreciable, net	<u>862,846</u>	<u>(56,226)</u>	<u>-</u>	<u>806,620</u>
Business-type activities Capital assets, net	<u>\$ 885,276</u>	<u>\$ (56,226)</u>	<u>\$ -</u>	<u>\$ 829,050</u>

NOTE 8 – INTERFUND OPERATING TRANSFERS

Individual fund operating transfers for the year ended June 30, 2023, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	A) \$ 757,924
Enterprise Fund	A) 757,924	-
Totals	<u>\$ 757,924</u>	<u>\$ 757,924</u>

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

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

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

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit 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 by the 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, and 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 Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (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 an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through 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 a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

Plan Descriptions

- 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 teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each 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 first-term individuals elected to the South Carolina General Assembly. 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.
- State ORP – As an alternative to membership in SCRS, newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent) a direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective membership prior to July 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

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 the benefit terms for each system is presented below.

- 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 requirements, 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 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 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.

- PORS – 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The 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 of the preceding year are eligible to receive the increase.

Contributions

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

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to 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 and PORS 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 and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates¹ are as follows:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

PORS

Employer Class Two	19.84%	18.84%
Employer Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

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 for the period ending June 30, 2019.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return ¹	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

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 Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

Assumptions used in the determination of the June 30, 2022, TPL are as follows:

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Position Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 56,454,779,872	\$ 32,212,626,932	\$ 24,242,152,940	57.1%
PORS	8,937,686,946	5,938,707,767	2,998,979,179	66.4%

The TPL is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

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 2022 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 on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

<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%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity ¹	9.0%	8.75%	0.79%
Private Debt ¹	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate ¹	9.0%	4.12%	0.37%
Infrastructure ¹	3.0%	5.88%	0.18%
Total Expected Real Return ²	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

¹ RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Estate exceeds 30 percent of total plan assets.

² Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

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

At June 30, 2023, the District reported a liability of \$949,248 for its proportionate share of the net SCRS pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2023, the District recognized pension expense totaling \$81,614 which consisted of SCRS contributions to the Systems of \$86,932 and a decrease of expense of \$5,318 as a result of the decrease in the net pension liability related to GASB 68 requirements. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 8,247	\$ 4,137
Assumption changes	30,445	-
Net difference between projected and actual investment earnings	1,464	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	27,402	39,641
District contributions subsequent to the measurement date	<u>86,932</u>	<u>-</u>
Total SCRS	<u>\$ 154,490</u>	<u>\$ 43,778</u>

\$86,932 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized as an increase of the net pension liabilities in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS
2024	\$ 22,413
2025	10,039
2026	(33,428)
2027	<u>24,756</u>
Total	<u>\$ 23,780</u>

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) and 1 percent higher (8 percent) than the current rate.

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 1,217,053	\$ 949,248	\$ 726,603

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

NOTES TO FINANCIAL STATEMENTS - Continued YEAR ENDED JUNE 30, 2023

supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

Payables to the Pension Plan

At June 30, 2023, the District's outstanding payable to the SCRS totaled \$10,033 for the month of June.

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.

The components of designated cash as of June 30, 2023 were as follows:

Board designated:	
Contingency fund	\$ 60,439
Impact fees	<u>90,558</u>
Total	<u>\$ 150,997</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.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2023**

NOTE 14 – ACCOUNTS RECEIVABLE

Accounts receivable for water and sewer charges are stated net of an allowance for estimated uncollectibles of \$15,979 at June 30, 2023.

NOTE 15 – LONG-TERM OBLIGATIONS

Long-term obligations are shown in the Statement of Net Position for the business type activities as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 111,469	\$ 24,193	\$ -	\$ 135,662	\$ 67,831
Net Pension Liability	897,554	51,694	-	949,248	-
	<u>\$ 1,009,023</u>	<u>\$ 75,887</u>	<u>\$ -</u>	<u>\$ 1,084,910</u>	<u>\$ 67,831</u>

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued. Events after the date of the auditor’s report have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0039%	0.0041%	0.0039%	0.0039%	0.0039%	0.0036%	0.0031%	0.0030%	0.0031%	N/A
District's proportionate share of the net pension liability	\$ 949,248	\$ 897,554	\$ 1,004,601	\$ 886,324	\$ 872,813	\$ 803,213	\$ 666,640	\$ 591,913	\$ 519,255	N/A
District's covered-employee payroll	\$ 495,055	\$ 468,827	\$ 438,628	\$ 409,884	\$ 403,661	\$ 359,996	\$ 302,224	\$ 282,784	\$ 280,692	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.75%	191.45%	229.03%	216.24%	216.22%	223.12%	220.58%	209.32%	184.99%	N/A
Plan fiduciary net position as a percentage of the total pension liability	57.10%	60.74%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	N/A

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

N/A -- Not Available

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 86,932	\$ 77,768	\$ 72,949	\$ 68,250	\$ 59,679	\$ 51,654	\$ 41,616	\$ 33,426	\$ 30,824	\$ N/A
Contributions in relation to the contractually required contribution	\$ 86,932	\$ 77,768	\$ 72,949	\$ 68,250	\$ 59,679	\$ 51,654	\$ 41,616	\$ 33,426	\$ 30,824	\$ N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A
District's covered-employee payroll	\$ 495,055	\$ 469,614	\$ 468,827	\$ 438,628	\$ 409,884	\$ 403,661	\$ 359,996	\$ 302,224	\$ 282,784	\$ N/A
Contributions as a percentage of covered-employee payroll	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	N/A

N/A -- Not Available

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2022, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended June 30, 2023 reported in that schedule can be found in Note 10 of the basic financial statements.

**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, 2023**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Property taxes	\$ 487,153	\$ 487,153	\$ 840,380	\$ 353,227
Total Revenues	487,153	487,153	840,380	353,227
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	487,153	487,153	840,380	353,227
OTHER FINANCING (USES)				
Operating transfers out	<u>(487,153)</u>	<u>(487,153)</u>	<u>(757,924)</u>	<u>(270,771)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,456</u>	<u>\$ 82,456</u>

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.

OTHER SUPPLEMENTARY INFORMATION

**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, 2023**

	BUDGET AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE
	ORIGINAL	FINAL		
OPERATING REVENUES				
Water and sewer service	\$ 1,152,129	\$ 1,152,129	\$ 1,204,163	\$ 52,034
Meter, tap and application fees	11,500	11,500	31,863	20,363
Total Operating Revenues	<u>1,163,629</u>	<u>1,163,629</u>	<u>1,236,026</u>	<u>72,397</u>
OPERATING EXPENSES				
Purchases of water	389,706	389,706	365,389	24,317
Depreciation	-	-	-	-
General, administrative, customer service, and other	1,181,779	1,181,779	1,427,275	(245,496)
Total Operating Expenses	<u>1,571,485</u>	<u>1,571,485</u>	<u>1,792,664</u>	<u>(221,179)</u>
OPERATING LOSS	<u>(407,856)</u>	<u>(407,856)</u>	<u>(556,638)</u>	<u>(148,782)</u>
NONOPERATING REVENUES (EXPENSES)				
Tower rental	45,000	45,000	53,219	8,219
Interest revenue	2,500	2,500	11,921	9,421
Miscellaneous income	-	-	369	369
Proceeds from sale of assets	-	-	10,200	10,200
Capital asset additions	(126,797)	(126,797)	(131,455)	(4,658)
Total Nonoperating Revenues (Expenses)	<u>(79,297)</u>	<u>(79,297)</u>	<u>(55,746)</u>	<u>23,551</u>
LOSS BEFORE TRANSFERS	(487,153)	(487,153)	(612,384)	(125,231)
OPERATING TRANSFERS IN	<u>487,153</u>	<u>487,153</u>	<u>757,924</u>	<u>270,771</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,540</u>	<u>\$ 145,540</u>

Note: The District does not budget depreciation expense and pension expense in excess of required contributions and includes Capital asset additions as an expense in the budget. Actual operating expenses have been reduced by \$182,363 (depreciation expense of \$187,681 and \$5,318 of pension expense in excess of required contributions), and nonoperating expenses have been increased by \$131,455 of Capital asset additions.

**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, 2023**

	ACTUAL	ADJUSTMENT TO BUDGETARY BASIS	ACTUAL ON BUDGETARY BASIS	FINAL BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES					
Water & sewer service	\$ 1,204,163	\$ -	\$ 1,204,163	\$ 1,152,129	\$ 52,034
Metr. tap & application fees	31,863	-	31,863	11,500	20,363
Total Operating Revenues	<u>1,236,026</u>	<u>-</u>	<u>1,236,026</u>	<u>1,163,629</u>	<u>72,397</u>
OPERATING EXPENSES					
Purchases of water	365,389	-	365,389	389,706	24,317
Salaries & wages	520,520	-	520,520	490,000	(30,520)
N.S. Land Lease	-	-	-	2,550	2,550
Water & sewer line maintenance	55,639	-	55,639	65,000	9,361
Commissioners' fees	7,000	-	7,000	7,200	200
Utilities	46,802	-	46,802	25,000	(21,802)
Repairs & maintenance	9,814	-	9,814	16,000	6,186
Office supplies & postage	33,254	-	33,254	30,000	(3,254)
Tools	3,358	(3,358)	-	-	-
Insurance	507,748	-	507,748	325,000	(182,748)
Seminars, Dues, Travel	9,560	(9,560)	-	-	-
Professional fees	30,560	-	30,560	24,500	(6,060)
Retirement plan	81,614	5,318	86,932	86,044	(888)
Taxes & licenses	47,295	-	47,295	37,485	(9,810)
Telephone	19,492	-	19,492	20,000	508
Vehicles	36,447	-	36,447	25,000	(11,447)
Laundry & uniforms	3,317	-	3,317	4,000	683
Consulting	150	(150)	-	-	-
Depreciation	187,681	(187,681)	-	-	-
QS1 Service Contract	-	-	-	4,000	4,000
Miscellaneous	22,455	-	22,455	20,000	(2,455)
Total Operating Expenses	<u>1,988,095</u>	<u>(195,431)</u>	<u>1,792,664</u>	<u>1,571,485</u>	<u>(221,179)</u>
OPERATING INCOME (LOSS)	<u>(752,069)</u>	<u>195,431</u>	<u>(556,638)</u>	<u>(407,856)</u>	<u>(148,782)</u>
NONOPERATING REVENUES (EXPENSES)					
Tower rental	53,219	-	53,219	45,000	8,219
Interest revenue	11,921	-	11,921	2,500	9,421
Capital asset additions	-	(131,455)	(131,455)	(126,797)	(4,658)
Proceeds from sale of assets	10,200	-	10,200	-	10,200
Miscellaneous revenue	369	-	369	-	369
Total Nonoperating Revenues (Expenses)	<u>75,709</u>	<u>(131,455)</u>	<u>(55,746)</u>	<u>(79,297)</u>	<u>23,551</u>
INCOME (LOSS) BEFORE TRANSFERS	(676,360)	63,976	(612,384)	(487,153)	(125,231)
OPERATING TRANSFERS IN	<u>757,924</u>	<u>-</u>	<u>757,924</u>	<u>487,153</u>	<u>270,771</u>
CHANGE IN NET POSITION	<u>\$ 81,564</u>	<u>\$ 63,976</u>	<u>\$ 145,540</u>	<u>\$ -</u>	<u>\$ 145,540</u>

Note: The District does not budget depreciation expense or pension expense in excess of required contributions and includes Capital asset additions in their budgeted expenses.