



**SPARTANBURG WATER SYSTEM
SPARTANBURG, SOUTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEARS ENDING JUNE 30, 2023 AND 2022**

I. INTRODUCTORY SECTION

SPARTANBURG WATER SYSTEM
SPARTANBURG, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SUBMITTED BY:
FINANCE DEPARTMENT

SPARTANBURG WATER SYSTEM
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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Spartanburg Water System Officials

List of Commissioners and Senior Management Staff

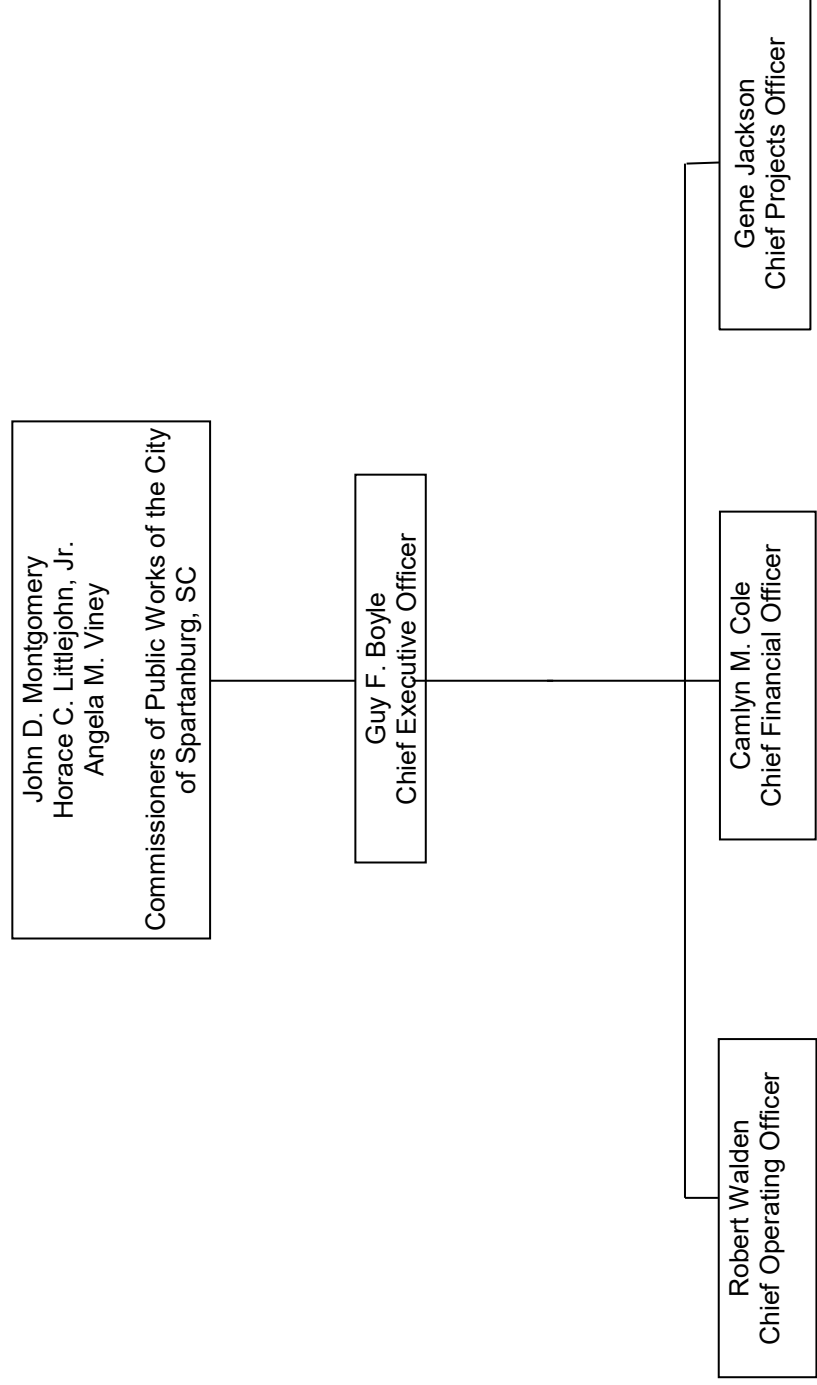
Commissioners

John D. Montgomery Chair
Horace C. Littlejohn, Jr. Commissioner
Angela M. Viney Commissioner

Senior Management Staff

Guy F. Boyle.....Chief Executive Officer
Camlyn M. Cole Chief Financial Officer
Robert Walden Chief Operating Officer
Gene Jackson..... Chief Projects Officer

Spartanburg Water System Organization Chart



Horace C. Littlejohn, Jr.
John D. Montgomery
Angela M. Viney

Guy F. Boyle, Chief Executive Officer
Camlyn M. Cole, Chief Financial Officer
Robert F. Walden, Chief Operating Officer
Charles E. Jackson, P.E., Chief Capital Projects Officer



Barbara J. Barnes
Louie W. Blanton
Horace C. Littlejohn, Jr.
John D. Montgomery
Jerome Rice, Jr.
Angela M. Viney
Woody Willard

Letter of Transmittal
December 18, 2023

To the Commissioners and Customers
of the Spartanburg Water System

We are pleased to submit to you the Annual Comprehensive Financial Report for the Spartanburg Water System (the "System") for the fiscal year ended June 30, 2023. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The System's management has established a system of internal accounting controls designed to provide reasonable, but not absolute, assurance for the safeguarding of assets and financial statement preparation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits.

The System is required by state law to publish an annual financial report audited by a certified public accountant and this Annual Comprehensive Financial Report fulfills that requirement. Halliday, Schwartz & Co., Certified Public Accountants, conducted the independent audit of the System's financial statements. The objective was to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was conducted in accordance with U.S. generally accepted auditing standards. Halliday, Schwartz & Co., issued an unmodified opinion that the System's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

A Management's Discussion and Analysis ("MD&A") is provided in the financial section of this report. The MD&A serves as a narrative introduction, overview and analysis of the System's financial statements. This Letter of Transmittal is intended to compliment the MD&A and should be read in conjunction with it.

PROFILE OF THE SYSTEM

The System is a Commission of Public Works created in 1908 by the General Assembly of the State of South Carolina to provide public water utility services to Spartanburg, South Carolina and surrounding communities.

The System is located in Spartanburg County, which is located in the northwest Piedmont section of South Carolina on the I-85 corridor between Atlanta, Georgia and Charlotte, North Carolina. The System serves retail customers located inside and outside the city limits of the City and the Towns of Cowpens, Pacolet and Landrum. Additionally, the System provides water on a wholesale basis through master meters to two water districts, two water companies, and one town. These wholesale customers are located primarily inside Spartanburg County and, to a lesser extent, Cherokee County and Union County.

The System is governed by a three member Commission elected from the residents of the City of Spartanburg. The Commissioners serve staggered six-year terms, with elections held every two years.

The Spartanburg Water System has three water filtration plants. Raw water supply for the R.B. Simms Water Filtration Plant is obtained from Lake Bowen and Municipal Reservoir #1. Both lakes are located on the South Pacolet River system. The raw water flows by gravity to the Simms Plant, which is located near the confluence of the South and North Pacolet Rivers at a point approximately 12 miles northeast of the City of Spartanburg. Raw water for the Myles W. Whitlock, Jr. Water Treatment Facility is obtained from Lake Blalock. This lake is located on the Pacolet River system. The raw water is pumped to the Whitlock Plant, which is located off Highway 221 approximately 10 miles east northeast of the City of Spartanburg. The Landrum Water Filtration Plant uses surface water from Hogback Creek, located near the top of Hogback Mountain, as well as Vaughn's Creek, located near Lake Lanier. The source water is located in Spartanburg County within the Broad River Basin.

LOCAL ECONOMY

Spartanburg County possesses a diversified business and industry base. The following types of industry represent major employers in Spartanburg County: automotive, research and development on yarns/chemicals, flexible plastic packaging materials, radial truck tires, sporting and recreational goods and supplies. The County has an available, skilled labor force and has taken advantage of the State's excellent worker training programs. Other major employers in the area include public schools, state and local governments, and health care providers.

The city serves as the national headquarters for Denny's, QS/1, Advance America and the National Beta Club. The Chapman Cultural Center serves Spartanburg's cultural community for visual and performing arts, science and history. The 86,000-square-foot center is in downtown Spartanburg, adjacent to Barnet Park. The USC Upstate George Dean Johnson, Jr. College of Business and Economics is located in the heart of downtown Spartanburg.

Spartanburg County's unemployment rate in June 2023 was 3.5%, as compared with the state rate of 3.1% and the national rate of 3.6%.

FINANCIAL MANAGEMENT

The System adopts an annual operating budget for management and financial planning purposes. The System's computerized financial planning and rate-setting model is updated annually to provide for a five-year financial plan. Capital improvement plans, and applicable debt service projections for future bond issues, are incorporated in the financial planning process. The five-year plan is reviewed with the Commission, which adopts the budget and rates for the upcoming year only. The overall objective of the financial planning process is to minimize the impact of customer rate increases, while maintaining required debt service coverage. Other considerations of the financial planning process include: volume trends by customer class; maintaining sufficient fund balances to meet the System's operations, maintenance, and capital improvement needs; growth trends for various expenditure categories; and the comparison of customer rates to other utilities in the region.

During the fiscal year, financial management tracking includes the following: monthly preparation and analytical review of departmental and company-wide financial reports; significant expenditure variances require follow-up with the responsible budget manager; the company-wide financial report is presented at the monthly Commission meeting; utility user charges are monitored monthly in relation to the approved budget and historical results; the tracking of utility user charges is performed for revenues and flows by customer class.

The Red Flags Rule is federal legislation that requires government agencies, including utilities, to develop written, board-approved programs designed to detect, prevent, and mitigate identity theft. A written Red Flags Identity Theft Prevention Program was approved by the Commissioners on April 28, 2009; the program details the procedures implemented to verify the identity of applicants opening new accounts and to protect sensitive customer information such as social security numbers, bank account information, and credit card numbers. The Red Flags Rule program is monitored on an ongoing basis to ensure compliance with procedures and to provide training. The annual Red Flags Program report was updated and provided to the Commission on November 28, 2023. Management concluded that the program is effective, the policies and procedures have been followed, and that the internal controls and electronic security measures are protecting sensitive customer data.

The System's cash management policy provides that available funds are invested overnight and longer-term in accordance with state law, which permits the following types of investments: obligations of the United States and its agencies, general obligations of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool. For more information regarding the June 30, 2023 investment distribution, see Note 2 to the Financial Statements.

The System is a member of the South Carolina Retirement System, one of four defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board of South Carolina. For information regarding the System's retirement plan, see Note 8 to the Financial Statements.

For information regarding the System's risk management function, see Note 11 to the Financial Statements.

FINANCIAL CONDITION

The increase in net position for fiscal year 2023 was \$12,487,408, a 12.8% increase for the fiscal year. The customer base increased by 1,443 accounts, or 2.2%, for fiscal year 2023. The average annual growth rate over the past five years was 2.1%. The System's revenue bond covenants require debt service coverage of 110% for Revenue Bonds. The debt service coverage ratio was 194% for fiscal year 2023. A recent rate survey of comparable utilities in the region indicated that the System's customer rates compared favorably with the majority of the agencies in the survey.

Various funds are maintained to meet the operational, maintenance, and capital improvement needs of the system. The Depreciation Fund provides for the renovation and replacement of operational equipment and system facilities and has been adequately funded in recent years; this fund had a June 30, 2023 balance of \$5,924,556.

AWARDS

Utility of the Future Today

Spartanburg Water is proud to announce it is one of just 65 utilities worldwide to receive recognition as a Utility of the Future Today (UoffT) for 2020. The opportunity to achieve this title comes just once every three years – this being the second time since the program’s inception in 2016 that Spartanburg Water has taken home the honor. Spartanburg Water is just one of two utilities in all of South Carolina to ever be recognized for this award – and one of just 18 utilities globally to be named a Utility of the Future Today for a second time. Utility of the Future Today was created by the National Association of Clean Water Agencies (NACWA), the Water Environment Federation (WEF), The Water Research Foundation (WRF) and the WateReuse Association, with input from the U.S. Environmental Protection Agency (EPA), to showcase utilities that have successfully implemented new and creative efforts to address challenges faced by the water industry and the communities it serves. The recognition program seeks to identify and promote utilities that are building on a foundation of excellence in management and that are helping utilities of all sizes transform their operations by instilling the inventive Utility of the Future business model. The 65 honorees, including Spartanburg Water, are credited with embracing and implementing innovative approaches and technologies – related to energy, efficiency, water conservation, green infrastructure, community partnerships, and more – in order to improve sustainability and environmental impacts while lowering operational costs and helping boost the local economy.

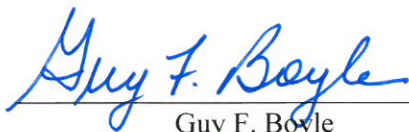
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Spartanburg Water System for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twentieth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

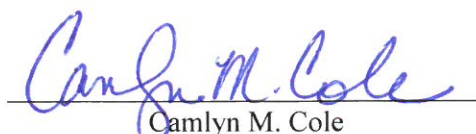
ACKNOWLEDGEMENTS

We appreciate the support of the Commissioners and the dedication of all our System employees.

Respectfully Submitted,



Guy F. Boyle
Chief Executive Officer



Camlyn M. Cole
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Spartanburg Water System
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

II. FINANCIAL SECTION

To the Commissioners and Officers of
Spartanburg Water System
200 Commerce Street
Spartanburg, South Carolina

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of the business-type activities of the Spartanburg Water System, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Spartanburg Water System as of June 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Water System and to meet our other ethical responsibilities, in accordance with 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 opinion.

Responsibilities of Management 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; 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 Water System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 GAAS 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.

(1)

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with GAAS, 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 Water System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spartanburg Water System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the System's proportionate share of the collective net pension liability and employer contributions and schedules of changes in the net OPEB liability and related ratios and employer contributions, as listed in the table of contents, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Spartanburg Water System's basic financial statements. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information - Continued

The schedules of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expenses are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory and statistical sections included in the ACFR but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
December 18, 2023

Spartanburg Water System Management's Discussion and Analysis

This Management Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and provides a narrative overview and analysis of the System's financial condition and performance for the fiscal year ended June 30, 2023. This information should be read in conjunction with the transmittal letter and the System's financial statements, as listed in the table of contents included in this report.

Financial Highlights

As of June 30, 2023, total assets of \$282,599,102 and deferred outflows of resources of \$13,838,888 exceeded total liabilities of \$182,254,433 and deferred inflows of resources of \$4,144,577 by \$110,038,980. For the fiscal year 2022, total assets of \$278,985,398 and deferred outflows of resources of \$14,198,971 exceeded total liabilities of \$188,393,205 and deferred inflows of resources of \$7,239,592 by \$97,551,572.

For the fiscal year ended June 30, 2023, the increase in net position, before capital contributions, was \$10,162,068. The System's increase in net position, after capital contributions of \$2,325,340, was \$12,487,408. For the fiscal year 2022, the increase in net position, before capital contributions, was \$9,145,549. The System's increase in net position, after capital contributions of \$2,730,919, was \$11,876,468.

For fiscal year 2023, operating revenues increased by \$1,547,595 to \$47,360,418 or 3.4%, non-operating revenues increased by \$1,891,577 to \$7,954,162 or 31.2%, and total expenses increased by \$2,422,653 to \$45,152,512 or 5.7%. For fiscal year 2022, operating revenues increased by \$1,409,103 to \$45,812,823 or 3.2%. Non-operating revenues increased by \$417,628 to \$6,062,585 or 7.4%. Total expenses decreased by \$1,097,104 to \$42,729,859 or 2.5%.

The System's revenue bond covenants require debt service coverage of 110% for all revenue bonds. The fiscal year 2023 total system revenue bond debt service coverage ratio was 194%. The fiscal year 2022 total system revenue bond debt service coverage ratio was 200%.

Overview of the Financial Statements

The financial statements of the System report information about the System using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the System's overall financial status.

The Statements of Net Position present the System's financial position and reports information on all of the assets (resources owned by the System), deferred outflows of resources, liabilities (obligations of the System), and deferred inflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows is reported as net position.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. Revenue is reported when earned, and expenses are reported when incurred. This statement measures the success of the System's operations over the past year and serves as the basis for determining the System's actual Debt Service Coverage Ratio, as required by the System's revenue bond covenant.

The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. The statements provide information as to where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the System

The Condensed Statements of Net Position are provided below as a summary of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position for the years ended June 30, 2023, 2022 and 2021. The largest portion of the System's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

Condensed Statements of Net Position			
	2023	2022	2021
Assets			
Current and Noncurrent Assets	\$ 57,882,686	\$ 55,939,480	\$ 65,449,173
Capital Assets	224,716,416	223,045,918	208,804,629
Total Assets	282,599,102	278,985,398	274,253,802
Deferred Outflows of Resources			
Deferred loss on refundings	7,232,635	7,862,303	8,491,971
Deferred amounts related to Pension	3,356,864	3,844,630	4,629,520
Deferred amounts related to OPEB	3,249,389	2,492,038	2,285,376
Total Deferred Outflows of Resources	13,838,888	14,198,971	15,406,867
Liabilities			
Current Liabilities	16,098,737	17,225,728	16,707,134
Noncurrent Liabilities	166,155,696	171,167,477	186,897,934
Total Liabilities	182,254,433	188,393,205	203,605,068
Deferred Inflows of Resources			
Deferred amounts related to Pension	1,014,531	3,589,296	259,120
Deferred amounts related to OPEB	3,130,046	3,650,296	121,377
	4,144,577	7,239,592	380,497
Net Position			
Net Investment in Capital Assets	98,927,413	89,953,505	69,111,094
Unrestricted	11,111,567	7,598,067	16,564,010
Total Net Position	\$ 110,038,980	\$ 97,551,572	\$ 85,675,104

In fiscal year 2023, current and noncurrent assets increased by \$1,943,206 to \$57,882,686, due to an increase in cash, investments, other receivables, inventories, prepaid expenses and restricted investments. In fiscal year 2022, current and noncurrent assets decreased by \$9,509,693 to \$55,939,480, due to a decrease in cash, investments, and other receivables.

Capital assets increased by \$1,670,498 to \$224,716,416 in fiscal year 2023 and increased by \$14,241,289 to \$223,045,918 in fiscal year 2022. See Capital Assets section on page 10 for further explanation.

Current and noncurrent assets included cash and investments of \$48,034,758. The distribution by fund of the year-end balances for fiscal years 2023 and 2022 are provided below:

Fund	2023	2022
Operating	\$ 5,045,335	\$ 5,623,736
Debt Service Trust Account	5,772,818	5,527,380
Rate Stabilization	5,647,843	4,256,879
Depreciation	5,924,556	4,966,698
Meter End Point	-	11,023,520
Capital Project Funds		
Capital	23,505,459	13,339,963
Water Line Repair/Replacement	2,056,826	2,367,252
Bond Funds	81,921	81,804
Total Cash and Investments	\$ 48,034,758	\$ 47,187,232

Current and noncurrent assets also included receivables of \$6,909,249 with the substantial portion associated with customer accounts receivable, net of allowance for doubtful accounts, of \$5,250,460 and the intercompany receivable from Spartanburg Sanitary Sewer District of \$1,646,770. This is compared to the fiscal year 2022 receivables of \$6,547,785 with the substantial portion associated with customer accounts receivable, net of allowance for doubtful accounts, of \$5,420,753, and the intercompany receivable from Spartanburg Sanitary Sewer District of \$1,105,676.

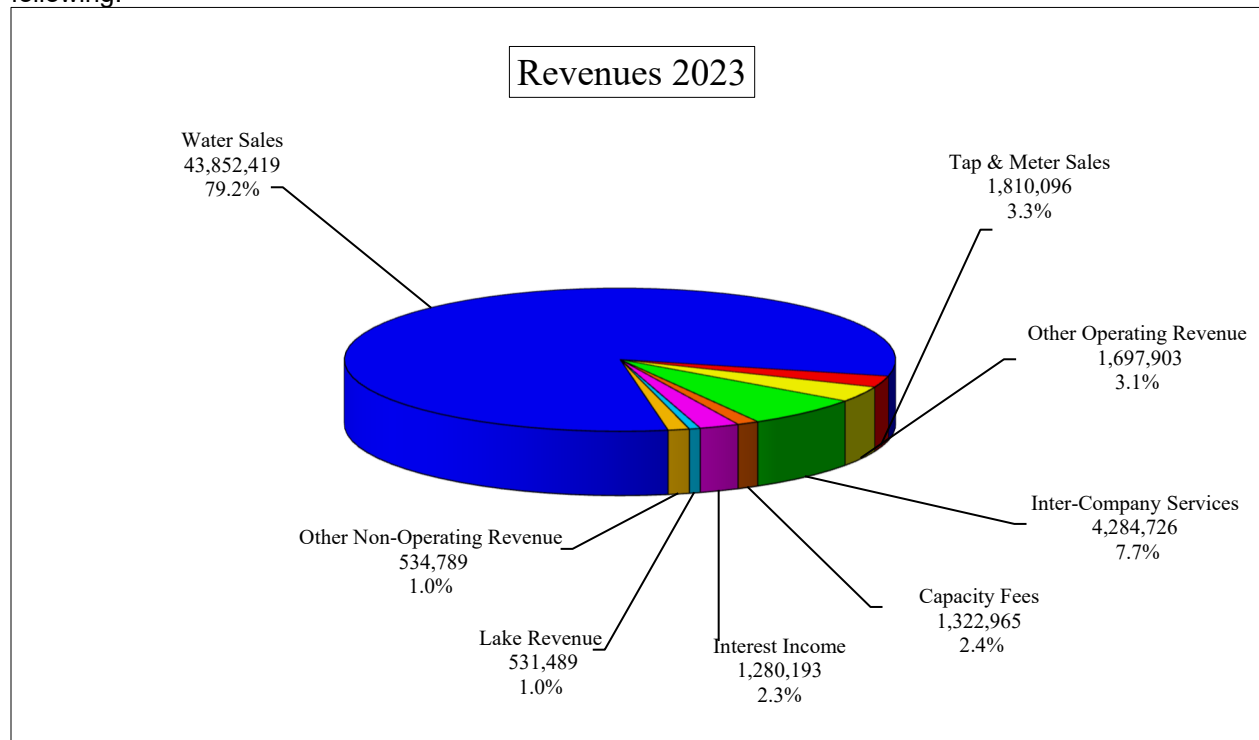
Current liabilities as of June 30, 2023 included accounts payable from operating funds of \$892,112, accounts payable from capital funds of \$673,548, and retainage payable of \$1,140,229. Current liabilities as of June 30, 2022 included accounts payable from operating funds of \$908,464, accounts payable from capital funds of \$1,840,632, and retainage payable of \$1,054,539. The current portion of long-term debt totaled \$7,345,000 and \$7,195,000 at June 30, 2023 and 2022, respectively.

The Condensed Statements of Revenues, Expenses and Changes in Net Position are provided below as a summary for the fiscal years ended June 30, 2023, 2022 and 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	2021
Revenues			
Operating Revenues			
Water Sales	\$ 43,852,419	\$ 42,584,266	\$ 40,800,181
Tap & Meter Sales	1,810,096	1,561,132	1,923,511
Other Operating Revenues	1,697,903	1,667,425	1,680,029
	<u>47,360,418</u>	<u>45,812,823</u>	<u>44,403,721</u>
Nonoperating Revenues			
Intercompany Services	4,284,726	3,797,841	3,461,413
Other Nonoperating Revenues	3,669,436	2,264,744	2,183,544
	<u>7,954,162</u>	<u>6,062,585</u>	<u>5,644,957</u>
Total Revenues	<u>55,314,580</u>	<u>51,875,408</u>	<u>50,048,678</u>
Expenses			
Operating Expenses, Before Depreciation	31,019,158	28,593,446	29,317,279
Depreciation Expense	7,961,476	7,864,223	8,056,787
Nonoperating Expenses	6,171,878	6,272,190	6,452,897
Total Expenses	<u>45,152,512</u>	<u>42,729,859</u>	<u>43,826,963</u>
Excess, Before Capital Contributions	10,162,068	9,145,549	6,221,715
Capital Contributions	<u>2,325,340</u>	<u>2,730,919</u>	<u>1,224,301</u>
Change in Net Position	12,487,408	11,876,468	7,446,016
Net Position, Beginning of Year	<u>97,551,572</u>	<u>85,675,104</u>	<u>78,229,088</u>
Net Position, End of Year	<u>\$ 110,038,980</u>	<u>\$ 97,551,572</u>	<u>\$ 85,675,104</u>

Revenues (excluding capital contributions) for the fiscal year ended June 30, 2023 were comprised of the following:



Water sales were comprised of metered volume charges of \$34,393,607, base charges of \$9,236,623, and other miscellaneous billings of \$222,189. Water sales increased by \$1,268,153 or 3.0%. Volume charges increased by 2.9%, which reflected the increase in billed volume as follows:

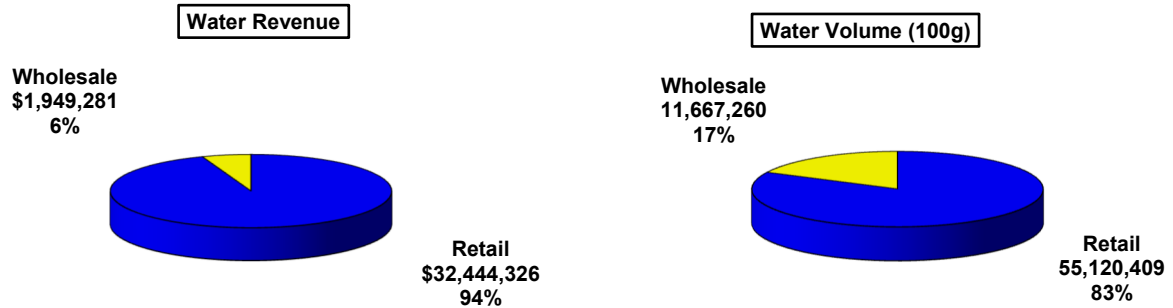
- The billed volume for fiscal year 2023 was 66,787,669 (100 gallons), an increase of 1,862,474 or 2.9%, from fiscal year 2022. Residential and Commercial usage increased in fiscal year 2023. The billed volume for fiscal year 2022 was 64,925,195 (100 gallons), an increase of 1,893,529 or 3.0%, from fiscal year 2021. Residential, Commercial, and Industrial usage increased in fiscal year 2022. The change in billed volume for fiscal years 2023 and 2022 was distributed among the following customer classes:

	FY22 to FY23 Incr./Decr. (100g)	% of Incr./Decr.	FY21 to FY22 Incr./Decr. (100g)	% of Incr./Decr.
Retail				
Residential	929,390	2.9%	729,618	2.3%
Commercial	749,152	5.4%	845,193	6.5%
Industrial	(554,569)	-7.2%	378,670	5.2%
Total Retail	1,123,973	1.1%	1,953,481	14.0%
Wholesale	738,501	6.8%	(59,952)	-0.2%
System Total	1,862,474	2.9%	1,893,529	3.0%

Base charge revenue for fiscal year 2023 increased by \$189,644 over fiscal year 2022, resulting from the growth in the residential customer base. The increase from fiscal year 2022 over fiscal year 2021 was \$235,242.

Fiscal year 2023 volume charges are further analyzed by the following charts:

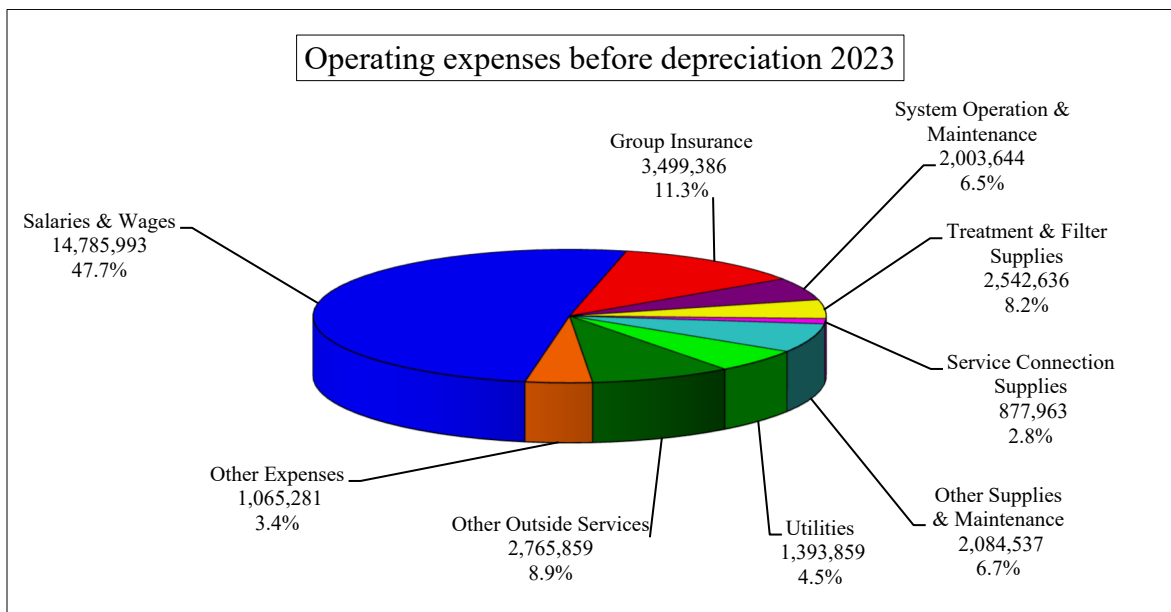
Fiscal Year 23 Metered Volume Charges – Revenue vs. Volume



In fiscal year 2023, other non-operating revenue increased by \$1,404,692, due to an increase in interest income of \$1,160,920, capacity fees of \$249,347, administrative income of \$26,423, miscellaneous income of \$65,569, offset by a decrease in lake revenue of \$15,323 and gain on sale of capital assets of \$82,244. In fiscal year 2022, other non-operating revenue increased by \$81,200 due to an increase in capacity fees of \$85,366, administrative income of \$2,535, lake revenue of \$137,222, and gain on sale of capital assets of \$39,665, offset by a decrease in interest income of \$57,718 and miscellaneous income of \$125,870.

The intercompany reimbursement from Spartanburg Sanitary Sewer District was comprised of the following types of intercompany services: billing and collection, administrative and financial, engineering, fleet maintenance, field maintenance, and facility allocation for maintenance. The increase in 2023 was primarily due to an increase in SSSD Billing Fee.

Operating expenses before depreciation were comprised of the following:



The following table provides a comparison of 2023, 2022 and 2021 operating expenses before depreciation for major expense categories.

Comparison of operating expenses before depreciation

Expense Category			Increase / (Decrease)	
	2023	2022	Amount	% of Change
Salaries and wages	\$14,785,993	\$13,769,038	\$1,016,955	7.4%
Group insurance	3,499,386	3,093,676	405,710	13.1%
System operation and maint.	2,003,644	1,772,933	230,711	13.0%
Treatment and filter supplies	2,542,636	1,818,663	723,973	39.8%
Service connection supplies	877,963	821,241	56,722	6.9%
Other supplies and maintenance	2,084,537	2,133,046	(48,509)	-2.3%
Utilities	1,393,859	1,286,518	107,341	8.3%
Other outside services	2,765,859	2,905,540	(139,681)	-4.8%
Other expenses	1,065,281	992,791	72,490	7.3%
Total operating expenses before depreciation	\$31,019,158	\$28,593,446	\$2,425,712	8.5%

			Increase / (Decrease)	
	2022	2021	Amount	% of Change
Salaries and wages	\$13,769,038	\$14,901,720	\$(1,132,682)	-7.6%
Group insurance	3,093,676	3,160,769	(67,093)	-2.1%
System operation and maint.	1,772,933	1,654,888	118,045	7.1%
Treatment and filter supplies	1,818,663	1,939,495	(120,832)	-6.2%
Service connection supplies	821,241	820,334	907	0.1%
Other supplies and maintenance	2,133,046	1,718,855	414,191	24.1%
Utilities	1,286,518	1,215,446	71,072	5.8%
Other outside services	2,905,540	3,065,889	(160,349)	-5.2%
Other expenses	992,791	839,883	152,908	18.2%
Total operating expenses before depreciation	\$28,593,446	\$29,317,279	\$(723,883)	-2.5%

Operating expenses before depreciation increased by \$2,425,712 or 8.5% from fiscal year 2023 to 2022. Operating expenses before depreciation decreased by \$723,883 or 2.5%, from fiscal year 2022 to 2021, primarily due to a decrease in salaries and wages, group insurance, treatment and filter supplies, and other outside services offset by an increase in system operation and maintenance, other supplies and maintenance, utilities, and other expenses. Highlights of the 2023 – 2022 expense comparison are provided below:

- The Salaries and Wages increase resulted from merit increases, retirement contribution increase, and retirement payouts.
- The Group Insurance increase resulted from an unfavorable claim experience for fiscal year 2023.
- The System Operation and Maintenance line item includes supply cost and contracted maintenance applicable to the water filtration plants and distribution system. The increase is primarily the result of higher costs associated with line breaks and repairs during fiscal year 2023.
- The Treatment and Filter Supplies increase was due to increased demand for water quality requirements.

- The increase in Service Connection Supplies is due to the increase in tap and meter installations for the system during fiscal year 2023.
- The increase in Utilities is primarily the result of an increase in fuel oil for heating.
- The variance in Other Expenses is primarily associated with the increase in conference and education, safety and employee programs, and property and liability insurance, offset by a decrease in workers comp insurance and bad debt expense.

Non-operating expenses decreased by \$100,312 or 1.6%, due to the decrease in interest and paying agent fees of \$133,768 offset by an increase in payments to other government units of \$33,456.

Capital Contributions:

The System receives contributions from developers in the form of cash payments and donated lines; and occasionally, contributions from federal/state agencies in the form of grants for capital projects. Accounting principles generally accepted by the United States of America require that these contributions be reflected as a revenue source on the Statements of Revenues, Expenses and Changes in Net Position. Capital contributions for fiscal year 2023 totaled \$2,325,340 and were comprised of donated lines of \$2,022,177 and cash payments of \$303,163. Capital contributions for fiscal year 2022 totaled \$2,730,919 and were comprised of donated lines of \$1,787,644 and cash payments of \$943,275. The capital contributions received in cash were comprised of participation fees and miscellaneous project contributions.

Capital Assets

At June 30, 2023, the System had \$224,716,416 invested in capital assets, as provided in the following schedule:

Capital Assets at Year-End

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Transmission, Distribution and Treatment Facilities	\$ 180,619,657	\$ 180,367,305	\$ 180,037,364
Other Facilities & Property	5,660,053	5,201,174	5,432,131
Vehicles, Office & Maintenance Equipment	3,729,782	3,777,788	4,115,351
Construction in Progress	<u>34,706,924</u>	<u>33,699,651</u>	<u>19,219,783</u>
Capital Assets - Net of Accumulated Depreciation	<u>\$ 224,716,416</u>	<u>\$ 223,045,918</u>	<u>\$ 208,804,629</u>

Significant changes for Capital Assets during fiscal year 2023 included a net increase in Construction in Progress. The additions of \$2,022,177 in donated lines, various waterline extensions and rehab of \$1,395,159, R.B. Simms Multi-Level Intake and Raw Water Line of \$695,678, capitalized labor, storage tank rehab and various distribution system improvements.

Significant changes during fiscal year 2022 included a net increase in Construction in Progress. The additions of \$1,787,644 in donated lines, various waterline extensions and rehab of \$561,162, R.B. Simms Multi-Level Intake and Raw Water Line of \$15,189,086, Human Resources Building Renovation of \$508,683, capitalized labor, storage tank rehab and various distribution system improvements.

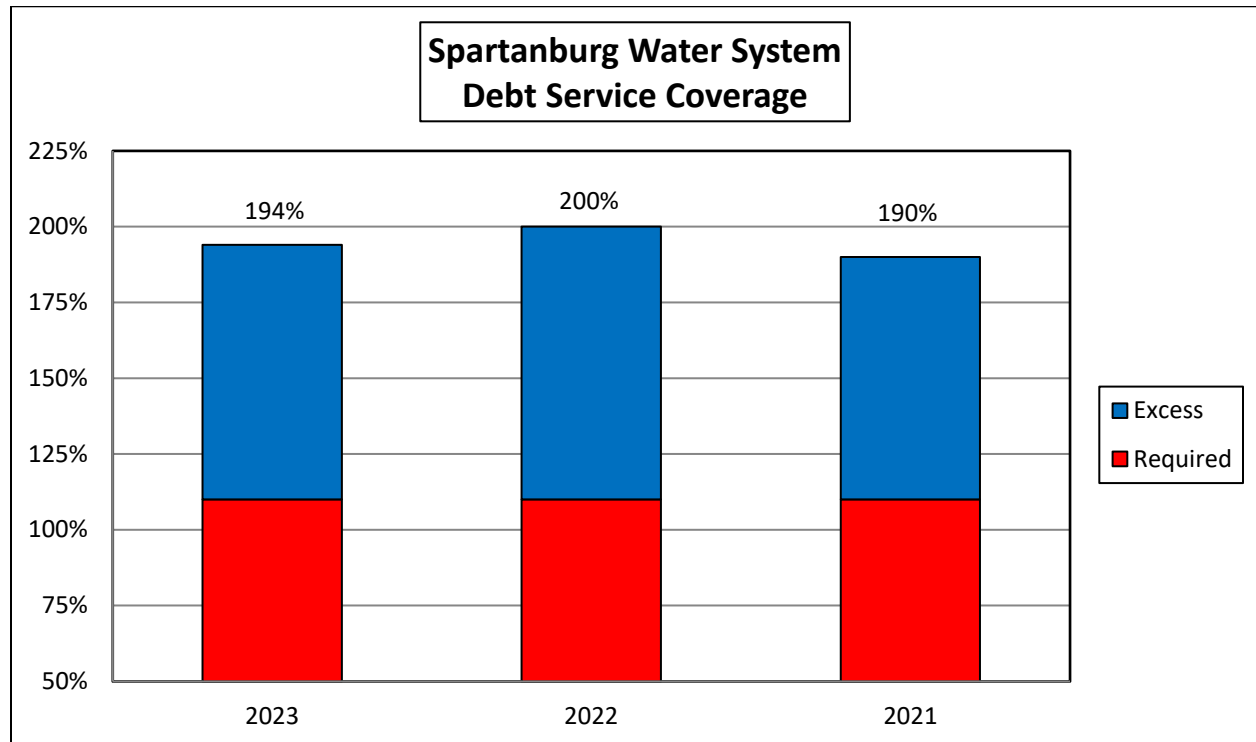
For more information on changes in capital assets, see Note 4 to the financial statements.

Debt Administration

Debt Service Coverage

In the System’s revenue bond resolution, the System covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual net earnings in the current fiscal year equal to at least 110% of the annual principal and interest requirements for all revenue bonds outstanding in such fiscal year. The computation of net earnings is presented in the Historical Statements of Revenues, Expenses, Debt Service and Debt Service Coverage, which is provided in the statistical section of this report. The System’s historical debt service coverage is summarized by the following table:

Debt Service Coverage	2023	2022	2021
Net Earnings per Revenue Bond Covenant	\$ 23,304,727	\$ 23,430,407	\$ 22,270,595
Revenue Bond Debt Service	12,035,579	11,716,354	11,693,094
Revenue Bond Debt Service Coverage	1.94	2.00	1.90



Outstanding Debt at Year-End

The System had \$132,430,000 in long-term revenue bond debt outstanding at year-end, as scheduled below:

Long-term Debt	Average Yield	Outstanding Debt		
		2023	2022	2021
2012 Water System Revenue Bond	2.23%	\$ 2,485,000	\$ 3,060,000	\$ 3,620,000
2015A Water System Refunding Revenue Bond	3.40%	26,085,000	26,085,000	26,085,000
2015B Water System Refunding Revenue Bond	3.40%	1,830,000	2,520,000	3,190,000
2017A Water System Refunding Revenue Bond	1.75%	28,250,000	33,615,000	38,885,000
2017B Water System Refunding Revenue Bond	2.90%	45,565,000	45,905,000	45,930,000
2020 Water System Refunding Revenue Bond	2.77%	28,215,000	28,440,000	28,660,000
Total Debt Outstanding		\$ 132,430,000	\$ 139,625,000	\$ 146,370,000

For more information on changes in short-term and long-term debt, see Note 5 to the financial statements.

Bond Ratings

The System continued trend of strong financial performance, and maintained the following ratings during fiscal year 2023:

Agency	Revenue
Standard & Poor's	AA
Moody's	Aa2

Financial Planning

Although the System does not have a legally adopted budget, an annual operating budget is adopted for management and financial planning purposes. The System conducts an update of the financial planning process as follows: departmental staffing plans, detailed budget requests, and depreciation schedules are prepared; System-wide budget information, including revenues, flow estimates, debt service, cost allocations, etc., are completed; capital improvement plans and applicable debt service projections are utilized for long-term financial planning; the computerized financial planning and rate-setting model is updated to provide for a five-year financial projection; the annual operating budget is presented to the Commission; and a public hearing is advertised and held prior to final approval of the budget and water rates.

The System Commission approved a balanced Annual Operating Budget for fiscal year 2024 in the total amount of \$53,912,831 which represents a 4.5% increase over the previous year's budgeted revenues and expenditures. The approved budget included funding of reserves for the Depreciation Fund - \$2,100,000, Capital Fund - \$2,000,000, and the Distribution System Rehab Fund - \$1,000,000.

Other Significant Matters

- Replacement of Aging Infrastructure
The System has enhanced efforts to address aging water mains. Various water main replacement projects were completed by the Maintenance Department and outside contractors during fiscal year 2023, with ongoing projects captured in the Construction in Progress.

- **System-wide water meter and meter box field inspection**
The Water System Field Services Department is currently engaged in a system-wide water meter and meter box field inspection in order to ensure the completeness of the meter reading database and maintain timely service to the customer. This system-wide project will include the following steps at each service location: physically locate each meter; check the condition of the meter box for potential repair/maintenance; verify accuracy of the GPS point; verify read accuracy; confirm the type of meter box.
- **South Carolina Infrastructure Investment Program (SCIIP)**
In April 2023, The System was awarded funding for the Union Street Waterline Rehabilitation Project from SCIIP in the amount of \$6,030,661, with a local match of 25%. This federally funded Community Impact Grant will be administered by the South Carolina Rural Infrastructure Authority (RIA) using State and Local Fiscal Recovery Funds received through the American Rescue Plan Act (ARPA).

Requests for Information

This financial report is intended to provide a general overview of the System's finances. For questions concerning this report or other requests for financial information, please contact:

Chief Financial Officer
Spartanburg Water System
P.O. Box 251
Spartanburg, SC 29304
(864) 583-7361

SPARTANBURG WATER SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
Assets		
Current assets		
Cash	\$ 5,138,049	\$ 4,773,071
Investments	35,808,577	35,443,595
Accounts receivable - net of allowance for doubtful accounts of \$169,316 and \$167,512 as of 2023 and 2022, respectively	5,250,460	5,420,753
Loans receivable	12,019	21,356
Other receivables	1,646,770	1,105,676
Inventories	2,576,813	2,204,463
Prepaid expenses	361,866	-
Total current assets	50,794,554	48,968,914
Noncurrent assets		
Restricted cash	1,315,314	1,443,186
Restricted investments	5,772,818	5,527,380
Capital assets - nondepreciable	36,661,913	35,654,640
Capital assets - net of accumulated depreciation	188,054,503	187,391,278
Total noncurrent assets	231,804,548	230,016,484
Total Assets	282,599,102	278,985,398
Deferred Outflows of Resources		
Deferred loss on refundings	7,232,635	7,862,303
Deferred amounts related to pensions	3,356,864	3,844,630
Deferred amounts related to OPEB	3,249,389	2,492,038
Total Deferred Outflows of Resources	13,838,888	14,198,971

SPARTANBURG WATER SYSTEM
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2023 AND 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
Liabilities		
Current liabilities		
Accounts payable	2,705,889	3,803,635
Payable from restricted assets - customer deposits	1,233,392	1,361,382
Accrued salaries and wages	1,129,446	1,649,675
Accrued employee benefits	697,402	136,219
Accrued interest expense	370,451	388,791
Other payables	319,969	330,141
Sewer and water collections payable to others	2,297,188	2,360,885
Long-term debt - current portion	7,345,000	7,195,000
Total current liabilities	16,098,737	17,225,728
Noncurrent liabilities		
Net pension liability	24,464,504	22,801,770
Net other post-employment benefit liability	9,372,360	8,306,485
Long-term debt - net of current portion	132,318,832	140,059,222
Total noncurrent liabilities	166,155,696	171,167,477
Total Liabilities	182,254,433	188,393,205
Deferred Inflows of Resources		
Deferred amounts related to pensions	1,014,531	3,589,296
Deferred amounts related to OPEB	3,130,046	3,650,296
	4,144,577	7,239,592
Net Position		
Net investment in capital assets	98,927,413	89,953,505
Unrestricted	11,111,567	7,598,067
Total Net Position	\$ 110,038,980	\$ 97,551,572

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

SPARTANBURG WATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues		
Water sales	\$ 43,852,419	\$ 42,584,266
Private fire service rates	395,997	384,218
Cut-off service charges	404,533	427,032
Tap and meter sales	1,810,096	1,561,132
New account fees	207,960	227,910
Ice machine sales	442,363	465,904
Miscellaneous	247,050	162,361
	<u>47,360,418</u>	<u>45,812,823</u>
Operating Expenses		
Personnel costs	18,344,304	16,947,641
Supplies and maintenance	7,508,780	6,545,883
Outside services	4,159,718	4,192,058
Educational and training expenses	391,668	312,871
Company expenses	614,688	594,993
Depreciation	7,961,476	7,864,223
	<u>38,980,634</u>	<u>36,457,669</u>
Operating Income	<u>8,379,784</u>	<u>9,355,154</u>
Nonoperating Revenues (Expenses)		
Capacity fees	1,322,965	1,073,618
Fishing and boating permits	531,489	546,812
Interest income	1,280,193	119,273
Miscellaneous	151,736	86,167
Intercompany services	4,284,726	3,797,841
Administrative income	334,204	307,781
Payments to other governmental units	(1,112,685)	(1,079,229)
Gain on sale of capital assets	48,849	131,093
Interest and paying agent fees	(5,059,193)	(5,192,961)
	<u>1,782,284</u>	<u>(209,605)</u>
Increase in Net Position		
Before Capital Contributions	10,162,068	9,145,549
Capital Contributions	<u>2,325,340</u>	<u>2,730,919</u>
Increase in Net Position	12,487,408	11,876,468
Net Position - Beginning of Year	<u>97,551,572</u>	<u>85,675,104</u>
Net Position - End of Year	<u>\$ 110,038,980</u>	<u>\$ 97,551,572</u>

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

SPARTANBURG WATER SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows Provided (Used) by Operating Activities		
Cash received from customers	\$ 47,824,696	\$ 46,209,997
Cash paid to suppliers for goods and services	(14,535,326)	(12,113,604)
Cash paid to or for the benefit of employees	(18,939,343)	(17,655,215)
	14,350,027	16,441,178
Cash Flows Provided (Used) by Noncapital Financing Activities		
Intercompany services	4,284,726	3,797,841
Payments to other governmental units	(1,112,685)	(1,079,229)
	3,172,041	2,718,612
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Capital contributions	303,163	943,275
Capacity fees	1,322,965	1,073,618
Acquisition and construction of capital assets	(7,612,607)	(20,317,867)
Proceeds from sale of capital assets	51,659	131,093
Repayments of bonds payable - revenue bonds	(7,195,000)	(6,745,000)
Interest and paying agent fees	(4,824,915)	(4,958,683)
	(17,954,735)	(29,873,564)
Cash Flows Provided (Used) by Investing Activities		
Purchase of investments	(19,338,027)	(13,000,000)
Proceeds from investments	13,000,000	-
Interest income	1,280,193	119,273
	(5,057,834)	(12,880,727)
Net Decrease in Cash and Cash Equivalents	(5,490,501)	(23,594,501)
Cash and Cash Equivalents - Beginning of Year	34,187,232	57,781,733
Cash and Cash Equivalents - End of Year	\$ 28,696,731	\$ 34,187,232

SPARTANBURG WATER SYSTEM
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ 8,379,784	\$ 9,355,154
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	7,961,476	7,864,223
Pension expense	1,892,157	1,739,806
OPEB expense	638,038	707,948
Nonoperating income	1,017,429	940,760
(Increase) decrease in assets:		
Accounts receivable	170,293	(659,816)
Loans receivable	9,337	(5,815)
Other receivables	(541,094)	61,904
Inventories	(372,350)	(481,081)
Prepaid expenses	(361,866)	-
Deferred outflows related to pensions	(2,316,422)	(1,989,994)
Deferred outflows related to OPEB	(849,764)	(1,160,505)
Increase (decrease) in liabilities:		
Accounts payable	(1,097,746)	22,285
Customer deposits	(127,990)	15,563
Accrued salaries and wages	(520,229)	190,426
Accrued employee benefits	561,183	(195,254)
Accrued interest expense	(18,340)	(15,347)
Other payables	(10,172)	6,344
Sewer and water collections payable to others	(63,697)	44,577
Net Cash Provided (Used) by Operating Activities	\$ 14,350,027	\$ 16,441,178
Noncash Investing, Capital and Financing Activities		
Contribution of capital assets	\$ 2,022,177	\$ 1,787,644
Amortization included in interest expense	\$ 234,278	\$ 234,278

SPARTANBURG WATER SYSTEM
 STATEMENTS OF CASH FLOWS - CONTINUED
 FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Reconciliation of Cash and Investments as Shown on the Statements of Net Position and Cash Flows		
Statement of net position classifications		
Current assets		
Cash	\$ 5,138,049	\$ 4,773,071
Investments	35,808,577	35,443,595
	40,946,626	40,216,666
Noncurrent assets		
Restricted cash	1,315,314	1,443,186
Restricted investments	5,772,818	5,527,380
	7,088,132	6,970,566
	\$ 48,034,758	\$ 47,187,232
Cash flow classifications		
Petty cash	\$ 5,867	\$ 5,867
Cash on hand	552,216	424,567
Cash deposits	5,895,280	5,785,823
Investments - cash equivalents	22,243,368	27,970,975
Total cash and cash equivalents	28,696,731	34,187,232
Investments	19,338,027	13,000,000
Total cash and investments	\$ 48,034,758	\$ 47,187,232

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

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Spartanburg Water System (the System) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the System's management, which are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Reporting Entity

The System provides public water utility services to the residents and businesses of Spartanburg, South Carolina and surrounding communities. The System is a special purpose district created in the year 1908 by the General Assembly of the State of South Carolina. The System is a primary government with no component units. The System is governed by three elected commissioners of the Commission of Public Works of the City of Spartanburg.

Basis of Accounting

Under US GAAP, the System is considered to be a self-supporting enterprise, and these financial statements are presented accordingly. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The basis of accounting employed is the accrual method whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the System's policy to use the restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the System. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions and ancillary activities.

Cash and Cash Equivalents

For purposes of reporting cash flows, all investments with a maturity of three months or less at the time of purchase are considered to be cash equivalents.

Investments

Investments are stated at fair value.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Accounts receivable include fees for charges earned but not yet collected. Unbilled (i.e. cycle billings) receivables at year end are estimated to record revenues earned through year end. Receivables are reported net of applicable allowances for uncollectible accounts, which management determines based on historical collection trends and other factors.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption.

Capital Assets

Capital assets are stated at cost. Donated capital assets are recorded at estimated acquisition value on the date donated. Assets are recorded as capital assets when valued at \$1,000 or more.

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

	<u>Years</u>
Motor vehicles	5 - 10
Service and maintenance equipment	10
Office furniture and fixtures	3 - 10
Buildings and improvements	20 - 33
System infrastructure	10 - 40

Compensated Absences

The System provides eligible employees annual leave for each full calendar month of service. When an employee separates from employment, he is compensated for any unused annual leave.

Employees also accumulate sick leave based upon months of service. Sick leave does not vest and is lost upon termination of employment and thus is not accrued. A portion of accumulated sick leave, not to exceed forty-five days, may be redeemed for cash upon retirement. This redemption liability is not reasonably estimable in aggregate, nor accrued for financial statement purposes.

Long-Term Liabilities

Bond premiums and discounts are deferred and equally amortized over the life of the bonds.

Deferred Outflows and Inflows of Resources

In the Statements of Net Position, in addition to assets and liabilities, separate sections for deferred outflows and deferred inflows of resources are reported. Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an expense until then. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time. The System's deferred outflows of resources are deferred amounts arising from debt refunding and amounts related to the System's defined benefit pension and OPEB plans. The System's deferred inflows of resources are amounts related to the System's defined benefit pension and OPEB plans.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Contributions

The System frequently has contributions from developers and contractors. In addition, the System receives grant monies for construction of improvements or extensions to its system at various times. The contributions are recognized in the Statements of Revenues, Expenses and Changes in Net Position when earned.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits - the risk that in the event of a bank failure, the deposits may not be returned to the System. The System's policy is to secure funds in accordance with Section 6-5-15 of the S.C. Code of Laws, and will include collateralization of deposits through appropriately pledged securities or other investments. As of June 30, 2023 and 2022, the System was not exposed to custodial credit risk.

Statutes authorized the System to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collateralized, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool (SC Pool). The SC Pool, established pursuant to Section 6-6-10 of the South Carolina Code, is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any governing body of a political subdivision of the State, may be deposited.

In addition to the state laws governing allowable investment instruments, the System adopted a formal deposit and investment policy. The System is to invest its funds based on the following objectives, in priority order: safety, liquidity, and yield.

Credit risk - The System's policy to minimize the risk of loss due to the failure of the security issuer or backer is to limit investments to the safest type of securities; pre-qualify the financial institutions; and diversify the investment portfolio so that potential losses on individual securities will be minimized.

Interest rate risk - the System's policy to minimize the risk that the fair value of securities in the portfolio will fall due to changes in general interest rates is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

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

Level 1 - Investments reflect prices quoted in active markets.

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

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as a particular investment's risk. Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 2 - CASH DEPOSITS AND INVESTMENTS - CONTINUED

The SC Pool is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC), but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. In accordance with governmental accounting statements, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the SC Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by SC Pool participants at any time and may be withdrawn up to 24 hours' notice. Financial statements for the SC Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

The System had the following investments, which are not applicable to the fair value hierarchy, as of June 30, 2023 and 2022:

Investment Type	Maturity	Value		Rating
		2023	2022	
State treasurer's investment pool	<60 days	\$ 16,470,550	\$ 16,443,595	Not rated
Dreyfus Government Prime	<90 days	5,772,818	5,527,380	Aaa-mf
		<u>22,243,368</u>	<u>21,970,975</u>	
Certificates of Deposit	<90 days	-	6,000,000	Level 2
Certificates of Deposit	>90 days	19,338,027	13,000,000	Level 2
		<u>19,338,027</u>	<u>19,000,000</u>	
		<u>\$ 41,581,395</u>	<u>\$ 40,970,975</u>	

The Spartanburg Water System is required under bond indenture agreements in connection with the issuance of bonds, to segregate certain assets. The following assets have been segregated and are restricted in use for the acquisition and construction of capital assets and debt service/debt service reserve funds.

Assets restricted in use to fulfill customer deposits have also been segregated. The following assets listed are shown in their respective categories in the accompanying statements of net position.

	2023	2022
Restricted Assets for Customer Deposits		
Cash	\$ 1,233,393	\$ 1,361,382
Restricted assets for the Acquisition and Construction of Capital assets		
Cash	81,921	81,803
Restricted Assets for Debt Service Reserve and Debt Service Funds		
Investments	5,772,818	5,527,380
	<u>\$ 7,088,132</u>	<u>\$ 6,970,565</u>

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 3 - LOANS RECEIVABLE

The System provides a program whereby it finances participation and capacity fees for new customers. The loan terms are bi-monthly payments of one to ten years at interest rates of nine to twelve percent. These loans are secured by a recorded lien against the homeowner's real property. The balance of loans receivable from customers was \$12,019 and \$21,356 at June 30, 2023 and 2022, respectively.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	2023			
	Balance June 30, 2022	Additions	Removals/ Disposals	Balance June 30, 2023
Capital Assets				
Nondepreciable				
Land	\$ 1,954,989	\$ -	\$ -	\$ 1,954,989
Construction in progress	33,699,651	5,707,244	4,699,971	34,706,924
Total nondepreciable	35,654,640	5,707,244	4,699,971	36,661,913
Depreciable				
Motor vehicles	5,661,271	176,261	103,033	5,734,499
Service and maintenance equipment	13,233,942	621,981	33,002	13,822,921
Office furniture and fixtures	5,447,421	305,603	201,272	5,551,752
Computer software	2,212,471	260,158	5,635	2,466,994
Office buildings	6,469,365	714,028	-	7,183,393
Transmission, distribution and treatment facilities	293,452,568	4,530,878	-	297,983,446
Joint maintenance facility	1,705,218	-	-	1,705,218
Joint lab building	882,354	-	-	882,354
Donated system facilities	18,647,774	2,022,177	-	20,669,951
Total depreciable	347,712,384	8,631,086	342,942	356,000,528
Total Capital Assets	383,367,024	14,338,330	5,042,913	392,662,441
Accumulated Depreciation				
Motor vehicles	5,065,522	333,877	101,013	5,298,386
Service maintenance and equipment	11,474,879	585,630	29,428	12,031,081
Office furniture and fixtures	4,870,042	249,330	200,481	4,918,891
Computer software	1,366,874	236,787	5,635	1,598,026
Office buildings	3,928,799	202,486	-	4,131,285
Transmission, distribution and treatment facilities	125,186,206	5,838,842	-	131,025,048
Joint maintenance facility	1,421,005	26,872	-	1,447,877
Joint lab building	460,948	25,791	-	486,739
Donated system facilities	6,546,831	461,861	-	7,008,692
	160,321,106	7,961,476	336,557	167,946,025
Capital Assets - Net of Accumulated Depreciation	\$ 223,045,918			\$ 224,716,416

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 4 - CAPITAL ASSETS - CONTINUED

	2022			Balance June 30, 2022
	Balance June 30, 2021	Additions	Removals/ Disposals	
Capital Assets				
Nondepreciable				
Land	\$ 1,954,989	\$ -	\$ -	\$ 1,954,989
Construction in progress	19,219,783	18,541,972	4,062,104	33,699,651
Total nondepreciable	<u>21,174,772</u>	<u>18,541,972</u>	<u>4,062,104</u>	<u>35,654,640</u>
Depreciable				
Motor vehicles	5,400,322	301,926	40,977	5,661,271
Service and maintenance equipment	12,908,634	422,925	97,617	13,233,942
Office furniture and fixtures	5,184,324	330,176	67,079	5,447,421
Computer software	2,201,837	10,634	-	2,212,471
Office buildings	6,456,896	12,469	-	6,469,365
Transmission, distribution and treatment facilities	288,728,478	4,724,090	-	293,452,568
Joint maintenance facility	1,669,438	35,780	-	1,705,218
Joint lab building	882,354	-	-	882,354
Donated system facilities	16,860,130	1,787,644	-	18,647,774
Total depreciable	<u>340,292,413</u>	<u>7,625,644</u>	<u>205,673</u>	<u>347,712,384</u>
Total Capital Assets	<u>361,467,185</u>	<u>26,167,616</u>	<u>4,267,777</u>	<u>383,367,024</u>
Accumulated Depreciation				
Motor vehicles	4,729,680	376,819	40,977	5,065,522
Service maintenance and equipment	10,985,980	586,516	97,617	11,474,879
Office furniture and fixtures	4,709,180	227,941	67,079	4,870,042
Computer software	1,154,926	211,948	-	1,366,874
Office buildings	3,722,681	206,118	-	3,928,799
Transmission, distribution and treatment facilities	119,421,094	5,765,112	-	125,186,206
Joint maintenance facility	1,373,744	47,261	-	1,421,005
Joint lab building	435,121	25,827	-	460,948
Donated system facilities	6,130,150	416,681	-	6,546,831
	<u>152,662,556</u>	<u>7,864,223</u>	<u>205,673</u>	<u>160,321,106</u>
Capital Assets - Net of Accumulated Depreciation	<u><u>\$ 208,804,629</u></u>			<u><u>\$ 223,045,918</u></u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$7,961,476 and \$7,864,223, respectively.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 5 - LONG-TERM DEBT

2023						
	Balance June 30, 2022	Additions	Reductions	Defeased	Balance June 30, 2023	Due Within One Year
Bonds and Other Noncurrent Liabilities Payable						
Revenue bonds	\$ 139,625,000	\$ -	\$ (7,195,000)	\$ -	\$ 132,430,000	\$ 7,345,000
Bond premium	7,629,222	-	(395,390)	-	7,233,832	-
	\$ 147,254,222	\$ -	\$ (7,590,390)	\$ -	\$ 139,663,832	\$ 7,345,000
2022						
	Balance June 30, 2021	Additions	Reductions	Defeased	Balance June 30, 2022	Due Within One Year
Bonds and Other Noncurrent Liabilities Payable						
Revenue bonds	\$ 146,370,000	\$ -	\$ (6,745,000)	\$ -	\$ 139,625,000	\$ 7,195,000
Bond premium	8,024,611	-	(395,389)	-	7,629,222	-
	\$ 154,394,611	\$ -	\$ (7,140,389)	\$ -	\$ 147,254,222	\$ 7,195,000

Revenue Bonds

Bonds payable at June 30, 2023 and 2022 were comprised of the following issues:

	2023	2022
<p>\$8,000,000 City of Spartanburg, South Carolina Water System Junior Lien Revenue Bonds, Series 2012, dated July 13, 2012. Annual maturities beginning in 2013 of \$450,000 to \$650,000 maturing in 2027 with semi-annual interest of 2.23%. Bonds issued to fund improvements to the System.</p>	\$ 2,485,000	\$ 3,060,000
<p>\$26,085,000 City of Spartanburg, South Carolina Water System Revenue Refunding Bonds, Series 2015A, dated June 23, 2015. Annual maturities beginning in 2028 of \$1,000,000 to \$3,860,000 maturing in 2035 with semi-annual interest of 4.63% to 5.00%. Bonds issued to refund the Series 2007B bonds.</p>	26,085,000	26,085,000
<p>\$6,255,000 City of Spartanburg, South Carolina Water System Revenue Refunding Bonds, Taxable Series 2015B, dated June 23, 2015. Annual maturities beginning in 2016 of \$375,000 to \$740,000 maturing in 2027 with semi-annual interest of 1.22% to 3.68%. Bonds issued to refund the Series 2010 bonds.</p>	1,830,000	2,520,000

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 5 - LONG-TERM DEBT - CONTINUED

Revenue Bonds - Continued

	2023	2022
<p>\$59,080,000 City of Spartanburg, South Carolina Water System Refunding Revenue Bonds, Series 2017A, dated June 1, 2017. Annual maturities beginning in 2018 of \$4,920,000 to \$5,850,000 maturing in 2028 with semi-annual interest of 1.75%. Bonds issued to refund the Series 2007A bonds.</p>	28,250,000	33,615,000
<p>\$45,930,000 City of Spartanburg, South Carolina Water System Refunding and Improvement Revenue Bonds, Series 2017B, dated August 24, 2017. Annual maturities beginning in 2022 of \$25,000 to \$7,425,000 maturing in 2047 with semi-annual interest of 3.25% to 5.00%. Bonds issued to refund the Series 2007B and 2009 bonds, fund improvements to the distribution and treatment facilities, and fund capitalized interest.</p>	45,565,000	45,905,000
<p>\$28,875,000 City of Spartanburg, South Carolina Taxable Water System Refunding Revenue Bonds, Series 2020, dated April 23, 2020. Annual maturities beginning June 1, 2021 of \$215,000 to \$2,000,000 maturing in 2043 with semi-annual interest of 1.31% to 3.03%. Bonds issued to refund the outstanding Series 2013 Revenue Bonds.</p>	28,215,000	28,440,000
	132,430,000	139,625,000
Less: current portion	(7,345,000)	(7,195,000)
Total long-term revenue bonds payable	\$ 125,085,000	\$ 132,430,000

Debt service requirements to maturity including interest on all outstanding bonds as of June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 7,345,000	\$ 4,692,773	\$ 12,037,773
2025	7,500,000	4,540,286	12,040,286
2026	7,645,000	4,390,420	12,035,420
2027	7,800,000	4,243,750	12,043,750
2028	7,605,000	4,093,152	11,698,152
2029-2033	32,300,000	16,766,135	49,066,135
2034-2038	39,130,000	9,370,788	48,500,788
2039-2043	19,775,000	2,146,878	21,921,878
2044-2047	3,330,000	285,694	3,615,694
	\$ 132,430,000	\$ 50,529,876	\$ 182,959,876

There are a number of limitations and restrictions contained in the various debt instruments. The System is in compliance with all significant limitations and restrictions.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 6 - DEFEASANCE OF DEBT AND ADVANCED REFUNDINGS

The proceeds from previous bonds issued that defeased certain revenue bonds in prior years were placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust accounts' assets and the liability for the defeased bonds are not included in the System's financial statements. At June 30, 2023 and 2022, \$26,595,000 and \$26,820,000, respectively, of bonds outstanding are considered defeased from prior years.

In prior years, advanced refundings resulted in book losses that are being amortized over the original remaining life of the old bonds that were defeased or the life of the new debt, whichever is less. The unamortized losses at June 30, 2023 and 2022 are shown on the Statements of Net Position as deferred loss on refundings under deferred outflows of resources. Amortization has been included in interest expense and was \$629,668 for both the years ended June 30, 2023 and 2022.

NOTE 7 - CAPITAL CONTRIBUTIONS

Donated assets and/or grants provided to finance capital expenditures are accounted for as capital contributions. During the years ended June 30, 2023 and 2022, the System received the following as donated assets or to partially finance plant extensions or additions:

	2023	2022
Donated assets	\$ 2,022,177	\$ 1,787,644
Federal/state agencies	-	602,967
Private industry and developers	45,638	95,364
Participation fees	257,525	244,944
	\$ 2,325,340	\$ 2,730,919

NOTE 8 - PENSION PLAN

Plan Description - The System, as the employer, participates in the South Carolina Retirement System (SCRS/system) Plan - a cost-sharing multiple-employer defined benefit pension plan administered and managed by the South Carolina Public Employee Benefit Authority (PEBA), a state agency. PEBA issues a 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.

Benefits Provided/Membership - SCRS provides retirement and other benefits for teachers and employees of the state and its political subdivisions. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. 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. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 - PENSION PLAN - CONTINUED

Benefits Provided/Membership - Continued - This plan covers general employees and teachers and first-term 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. 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.

An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member. 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 or is age 65 or older on the date of retirement.

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.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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 contributions 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 employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contributions rates beginning July 1, 2017 for SCRS 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 1% increase in the SCRS employer contribution rate 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 one percentage point each year until reaching 18.56% for SCRS 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 set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS 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 plan. The statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plan is at least 85% funded.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 - PENSION PLAN - CONTINUED

Contributions - Continued - Required employee (both Class II and III) contribution rates for the years ended June 30, 2023 and 2022 were 9%. The required employer contribution rate for the years ended June 30, 2023 and 2022 were 17.41% and 16.41%, respectively. Both required employee and employer contribution rates are calculated on earnable compensation as defined by Title 9 of the South Carolina Code of Laws. Employers also contribute an additional .15% of earnable compensation, if participating in the death benefit program.

Contributions to the Plan from the System were \$2,316,422 and \$1,989,994, for the years ended June 30, 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the System reported a net pension liability of \$24,464,504 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability, net pension liability and sensitivity information 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 plan's fiscal year end June 30, 2022, using generally accepted actuarial procedures. The allocation of the System's proportionate shares of the collective net pension liability and pension expense were calculated on the basis of the System's contributions actually remitted to the plan relative to the total contributions remitted to the plan for all participating employers, less employer contributions that are not a representative of future contributions efforts, as of June 30, 2022. Based upon this information, the System's proportion of the collective net pension liability at June 30, 2023 and 2022 was .100917% and .105362%, respectively, a decrease of .00444% since June 30, 2021, the prior measurement date.

For the years ended June 30, 2023 and 2022, the System recognized pension expense of \$1,892,157 and \$1,739,806, respectively. At June 30, 2023 and 2022, the System reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,551	\$ 106,615
Changes in assumptions	784,634	-
Net difference between projected and actual earnings on pension plan investments	37,729	-
Changes in the System's proportion and differences between the System's contributions and the System's proportionate share of contributions	5,528	907,916
System contributions subsequent to the measurement date	2,316,422	-
Total	\$ 3,356,864	\$ 1,014,531

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 - PENSION PLAN - CONTINUED

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

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 388,402	\$ 30,774
Changes in assumptions	1,248,094	-
Net difference between projected and actual earnings on pension plan investments	-	3,312,257
Changes in the System's proportion and differences between the System's contributions and the System's proportionate share of contributions	218,140	246,265
System contributions subsequent to the measurement date	1,989,994	-
Total	\$ 3,844,630	\$ 3,589,296

\$2,316,422 reported as deferred outflows of resources related to pensions in 2023 resulted from System contributions subsequent to the measurement date and will be recognized as a reduction of the net collective pension liability in the year ended June 30, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2024	\$ 179,807
2025	(2,709)
2026	(789,206)
2027	638,019
	\$ 25,911

Actuarial Assumptions - 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 to 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 System was most recently issued for the period ending July 1, 2019.

The June 30, 2022 total pension liability, net pension liability, and sensitivity information were determined by and are based on an actuarial valuation as of the July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plan's 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 the system.

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

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 - PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued

Actuarial cost method	Entry age normal
Inflation	2.25%
Salary increases	3.0% to 11.0% (varies by service and includes 2.25% inflation)
Benefit adjustments	lesser of 1% or \$500 annually
Investment rate of return	7.00% (includes 2.25% inflation)

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), were 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.

The long-term expected rate of return on pension plan investments is based upon the 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 following table. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Real Rate of Return
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Return	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on actuarially determined rates based on the provisions of the South Carolina State Code of Laws. Based on those assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 - PENSION PLAN - CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the System's proportionate share of the collective net pension liability calculated using the discount rate of 7.00%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	2023		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
System's proportionate share of the collective net pension liability	\$ 31,366,513	\$ 24,464,504	\$ 18,726,380

	2022		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
System's proportionate share of the collective net pension liability	\$ 29,867,480	\$ 22,801,770	\$ 16,928,704

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan, administered by PEBA, is available in the Systems' audited financial statements for the fiscal year ended June 30, 2022 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the System and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2021. The additional information is publicly available on PEBA's website at www.peba.sc.gov.

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description

The System, through its substantive commitment to provide other post-employment benefits (OPEB), maintains an agent employer defined benefit plan to provide certain postretirement health care benefits. The plan provides health care and prescription drug coverage in the Group insurance plan; and upon becoming eligible for Medicare coverage, retirees are provided with Medicare supplement insurance which includes health care and prescription drug coverage. Participants must be eligible to retire under the SCRS with a minimum of 12 years of service to receive benefits.

The System explicitly provides a portion of the cost of coverage for retirees and the retirees are required to pay a portion of the premiums which is determined each year. Retirees may continue dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. Spouses age 65 or older may continue coverage by paying the total cost of coverage. Spouses are not covered for pre or post-65 retirees.

The System, upon majority vote of the three member Commission, has the authority to establish and amend benefit provisions.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2023 AND 2022

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Plan Description - Continued

The Plan's assets are held in an irrevocable trust for the exclusive benefit of the Plan participants and are administered by the South Carolina Other Retirement Benefits Employer Trust (SCORBET). Each member shares in the SCORBET's administrative and investment related expenses. The SCORBET issues a publicly available Annual Comprehensive Financial Report (ACFR). A copy of the ACFR may be obtained by submitting a request to Risk Management Services, Municipal Association of South Carolina, Post Office Box 12109, Columbia, SC 29211.

Plan Membership

Membership in the plan as of June 30, 2023 was:

Inactive plan members of beneficiaries receiving benefits	60
Active plan members	226
Total plan members	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">286</div>

Contributions

The Plan is financed on a pay-as-you-go basis and through separate contributions to SCORBET based on the actuarially determined employer contribution. The SCORBET allows each member to choose a contribution amount into the trust based on the actuarially determined employer contribution. The System paid \$1,121,826 and \$1,468,484 in pay-as-you-go and SCORBET contributions for the years ended June 30, 2023 and 2022.

Net OPEB Liability

The System's net OPEB liability as of June 30, 2023 and 2022 of \$9,372,360 and \$8,306,485, respectively was measured as of December 31, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability as of June 30, 2023 and 2022 was determined by an actuarial valuation date of December 31, 2020.

Actuarial assumptions and other inputs - the Total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.00%-9.50%, including wage inflation of 3.00%
Investment rate of return	4.75%, net of OPEB plan investment expense, including price inflation
Municipal bond index rate	3.72%, prior measurement date 2.06%
Single equivalent interest rate	4.75%
Health care cost rates	
Pre-medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025
Discount rate	Based upon the long-term expected rate of return

Mortality rates were based on the PUB-2010 Mortality Table for Employees with a 135% multiplier to better reflect anticipated experience and provide a margin for future improvements.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability - Continued

Actuarial assumptions and other inputs – continued - The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the December 31, 2020 valuation were based on the results of the 2020 actuarial experience study adopted by the SCRS. The experience report on the SCRS was most recently issued as of July 1, 2019 and is required to be completed at least once in each five-year period by S.C. state statute. The remaining actuarial assumptions (e.g., initial per capita costs, health care costs trends, rate of plan participation, rates of plan election, etc.) used in the December 31, 2020 valuation were based on a review of recent plan experience done concurrently with the December 31, 2020 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) and developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation adjustment, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

	Target Allocation	Expected Arithmetic Real Rate of Return
US Government Agency	58.00%	4.00%
US Government MBS/CMO/CMBS	40.00%	5.60%
Cash and Short Duration (Net)	2.00%	3.90%
	100.00%	

Discount rate - the discount rate used to measure the total OPEB liability as of the measurement date was 4.75%. The projection of cash flows used to determine the discount rate assumed that total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions; active employees do not explicitly contribute to the Plan; the System continues to contribute at least the average contribution for the last five years through deposit to the SCORBET and direct payment of benefits to plan members as the benefits come due; projected assets do not include employer contributions that fund the estimated service costs of future employees; and cash flows occur mid-year. Based on these assumptions, the Plan's fiduciary net position was projected to not be depleted.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability

The total OPEB liability (TOL) is based upon the actuarial valuation performed as of the valuation date, December 31, 2020. An expected TOL is determined as of December 31, 2022, the measurement date, using standard roll forward techniques. The roll forward calculation begins with the TOL, as of the prior measurement date, December 31, 2021, subtracts the expected benefit payments for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the service cost). The procedure used to determine the TOL, as of December 31, 2022 and 2021, is shown in the following table:

2023			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balance as of December 31, 2021	\$ 16,656,384	\$ 8,349,899	\$ 8,306,485
Changes for the Year			
Service cost	448,304	-	448,304
Interest	779,735	-	779,735
Difference between expected and actual experience	36,726	-	36,726
Changes in assumptions or other inputs	-	-	-
Contributions - employer	-	1,449,684	(1,449,684)
Net investment income	-	(1,244,351)	1,244,351
Benefit payments and implicit subsidy credit	(487,484)	(487,484)	-
Plan administrative expenses	-	(6,443)	6,443
Net Changes	<u>777,281</u>	<u>(288,594)</u>	<u>1,065,875</u>
Balance as of December 31, 2022	<u>\$ 17,433,665</u>	<u>\$ 8,061,305</u>	<u>\$ 9,372,360</u>
2022			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balance as of December 31, 2020	\$ 19,660,939	\$ 7,579,640	\$ 12,081,299
Changes for the Year			
Service cost	701,517	-	701,517
Interest	920,344	-	920,344
Difference between expected and actual experience	(3,066,765)	-	(3,066,765)
Changes in assumptions or other inputs	(982,404)	-	(982,404)
Contributions - employer	-	1,532,747	(1,532,747)
Net investment income	-	(183,991)	183,991
Benefit payments	(577,247)	(577,247)	-
Plan administrative expenses	-	(1,250)	1,250
Net Changes	<u>(3,004,555)</u>	<u>770,259</u>	<u>(3,774,814)</u>
Balance as of December 31, 2021	<u>\$ 16,656,384</u>	<u>\$ 8,349,899</u>	<u>\$ 8,306,485</u>

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability - Continued

Sensitivity of the net OPEB liability to changes in the discount rate - the following presents the net OPEB liability of the System's Plan, calculated using the discount rate of 4.75%, as well as what the System's Plan's net OPEB liability would be if it were calculated using a discount rate 1.0% lower or 1.0% higher than the current discount rate:

2023			
	1% Decrease 3.75%	Discount Rate 4.75%	1% Increase 5.75%
Net OPEB Liability	\$ 12,376,985	\$ 9,372,360	\$ 6,971,611
2022			
	1% Decrease 3.75%	Discount Rate 4.75%	1% Increase 5.75%
Net OPEB Liability	\$ 11,213,942	\$ 8,306,485	\$ 5,985,855

Sensitivity of the net OPEB liability to changes in the health care cost trend rates - the following presents the net OPEB liability of the System's Plan, calculated using current health care cost trend rates, as well as what the System's Plan's net OPEB liability would be if it were calculated using health care cost trend rates that are 1.0% lower or 1.0% higher than the current health care cost trend rates:

2023			
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 6,448,896	\$ 9,372,360	\$ 13,164,624
2022			
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 5,610,976	\$ 8,306,485	\$ 11,794,511

OPEB plan fiduciary net position - detailed information about the OPEB plan's fiduciary net position is available in a separately issued SCORBET financial report prepared using the economic resources measurement focus and the accrual basis of accounting. The report may be obtained in writing to Risk Management Services, Municipal Association of South Carolina, Post Office Box 12109, Columbia, South Carolina 29211.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2023 and 2022, the System recognized OPEB expense of \$638,038 and \$707,948, respectively. At June 30, 2023 and 2022, the System reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

2023		
	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 579,377	\$ 2,392,326
Changes in assumptions or other inputs	179,417	737,720
Net difference between projected and actual earnings on plan investments	1,640,831	-
District contributions subsequent to the measurement date	849,764	-
	<u>\$ 3,249,389</u>	<u>\$ 3,130,046</u>
2022		
	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 672,866	\$ 2,790,234
Changes in assumptions or other inputs	218,002	860,062
Net difference between projected and actual earnings on plan investments	440,665	-
District contributions subsequent to the measurement date	1,160,505	-
	<u>\$ 2,492,038</u>	<u>\$ 3,650,296</u>

\$849,764 reported as deferred outflows of resources related to OPEB in 2023, resulted from System contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ended December 31:	
2023	\$ (77,410)
2024	(81,872)
2025	(85,390)
2026	35,423
2027	419,465
Thereafter	520,205
	<u>\$ 730,421</u>

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2023 AND 2022

NOTE 10 - DEFERRED COMPENSATION PLANS

Two deferred compensation plans are available to System employees. The multiple-employer plans, created under Internal Revenue Code Sections 401(k) and 457 are 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. These requirements differ between the two plans. The plans, available to all System employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional and participants elect how their salary deferrals are invested.

Compensation deferred under the Section 401(k) and 457 plans is placed in trust for the contributing employees. Neither the State nor the System has any liability for losses under the plan.

NOTE 11 - RISK MANAGEMENT

The System 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 System is insured under policies through the South Carolina Office of Insurance Services, South Carolina Reserve Fund (IRF), a public entity risk pool, which issues policies to assume those risks of loss, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses the System is exposed to, related to the following assets, activities, and/or events:

1. Real property, its contents, and other equipment.
2. Motor vehicles.
3. General tort claims.

The IRF purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. The IRF's rates are determined actuarially.

The System did not have settled claims that exceeded the System's insurance coverage in any of the past three years.

The System provides employee health care under a self-funded insurance program. Under this program, specific stop loss coverage for each claim in excess of \$105,000 and aggregate stop loss coverage, including Spartanburg Sanitary Sewer District, for claims in excess of \$4,833,539 is provided by a commercial insurance company. The following represents the change in unfiled, unpaid claims from July 1, 2022 to June 30, 2023 and July 1, 2021 to June 30, 2022:

	2023	2022
Beginning of the year liability	\$ 141,378	\$ 113,467
Claims	2,726,843	2,082,405
Claims payments	<u>(2,573,726)</u>	<u>(2,054,494)</u>
End of the year liability	<u>\$ 294,495</u>	<u>\$ 141,378</u>

The liability is included in accrued employee benefits on the Statements of Net Position.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 12 - PAYMENTS TO OTHER GOVERNMENTAL UNITS

On June 11, 1991, the System adopted a resolution to transfer a percentage of actual gross water revenue to the City of Spartanburg for services and return on investment beginning July 1, 1991. A new transfer agreement was adopted on June 10, 2013, providing that the System pay a flat fee of \$1,200,000 in 2014; \$1,100,000 in 2015; and \$1,000,000 each year from 2016 through 2018. Transfer amounts will henceforward increase for the years 2019 through 2028 by the Consumer Price Index of the preceding year. As part of the amended agreement, the System paid the City \$1,112,685 and \$1,079,229 for the years ended June 30, 2023 and 2022, as reported in the Statements of Revenues, Expenses and Changes in Net Position.

NOTE 13 - RELATED PARTY TRANSACTIONS

The System provides billing, collection, fleet, engineering and labor services as well as other administrative functions for the Spartanburg Sanitary Sewer District. The System receives a fee for these services. These fees, presented in the Statements of Revenues, Expenses and Changes in Net Position as intercompany services, were as follows:

	2023	2022
Billing and collection fees	\$ 1,053,996	\$ 613,080
Administrative fees	1,350,384	1,277,592
Labor reimbursements	559,313	610,542
Water quality and maintenance fee	189,758	198,866
Fleet services fee	237,483	129,764
Engineering	893,792	967,997
	<u>\$ 4,284,726</u>	<u>\$ 3,797,841</u>

In turn, the Spartanburg Sanitary Sewer District provides laboratory, operation and labor services to the System. The amount paid for outside services, included in operating expenses in the Statements of Revenues, Expenses and Changes in Net Position, were as follows:

	2023	2022
Laboratory fees	\$ 449,430	\$ 469,742
Operation fee	91,730	112,528
Labor reimbursements	319,969	330,141
	<u>\$ 861,129</u>	<u>\$ 912,411</u>

The following amounts were due from (to) the Spartanburg Sanitary Sewer District at June 30, 2023 and 2022 and included in other payables, sewer and water collections payable to others, and other receivables on the Statements of Net Position:

	2023	2022
User charges collected	\$ (2,270,387)	\$ (2,337,433)
Other payables	(319,969)	(330,141)
Miscellaneous receipts	1,646,770	1,105,676
	<u>\$ (943,586)</u>	<u>\$ (1,561,898)</u>

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 13 - RELATED PARTY TRANSACTIONS - CONTINUED

The System with the Spartanburg Sanitary Sewer District jointly owns an office building on North Liberty Street in downtown Spartanburg, South Carolina. The facility provides offices for the engineering and other support service departments that serve both organizations. The System owns an undivided interest of the office building. At June 30, 2023 and 2022, the System's share is included in capital assets with a cost of \$720,257 and \$705,660 and accumulated depreciation of \$541,967 and \$524,364, respectively.

The System also jointly owns with the Spartanburg Sanitary Sewer District approximately 42 acres on Highway 295 By-Pass in Spartanburg County for future additional space requirements and facilities to accommodate a maintenance shop and the personnel involved in maintenance activities. At June 30, 2023 and 2022, the System's share is included in capital assets with a cost of \$1,705,218 and accumulated depreciation of \$1,447,877 and \$1,421,005, respectively.

The System additionally with the Spartanburg Sanitary Sewer District jointly owns a laboratory building on Highway 295 By-pass in Spartanburg County. The facility provides office and laboratories for the industrial wastewater, backflow prevention and water quality services. At June 30, 2023 and 2022, the System's share is included in capital assets with a cost of \$882,354 and accumulated depreciation of \$486,738 and \$460,947, respectively.

NOTE 14 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Sick Pay

As described more fully in Note 1, no estimate of any potential liability has been made.

Unemployment Compensation

The System is required to pay unemployment compensation on covered employees. It has chosen the alternative of paying claims as billed by the South Carolina Employment Security Commission. However, under this method of funding, no accurate estimate of any potential liability has been made.

Underground Storage Tanks

The System has underground storage tanks that are subject to federal and state regulations concerning cleanup costs and third party liability claims. The System has 24 hour a day monitoring systems installed on all storage tanks. However, the System is not insured in the event that a leak should occur, and no estimate of potential liability, if any, has been made in the accompanying financial statements.

Construction Commitments

Outstanding commitments on construction contracts totaled \$1,720,675 and \$2,212,977 at June 30, 2023 and 2022, respectively. Subsequent to year end, an additional \$867,700 of contract commitments were entered into by the System for various improvement projects.

Arbitrage Rebate Liabilities

Arbitrage represents the difference or "spread" between lower interest rates on tax-exempt government securities and the higher interest on taxable investment securities. The Internal Revenue Code requires local governments to rebate arbitrage earnings to the federal government every five years for as long as the local government has tax-exempt bonds outstanding. The System does not believe an estimate of potential liability, if any, is required in the accompanying financial statements.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 15 - RECLASSIFICATIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

SPARTANBURG WATER SYSTEM
 SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF
 THE COLLECTIVE NET PENSION LIABILITY
 SOUTH CAROLINA RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
System's Proportion of the Collective Net Pension Liability	0.105362%	0.105362%	0.106322%	0.106976%	0.102940%	0.103798%	0.100366%	0.100390%	0.102614%
System's Proportionate Share of the Collective Net Pension Liability	\$ 24,464,504	\$ 22,801,770	\$ 27,167,024	\$ 24,427,088	\$ 23,065,802	\$ 23,366,599	\$ 22,142,905	\$ 19,039,448	\$ 17,666,729
System's Covered Payroll	\$ 12,016,874	\$ 11,910,270	\$ 11,876,293	\$ 11,296,390	\$ 10,669,170	\$ 10,472,856	\$ 10,038,663	\$ 9,412,769	\$ 9,316,040
System's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	203.58%	191.45%	228.75%	216.24%	216.19%	223.12%	220.58%	202.27%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

*The amounts presented were determined as of the prior fiscal years ending June 30.

Notes to Schedule:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

SPARTANBURG WATER SYSTEM
SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorially Required Contributions	\$ 2,316,422	\$ 1,989,994	\$ 1,853,238	\$ 1,847,951	\$ 1,644,754	\$ 1,344,341	\$ 1,210,662	\$ 1,110,276	\$ 1,011,873
Contributions in Relation to the Statutorially Required Contributions	2,316,422	1,989,994	1,853,238	1,847,951	1,644,754	1,344,341	1,210,662	1,110,276	1,011,873
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's Covered Payroll	\$ 13,191,467	\$ 12,016,874	\$ 11,910,270	\$ 11,876,293	\$ 11,296,390	\$ 10,669,170	\$ 10,472,856	\$ 10,038,663	\$ 9,412,769
Contributions as a Percentage of Covered Payroll	17.56%	16.56%	15.56%	15.56%	14.56%	12.60%	11.56%	11.06%	10.75%

Notes to Schedule:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

SPARTANBURG WATER SYSTEM
SCHEDULE OF CHANGES IN THE SYSTEM'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 448,304	\$ 701,517	\$ 681,084	\$ 557,966	\$ 541,715	\$ 525,937
Interest on total OPEB liability	779,735	920,344	875,586	774,447	737,040	693,898
Difference between expected and actual experience	36,726	(3,066,765)	(134,471)	940,629	(3,799)	142,956
Changes of assumptions or other inputs	-	(982,404)	-	333,757	-	-
Benefit payments	(487,484)	(577,247)	(384,814)	(568,176)	(408,588)	(499,407)
Net Change in Total OPEB Liability	777,281	(3,004,555)	1,037,385	2,038,623	866,368	863,384
Total OPEB Liability - Beginning of Year	16,656,384	19,660,939	18,623,554	16,584,931	15,718,563	14,855,179
Total OPEB Liability - End of Year (a)	\$ 17,433,665	\$ 16,656,384	\$ 19,660,939	\$ 18,623,554	\$ 16,584,931	\$ 15,718,563
Plan Fiduciary Net Position						
Contributions - employer	\$ 1,449,684	\$ 1,532,747	\$ 1,129,814	\$ 1,324,176	\$ 1,295,588	\$ 669,407
Net investment income	(1,244,351)	(183,991)	387,128	296,603	60,482	117,441
Benefit payments	(487,484)	(577,247)	(384,814)	(568,176)	(408,588)	(499,407)
Administrative expenses	(6,443)	(1,250)	(6,441)	-	-	(19,310)
Net Change in Plan Fiduciary Net Position	(288,594)	770,259	1,125,687	1,052,603	947,482	268,131
Plan Fiduciary Net Position - Beginning of Year	8,349,899	7,579,640	6,453,953	5,401,350	4,453,868	4,185,737
Plan Fiduciary Net Position - End of Year (b)	\$ 8,061,305	\$ 8,349,899	\$ 7,579,640	\$ 6,453,953	\$ 5,401,350	\$ 4,453,868
Net OPEB Liability - Ending (a-b)	\$ 9,372,360	\$ 8,306,485	\$ 12,081,299	\$ 12,169,601	\$ 11,183,581	\$ 11,264,695
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.24%	50.13%	38.55%	34.65%	32.57%	28.34%
Covered Payroll	\$ 9,498,040	\$ 9,498,040	\$ 10,789,990	\$ 10,789,990	\$ 9,953,096	\$ 9,953,096
Net OPEB Liability as a Percentage of Covered Payroll	98.68%	87.45%	111.97%	112.79%	112.36%	113.18%

Notes to Schedule:

June 30, 2018 was the first year of GASB 75 implementation, therefore 10-year data is not yet available.

For 2022, the decremental and salary increase assumptions updated based on the most recent SCRS experience analysis and the changes in the medical trend assumptions resulted in changes in assumptions and other inputs.

For 2020, changes in the medical trend and retiree contribution trends have been made resulting in changes in assumptions and other inputs.

SPARTANBURG WATER SYSTEM
 SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS
 LAST TEN FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 1,362,321	\$ 1,374,761	\$ 1,243,231	\$ 1,153,583	\$ 1,093,916	\$ 1,033,974
Contributions in Relation to the ADC	1,121,826	1,468,484	1,382,887	1,244,371	1,195,060	1,193,816
Annual Contribution Deficiency	<u>\$ 240,495</u>	<u>\$ (93,723)</u>	<u>\$ (139,656)</u>	<u>\$ (90,788)</u>	<u>\$ (101,144)</u>	<u>\$ (159,842)</u>
Covered Payroll	\$ 12,275,721	\$ 11,427,043	\$ 11,102,522	\$ 11,348,498	\$ 10,694,740	\$ 10,279,600
Actual Contributions as a Percentage of Covered Payroll	9.14%	12.85%	12.46%	10.97%	11.17%	11.61%

Notes to Schedule:

Valuation Date: December 31, 2020

Methods and Assumptions Used to Determine Contributions Rates:

- Actuarial Cost Method: Entry age normal
- Amortization Method: Level percent of pay, closed
- Amortization Period: 17 years
- Asset Valuation Method: Based on a smoothing method beginning with the July 1, 2011 valuation, 80%-120% corridor
- Inflation: 2.25%
- Healthcare Cost Trend Rates:
 - Pre-medicare: 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
 - Medicare: 5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2031
- Salary Increases: 3.00%-9.50%, including wage inflation of 3.00%
- Investment Rate of Return: 4.75%, net of OPEB plan investment expense, including price inflation
- Participation Rates: The assumed annual rates of plan participation and spouse coverage were 90% and 15%, respectively.
- Demographic Assumptions: Based on the 2020 experience study adopted by SCRS
- Mortality: Based on the PUB-2010 Mortality Tables for Employees with a 135% multiplier to better reflect anticipated experience and provide a margin for future improvements

June 30, 2018 was the first year of GASB 75 implementation, therefore 10-year data is not yet available.

SUPPLEMENTARY INFORMATION

SPARTANBURG WATER SYSTEM
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Personnel Costs		
Salaries and wages	\$ 12,275,721	\$ 11,427,043
State retirement	1,630,457	1,531,657
Employer's social security taxes	879,815	810,338
Group insurance	3,499,386	3,093,676
Worker's compensation	57,667	77,057
Other	1,258	7,870
	<u>18,344,304</u>	<u>16,947,641</u>
Supplies and Maintenance		
Printing and office supplies	220,936	157,741
Safety equipment and supplies	162,749	129,287
Equipment maintenance	362,184	359,982
Vehicle operation and maintenance	138,280	152,917
Construction equipment operations and maintenance	338,535	318,182
Systems operation and maintenance	2,003,644	1,772,933
Tap and meter supplies	877,963	821,241
Building and grounds maintenance	713,336	779,436
Treatment and filter supplies	2,542,636	1,818,663
Laboratory supplies	148,517	235,501
	<u>7,508,780</u>	<u>6,545,883</u>
Outside Services		
Utilities	1,158,870	1,004,360
Telephone	234,989	282,158
Uniform rentals	137,544	112,144
Legal fees	16,172	58,031
Consulting services	183,306	298,740
Audit	18,750	18,750
Other management services	671,758	722,609
Postage and delivery	226,498	211,811
Other	1,504,267	1,479,455
Permits	7,564	4,000
	<u>4,159,718</u>	<u>4,192,058</u>
Educational and Training Expenses		
Conferences and education	125,312	82,100
Professional dues and memberships	116,284	121,148
Employment expenses	48,744	46,148
Safety and employee programs	101,328	63,475
	<u>391,668</u>	<u>312,871</u>
Company Expenses		
Property and liability insurance	402,522	369,842
Bad debt expense	87,404	110,970
Public relations and information	99,546	94,601
Miscellaneous expense	25,216	19,580
	<u>614,688</u>	<u>594,993</u>
Total Operating Expenses	<u>\$ 31,019,158</u>	<u>\$ 28,593,446</u>

**III. STATISTICAL SECTION
(UNAUDITED)**

Statistical Section

This part of the Spartanburg Water System's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the System's most significant revenue source, user charges.

Debt Capacity

These schedules present information to help the reader assess the affordability of the System's current levels of outstanding debt and the System's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the System's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the System's financial report relates to the services the System provides and the activities it performs.

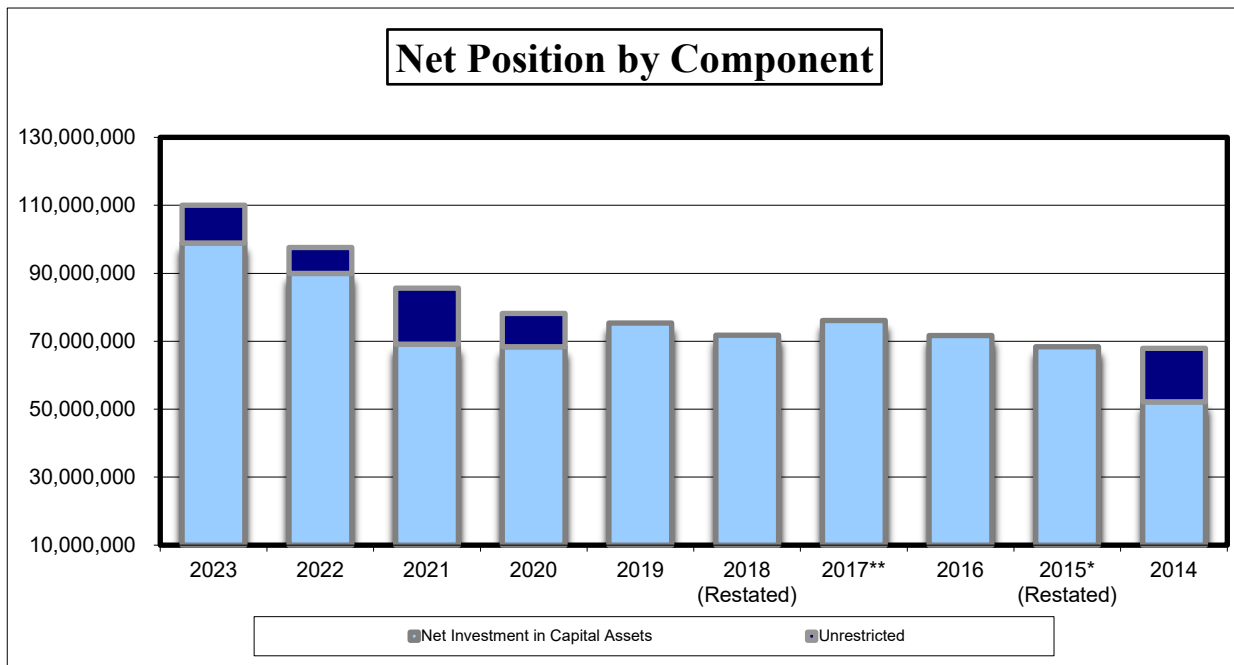
Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Financial Trends

Net Position by Component

FY 2014 to FY 2023

Fiscal Year	Net Investment in Capital Assets	Unrestricted	Total Net Position
2023	\$ 98,927,413	\$ 11,111,567	\$ 110,038,980
2022	89,953,505	7,598,067	97,551,572
2021	69,111,094	16,564,010	85,675,104
2020	68,426,697	9,802,391	78,229,088
2019	75,359,394	(4,084,372)	71,275,022
2018 (Restated)	71,738,818	(8,442,542)	63,296,276
2017**	76,099,078	(18,782,415)	57,316,663
2016	71,655,431	(11,500,866)	60,154,565
2015* (Restated)	68,397,749	(13,985,914)	54,411,835
2014	52,165,078	15,793,683	67,958,761



** The Fiscal Year 2017 unrestricted net position was restated and reduced by \$10,029,943 due to the implementation of GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

* The significant decrease in unrestricted net position in Fiscal Year 2015 was due to the implementation of GASB 68 - Accounting and Financial Reporting for Pensions.

Changes in Net Position

FY 2014 to FY 2023

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018 (Restated)	FY 2017	FY 2016	FY 2015 (Restated)	FY 2014
Revenues										
Operating Revenues										
Water Sales	\$ 43,852,419	\$ 42,584,266	\$ 40,800,181	\$ 40,893,970	\$ 39,662,643	\$ 38,622,915	\$ 40,183,098	\$ 37,898,737	\$ 35,785,630	\$ 32,429,507
Tap & Meter Sales	1,810,096	1,561,132	1,923,511	1,289,225	999,085	715,805	603,515	588,520	471,340	383,845
Other Operating Revenues	1,697,903	1,667,425	1,680,029	1,779,613	1,610,302	1,516,631	1,434,856	1,353,879	1,286,424	1,356,221
	<u>47,360,418</u>	<u>45,812,823</u>	<u>44,403,721</u>	<u>43,962,808</u>	<u>42,272,030</u>	<u>40,855,351</u>	<u>42,221,469</u>	<u>39,841,136</u>	<u>37,543,394</u>	<u>34,169,573</u>
Nonoperating Revenues										
Intercompany Services	4,284,726	3,797,841	3,461,413	3,444,304	3,475,522	3,189,295	3,011,119	3,145,181	2,977,887	2,961,169
Other Nonoperating Revenues	3,669,436	2,264,744	2,183,544	2,773,995	2,784,130	1,791,766	1,222,673	1,137,436	1,083,115	1,046,052
	<u>7,954,162</u>	<u>6,062,585</u>	<u>5,644,957</u>	<u>6,218,299</u>	<u>6,259,652</u>	<u>4,981,061</u>	<u>4,233,792</u>	<u>4,282,617</u>	<u>4,061,002</u>	<u>4,007,221</u>
Total Revenues	<u>55,314,580</u>	<u>51,875,408</u>	<u>50,048,678</u>	<u>50,181,107</u>	<u>48,531,682</u>	<u>45,836,412</u>	<u>46,455,261</u>	<u>44,123,753</u>	<u>41,604,396</u>	<u>38,176,794</u>
Expenses										
Operating Expenses, Excluding Depreciation	31,019,158	28,593,446	29,317,279	29,137,620	26,494,111	25,633,608	23,516,057	23,292,434	21,508,056	20,746,447
Depreciation Expense	7,961,476	7,864,223	8,056,787	8,220,726	8,333,554	7,915,554	7,872,092	7,244,640	6,936,967	6,527,267
Nonoperating Expenses	6,171,878	6,272,190	6,452,897	6,453,768	6,915,814	6,984,629	8,798,600	9,097,263	9,666,764	8,041,001
	<u>45,152,512</u>	<u>42,729,859</u>	<u>43,826,963</u>	<u>43,812,114</u>	<u>41,743,479</u>	<u>40,533,791</u>	<u>40,186,749</u>	<u>39,634,337</u>	<u>38,111,787</u>	<u>35,314,715</u>
Excess (Deficiency), Before Capital Contributions	10,162,068	9,145,549	6,221,715	6,368,993	6,788,203	5,302,621	6,268,512	4,489,416	3,492,609	2,862,079
Capital Contributions	2,325,340	2,730,919	1,224,301	585,073	1,190,543	676,992	923,529	1,253,314	378,256	446,147
Increase (Decrease) in Net Assets	12,487,408	11,876,468	7,446,016	6,954,066	7,978,746	5,979,613	7,192,041	5,742,730	3,870,865	3,308,226
Net Position, Beginning of Year, Restated (2018/2015)	97,551,572	85,675,104	78,229,087	71,275,022	63,296,276	57,316,663	60,154,565	54,411,835	50,540,970	64,650,535
Net Position, End of Year	<u>\$ 110,038,980</u>	<u>\$ 97,551,572</u>	<u>\$ 85,675,101</u>	<u>\$ 78,229,088</u>	<u>\$ 71,275,022</u>	<u>\$ 63,296,276</u>	<u>\$ 67,346,606</u>	<u>\$ 60,154,565</u>	<u>\$ 54,411,835</u>	<u>\$ 67,958,761</u>

Revenues By Source

FY 2014 to FY 2023

Fiscal Year	Operating Revenues							Total Revenues
	Water Sales	Private Fire Service Rates	Service Charges	Cut-off	Tap & Meter Sales	New Account Fees	Miscellaneous	
2023	\$ 43,852,419	\$ 395,997	\$ 404,533	\$ 1,810,096	\$ 207,960	\$ 689,413		
2022	42,584,266	384,218	427,032	1,561,132	227,910	628,265		
2021	40,800,181	377,421	375,599	1,923,511	211,110	715,899		
2020	40,893,970	372,674	293,964	1,289,225	195,540	917,435		
2019	39,662,643	367,241	419,314	999,085	191,640	632,107		
2018	38,622,915	356,078	360,354	715,805	191,040	609,159		
2017	40,183,098	324,644	311,134	603,515	224,503	574,575		
2016	37,898,737	285,324	361,531	588,520	157,350	549,674		
2015 (Restated)	35,785,630	281,788	393,266	471,340	187,124	424,246		
2014	32,429,507	279,379	397,832	383,845	193,333	485,677		
Fiscal Year	Non-Operating Revenues							Total Revenues
	Capacity Fees	Fishing and Boating Permits	Interest Income	Intercompany Services	Administrative Income	Miscellaneous Non-Operating Revenue		
2023	\$ 1,322,965	\$ 531,489	\$ 1,280,193	\$ 4,284,726	\$ 334,204	\$ 200,585	\$ 55,314,580	
2022	1,073,618	546,812	119,273	3,797,841	307,781	217,260	51,875,408	
2021	988,252	409,590	176,991	3,461,413	305,246	303,465	50,048,678	
2020	641,784	330,927	1,174,000	3,444,304	327,742	299,542	50,181,107	
2019	313,346	383,483	1,492,558	3,475,522	321,733	273,010	48,531,682	
2018	294,775	410,378	530,763	3,189,295	285,805	270,045	45,836,412	
2017	273,765	363,134	82,325	3,011,119	241,176	262,273	46,455,261	
2016	230,890	373,508	6,488	3,145,181	229,517	297,033	44,123,753	
2015 (Restated)	189,404	362,734	14,350	2,977,887	245,655	270,972	41,604,396	
2014	143,421	322,194	2,946	2,961,169	230,444	347,047	38,176,794	

Operating Expenses**FY 2014 to FY 2023**

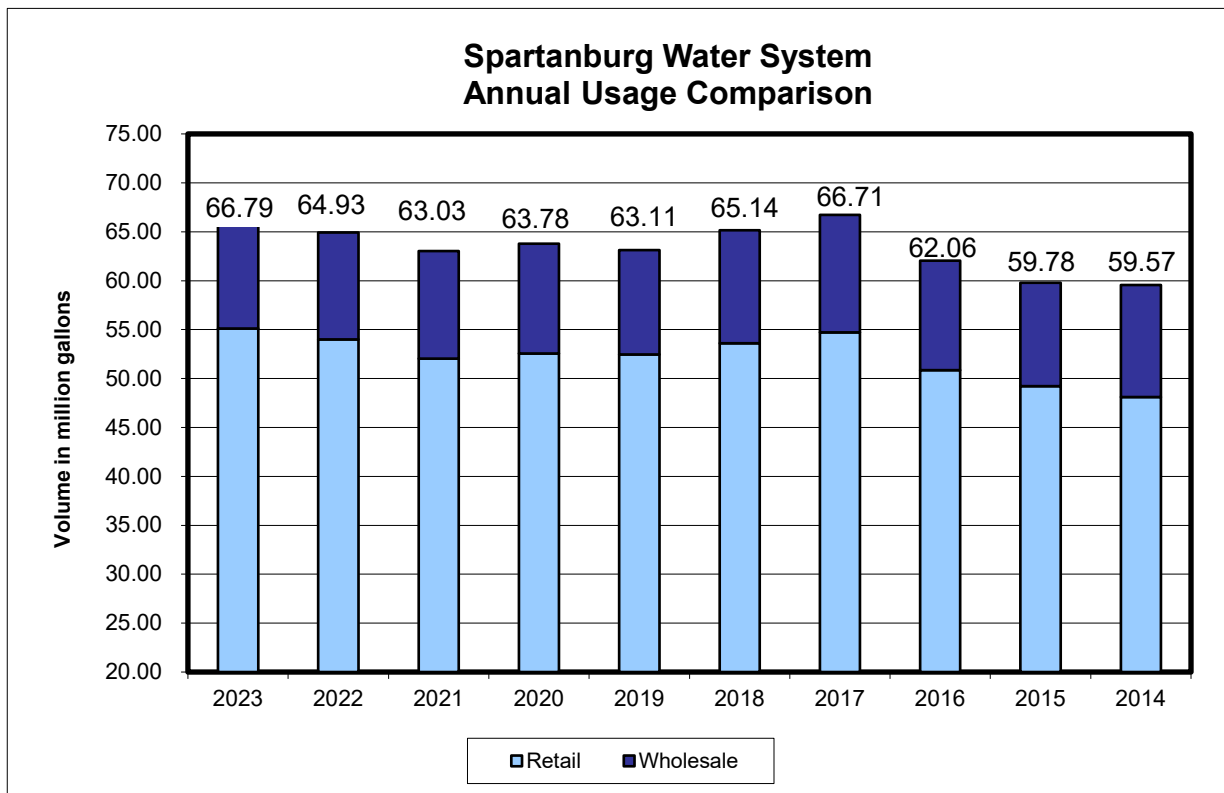
Fiscal Year	Personnel Cost	Supplies and Maintenance	Outside Services	Educational and Training	Company Expenses	Depreciation Expense	Total Expenses
2023	\$ 18,344,304	\$ 7,508,780	\$ 4,159,718	\$ 391,668	\$ 614,688	\$ 7,961,476	\$ 38,980,634
2022	16,947,641	6,545,883	4,192,058	312,871	594,993	7,864,223	36,457,669
2021	18,106,183	6,133,572	4,281,335	287,212	508,977	8,056,787	37,374,066
2020	17,817,338	6,101,392	4,234,716	326,976	657,198	8,220,726	37,358,346
2019	16,429,863	4,928,011	4,060,975	458,070	617,192	8,333,554	34,827,665
2018 (Restated)	16,398,870	4,938,204	3,337,143	443,323	516,068	7,915,554	33,549,162
2017	15,265,270	3,787,586	3,385,823	469,201	608,177	7,872,092	31,388,149
2016	14,013,276	4,828,118	3,539,437	413,442	498,161	7,244,640	30,537,074
2015 (Restated)	13,868,014	3,853,896	3,026,101	360,093	399,952	6,936,967	28,445,023
2014	13,192,296	3,804,410	3,030,565	338,007	381,169	6,527,267	27,273,714

Revenue Capacity

Annual Billed Usage

FY 2014 to FY 2023

Fiscal Year	Volume in Million Gallons		
	Wholesale	Retail	Total
2023	11.67	55.12	66.79
2022	10.93	54.00	64.93
2021	10.99	52.04	63.03
2020	11.24	52.54	63.78
2019	10.66	52.45	63.11
2018	11.55	53.59	65.14
2017	11.98	54.73	66.71
2016	11.20	50.86	62.06
2015	10.58	49.20	59.78
2014	11.47	48.10	59.57



Historical Volume Rate Information

FY 2014 to FY 2023

Fiscal Year	Retail		Wholesale
	Inside City	Outside City	
	Block 1	Block 1	
2023	\$ 0.3960	\$ 0.6930	\$ 0.1671
2022	0.3840	0.6720	0.1671
2021	0.3840	0.6720	0.1631
2020	0.3840	0.6720	0.1631
2019	0.3840	0.6720	0.1631
2018	0.3720	0.6510	0.1591
2017	0.3720	0.6510	0.1591
2016	0.3650	0.6390	0.1511
2015	0.3650	0.6390	0.1511
2014	0.3570	0.6248	0.1511

Number of System Customers**FY 2014 to FY 2023**

Fiscal Year	Retail			Wholesale	Number of Customers
	Residential	Commercial	Industrial		
2023	62,196	6,776	52	7	69,031
2022	60,855	6,675	52	6	67,588
2021	59,595	6,600	52	5	66,252
2020	57,944	6,570	54	5	64,573
2019	56,814	6,485	54	5	63,358
2018	55,862	6,457	51	5	62,375
2017	54,997	6,366	54	5	61,422
2016	54,357	6,299	55	5	60,716
2015	53,725	6,222	54	5	60,006
2014	53,277	6,168	54	5	59,504

Ten Largest Retail Customers

FY 2014 & FY 2023

Customer	2014				2023			
	Consumption (100g)	Total Annual Revenue	Percent of 2014 Water Sales Revenue	2014 Ranking	Consumption (100g)	Total Annual Revenue	Percent of 2023 Water Sales Revenue	2023 Ranking
Auriga Polymers, Inc. (Invista)	3,191,120	\$ 1,445,487	4.46%	1	3,133,005	\$ 1,602,998	3.66%	1
Milliken & Company	972,450	615,926	1.90%	2	826,581	592,052	1.35%	2
Michelin North America	603,052	379,259	1.17%	4	649,938	456,792	1.04%	3
DFA Dairy Brands Fluid, LLC	774,760	488,487	1.51%	3	625,980	445,381	1.02%	4
Spartanburg Regional (SRHS)	873,991	324,662	1.00%	6	873,143	365,419	0.83%	5
Wofford College					732,671	334,657	0.76%	6
BASF Corporation	480,794	302,873	0.93%	7	470,002	332,097	0.76%	7
Spartanburg Trio LLC					359,044	261,044	0.60%	8
Spartanburg Sanitary Sewer District	345,749	227,537	0.70%	9	334,482	249,290	0.57%	9
Spartanburg Housing Authority	627,278	255,212	0.79%	8	298,234	143,600	0.33%	10
R R Donnelley & Sons	521,745	329,577	1.02%	5				
Kohler Company	340,600	215,015	0.66%	10				
TOTALS	8,731,539	\$ 4,584,034	14.13%		8,303,080	\$ 4,783,330	10.91%	

Wholesale Water Customers in Charge and Volume Order

FY 2023

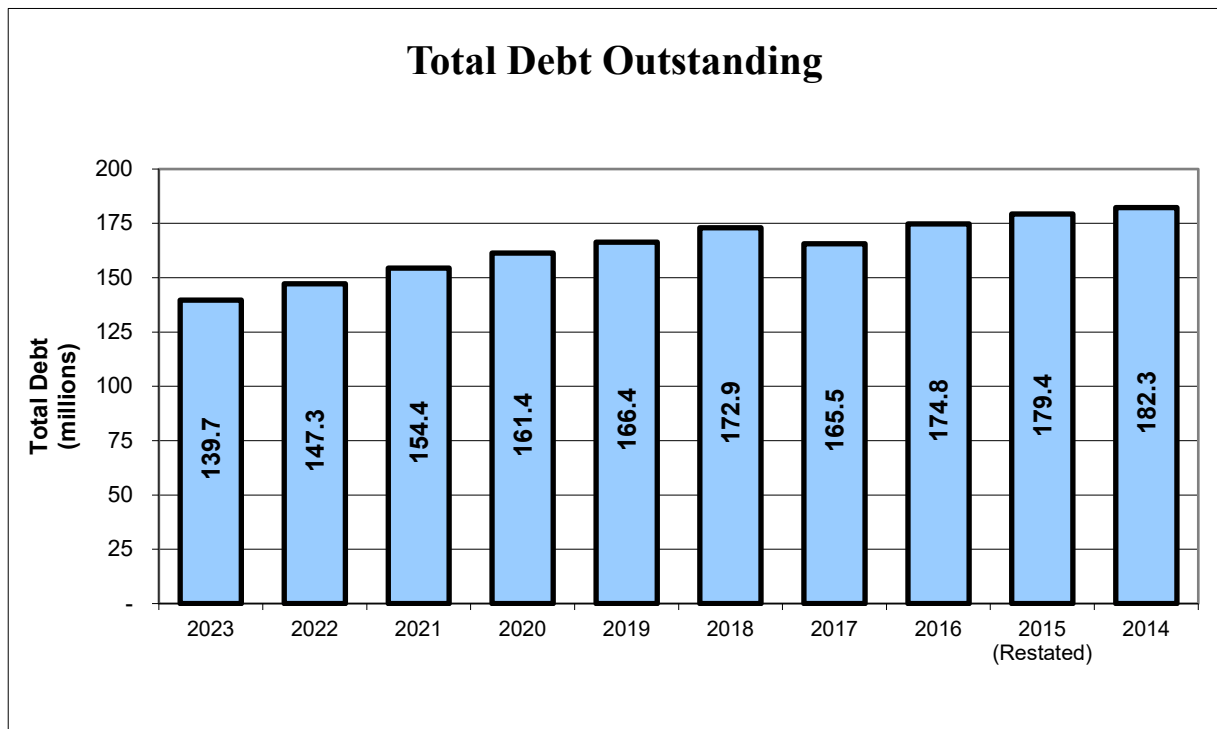
CUSTOMER	Billable Consumption (100g)	Percent to Total Consumption	Billable Charges	Base Charges	Total Charges	Percent to Total Water Sales Revenue
Liberty-Chesnee-Fingerville Water District	5,833,500	8.73%	\$ 974,778	\$ 6,600	\$ 981,378	2.24%
Goucher Water Company	2,034,296	3.05%	339,931	1,918	341,849	0.78%
Metropolitan Sub-District "B"	1,972,250	2.95%	329,563	3,256	332,819	0.76%
Meansville-Riley Water Company	1,199,094	1.80%	200,369	2,496	202,865	0.46%
Town of Jonesville	567,275	0.85%	94,792	1,628	96,420	0.22%
Inman Campobello Water District	48,745	0.07%	7,893	2,647	10,540	0.02%
Woodruff Roebuck Water District	12,100	0.02%	1,956	77	2,033	0.00%
	11,667,260	17.47%	\$ 1,949,282	\$ 18,623	\$ 1,967,904	4.49%

Debt Capacity

Debt Outstanding

FY 2014 to FY 2023

Fiscal Year	Total Outstanding Debt**	Per Capita*	As Share of Personal Income
2023	\$ 139,663,832	\$ 404	0.77%
2022	147,254,222	438	0.87%
2021	154,394,612	473	1.02%
2020	161,380,001	505	1.14%
2019	166,405,391	530	1.23%
2018	172,935,781	564	1.35%
2017	165,548,614	549	1.42%
2016	174,780,524	588	1.75%
2015 (Restated)	179,365,605	611	1.75%
2014	182,275,761	626	1.79%



* Per Capita number is based on the Spartanburg County population. Spartanburg Water System serves 69,024 retail customers inside and outside the City of Spartanburg. Additionally, 7 wholesale customers are served by the System, including 5 in Spartanburg County and 2 in adjoining counties.

**Debt outstanding consists of revenue bonds only

Historical Statements of Revenues, Expenses, Debt Service and Debt Service Coverage **FY 2014 to FY 2023**

	2023	2022	2021	2020	2019	2018 (Restated)	2017	2016	2015 (Restated)	2014
Net Income										
Operating revenues	\$ 47,360,418	\$ 45,812,823	\$ 44,403,721	\$ 43,962,808	\$ 42,272,030	\$ 40,855,351	\$ 42,221,469	\$ 39,841,136	\$ 37,543,394	\$ 34,169,573
Operating expenses before depreciation and amortization	(31,019,158)	(28,593,446)	(29,317,279)	(29,137,620)	(26,494,111)	(25,633,608)	(23,516,057)	(23,292,434)	(21,508,066)	(20,746,447)
Operating income before depreciation	16,341,260	17,219,377	15,086,442	14,825,188	15,777,919	15,221,743	18,705,412	16,548,702	16,035,338	13,423,126
Depreciation	(7,961,476)	(7,864,223)	(8,056,787)	(8,220,726)	(8,333,554)	(7,915,554)	(7,872,092)	(7,244,640)	(6,936,967)	(6,527,267)
Amortization of bond cost	-	-	-	-	-	-	-	-	-	(176,290)
Operating Income	8,379,784	9,355,154	7,029,655	6,604,462	7,444,365	7,306,189	10,833,320	9,304,062	9,098,371	6,719,569
Nonoperating Revenues	7,954,162	6,062,585	5,644,957	6,218,299	6,259,652	4,981,061	4,233,792	4,282,617	4,061,002	4,007,220
Nonoperating Expenses	(5,059,193)	(5,192,961)	(5,388,569)	(5,413,369)	(5,894,814)	(5,984,629)	(7,798,600)	(8,097,263)	(8,566,764)	(6,664,711)
Payments to Other Governments	(1,112,685)	(1,079,229)	(1,064,328)	(1,040,399)	(1,021,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,100,000)	(1,200,000)
Capital Contributions	2,325,340	2,730,919	1,224,301	585,073	1,190,543	676,992	923,529	1,253,314	378,256	446,147
Net Income (Loss) Per Financial Statements	\$ 12,487,408	\$ 11,876,468	\$ 7,446,016	\$ 6,954,066	\$ 7,978,746	\$ 5,979,613	\$ 7,192,041	\$ 5,742,730	\$ 3,870,865	\$ 3,308,225
Income Available for Debt Service										
Net Income (Loss) Per Financial Statements	\$ 12,487,408	\$ 11,876,468	\$ 7,446,016	\$ 6,954,066	\$ 7,978,746	\$ 5,979,613	\$ 7,192,041	\$ 5,742,730	\$ 3,870,865	\$ 3,308,225
Less: (Gain)/loss on sale of fixed assets	(48,849)	(131,093)	(91,428)	(102,802)	(61,463)	(108,241)	(137,449)	(80,853)	(76,468)	(53,650)
Less: Restricted investment income	(305,855)	(6,214)	(55,634)	(522,329)	(957,202)	(469,651)	(78,853)	(2,853)	(672)	(1,894)
Less: OPEB Adjustment	(211,726)	(452,557)	(9,337)	51,836	(136,717)	(52,709)	(923,529)	-	-	-
Less: Capital contributions	(2,325,340)	(2,730,919)	(1,224,301)	(585,073)	(1,190,543)	(676,992)	1,000,000	(1,253,314)	400,000	(446,147)
Less: Transfers into rate stabilization fund	(1,390,964)	(238,340)	(516,591)	(3,973,902)	(86,285)	1,029,849	1,000,000	200,000	400,000	290,000
Plus: Transfers out of rate stabilization fund	-	1,228,837	868,000	1,603,250	500,000	-	-	-	-	-
Plus: Excess transfers in over out	1,390,964	-	-	2,370,652	-	(1,029,849)	(1,000,000)	(200,000)	(400,000)	-
Plus: Depreciation	7,961,476	7,864,223	8,056,787	8,220,726	8,333,554	7,915,554	7,872,092	7,244,640	6,936,967	6,527,267
Plus: Tap and meter purchase	-	-	-	-	-	-	-	-	-	-
Plus: Interest expense	5,059,193	5,192,961	5,388,569	5,050,816	5,894,814	5,516,898	7,677,708	8,097,263	8,178,963	6,638,374
Plus: Payments to other governments	1,112,685	1,079,229	1,064,328	1,040,399	1,021,000	1,000,000	1,000,000	1,000,000	1,100,000	1,200,000
Plus: Pension Adjustment	(424,265)	(250,188)	1,344,186	1,246,069	510,949	1,079,626	810,690	161,415	225,898	-
Plus: Amortization of Bond Costs	-	-	-	-	-	-	-	-	-	-
Plus: Bond Issuance Costs	-	-	-	362,553	-	467,731	120,892	-	387,781	-
Net Earnings per Revenue Bond Covenant	\$ 23,304,727	\$ 23,430,407	\$ 22,270,595	\$ 21,716,261	\$ 21,806,853	\$ 20,651,829	\$ 23,533,592	\$ 20,909,028	\$ 20,245,098	\$ 17,462,175
Revenue Bond Debt Service	\$ 12,035,579	\$ 11,716,354	\$ 11,693,094	\$ 11,347,771	\$ 11,990,692	\$ 11,118,019	\$ 12,997,256	\$ 12,151,334	\$ 12,896,810	\$ 10,999,790
Revenue Bond Debt Service Coverage	1.94	2.00	1.90	1.91	1.82	1.86	1.81	1.72	1.57	1.59

Demographic and Economic Information

Spartanburg County Demographic Statistics

CY 2013 to CY 2022

Calendar Year	(1)	Personal Income (1)		(3)	(4)	(5)
	July 1 Population	Total	Per Capita	Median Age	School Enrollment	Unemployment Rate
2022	345,831	\$ 18,197,864,000	\$ 52,621	37.9	52,934	3.1%
2021	335,864	16,993,490,000	50,596	38.0	52,324	4.1%
2020	326,205	15,182,676,000	46,543	38.2	48,569	6.7%
2019	319,785	14,124,521,000	44,169	38.2	49,078	2.1%
2018	313,888	13,543,549,000	43,148	37.8	50,706	3.1%
2017	306,854	12,798,599,000	41,709	38.2	48,659	3.7%
2016	301,463	11,501,469,000	38,686	38.5	47,825	3.4%
2015	297,302	10,738,530,000	33,600	38.4	47,298	5.8%
2014	293,542	10,252,621,000	34,946	38.5	47,306	6.4%
2013	290,969	10,033,000,000	35,040	38.5	46,846	7.3%

Data Sources:

(1) U.S. Census Bureau of Economic Analysis

(2) Local School Districts

(3) SC Works Online

Spartanburg County, South Carolina Major Employers and Changes

FY 2023 & FY 2013

Company Name	Business/Product	2023	%	2013	%
BMW Manufacturing Corporation	Automotive manufacturer	11,000	7.4%	7,200	5.8%
Spartanburg Regional Medical Center	Hospital	10,000	6.7%	5,666	4.5%
Spartanburg County Schools	Public school system	7,743	5.2%	5,936	4.7%
State of South Carolina	State government	2,593	1.7%	2,361	1.9%
Spartanburg County	County government, courts, law enforcement	1,576	1.1%	1,483	1.2%
Adidas	Sporting and recreational goods and supplies	1,500	1.0%	N/A*	
Michelin North America	Radial truck tire manufacturer	1,325	0.9%	1,020	0.8%
Sealed Air	Protective packaging	1,100	0.7%	N/A*	
Plastic Omnium	Plastic injection molded interiors	1,100	0.7%	N/A*	
Benore Logistics Systems	Logistics	1,000	0.7%	N/A*	

Data Source:

Spartanburg Area Chamber of Commerce & individual employers

(N/A*) Data unavailable

Operating Information

Schedule of Capacity Fees and User Charges

FY 2023

A. Capacity Fees

Meter Size	Capacity Fee
5/8"	\$ 675
1"	\$ 1,688
1 1/2"	\$ 3,375
2"	\$ 5,400
3"	\$ 12,150
4"	\$ 19,575
6"	\$ 72,900
8"	\$ 89,100

B. Volume Charge Schedule

FY 2023 (per 100g)		FY 2022 (per 100g)		FY 2021 (per 100g)	
Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
\$ 0.3960	\$ 0.6930	\$ 0.3840	\$ 0.6720	\$ 0.3840	\$ 0.6720

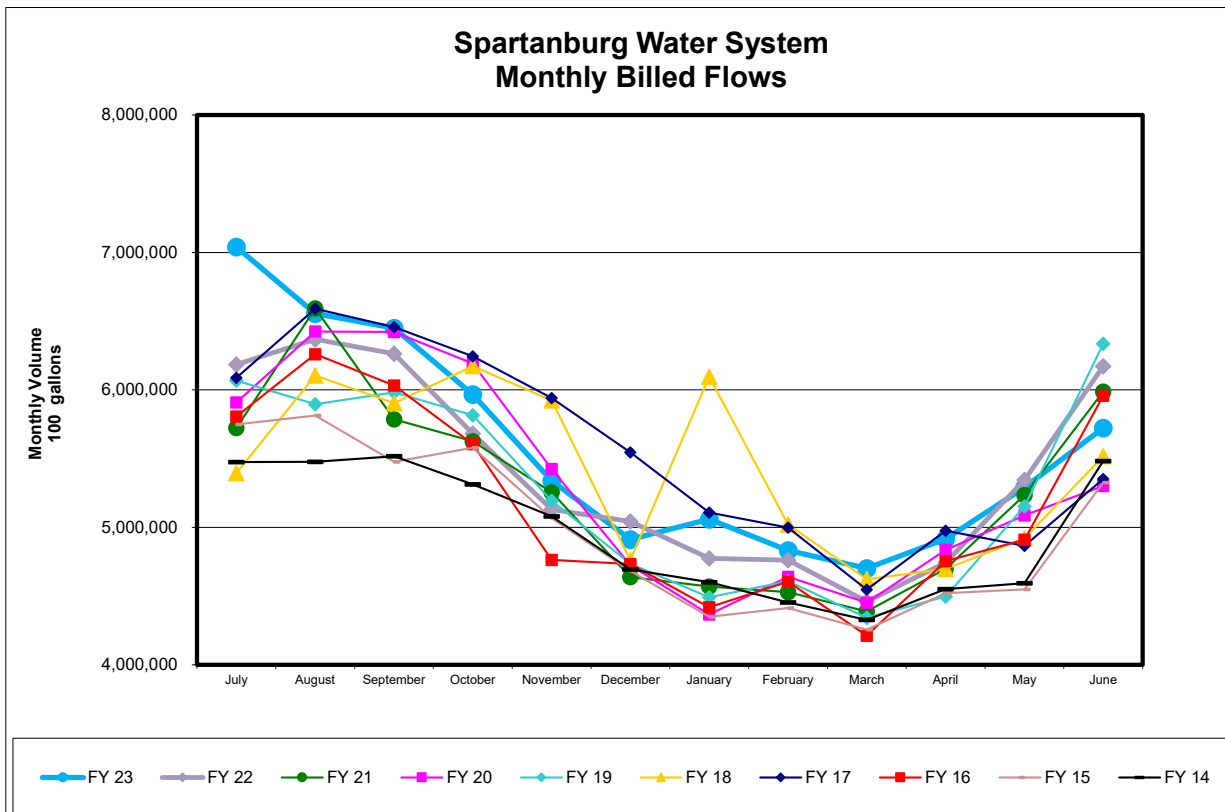
C. Base Charge Schedule

Meter Size	Meter Master Code	Monthly	
		Inside	Outside
5/8	1	\$ 7.50	\$ 11.25
1	2	\$ 17.11	\$ 25.67
1 1/2	3	\$ 33.13	\$ 49.71
2	4	\$ 52.36	\$ 78.55
3	5	\$ 97.23	\$ 145.86
4	6	\$ 161.33	\$ 242.01
6	7	\$ 321.58	\$ 482.38
8	8	\$ 526.70	\$ 790.06
10	9	\$ 789.51	\$ 1,184.28

Monthly Billed Flows

FY 2014 to FY 2023

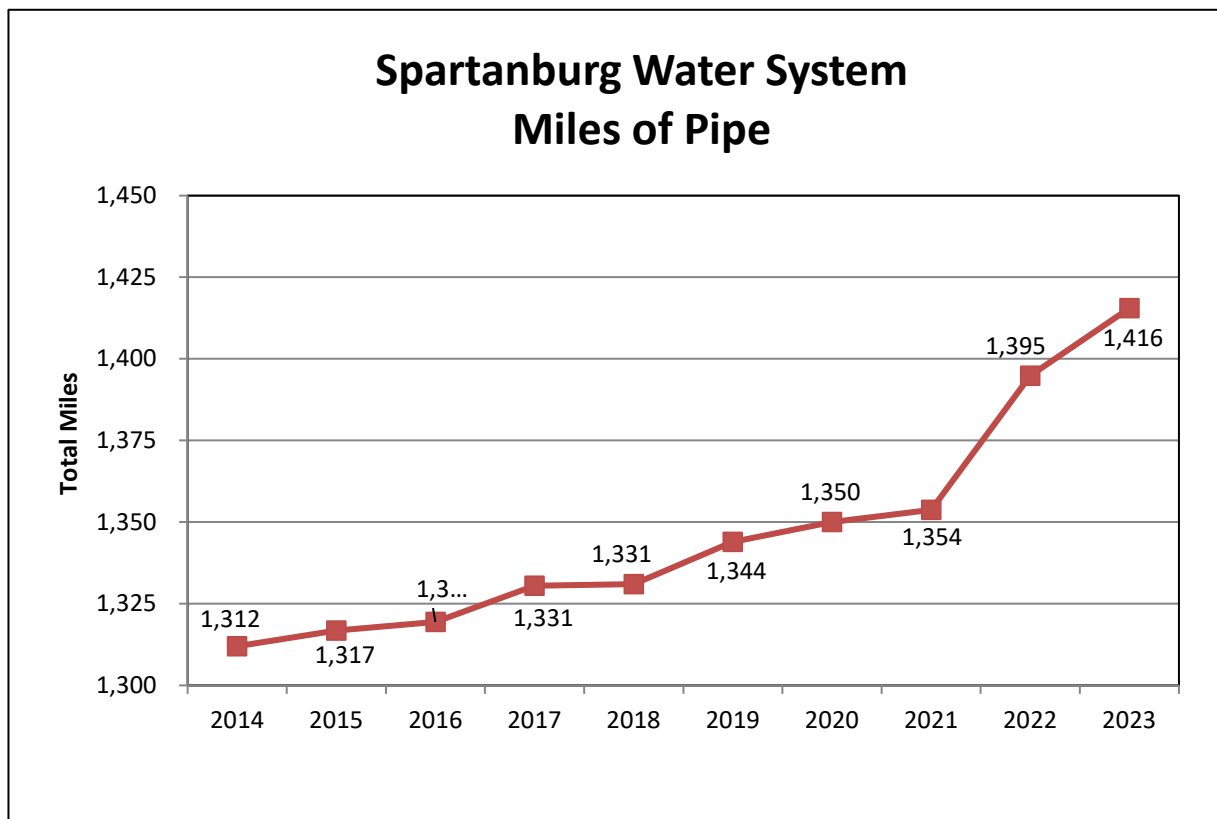
	FY 23	FY 22	FY 21	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15	FY 14
July	7,039,615	6,184,727	5,723,661	5,909,177	6,067,793	5,395,706	6,088,214	5,807,015	5,749,777	5,475,433
August	6,555,404	6,368,304	6,592,662	6,424,677	5,896,026	6,104,241	6,590,613	6,260,429	5,813,737	5,477,610
September	6,450,046	6,262,684	5,786,999	6,421,700	5,981,533	5,903,860	6,456,245	6,032,274	5,476,039	5,517,310
October	5,967,140	5,681,510	5,626,016	6,192,980	5,816,235	6,173,076	6,244,105	5,605,127	5,579,288	5,313,389
November	5,339,981	5,130,236	5,255,162	5,424,476	5,193,096	5,923,349	5,941,578	4,763,743	5,066,774	5,080,431
December	4,912,200	5,043,270	4,638,154	4,724,155	4,735,642	4,760,858	5,546,630	4,734,020	4,682,253	4,693,878
January	5,059,360	4,774,163	4,569,291	4,367,010	4,491,522	6,096,227	5,108,333	4,418,270	4,349,883	4,601,511
February	4,832,956	4,760,658	4,529,159	4,640,334	4,608,557	5,019,571	4,998,154	4,605,049	4,412,636	4,453,878
March	4,701,806	4,460,439	4,388,733	4,451,973	4,342,226	4,622,697	4,547,215	4,212,417	4,255,821	4,326,777
April	4,915,461	4,742,210	4,698,230	4,835,496	4,496,731	4,697,325	4,975,455	4,754,348	4,620,737	4,551,407
May	5,289,951	5,344,804	5,235,282	5,087,731	5,153,610	4,920,063	4,865,612	4,911,028	4,549,681	4,592,912
June	5,723,749	6,172,190	5,988,317	5,301,925	6,336,475	5,518,175	5,351,709	5,958,364	5,325,321	5,481,856
	66,787,669	64,925,195	63,031,666	63,781,634	63,119,446	65,135,148	66,713,863	62,062,084	59,781,947	59,566,392



Miles of Pipe

FY 2014 to FY 2023

Fiscal Year	Miles of Pipe*
2023	1,416
2022	1,395
2021	1,354
2020	1,350
2019	1,344
2018	1,331
2017	1,331
2016	1,317
2015	1,312
2014	1,312

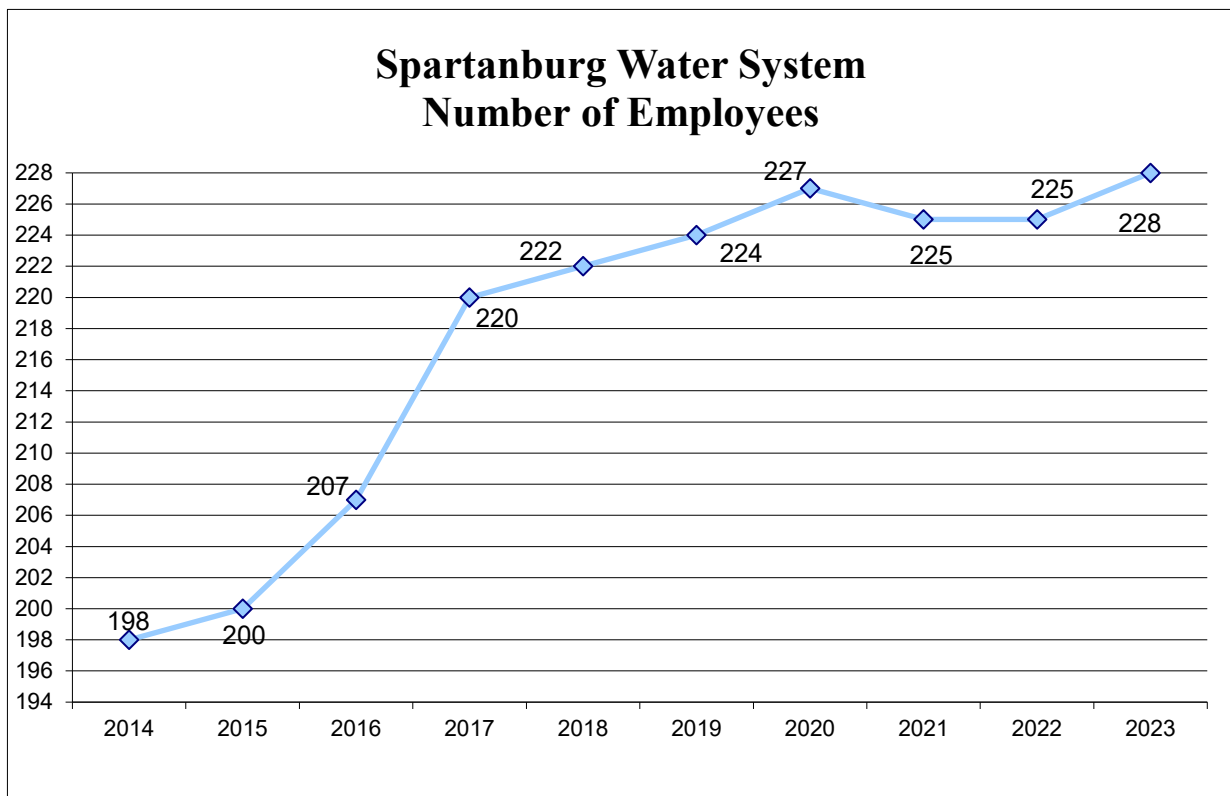


* The change in the miles of pipe graph is due to the net effect of additional miles, less updates for abandonment and deletion in the GIS Infrastructure total.

Number of Employees

FY 2014 to FY 2023

Fiscal Year	Number of Employees
2023	228
2022	225
2021	225
2020	227
2019	224
2018	222
2017	220
2016	207
2015	200
2014	198



* Numbers based on Operating Budget Employee Count.

Annual Rainfall

FY 2014 to FY 2023

