



**STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT, SOUTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For The Fiscal Years Ended June 30, 2025 and 2024**

Prepared by:

Department of Finance

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INTRODUCTORY SECTION



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December 10, 2025

To the Commissioners, Employees, and Customers of the Startex-Jackson-Wellford-Duncan Water District, Spartanburg, South Carolina:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Startex-Jackson-Wellford-Duncan (SJWD) Water District for the fiscal year ended June 30, 2025. This report is published in accordance with state law requiring annual audited financial statements prepared in conformity with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and audited by an independent firm in accordance with Generally Accepted Auditing Standards (GAAS).

The audit was conducted by Halliday, Schwartz & Co., who issued an unmodified ("clean") opinion that SJWD's financial statements fairly present the District's financial position and results of operations for the fiscal year in all material respects.

Management Responsibility and Internal Controls

The District's management is responsible for the accounting system and for establishing and maintaining internal controls over financial reporting. The internal control system is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of the control should not exceed its likely benefits and the evaluation of costs and benefits requires estimates and judgments by management.

District management further assumes full responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the information that follows is accurate in all material respects and fairly presents the financial position of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Please refer to Management's Discussion and Analysis (MD&A) and the basic financial statements and notes for detailed information on SJWD's financial performance in FY 2025. This transmittal letter and the MD&A are intended to complement one another.

Profile of the District

Startex-Jackson-Wellford-Duncan Water District, South Carolina (the "District"), is a special purpose district wholly located in Spartanburg County, South Carolina (the "County"). It was created pursuant to Act No. 1105 of the Acts of the General Assembly of the State of South Carolina of 1956, as amended, and as such, possesses all powers granted to political subdivisions by the Constitution and general laws of the State of South Carolina (the "State"), including the power to own and operate a waterworks system. Special purpose districts are limited purpose local governments created by or pursuant to Acts of the General Assembly of the State.

The District is governed by a five-member board of Commissioners who live within the taxing district and serve six-year terms. Their terms are staggered so that no more than two Commissioner positions are appointed at one time. Commissioners are appointed by the Governor of South Carolina upon recommendation by the county's legislative delegation. After appointments have been made every even-numbered year, the commissioners elect a chairman, a vice-chairman, and a secretary.

The District has a service area of approximately 128 square miles in the western portion of the County and provides drinking water to a population of more than 87,000 as of June 30, 2025. A portion of the District's service area is a taxing district as defined in the State legislative act mentioned earlier. Property taxes are levied from this tax base to service the District's general obligation bonded

indebtedness. The District can only issue general obligation bonds through an ordinance by the County Council. However, the District's Commissioners have the authority to impose and fix rates to recover the costs of operations, issue revenue bond debt, and otherwise control and direct the fiscal affairs of the system. The Commissioners hire a Chief Executive Officer to handle the day-to-day operations of the system.

The District's revenues come from three principal sources: water revenues, property taxes, and miscellaneous fees and charges. An operating budget is approved each fiscal year by the Commissioners after a public hearing. In addition to the operating budget, a multi-year capital improvements plan is maintained and updated each year and approved by the Commissioners.

Local Economy and Service Area Growth

SJWD's service area benefits from its strategic location along the I-85 corridor between Greenville and Spartanburg, a region of significant industrial and residential growth. Major employers such as BMW, Michelin, and Toray Industries, along with the nearby Inland Port Greer, have driven population expansion and commercial investment within the service area.

In recent years, residential development has accelerated in the southern and western portions of the District, particularly below Interstate 85. SJWD continues to monitor and invest in water infrastructure to ensure sustainable supply and reliable service to this growing customer base.

Water Resources and Infrastructure

The District sources water from the Middle Tyger River (Lyman Lake), North Tyger Reservoir, and Lake Cooley, which provide abundant raw water supplies. The District's long-range Master Plan ensures that treatment, pumping, and distribution capacities remain ahead growth and align with environmental stewardship priorities.

SJWD maintains robust capital investment in infrastructure, including treatment upgrades, pipeline replacements, and advanced metering systems for operational efficiency and conservation management.

Financial Planning, Policies, and Long-Term Strategy

The District's financial policies are approved by the Commissioners to provide the District staff guidance in their financial planning efforts. They ensure that rates are set to recover annual operational costs, and that debt is managed to fund the District's multi-year capital improvement plan. The following key policies support financial integrity and sustainability:

Cash Reserve Policy: This policy was established to ensure sufficient reserves are in place to meet unexpected financial demands, stabilize rates and millages, and cover the cost of post-employment benefits for retirees. This policy is reviewed during the budget process to confirm that an adequate reserve ratio is maintained. The District's current cash reserve target is to maintain at least 240 days of operating expenses.

Investments Policy: This policy established general investment goals and objectives to ensure the District's long-term financial sustainability.

Master Planning: The District's Master Plan addresses the long-range planning needs relative to the operation and maintenance of the District's water system. Master Plans are reviewed continuously and updated and revised as needed. Findings from the Master Plan updates help the District develop short-term and long-term capital improvement plans to meet the identified infrastructure needs. The District's updated Master Plan, with a 20-year planning window, will be completed in November 2025.

Capital Planning: The five-year Capital Improvement Plan (CIP) serves as a guide for determining priorities, financing, planning, and constructing capital projects that support or improve the district's infrastructure, capital assets, or productive capacity. By aligning the CIP with meaningful financial forecasting, SJWD responsibly plans for short and long-term resource and funding needs. The CIP is developed by staff annually and is usually based on the recommendations of the long-term Master Plan.

Annual Budget: The annual budget is the primary tool and road map for accomplishing the goals of the District. By adopting the annual budget, the District makes policy decisions, sets priorities, allocates resources, and provides the framework for District operations. Each spring, the District's Commissioners hold a workshop to discuss the proposed operating budget and capital improvement plan needs for the upcoming fiscal year. Once finalized by staff, the District's operating budget and capital improvement plan are approved by the Commissioners each June following a public hearing.

Strategic Plan and Organizational Excellence

In early 2023, management revised the District's strategic plan, which included a fresh look at the District's mission, vision, and values. The revised plan simplified the strategic goals and set the District's direction for the next three to five years.

Mission: To provide high-quality, affordable water services to SJWD customers while protecting local finite water resources and promoting the overall health and welfare of our community.

Vision: SJWD envisions a bright future where our community has reliable and continued access to clean water. Our team unwaveringly executes careful planning, continuous improvement, and intentional focus in water resources, water treatment, water distribution, water consumption, and support.

Values: Efficiency, Innovation, Quality, Resiliency, and Transparency

Strategic Goals:

- Ensure adequate water resources and treatment quality and capacity is available to serve SJWD's service area.
- Ensure sound financial policies to adequately recover the cost of constructing, maintaining, and operating the system to deliver high-quality water while keeping rates affordable.
- Ensure the development of a staff that is properly trained, engaged, high-performing, and committed to excellent customer service and safety.

District management will complete an update of the strategic plan in early 2026. This update will provide the strategic direction for the District through fiscal year 2029.

Operational Efficiency and Resiliency

SJWD's Operations teams work to maintain uninterrupted service and minimize water loss through the timely repair and replacement of our assets. To enhance and improve these efforts:

- In 2024, SJWD employed satellite leak detection to more efficiently identify system leaks, minimizing the impact of real water losses.
- In 2025, the District embarked on a system-wide valve and hydrant assessment program as well as an asset management maturity assessment. These efforts will provide the baseline and road map for the implementation of the District's Asset Management Program.

Financial Condition and Outlook

The District's net position continues to strengthen, supported by steady customer growth and disciplined fiscal management. SJWD's credit quality and reserves remain strong, ensuring the capacity to fund future infrastructure needs without imposing undue burden on ratepayers.

Key financial priorities for the upcoming years include:

- Continuing infrastructure renewal under the CIP
- Monitoring rate adequacy and affordability

- Expanding long-term water resource capacity
- Enhancing digital systems for customer service and operations

In line with its commitment to fostering local economic growth, Spartanburg County negotiates various tax abatement agreements with businesses and developers. While property taxes are billed and collected by the County Tax Assessor/Collector on our behalf, these agreements result in forgone tax revenues for the District. The gross dollar amount of taxes abated during the period, along with specific details of the agreements as required by generally accepted accounting principles, are disclosed fully in Note 11 to the financial statements.

In early 2026, the District will seek Spartanburg County Council's approval of a general obligation bond ordinance, which will fund the District's Capital Improvement Plan and incorporate several parcels into SJWD's taxing district.

Awards and Acknowledgments

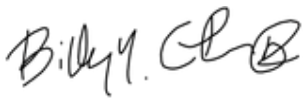
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Startex-Jackson-Wellford-Duncan Water District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. This was the fourth consecutive year the District received this prestigious award. To receive a Certificate of Achievement, the District must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. Management believes that the current ACFR continues to meet the Certificate of Achievement Program's high standards and is submitting it to the GFOA to determine its eligibility for another certificate.

On December 3, 2025, the District also received the GFOA's Distinguished Budget Presentation Award for its fiscal year June 30, 2026 budget document. This was the District's first ever Distinguished Budget Presentation Award. The District's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

We extend appreciation to the Finance Department for their diligence in preparing this ACFR, to all SJWD employees for their service and dedication, and to the Board of Commissioners for their guidance and commitment to excellence.

Respectfully submitted,



Billy Y. Cothran, III
Chief Executive Officer



Larry G. Christopher
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**SJWD Water District
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

Schedule of Commissioners

As of June 30, 2025



Sanford E. Carlton, Chairman



Frank Nutt, Vice Chairman



Wanda Fowler, Secretary



Barry Frost



Brian S. Leonard

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedule of Senior Management
As of June 30, 2025



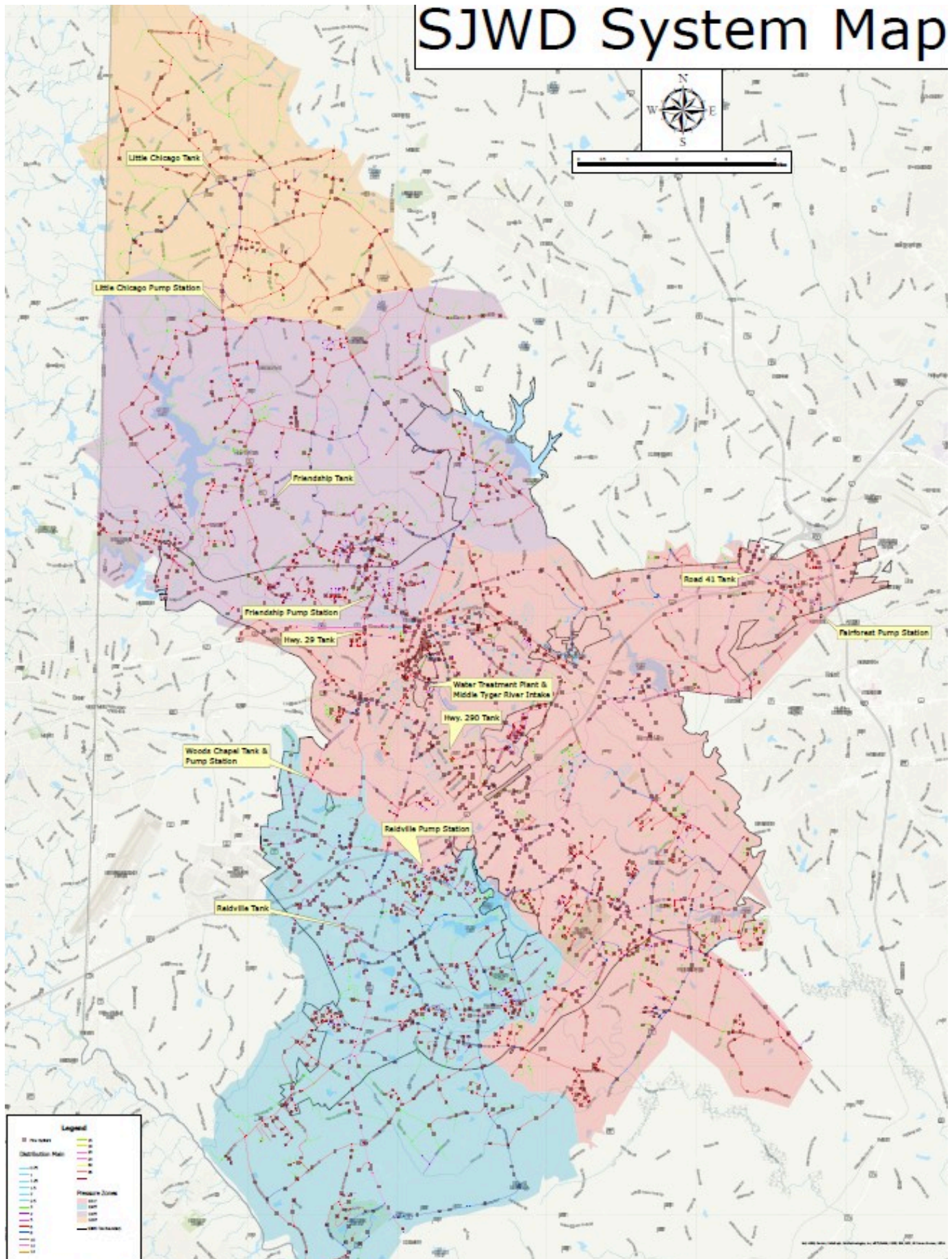
Billy Y. Cothran III, PE
Chief Executive Officer



Larry G. Christopher, CPA, MPA
Chief Financial Officer

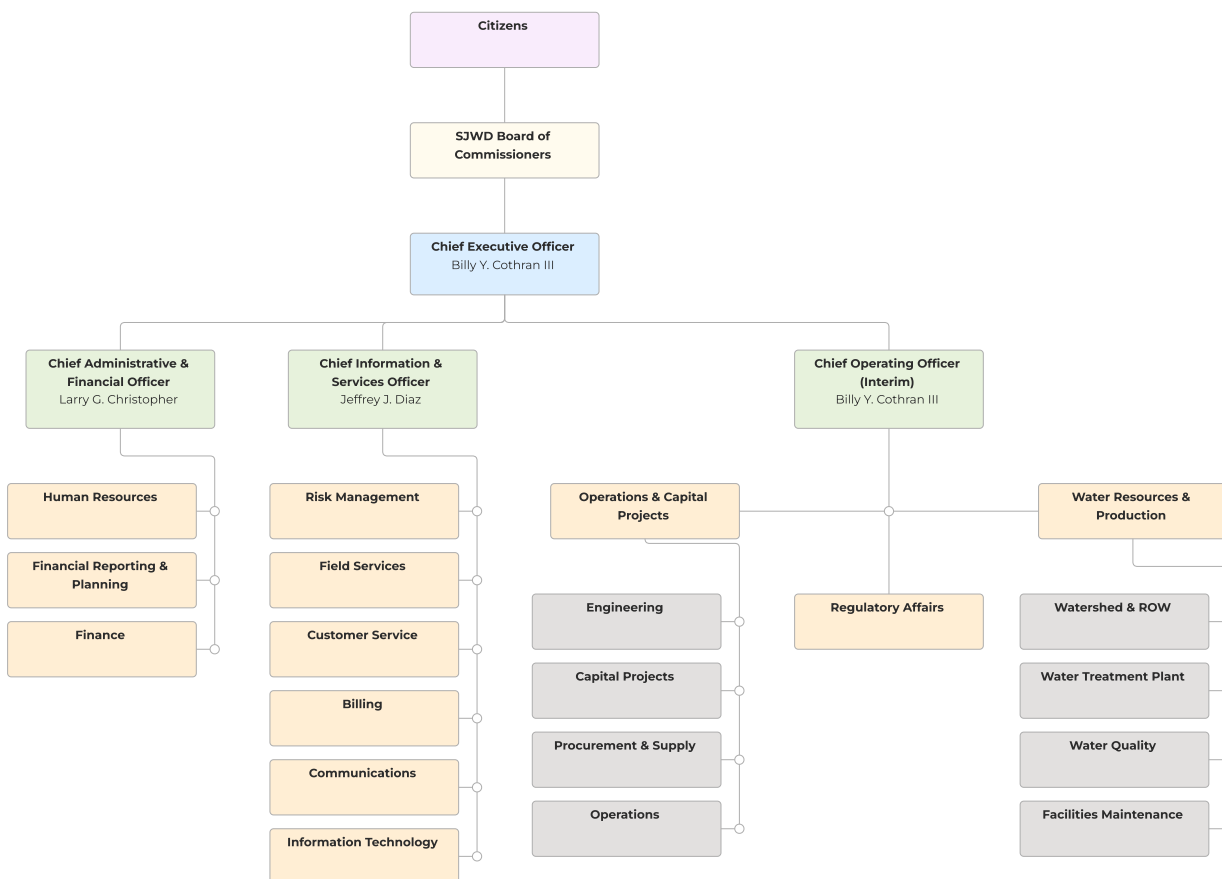


Jeffrey J. Diaz, MBA
Chief Information Officer



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

Organizational Chart



FINANCIAL SECTION



To the Commissioners and Officers of
Startex-Jackson-Wellford-Duncan Water District
198 Watershed Way
Spartanburg, South Carolina 29301

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Startex-Jackson-Wellford-Duncan Water District (the District), as of and for the years ended June 30, 2025 and 2024, 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 Startex-Jackson-Wellford-Duncan Water District as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, the District has implemented the updated guidance for recognizing and measuring compensated absences as required by Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The implementation resulted in the restatement of beginning net position and financial statements for the year ended June 30, 2024. Our opinion is not modified with respect to this matter.

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)
PRIVATE COMPANIES PRACTICE SECTION OF THE AICPA
GOVERNMENT AUDIT QUALITY CENTER OF THE AICPA
EMPLOYEE BENEFIT PLAN AUDIT QUALITY CENTER OF THE AICPA

To the Commissioners and Officers of
Startex-Jackson-Wellford-Duncan Water District
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's proportionate share of the collective net pension liability and District's pension contributions and schedule of changes in the District's total OPEB liability and related ratios, 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.

To the Commissioners and Officers of
Startex-Jackson-Wellford-Duncan Water District
Page Three

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Startex-Jackson-Wellford-Duncan Water District's basic financial statements. The supplementary information, the detailed schedules of direct operating expenses, general and administrative expenses, other nonoperating revenues and expenses, principal and interest fund receipts and disbursements, and the schedule of expenditures of federal awards (SEFA), as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
December 10, 2025

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

The management of the Startex-Jackson-Wellford-Duncan (SJWD) Water District (the "District") offers the users of the District's financial statements this discussion and analysis (MD&A) of the District's financial performance for the fiscal years ending June 30, 2025 and 2024. We encourage the reader to consider this MD&A in conjunction with the District's audited financial statements, which follows this section.

The District has prepared and is responsible for the financial statements and related information included in this report. Such information has been subjected to the District's system of internal control and audited by independent external auditors. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2025 and 2024, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Financial Highlights

- The District increased its net financial position by 14% to \$111.1 million during fiscal year 2025 while keeping its millage rate steady. The District continues to invest in the necessary infrastructure to keep up with the demands of a growing customer base. The number of customers increased to 33,631 (4.8%) during the fiscal year ending June 30, 2025.
- Capital contributions recognized in fiscal year 2025, including grant revenue, exceeded \$11.4 million. The District funded its long-range capital plan with grants and strategic borrowing. The capital plan supports economic development in the communities we serve and provides sustainability as we continue to grow.
- Unrestricted cash and investments of \$10.4 million provides the District with a reserve of approximately 279 days of operating expenses as of June 30, 2025, which exceeds the District's internal target of 240 days. These reserves allow the District to keep water rates stable and affordable, to provide for our employees, and to meet future operational needs.
- Debt service coverage for the District's revenue bond indebtedness was 344% as of June 30, 2025, well above the District's internal target of 200% and the required coverage of 120%.

Overview of the Financial Statements

The following management's discussion and analysis (MD&A) serves as an introduction to the financial statements. The MD&A represents management's examination and analysis of the District's financial condition and performance and should be read in conjunction with the independent auditor's report, the basic financial statements, and supplemental information. Summary financial statement data, key financial and operational indicators, budgets, bond resolutions, and other management tools were used for this analysis.

The *Statements of Net Position* present the financial position of the District on a full accrual, historical basis as of June 30, 2025 and 2024. The statements present information on all the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. The statements may serve as a useful indicator of the District's financial condition, capital structure and liquidity, and future financial viability.

The *Statements of Revenues, Expenses and Changes in Net Position* present the business activities and results of operations for the fiscal years ended June 30, 2025 and 2024. The statements measure the success of the District's operations and can be used to evaluate the profitability and creditworthiness of the District.

The *Statements of Cash Flows* present the changes in cash and cash equivalents, resulting from operational, capital financing, and investing activities. The statements provide information as to the sources and uses of cash, where the cash was derived from, what the cash was used for, and the overall change in the cash balance during the fiscal years ended June 30, 2025 and 2024.

The *Notes to the Financial Statements* provide required disclosures and other information that is essential to a full understanding of data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Supplementary Information includes detailed schedules of operations and other required supplementary information useful to the understanding of the financial statements as a whole.

Financial Analysis of the District

The following information provides a summary of the financial activities of the District for the past three fiscal years. Each section that follows begins with a condensed presentation of comparative information followed by management's interpretation of substantive highlights. Unless otherwise specified, dollar amounts are shown in thousands.

Note: The District restated its net position due to Governmental Accounting Standards Board (GASB) Statement No. 101 – Compensated Absences. Ending balances in certain liabilities (current and noncurrent) related to sick leave and paid time off were restated for fiscal year June 30, 2024, and 2023 to quantify the impact GASB 101 would have had on the District's overall financial position for the last three years. The recalculation for GASB 101 resulted in restating net position by \$246,961 in 2024.

Condensed Statements of Net Position

(in thousands)	Balances at June 30			Increases (Decreases)			
				Dollars		Percentages	
	2025	Restated 2024*	Restated 2023*	2024 to 2025	2023 to 2024	2024 to 2025	2023 to 2024
Current assets - unrestricted	\$ 9,517	\$ 11,603	\$ 11,812	\$ (2,086)	\$ (209)	-18%	-2%
Current assets - restricted	12,602	18,152	3,301	(5,550)	14,851	-31%	450%
Noncurrent assets - unrestricted	4,539	1,993	1,436	2,546	557	128%	39%
Noncurrent assets - restricted	249	-	-	249	-		
Capital assets - net of depreciation	136,945	122,256	108,917	14,689	13,339	12%	12%
Total assets	163,852	154,004	125,466	9,848	28,538	6%	23%
Total deferred outflows of resources	2,481	2,332	2,046	149	286	6%	14%
Current liabilities (payable from unrestricted)	3,248	2,863	2,781	385	82	13%	3%
Current liabilities (payable from restricted)	11,487	12,665	3,079	(1,178)	9,586	-9%	311%
Noncurrent liabilities	38,630	41,541	31,756	(2,911)	9,785	-7%	31%
Total liabilities	53,365	57,069	37,616	(3,704)	19,453	-6%	52%
Total deferred inflows of resources	1,859	2,067	2,699	(208)	(632)	-10%	-23%
Net position:							
Net investment in capital assets	105,926	92,324	85,162	13,602	7,162	15%	8%
Restricted	3,601	3,190	2,926	411	264	13%	9%
Unrestricted	1,582	1,686	(891)	(104)	2,577	-6%	-289%
Total net position	\$ 111,109	\$ 97,200	\$ 87,197	\$ 13,909	\$ 10,003	14%	11%

*Restated 2024 and 2023 for the implementation of GASB 101 - Compensated Absences

Total Assets increased 6% from 2024 to 2025 and 23% from 2023 to 2024. These changes reflect significant capital investments and unspent grant funds and bond proceeds. During fiscal year 2025, the District discontinued the use of the SC Local Government Investment Pool for holding cash reserves in favor of marketable certificates of deposit and federal bonds and notes. These types of holdings with maturities that exceed one year are considered investments rather than cash equivalents. This generally explains the decrease in current assets and the increase in noncurrent assets.

- **Restricted current assets** decreased by \$5.5 million (net) from fiscal year 2024 to 2025 due to spending on capital projects offset by the unspent proceeds of \$900,000 from a short-term general obligation bond of \$1,800,000 issued October 1, 2024. Restricted assets increased significantly from 2023 to 2024 as the result of two transactions: (1) The District was awarded a \$7.0M grant from the State of South Carolina to upgrade a tie-in with Spartanburg Water. The grant was pre-funded, and the District is holding the cash in an interest-bearing fund to be used as the project progresses. The balance in the fund was \$7.11 million at June 30, 2024 and \$6.99 million in 2025. (2) The District executed a \$12.145M general obligation bond in August 2023 to complete several projects and refinance the general obligation bond anticipation note outstanding on June 30, 2023. The unspent bond proceeds at June 30, 2024 was \$5.82 million and depleted by June 30, 2025.
- **Capital assets — net of depreciation** increased 12% in each of the last two years. During fiscal year 2025, the District incurred expenditures for two elevated storage tanks and the upgrade of a high service pump station. During fiscal year 2024, the District

purchased 30 acres of land and a building for approximately \$8.0 million to serve as the new headquarters for the District offices. In both years, the District also installed meters for new customers and capitalized line extensions, including line extensions completed by developers and donated to the District.

Total liabilities decreased 6.5% from 2024 to 2025 and increased 53% from 2023 to 2024. The major changes relate to financing for capital projects, grant revenue received but not earned, additional liability recognized for GASB 101 implementation, and the long-term liability for the District's post-employment benefits and pension obligation. The decrease in total liabilities for 2025 relates mainly to debt service payments. The increase in total liabilities in 2024 includes a \$7.5M revenue bond executed in August 2023 for the purchase of the land and building for the District's new headquarters. Also, for FY 2024, the grant funds received from the State of South Carolina are considered unearned until spent for their designated purpose. The unearned amount at the end of FY 2024 was \$6.9M versus \$6.5 million in FY 2025.

Total net position as of June 30, 2025 and 2024 increased by 14% and 11%, respectively. The greatest portion of the District's net position is **net investment in capital assets**. Over the past two years, the District has invested over \$33.0 million in improvements to the distribution system, metering infrastructure, and the new District office headquarters. Funding for these improvements came from capital contributions, proceeds from bonds issued, grants, and capital reserves.



The following information summarizes the financial activities of the District and details the changes in net position for the past three fiscal years.

As noted above, when the District estimated its liability under GASB 101, the subsequent restatements (shown below) increased personnel costs by \$310,632 in fiscal year 2023 and decreased personnel costs by \$63,671 in fiscal year 2024.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(in thousands)	Balances at June 30			Increases (Decreases)			
				Dollars		Percentages	
	2025	Restated 2024*	Restated 2023*	2024 to 2025	2023 to 2024	2024 to 2025	2023 to 2024
Operating Revenues							
Water Sales	\$ 13,334	\$ 12,265	\$ 11,020	\$ 1,069	\$ 1,245	9%	11%
Other Operating Revenues	2,155	2,294	2,282	(139)	12	-6%	1%
Total Operating Revenues	15,489	14,559	13,302	930	1,257	6%	9%
Nonoperating Revenues							
Property Taxes Revenue	5,144	5,191	4,148	(47)	1,043	-1%	25%
Other Nonoperating Revenues	1,344	2,374	714	(1,030)	1,660	-43%	232%
Total Nonoperating Revenues	6,488	7,565	4,862	(1,077)	2,703	-14%	56%
Total Revenues	21,977	22,124	18,164	(147)	3,960	-1%	22%
Operating Expenses Before Depreciation and Amortization							
Direct Operating Expenses	3,202	2,998	2,374	204	624	7%	26%
Utilities and Telephone	279	272	252	7	20	3%	8%
Maintenance and Supplies	812	887	554	(75)	333	-8%	60%
Personnel Costs	7,326	6,638	6,379	688	259	10%	4%
Fees and Services	572	931	673	(359)	258	-39%	38%
Insurance	262	221	218	41	3	19%	1%
Office Expenses	690	610	459	80	151	13%	33%
Travel and Training	129	109	101	20	8	18%	8%
Other Operating Expenses	143	103	117	40	(14)	39%	-12%
Total Operating Expenses Before Depreciation and Amortization	13,415	12,769	11,127	646	1,642	5%	15%
Depreciation and Amortization	5,110	4,679	4,204	431	475	9%	11%
Nonoperating Expenses	971	1,337	644	(366)	693	-27%	108%
Increase in Net Position							
Before Capital Contributions	2,481	3,339	2,189	(858)	1,150	-26%	53%
Capital Contributions	11,428	6,664	4,207	4,764	2,457	71%	58%
Increase in Net Position	13,909	10,003	6,396	3,906	3,607	39%	56%
Net Position, Beginning of Year	97,200	87,197	80,801	10,003	6,396	11%	8%
Net Position, End of Year	\$ 111,109	\$ 97,200	\$ 87,197	\$ 13,909	\$ 10,003	14%	11%

*Restated 2024 and 2023 for the implementation of GASB 101 - Compensated Absences

Total operating revenues for the fiscal years ending June 30, 2025 and 2024 increased by 6% and 9%, respectively, due to the following:

- **Water sales** increased 9% from FY 2024 to FY 2025. The number of customers increased 5% to 33,631, and the District realized a full year of the increase in rates from the rate modification in FY 2024. Water sales increased 11% from FY 2023 to FY 2024. The

number of customers increased by 6% to 32,102. The District implemented a rate modification in February 2024, midway through the fiscal year, which accounted for the remaining portion of the increase.

- **Other operating revenues**, which include tap fees, contract income from sewer billings and customer service charges, decreased slightly during FY 2025 as compared to FY 2024 due to fewer taps being set. Other operating revenues remained flat for FY 2024 as compared to FY 2023.

Total nonoperating revenues decreased 14% from fiscal year 2024 to 2025 and increased 56% from fiscal year 2023 to 2024. Nonoperating revenues include property tax receipts, investment earnings, gain or loss from the sale of assets, and revenue from lakes and parks. During fiscal year 2024, the District sold a portion of its headquarters property in Wellford resulting in a gain of \$1.1M, which explains the decrease in 2025. In addition to the gain from the sale of property, property tax revenues increased 25% from 2023 to 2024 due to reassessment and higher fee in lieu receipts with no increase in the millage rate while remaining flat for FY 2025. Finally, investment earnings increased from \$473,000 in FY 2023 to \$1.225M in FY 2024 due to higher interest rates and greater investable balances while decreasing 14% due to lesser investable balances and declining interest rates.

Total Operating Expenses increased 5% from fiscal year 2024 to 2025 and increased 15% from fiscal year 2023 to 2024. The following comments help explain some of the changes to major expenses of the District:

- **Direct operating expenses** include costs of water production, water purchased from other systems, maintenance costs for water treatment and system infrastructure, and vehicle and equipment maintenance. Direct operating expenses have increased generally over the last two years due to the growth of the system, increased power costs, and chemical prices. In addition, the District experienced a taste and odor event during FY 2024. In response, the District purchased water from Spartanburg Water System and incurred other expenses to mitigate the effect of the event.
- **Maintenance and supplies** include the cost to read the District's Advanced Metering Infrastructure (AMI) meters and other general maintenance costs for buildings and grounds. The District has a network-as-a-service (NaaS) contract with Sensus to read its AMI meters. Sensus supplies the reading network to the District at a fixed cost per meter. The cost continues to increase as the number of meters installed increases. The District also experienced an increase in supplies and maintenance related to the purchase of its new headquarters building and property. These additional expenses peaked during fiscal year 2024.
- **Personnel costs**, as restated for GASB 101, increased 10% from fiscal year 2024 to 2025 and increased 4% from fiscal year 2023 to 2024. Over the last three years, the District has added 11 full-time employees — creating new positions, replacing several retirees, and filling vacant positions to handle the increasing demands of the system. The increase also reflects inflationary and merit increases, along with the benefits associated with additional employees. In FY 2025, the District experienced an increase in claims costs for its self-funded health care plan, which followed a favorable year of lower claims costs in fiscal year 2024. Also in FY 2025, the District enhanced the life insurance benefits for all employees. Finally, the restatement for GASB 101 resulted in an increase in personnel costs in fiscal year 2023 of \$310,632 and a decrease in fiscal year 2024 of \$63,671.
- **Fees and services**, which include bank charges, professional fees, and public relations expenses, decreased 39% from fiscal year 2024 to 2025 and increased 38% from fiscal year 2023 to 2024 as the District wrapped up several studies and assessments including the final phase of a water resource master plan and a threat assessment of the new headquarters building. Also, in fiscal year 2024, the District wrote off legal fees incurred while appealing the denial of funds from FEMA regarding the compromise of the Lyman Lake Dam during a federally declared disaster event in 2020. The District lost its appeal.
- **Office expenses** include processing and postage for customer bills, office supplies, and subscriptions. These expenses generally increased from fiscal year 2023 to fiscal year 2025 due to more customers and higher postage rates. Subscriptions included the District's participation in a collaborative pilot of satellite leak detection technology and increased participation with the United States Geological Survey in a streamflow gauging station above and below Lyman Lake in fiscal year 2024.

Nonoperating Expenses include bond issue costs, bond interest costs, and reservoir expenses. These costs decreased from FY 2024 to FY 2025 as certain activities from the prior year were not repeated. During fiscal year 2024, the District issued two new bonds. A revenue bond was issued to complete the purchase of the new headquarters building, and a new general obligation bond was issued to refinance a general obligation bond anticipation note and complete several infrastructure projects.

Capital Contributions increased significantly over the last two fiscal years. Capital contributions include capacity fees, lines donated by developers, grant revenue, and other contributions made by developers. The District is experiencing unprecedented growth with the build out of subdivisions and the development of large tracts of land for commercial and industrial use. During the last three fiscal years, the

District has recognized grant revenue totaling over \$12.5 million from state and federal sources, including \$10.0M from the 2024 grant under the American Rescue Plan Act (ARPA) and multiple grants from the South Carolina Rural Infrastructure Authority (SC RIA), EPA, and FEMA.

Cash Flows

The following information summarizes the changes in cash and cash equivalents resulting from operational, capital financing, and investing activities.

Condensed Statements of Cash Flows

(in thousands)	Balances at June 30			Increases (Decreases)			
				Dollars		Percentages	
	2025	Restated 2024*	Restated 2023*	2024 to 2025	2023 to 2024	2024 to 2025	2023 to 2024
Net Cash Flow Provided by (used for)							
Operating Activities	\$ 1,951	\$ 875	\$ 2,476	\$ 1,076	\$ (1,601)	123%	-65%
Capital and Related Financing Activities	(7,836)	10,533	(4,932)	(18,369)	15,465	-174%	-314%
Investing Activities	(7,252)	1,910	(5,365)	(9,162)	7,275	-480%	-136%
Net Cash Flow	(13,137)	13,318	(7,821)	(26,455)	21,139	-199%	-270%
Cash and Cash Equivalents - Beginning of Year	20,227	6,909	14,730	13,318	(7,821)	193%	-53%
Cash and Cash Equivalents - End of Year	7,090	20,227	6,909	(13,137)	13,318	-65%	193%
Less: Restricted Cash and Cash Equivalents	(4,778)	(16,199)	(3,266)	11,421	(12,933)	-71%	396%
Unrestricted Cash and Cash Equivalents	2,312	4,028	3,643	(1,716)	385	-43%	11%
Unrestricted Investments (marketable)	8,096	6,277	6,871	1,819	(594)	29%	-9%
Unrestricted Cash and Investments	\$ 10,408	\$ 10,305	\$ 10,514	\$ 103	\$ (209)	1%	-2%
Days Cash on Hand-Unrestricted	279	296	353				

*Restated 2024 and 2023 for the implementation of GASB 101 - Compensated Absences

The District's **cash and cash equivalents** decreased by a net of \$5.3 million over the last three fiscal years. The increase in FY 2024 is due mainly to the unspent bond proceeds from the 2023 General Obligation bond (\$5.8M) and unspent grant funds from the State of South Carolina appropriation (\$7.1M). The decrease in fiscal year 2025 relates to expenditures from the 2023 General Obligation bond proceeds and the purchase of certificates of deposit and US Treasuries to take advantage of favorable interest rates. Most of these investment options have maturities beyond one year and were not considered cash equivalents.

Cash reserves, defined as unrestricted cash and marketable investments (certificates of deposit and US Treasuries), are maintained to stabilize rates, provide security for the District's self-funded health plan, and meet the long-term operational needs of the District. One day of cash on hand is computed by dividing the cash expenses of operating and maintaining the system by 365 days. As of June 30, the days of cash on hand for the past three years exceeded the District's internal goal of 240 days.

Investment in Capital Assets

Capital asset expenditures are made in accordance with the District's Capital Improvement Plan (CIP), and the Engineering Master Plan. In fiscal year 2025, the District entered into an agreement with an engineering consulting firm to perform a comprehensive engineering master plan to examine system challenges, provide capacity for system growth and expansion, improve system operability and reliability, and renew and replace infrastructure that has reached the end of its effective useful life. The findings will be presented to the District in December 2025 and result in a list of projects with target need dates that will be used for an update of the CIP.

The following table provides details about the major asset classes and the changes that have occurred:

Capital Assets

(in thousands)	Increases (Decreases)						
	Balances at June 30			Dollars		Percentages	
	2025	2024	2023	2024 to 2025	2023 to 2024	2024 to 2025	2023 to 2024
Depreciable Capital Assets:							
Water Treatment and Distribution infrastructure	\$ 104,533	\$ 102,522	\$ 97,725	\$ 2,011	\$ 4,797	2%	5%
Reservoirs	28,496	28,246	11,180	250	17,066	1%	153%
Buildings and Related Improvements	8,311	7,908	2,454	403	5,454	5%	222%
Machinery and Equipment	1,852	1,708	1,692	144	16	8%	1%
Office Equipment and Furnishings	509	475	441	34	34	7%	8%
Metering Infrastructure	16,251	15,463	14,454	788	1,009	5%	7%
Vehicles	1,738	1,215	1,327	523	(112)	43%	-8%
Leased Assets	294	459	723	(165)	(264)	-36%	-37%
Total Depreciable/Amortizable Assets	161,984	157,996	129,996	3,988	28,000	3%	22%
Nondepreciable Capital Assets							
Land	3,774	3,774	2,062	-	1,712	0%	83%
Construction in Progress	23,612	8,018	21,142	15,594	(13,124)	194%	-62%
Total Nondepreciable Capital Assets	27,386	11,792	23,204	15,594	(11,412)	132%	-49%
Total Capital Assets	189,370	169,788	153,200	19,582	16,588	12%	11%
Accumulated Depreciation	(52,260)	(47,295)	(43,963)	(4,965)	(3,332)	10%	8%
Accumulated Amortization	(165)	(237)	(321)	72	84	-30%	-26%
Net Capital Assets	\$ 136,945	\$ 122,256	\$ 108,916	\$ 14,689	\$ 13,340	12%	12%

Capital assets, net of related depreciation and amortization, increased 12% in each of the last two fiscal years. Major capital asset additions for that time, as well as future capital planning, are discussed below.

- The District added and upgraded approximately 26 miles of waterline over the last two fiscal years to support the overall growth of the system. These totals include waterlines upgraded and installed by the District and waterlines installed by developers and donated to the District. As of June 30, 2025, the District maintained 802 miles of waterlines.
- In fiscal year 2024, the District paid the remaining retainage costs related to the repairs to the Emergency Spillway at Lyman Lake Dam, which significantly decreased construction in progress and increased depreciable assets classified as reservoirs.
- In April 2023, the District was awarded a \$10 million grant under the American Rescue Plan Act through the South Carolina Rural Infrastructure Authority (RIA) program known as the South Carolina Infrastructure Improvement Plan (SCIIP). These grant funds were used to partially fund the replacement of two elevated storage tanks with a projected total cost of \$15.5 million. The remaining cost will be funded by general obligation bonds. When completed in fiscal year 2026, the District will increase the Friendship Storage Tank capacity from the existing 300,000 gallons to 1.25 million gallons and increase the Reidville Storage Tank capacity from the existing 500,000 gallons to 1.5 million gallons.
- In 2022, additional American Rescue Funds were released to the states after the South Carolina Infrastructure Improvement Plan (SCIIP) was implemented. These funds were available for selected legislatively approved projects. In 2023, the District submitted a funding request to the South Carolina State Legislature and was approved for a \$7 million grant. These funds were granted to the District in January 2024 and will be used to construct a Booster Pump Station on Highway 29. This booster pump station will allow the District to initially pump up to 3 million gallons per day of finished water from Spartanburg Water through the existing Fairforest interconnection. The funds will also be used to upgrade water lines to handle the increased volume. Design of the project is complete, and construction is anticipated to begin in November of 2025. In July 2024, the District signed a long-term contract with Spartanburg Water to purchase water through this interconnection.
- In February 2023, the District began construction on the Middle Tyger High Service Pump Station Upgrade. This project included the installation of a new standby generator and an automatic transfer switch, an expansion of the pump station building to accommodate a separate climate-controlled electrical room and associated equipment, and the installation of two (2) new vertical turbine high service pumps. The project was completed in May of 2025 with final closeout activities ongoing. The total project cost will be approximately \$5,300,000 and will be funded by general obligation bonds.

- The District was included in the fiscal year 2024 Congressional Direct Spending Appropriation for \$10 million to construct a new 7.5-million-gallon Clearwell at the water treatment plant. The grant program is administered through the United States Environmental Protection Agency (EPA). While funding for the project is committed through congressional appropriation, a formal application process and proof of compliance with federal regulations was required. The District received the NOA (Notice of Award) from the EPA in December 2024. Currently, the design is completed, and the District has approval from the EPA to proceed with issuing an advertisement for bid. The District plans to issue an advertisement for bid by December 2025 with a goal to award and start pre-construction activities during the first quarter of 2026.
- The new Friendship Elevated Storage Tank overflow elevation will be 25 feet lower than the current Friendship Tank overflow. This change in elevation and increased tank capacity improves system hydraulics but also requires the upgrade of an existing 6-inch watermain to 8-inch for approximately three (3) miles along New Cut Road to improve pressures and overall flow capacity in the northeastern portion of the District's Little Chicago service area. Due to escalating material and construction costs, the District decided to use in-house personnel to install the line at a total cost of \$1,600,000 with material costs being funded by general obligation bonds. The line installation portion of the project was completed in April of 2025. All tap-overs and tie-ins to the new watermain will be completed by December 2025.
- On September 27, 2024, the aftermath of Hurricane Helene resulted in extreme precipitation in Lyman Lake's watershed. The resulting high flow was estimated as a 500-year event and exceeded the capacity of the spillway, resulting in significant erosion and undermining along the right side of the spillway chute. The District performed initial post-Helene repairs and restored the spillway to pre-Helene conditions. The District, under contract with Geosyntec, is currently conducting an incremental damage analysis of the Lyman Lake Dam to determine the specific hydrologic design event followed by detailed design of appropriate modifications to the spillway based on the findings of the study, which will allow the dam to safely pass the design event and increase resiliency for future extreme events. The total project cost is expected to exceed \$1.4 million. The District has two grant applications under review, one with SCDES and one through SCEMD, to assist with future spillway modification funding.
- For the past several years, the District has targeted areas of the distribution system for potential grant funding through the South Carolina Rural Infrastructure Authority (RIA). One of the District's targeted areas is known as the Green Acres Subdivision. Currently, the area is served with 2-inch galvanized lines and no fire protection. The District designed the line improvements in-house and was awarded a \$1,000,000 grant to install new 6-inch and 2-inch lines capable of providing fire protection. This project will be completed in December 2025. The total construction cost will be \$2,700,000 with the remaining amount to be funded by general obligation bond proceeds.
- In September of 2023, the District purchased a building and approximately 30 acres of land adjacent to its North Tyger Reservoir from Upward Unlimited for approximately \$8.0 million. This building will serve as the administrative headquarters for the District for the foreseeable future. The District retained a portion of the property in Wellford as its Operations Center and sold the remaining buildings and land to the City of Wellford. The District used the proceeds from the sale of the property and from the 2023 Revenue Bond to make the purchase.

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

Long-Term Debt and Debt Administration

Long-Term Debt consists of revenue bonds to be repaid from the net earnings of the District and general obligation bonds to be repaid by property taxes collected by Spartanburg County on behalf of the District. The District sets its water rates and tax millage to ensure payment of the bonds. The following chart shows the outstanding principal (including unamortized premiums) on the District's long-term debt:

(in thousands)	June 30,		
	2025	2024	2023
Revenue Bonds - payable from operations	\$ 13,750	\$ 14,502	\$ 7,043
General Obligation Bonds - payable from property tax revenue	15,695	18,563	15,470
Total Outstanding Long-Term Debt (including unamortized premiums)	<u>\$ 29,445</u>	<u>\$ 33,065</u>	<u>\$ 22,513</u>

In fiscal year 2023, the District issued a one-year, \$6.0 million general obligation bond anticipation note (BAN) to refinance the 2021 BAN. The deal was restructured to provide \$2.0 million in additional funds for the completion of the repairs to the emergency spillway at the Lyman Lake Dam and replacement of the gate valve.

In fiscal year 2024, the District issued a \$12.145 million general obligation bond with a \$842,000 premium. The premium was used to defray future general obligation bond debt. The remaining proceeds were used to match SCIIP grant funds for the two elevated water storage tanks and complete the upgrades to the Middle Tyger high service finished water pump station.

Also, in fiscal year 2024 the District issued a \$7.505 million revenue bond with a \$713,000 premium. The proceeds plus the premium were used to purchase the new administrative building and land and make the necessary improvements.

In fiscal year 2025, the District issued a short-term \$1.8 million general obligation bond. The proceeds of the bond were used to provide matching funds for the South Carolina Rural Infrastructure Authority grant for the Green Acres Subdivision. The bond was repaid in April 2025 from restricted cash reserves.

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

Debt Coverage

The District is required by covenant to cover revenue bond principal and interest payments with net earnings of at least 120%. Net earnings are calculated by adjusting net operating revenues for certain non-cash expenses and including certain non-operating revenues and expenses. Debt coverage was 344%, 334%, and 726% for the last three years, which exceeded the District's internal goal of 200%.

Bond Ratings

The District continues to maintain an excellent bond rating. The rating from Standard and Poor's is AA and while Moody's is Aa3.

Other Significant Matters

- On July 31, 2025, the District issued a \$4.055 million general obligation bond. The proceeds of the bond will be used mainly to fund the upgrade of the Friendship Booster Pump Station. The bond will be repaid in full on June 1, 2026 from property tax revenue and restricted cash reserves. No increase in millage will be required.
- The District will petition Spartanburg County Council in January 2026 for a new bond ordinance, which will allow the District to issue general obligation bonds as needed.

Requests for Information

Questions concerning any of the information contained in this report should be directed to:

Larry Christopher
Chief Financial Officer
SJWD Water District
198 Watershed Way
Spartanburg, SC 29301
(864) 949-2805

Basic Financial Statements

Exhibit A**STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT****Statements of Net Position****June 30, 2025 and 2024****Assets and Deferred Outflows of Resources**

	2025	Restated 2024
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,312,193	\$ 4,027,560
Cash and cash equivalents - restricted	4,777,774	16,199,385
Investments	3,557,397	4,284,081
Investments - restricted	6,298,012	-
Accounts receivable - net of allowance for doubtful accounts of \$84,000 and \$94,000 as of 2025 and 2024, respectively	1,610,624	1,835,024
Property taxes receivable - net of allowance for doubtful accounts of \$345,135 and \$153,255 as of 2025 and 2024, respectively	49,695	53,317
Grant receivable	1,476,695	1,899,065
Inventories	1,514,882	1,102,026
Accrued interest receivable	59,228	26,532
Other current assets	463,301	328,104
Total current assets	<u>22,119,801</u>	<u>29,755,094</u>
Noncurrent Assets:		
Investments	4,538,640	1,993,179
Investments - restricted	249,005	-
Capital assets - nondepreciable	27,386,333	11,791,853
Capital assets - net of accumulated depreciation and amortization	<u>109,558,665</u>	<u>110,463,882</u>
Total noncurrent assets	<u>141,732,643</u>	<u>124,248,914</u>
Total Assets	<u>163,852,444</u>	<u>154,004,008</u>
Deferred Outflows of Resources		
Deferred amounts related to pensions	1,803,085	1,507,388
Deferred amounts related to OPEB	<u>677,663</u>	<u>824,464</u>
Total Deferred Outflows of Resources	<u>2,480,748</u>	<u>2,331,852</u>

Exhibit A - Continued

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Statements of Net Position
June 30, 2025 and 2024
Liabilities, Deferred Inflows of Resources and Net Position

	2025	Restated 2024
Liabilities		
Current Liabilities (payable from operating fund):		
Revenue bonds payable - current portion	810,276	752,916
Accounts payable	597,523	680,293
Accrued salaries and wages	197,014	148,552
Accrued compensated absences - current portion	100,248	103,182
Accrued interest expense - revenue bonds	139,944	146,309
State retirement payable	130,529	115,696
Customer meter and tap deposits	374,975	244,550
Other accrued expenses	117,695	67,485
Sewer collections payable to others	579,515	478,094
Lease payable - current portion	53,690	57,510
Total OPEB liability - current	<u>146,663</u>	<u>68,464</u>
	<u>3,248,072</u>	<u>2,863,051</u>
Current liabilities (payable from restricted assets):		
General obligation bonds	2,216,988	2,868,640
Accounts payable - construction	2,416,857	2,548,542
Accrued interest expense - general obligation bonds	142,318	164,384
Unearned revenue	6,540,538	6,907,950
Customer deposits	<u>170,665</u>	<u>175,540</u>
	<u>11,487,366</u>	<u>12,665,056</u>
Total current liabilities	<u>14,735,438</u>	<u>15,528,107</u>
Noncurrent Liabilities:		
General obligation bonds	13,477,837	15,694,825
Revenue bonds	12,939,262	13,749,538
Lease payable - noncurrent portion	24,440	78,129
Accrued compensated absences	288,733	296,740
Total OPEB liability - noncurrent portion	4,424,337	4,395,536
Net pension liability	<u>7,475,165</u>	<u>7,326,401</u>
Total noncurrent liabilities	<u>38,629,774</u>	<u>41,541,169</u>
Total Liabilities	<u>53,365,212</u>	<u>57,069,276</u>
Deferred Inflows of Resources		
Deferred amounts related to pensions	297,298	49,791
Deferred amounts related to OPEB	<u>1,562,000</u>	<u>2,017,000</u>
Total Deferred Inflows of Resources	<u>1,859,298</u>	<u>2,066,791</u>
Net Position		
Net investment in capital assets	105,925,494	92,323,597
Restricted for:		
Debt service	3,151,380	2,986,059
Capital projects	449,740	203,931
Unrestricted	<u>1,582,070</u>	<u>1,686,206</u>
Total Net Position	<u>\$ 111,108,684</u>	<u>\$ 97,199,793</u>

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

Exhibit B

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2025 and 2023

	<u>2025</u>	<u>Restated 2024</u>
Operating Revenues		
Water sales		
Metered rates	\$ 12,658,554	\$ 11,587,564
Flat rates	<u>675,345</u>	<u>677,361</u>
	13,333,899	12,264,925
Miscellaneous operating revenues		
Tap and meter revenues	1,098,100	1,338,050
Customer service charges	99,966	89,316
Reconnect and late payment charges	346,911	346,944
Sewer billing charges	510,923	444,567
Other	<u>99,241</u>	<u>75,610</u>
Total Operating Revenues	<u>15,489,040</u>	<u>14,559,412</u>
Operating Expenses		
Direct operating expenses	3,201,889	2,998,530
General and administrative expenses	10,213,262	9,771,110
Depreciation	5,052,498	4,559,436
Amortization	<u>57,825</u>	<u>119,570</u>
Total Operating Expenses	<u>18,525,474</u>	<u>17,448,646</u>
Net Operating Income (Loss)	<u>(3,036,434)</u>	<u>(2,889,234)</u>
Nonoperating Revenues and Expenses		
Property tax revenue	5,143,704	5,191,174
Net other nonoperating revenues and expenses	<u>373,516</u>	<u>1,036,941</u>
Total Nonoperating Revenues and Expenses	<u>5,517,220</u>	<u>6,228,115</u>
Increase in Net Position, Before Capital Contributions	2,480,786	3,338,881
Capital Contributions	<u>11,428,105</u>	<u>6,663,996</u>
Increase in Net Position	13,908,891	10,002,877
Net Position - Beginning of Year	<u>97,199,793</u>	<u>87,196,916</u>
Net Position - End of Year	<u>\$ 111,108,684</u>	<u>\$ 97,199,793</u>

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

Exhibit C

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	Restated 2024
Cash Flows Provided (Used) by Operating Activities		
Cash received from customers	\$ 15,520,139	\$ 14,210,958
Cash paid to suppliers for goods and services	(6,234,883)	(6,661,359)
Cash paid to or for the benefit of employees	(7,333,866)	(6,674,191)
Total Cash Flows Provided (Used) by Operating Activities	<u>1,951,390</u>	<u>875,408</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Acquisition and construction of capital assets	(19,031,498)	(14,847,050)
Capital contributions - grants	9,193,682	1,361,090
Capital contributions - other	1,303,950	1,286,200
Property tax collections	5,147,327	5,172,839
Repayments of bonds payable - general obligation bonds	(4,335,000)	(9,560,000)
Repayments of bonds payable - revenue bonds	(640,000)	(675,000)
Bond issuance costs	(37,245)	(257,398)
Repayment of lease payable	(57,510)	(136,944)
Interest and paying agent fees	(1,289,063)	(1,268,980)
Proceeds from issuance of general obligation bonds	1,800,000	12,970,102
Proceeds from issuance of revenue bonds	-	8,175,942
Unearned revenue	-	7,000,000
Proceeds from sale of capital assets	109,645	1,312,500
Total Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(7,835,712)</u>	<u>10,533,301</u>
Cash Flows Provided (Used) by Investing Activities		
Interest income	1,024,297	1,229,928
Proceeds from sale of investments	6,494,038	7,193,704
Purchase of investments	(14,770,992)	(6,514,141)
Total Cash Flows Provided (Used) by Investing Activities	<u>(7,252,657)</u>	<u>1,909,491</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,136,979)	13,318,200
Cash and Cash Equivalents - Beginning of Year	<u>20,226,944</u>	<u>6,908,745</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,089,965</u>	<u>\$ 20,226,945</u>

Exhibit C - Continued

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Statements of Cash Flows - Continued
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>Restated 2024</u>
Reconciliation of operating income (loss) to net cash provided by (used for) Operating activities:		
Net operating income (loss)	\$ (3,036,434)	\$ (2,889,234)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	5,052,498	4,559,436
Amortization	57,825	119,570
Increase (decrease) in allowance for doubtful accounts	(10,000)	(39,000)
Pension expense	987,391	929,828
OPEB expense (gain)	(54,536)	(81,255)
Nonoperating income	55,014	54,229
(increase) decrease in assets:		
Accounts receivable	234,400	(477,425)
Inventories	(412,856)	(32,477)
Other current assets	(135,197)	(13,162)
Deferred outflows related to pensions	(886,817)	(813,002)
Deferred outflows related to OPEB	(146,663)	(68,464)
Increase (decrease) in liabilities:		
Accounts payable	18,651	(253,211)
Accrued salaries and wages	48,462	(10,000)
Accrued compensated absences	(10,941)	(63,769)
State retirement payable	14,833	22,113
Meter and tap deposits	130,425	(83,825)
Customer deposits	(4,875)	7,895
Other accrued expenses	50,210	7,161
Total Adjustments	<u>4,987,824</u>	<u>3,764,642</u>
Net Cash Provided by Operating Activities	<u>\$ 1,951,390</u>	<u>\$ 875,408</u>
Noncash Investing, Capital and Financing Activities		
Construction in progress acquired through accounts payable and retainage payable	\$ 2,416,857	\$ 2,548,542
Contribution of capital assets	\$ 1,352,843	\$ 2,117,641
Amortization included in interest expense	\$ 446,556	\$ 418,360
Increase (decrease) in fair value of investments	\$ 88,839	\$ 85,397
Proceeds from general obligation bonds	\$ -	\$ 16,885
Proceeds from revenue bonds	\$ -	\$ 41,963
Bond issuance costs	\$ -	\$ (58,848)

Exhibit C - Continued

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Statements of Cash Flows - Continued
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>Restated 2024</u>
Reconciliation of Cash and Investments as Shown on the Statements of Net Position and Cash Flows		
Statement of net position classifications		
Current assets		
Cash and cash equivalents	\$ 2,312,193	\$ 4,027,560
Cash and cash equivalents - restricted	<u>4,777,774</u>	<u>16,199,385</u>
	<u><u>\$ 7,089,967</u></u>	<u><u>\$ 20,226,945</u></u>
Cash flow classifications		
Petty cash	\$ 1,350	\$ 1,523
Cash deposits	3,438,724	3,758,675
US Treasury money market funds	2,730,048	1,144,866
Local government investment pool	<u>919,845</u>	<u>15,321,881</u>
Total cash and cash equivalents	<u><u>\$ 7,089,967</u></u>	<u><u>\$ 20,226,945</u></u>

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

Notes to The Financial Statements

Notes to Financial Statements

Note 1 - Summary of significant accounting policies

This summary of significant accounting policies of the Startex-Jackson-Wellford-Duncan Water District (the District) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the District'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 financial statements.

Reporting entity

The District is a special purpose district created by Act 1105 in the year 1956 passed by the General Assembly of the State of South Carolina. The District was established for the purpose of building, constructing, operating, and maintaining water lines and water mains throughout the District. The District is a primary government with no component units. The District is governed by a five-member board of commissioners appointed by the Governor upon recommendation of the legislative delegation of Spartanburg County. The commissioners serve six-year terms.

Basis of accounting

Under US GAAP, the District 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 estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Use of restricted sources

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

Cash and cash equivalents

For purposes of reporting cash flows, all highly liquid investments (including restricted assets) with maturity of three months or less at the time of purchase are considered to be cash equivalents.

Receivables and allowance for doubtful accounts

Accounts receivable are stated net of their allowance for uncollectible accounts. Unbilled revenue, in the amount of \$946,000 and \$1,080,000 at June 30, 2025 and 2024, respectively, is included in the accounts receivable balance on the Statements of Net Position.

Inventories

Inventories are valued at cost, using the average cost method. Inventories consist of expendable materials and supplies held for consumption and materials to be used to expand or improve the distribution system.

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 the initial individual cost or an item is comprised of individual components that are \$1,500 or more or a bulk purchase of assets with a cost of more than \$50,000 and have an estimated useful life of more than one year.

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

	<u>Years</u>
Water treatment and distribution infrastructure	5 - 66 2/3
Reservoirs	10 - 100
building and related improvements	5 - 40
Machinery and equipment	5
Office equipment and furnishings	5 - 10
Metering infrastructure	15
Vehicles	5
Lease assets (right to use)	4

Investments

Investments, equity, and debt securities are reported at fair value.

Long-term liabilities

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

Leases

The District is a lessee for seven vehicle leases. The District recognizes a lease liability and an intangible right to use a lease asset (lease asset) in the financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statements of Net Position.

Compensated absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick leave. The liability for compensated absences includes salary-related benefits.

The District provides eligible employees with paid time off (PTO) based on the number of years of service. When an employee separates from employment, he/she is compensated for any unused annual leave. At June 30, 2025 and 2024, accrued annual leave amounted to \$100,248 and \$103,182, respectively. Accrued annual leave is included as accrued compensated absences — current portion of current liabilities.

Employees also accumulate sick leave based upon months of service. Sick leave does not vest and is lost upon termination of employment. A portion of accumulated sick leave, not to exceed 240 hours, is included in compensation at the time of eligible retirement. This liability is estimated to be \$288,733 and \$296,740 at June 30, 2025 and 2024, respectively, and is included in accrued compensated absences in noncurrent liabilities.

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. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the Statement of Net Position, and the deferred amounts related to pension and OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized (recognized as an adjustment to expense) over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

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 District's deferred outflows and deferred inflows of resources are deferred amounts arising from amounts related to the District's defined benefit pension and OPEB plans.

Revenues and expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating 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.

Net position

Net position is classified in the following three components: net investment in capital assets; restricted; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt and other liabilities that are attributable to the acquisition, construction and improvement of those assets; unspent debt proceeds or other restricted cash and investments are excluded from the determination. Restricted consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation less any related liabilities. Unrestricted net position consists of all other net position not included in the above categories.

Capital contributions

The District periodically receives contributions for distribution systems, principally water lines, from developers, as well as contributions from individual residents for the construction of water lines. In addition, the District receives grant monies for construction of improvements or extensions to its District at various times. Capital 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 District's policy requires all cash deposits to be insured and collateralized to limit the risk that, in the event of a bank failure, the deposits may not be returned to the District. Cash deposits are maintained within guidelines that require all cash deposits to either be secured by the Federal Deposit Insurance Corporation (FDIC) or be collaterally secured by obligations of the United States and agencies or by general obligations of the State of South Carolina or any of its political units. As of June 30, 2025 and 2024, the District was not exposed to custodial credit risk.

The District's investment policy allows funds to be invested as allowed by the South Carolina Code of Laws. The following represent legally authorized investments:

- a. Obligations of the United States and agencies thereof;
- b. General obligations or revenue obligations of the State of South Carolina or any of its political units;
- c. Savings and loan associations to the extent that the same are secured by the Federal Deposit Insurance Corporation;
- d. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit, so secured, including interest;
- e. Deposit accounts with banking institutions with maturities consistent with the time or times when the invested monies will be needed in cash;
- f. A common trust fund known as the South Carolina Pooled Investment Fund (SC Pool) in which public monies may be deposited;
- g. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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 2 securities are valued using a matrix pricing technique, based on the securities' relationship to benchmark quote prices.

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 by 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.

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.

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 to the Office of the State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

Credit risk - state law and the District's policy limit investments to securities as noted above. As of June 30, 2025 and 2024, all investments were either in FDIC insured certificates of deposit, U.S. treasury money market funds, U.S. government bonds, U.S. Treasury securities, or the SC Pool.

Concentration of credit risk - the District places no limit on the amount the District may invest in any issuer. For the years ended June 30, 2025 and 2024, the concentration of investments were as follows:

	2025	2024
Certificates of deposit - FDIC insured	40%	17%
U.S. treasury money market funds	15%	5%
State treasurer's investment pool	5%	67%
U.S. government bonds	24%	4%
U.S. Treasury securities	16%	7%
	<u>100%</u>	<u>100%</u>

Interest rate risk - the District's policy has a maturity duration target for investments of 10 years or less, unless matched to a specific cash flow, to help manage its exposure to fair value losses from increasing interest rates.

The District had the following investments, all of which were held by custodians in the District's name, as of June 30, 2025 and 2024:

2025				
Investment Type	Maturity	Fair Value	Rating	Fair Value Hierarchy
Cash Equivalents				
State treasurer's investment pool	<60 days	\$ 919,845	N/A	N/A
US Treasury money market funds				
First American Treasury Obligation	<90 days	379,597	N/A	N/A
Invesco ST Treasury	<90 days	2,350,451	N/A	N/A
		<u>2,730,048</u>		
Total cash equivalents		<u>\$ 3,649,893</u>		
Investments				
Current				
Certificates of deposit	1 year	\$ 4,099,996	N/A	Level 2
US Government bonds	1 year	2,772,793	Aaa	Level 2
US Government Treasury securities	1 year	2,982,620	Aaa	Level 1
		<u>\$ 9,855,409</u>		
Noncurrent				
Certificates of deposit	2-5 years	\$ 3,142,270		
US Government bonds	2-5 years	1,645,375	N/A	Level 2
		<u>4,787,645</u>		
Total Investments		<u>\$ 14,643,054</u>		

2024				
Investment Type	Maturity	Fair Value	Rating	Fair Value Hierarchy
Cash Equivalents				
State treasurer's investment pool	<60 days	\$ 15,321,881	Not rated	N/A
US Treasury money market funds				
First American Treasury Obligation	<90 days	431,295	Aaa-mf	N/A
Invesco ST Treasury	<90 days	713,571	Aaa-mf	N/A
		<u>1,144,866</u>		
Total cash equivalents		<u>\$ 16,466,747</u>		
Investments				
Current				
Certificates of deposit	1 year	\$ 1,956,796	N/A	Level 2
US Government bonds	1 year	846,546	Aaa	Level 2
US Government Treasury securities	1 year	1,480,739	Aaa	Level 1
		<u>\$ 4,284,081</u>		
Noncurrent				
Certificates of deposit	2-10 years	1,993,179	N/A	Level 2
Total Investments		<u>\$ 6,277,260</u>		

The District 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 assets listed below are shown in their respective categories in the accompanying statements of net position.

	2025	2024
Restricted Assets for Customer Deposits		
Cash and Cash Equivalents	\$ 170,665	\$ 172,415
Restricted Assets for the Acquisition and Construction of Capital Assets		
Cash and Cash Equivalents	1,363,107	12,929,843
Restricted Assets for Debt Service Reserve and Debt Service Funds		
Cash and Cash Equivalents	<u>3,244,003</u>	<u>3,097,127</u>
Total Restricted Assets	<u>\$ 4,777,775</u>	<u>\$ 16,199,385</u>

Note 3 - Property taxes

Property taxes are levied against all real and tangible personal property located within the District. Taxes are levied on real estate and personal property, other than vehicles, on assessed values as of December 31 of the preceding year. Tax bills are mailed as soon after October 1st of each year as possible. Taxes are payable without penalty until January 15th. Property goes into execution after March 15th. Taxes are levied on motor vehicles throughout the year in the month designated by the South Carolina Department of Motor Vehicles for annual license renewal.

Tax bills on vehicles are normally mailed during the month prior to the month designated for vehicle license renewal. Payment of the vehicle tax fee must be made before the annual vehicle license renewal process can be completed.

The County Treasurer collects the property taxes on behalf of the District. The County Treasurer periodically remits the amounts collected to the District's designated agent for the principal and interest fund. Taxes receivable (current and delinquent) represent property taxes that have been collected and remitted to the County Treasurer's office for its distribution to the District.

As of June 30, 2025 and 2024, property taxes receivable amounted to \$49,695 and \$53,317, respectively.

The District's uncollected assessed taxes that have been transferred to the County Delinquent Tax Collector were \$345,135 and \$153,255 as of June 30, 2025 and 2024, respectively. The District has established an offsetting allowance for uncollectible taxes of the same amount.

Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2025 and 2024 were as follows:

	2025			
	Balance June 30, 2024	Additions	Transfers/ Disposals	Balance June 30, 2025
Capital Assets				
Nondepreciable				
Land	\$ 3,774,328	\$ -	\$ -	\$ 3,774,328
Construction in progress	8,017,525	17,210,318	1,615,838	23,612,005
Total nondepreciable	11,791,853	17,210,318	1,615,838	27,386,333
Depreciable/Amortizable				
Water treatment and distribution infrastructure	102,522,294	2,010,461	-	104,532,755
Reservoirs	28,244,776	264,145	13,100	28,495,821
Buildings and related improvements	7,907,960	403,512	-	8,311,472
Machinery and equipment	1,708,111	143,167	-	1,851,278
Office equipment and furnishings	475,375	33,917	-	509,292
Metering infrastructure	15,462,474	788,225	-	16,250,699
Vehicles	1,215,369	667,334	144,501	1,738,202
Lease assets (Right to Use)	459,150	-	164,829	294,321
Total depreciable/Amortizable	157,995,509	4,310,761	322,430	161,983,840
Total Capital Assets	169,787,362	21,521,079	1,938,268	189,370,173
Accumulated Depreciation/Amortization				
Water treatment and distribution infrastructure	36,839,533	2,787,664	-	39,627,197
Reservoirs	3,013,443	487,317	-	3,500,760
Buildings and related improvements	1,188,557	279,537	-	1,468,094
Machinery and equipment	1,297,750	124,452	-	1,422,202
Office equipment and furnishings	247,950	58,122	-	306,072
Metering infrastructure	4,026,241	1,057,106	-	5,083,347
Vehicles	681,614	258,300	87,869	852,045
Lease assets (amortization)	236,539	57,825	128,907	165,457
Total Accumulated Depreciation/Amortization	47,531,627	5,110,323	216,776	52,425,174
Capital Assets - Net of Accumulated Depreciation and Amortization	<u>\$ 122,255,735</u>			<u>\$ 136,944,999</u>

2024				
	Balance		Transfers/	Balance
	June 30, 2023	Additions	Disposals	June 30, 2024
Capital Assets				
Nondepreciable				
Land	\$ 2,062,443	\$ 1,711,885	\$ -	\$ 3,774,328
Construction in progress	21,142,033	15,863,381	28,987,889	8,017,525
Total nondepreciable	<u>23,204,476</u>	<u>17,575,266</u>	<u>28,987,889</u>	<u>11,791,853</u>
Depreciable/Amortizable				
Water treatment and distribution infrastructure	97,725,357	4,806,387	9,450	102,522,294
Reservoirs	11,180,252	17,123,359	58,835	28,244,776
Buildings and related improvements	2,453,479	6,566,435	1,111,954	7,907,960
Machinery and equipment	1,692,125	124,867	108,881	1,708,111
Office equipment and furnishings	440,972	137,978	103,575	475,375
Metering infrastructure	14,453,375	1,009,099	-	15,462,474
Vehicles	1,326,876	96,769	208,276	1,215,369
Lease assets (Right to Use)	723,296	-	264,146	459,150
Total depreciable/Amortizable	<u>129,995,732</u>	<u>29,864,894</u>	<u>1,865,117</u>	<u>157,995,509</u>
Total Capital Assets	<u>153,200,208</u>	<u>47,440,160</u>	<u>30,853,006</u>	<u>169,787,362</u>
Accumulated Depreciation/Amortization				
Water treatment and distribution infrastructure	34,079,912	2,765,021	5,400	36,839,533
Reservoirs	2,858,394	204,494	49,445	3,013,443
Buildings and related improvements	1,807,121	228,484	847,048	1,188,557
Machinery and equipment	1,184,721	137,448	24,419	1,297,750
Office equipment and furnishings	281,118	58,899	92,067	247,950
Metering infrastructure	3,029,046	997,195	-	4,026,241
Vehicles	722,975	167,895	209,256	681,614
Lease assets (amortization)	321,054	119,570	204,085	236,539
Total Accumulated Depreciation/Amortization	<u>44,284,341</u>	<u>4,679,006</u>	<u>1,431,720</u>	<u>47,531,627</u>
Capital Assets - Net of Accumulated Depreciation and Amortization	<u>\$ 108,915,867</u>			<u>\$ 122,255,735</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$5,052,498 and \$4,559,436, respectively. Amortization expense for the year ended June 30, 2025 and 2024 were \$57,825 and \$119,570, respectively.

As of June 30, 2025, the District has capital assets included in vehicles with a historical cost of \$152,673 and accumulated depreciation of \$144,227 that are being held for sale. The District intends to sell these capital assets within the next fiscal year.

Note 5 - Long-term debt

The following schedules detail the changes in long-term debt during the years ended June 30, 2025 and 2024:

2025					
	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Bonds and Other Noncurrent					
Liabilities Payable					
General obligation bonds	\$ 17,055,000	\$ 1,800,000	\$ (4,335,000)	\$ 14,520,000	\$ 1,930,000
Plus deferred amounts:					
Bond premium	1,508,465	-	(333,640)	1,174,825	286,988
Revenue Bonds	12,790,000	-	(640,000)	12,150,000	665,000
Plus deferred amounts:					
Bond premium	1,712,454	-	(112,916)	1,599,538	145,276
Accrued compensated absences*	399,922	-	(10,941)	388,981	100,248
Lease liabilities	135,639	-	(57,510)	78,129	53,690
	<u>\$ 33,601,480</u>	<u>\$ 1,800,000</u>	<u>\$ (5,490,007)</u>	<u>\$ 29,911,473</u>	<u>\$ 3,181,202</u>
2024					
	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Bonds and Other Noncurrent					
Liabilities Payable					
General Obligation bond anticipation note	\$ 6,000,000	\$ -	\$ (6,000,000)	\$ -	\$ -
General obligation bonds	8,470,000	12,145,000	(3,560,000)	17,055,000	2,535,000
Plus deferred amounts:					
Bond premium	999,928	841,987	(333,450)	1,508,465	333,640
Revenue Bonds	5,960,000	7,505,000	(675,000)	12,790,000	640,000
Plus deferred amounts:					
Bond premium	1,082,748	712,906	(83,200)	1,712,454	112,916
Accrued compensated absences*	463,692	-	(68,033)	395,659	103,182
Lease liabilities	272,583	-	(136,944)	135,639	57,510
	<u>\$ 23,248,951</u>	<u>\$ 21,204,893</u>	<u>\$ (10,856,627)</u>	<u>\$ 33,597,217</u>	<u>\$ 3,782,248</u>

*Restated 2024 and 2023 for implementation of GASB 101 - Compensated Absences and changes in accrued compensated absences liability are presented as a net change

Bond Anticipation Note

On August 9, 2023, the District issued \$12,145,000 of General Obligation Bonds, Series 2023 to pay off the 2022 \$6,000,000 BAN with an interest rate of 2.83%, issued August 12, 2022.

**In accordance with GASB 62, Classification of Short-Term Obligations Expected to be Refinanced, the District reclassified the 2022 BAN into long-term general obligation bonds in the statements of net position for the year ended June 30, 2023.

General obligation Bonds

Bonds payable at June 30, 2025 and 2024 were comprised of the following issues:

	<u>2025</u>	<u>2024</u>
\$11,905M General Obligation Bond dated August 19, 2020. Annual maturities of \$435K to \$1.490M and semi-annual interest of 2-5%. The bond payable includes an original issue premium of \$1,740M. The bonds were issued to defray the cost of District improvements and pay off 2020 General Obligation Bond	\$ 5,715,000	\$ 6,980,000
\$12,145M General Obligation Bond dated August 9, 2023. Annual maturities of \$390K to \$2,070M and semi-annual interest of 4%. The bond payable includes an original issue premium of \$842K. The bonds were issued to pay off a portion of the General Obligation Bond Anticipation Note, Series 2022	<u>8,805,000</u>	<u>10,075,000</u>
Total Bonds Payable	14,520,000	17,055,000
Less: current portion	<u>(1,930,000)</u>	<u>2,535,000</u>
Total long-term general obligation bonds payable	<u>\$ 12,590,000</u>	<u>\$ 19,590,000</u>

Debt service requirements to maturity, including interest and issue premium on the general obligation bonds as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,930,000	\$ 859,388	\$ 2,789,388
2027	1,685,000	755,008	2,440,008
2028	1,845,000	639,172	2,484,172
2029	1,940,000	514,216	2,454,216
2030	1,420,000	383,475	1,803,475
2031-2035	5,700,000	906,766	6,606,766
	<u>\$ 14,520,000</u>	<u>\$ 4,058,025</u>	<u>\$ 18,578,025</u>

The South Carolina constitution permits the District to incur general obligation bonded indebtedness not to exceed eight percent of the assessed value of taxable property in the District. At June 30, 2025 and 2024, the District was in compliance with this requirement.

Revenue Bonds

Revenue bonds payable at June 30, 2025 and 2024 were comprised of the following issues:

	<u>2025</u>	<u>2024</u>
\$7,030M Waterworks System Revenue Bond dated November 26, 2019. Payments of principal and interest at 3-5% per annum are due semi-annually with annual maturities of \$350K to \$620K, The bonds were issued to finance the expansion, improvement, repair and replacement of the District's infrastructure	\$ 5,175,000	\$ 5,575,000
\$7,505M Waterworks System Revenue Bond dated August 8, 2023. Payments of principal and interest at 4-5% per annum are due semi-annually with annual maturities of \$240K to \$560K, The bonds were issued to defray the costs of various capital improvements including new administration facilities	<u>6,975,000</u>	<u>7,215,000</u>
Total Bonds Payable	12,150,000	12,790,000
Less: current portion	<u>(665,000)</u>	<u>(640,000)</u>
Total long-term general obligation bonds payable	<u><u>\$ 11,485,000</u></u>	<u><u>\$ 12,150,000</u></u>

Debt service requirements to maturity including interest and issue premium on the outstanding bonds as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 665,000	\$ 708,126	\$ 1,373,126
2027	700,000	688,853	1,388,853
2028	735,000	665,856	1,400,856
2029	770,000	638,669	1,408,669
2030	805,000	554,097	1,359,097
2031-2035	4,630,000	2,047,455	6,677,455
2036-2040	2,235,000	785,466	3,020,466
2041-2043	1,610,000	153,566	1,763,566
	<u>\$ 12,150,000</u>	<u>\$ 6,242,088</u>	<u>\$ 18,392,088</u>

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

Leases

Lease payable at June 30, 2025 and 2024 were comprised of the following:

	<u>2025</u>	<u>2024</u>
\$73,197 for 3 vehicles leased during fiscal year 2022. Monthly lease payments range from \$183 to \$771 per month. Lease terms are for 4 years. Interest rates for the vehicles range from 4.05 to 4.24%.	\$ 13,989	\$ 32,616
\$154,285 for 4 vehicles leased during fiscal year 2023. Monthly lease payments range from \$514 to \$1,094 per month. Lease terms are for 4 years. Interest rates for the vehicle range from 1.00 to 7.20%.	<u>64,140</u>	<u>103,023</u>
Total lease payable	78,129	135,639
Less: current portion	<u>(53,690)</u>	<u>(57,510)</u>
Total long-term lease payable	<u>\$ 24,439</u>	<u>\$ 78,129</u>

Lease requirements to maturity including interest on the leases as of June 30, 2025 is as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 53,690	\$ 104	\$ 53,794
2027	24,439	-	24,439
	<u>\$ 78,129</u>	<u>\$ 104</u>	<u>\$ 78,233</u>

Note 6 - Capital contributions

Donated assets, grants, and participation fees are provided to finance capital expenditures and are accounted for as capital contributions. During the years ended June 30, 2025 and 2024, the District received the following as donated assets or to partially finance plant extensions or additions:

	2025	2024
Donated line extensions	\$ 1,352,843	\$ 2,117,641
System improvement fees	1,303,950	1,286,200
Grants	<u>8,771,312</u>	<u>3,260,155</u>
	<u>\$ 11,428,105</u>	<u>\$ 6,663,996</u>

Note 7 - Pension plan

Plan description

The District, as the employer, participates in the South Carolina Retirement System (SCRS) 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 an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Benefits provided/membership

SCRS provides retirement and other benefits for teachers and employees of the state, its public school districts, and 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.

This plan covers general employees, teachers, and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. A 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 of credited service, regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit.

A 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 requirements that the total of the member's age and the member's creditable service equals at least 90 years.

Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight-year earned service requirement, respectively.

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 contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017, until reaching 18.56% for SCRS. The legislation included further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified the statute such that the employer contribution rates for SCRS be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the 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 rate for SCRS may not be decreased until the plan is at least 85% funded.

Required employee (both Class II and III) contribution rates for the years ended June 30, 2025 and 2024 was 9%. The required employer contribution rate for the years ended June 30, 2025 and 2024 was 18.41%. 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 incidental death benefit program. Contributions to the Plan from the District for the years ended June 30, 2025 and 2024 were \$886,817 and \$813,002, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2025, the District reported a net pension liability of \$7,475,165 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2023. The total pension liability was rolled forward from the valuation date to the plan's fiscal year-end June 30, 2024, using generally accepted actuarial procedures. The allocation of the District's proportionate shares of the collective net pension liability and pension expense were calculated on the basis of the District'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 representative of future contribution efforts, as of June 30, 2024. Based upon this information, the District's proportion of the collective net pension liability at June 30, 2025 and 2024 was .031877% and .030303%, respectively, an increase of .001574% since June 30, 2023, the prior measurement date.

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$987,391 and \$929,828, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

2025		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 245,660	\$ 9,277
Changes in assumptions	131,786	-
Net difference between projected and actual earnings on pension plan investments	-	288,021
Changes in proportion and differences between the District's contributions and proportionate share of contributions	538,822	-
System contributions subsequent to the measurement date	886,817	-
Total	<u>\$ 1,803,085</u>	<u>\$ 297,298</u>

2024		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,629	\$ 20,317
Changes in assumptions	112,251	-
Net difference between projected and actual earnings on pension plan investments	-	10,028
Changes in proportion and differences between the District's contributions and proportionate share of contributions	461,506	19,446
System contributions subsequent to the measurement date	813,002	-
Total	<u>\$ 1,507,388</u>	<u>\$ 49,791</u>

\$886,817 reported as deferred outflows of resources related to pensions in 2025, resulted from District contributions after the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. 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,	
2026	\$ 176,951
2027	463,231
2028	54,425
2029	<u>(75,637)</u>
	<u>\$ 618,970</u>

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. The GASB Statement No. 67 valuation report prepared as of June 30, 2024 is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023 and will be used for future valuations.

The June 30, 2025 total pension liability, net pension liability, and sensitivity information were determined by and are based on an actuarial valuation performed as of July 1, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal

year-end, June 30, 2024, using general accepted actuarial methods.

There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2024.

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 System's 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.

Expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 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%	6.23%	2.86%
Bonds	26%	2.60%	0.68%
Private Equity	9%	9.60%	0.86%
Private Debt	7%	6.90%	0.48%
Real Assets	12%		
Real Estate	9%	4.30%	0.39%
Infrastructure	3%	7.30%	0.22%
Total Expected Return	100%		5.49%
Inflation for Actuarial Purposes			2.25%
Expected Rate of Return			7.74%

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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the collective net pension liability calculated using the discount rate of 7.00% for the years ended June 30, 2025 and 2024, as well as what the District’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:

	2025		
	1% Decrease	Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
System's proportionate share of the collective net pension liability	\$ 9,886,969	\$ 7,475,165	\$ 5,438,268
	2024		
	1% Decrease	Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
System's proportionate share of the collective net pension liability	\$ 9,466,409	\$ 7,326,401	\$ 5,547,701

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, 2024 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the actuarial valuation report as of June 30, 2024. The additional information is publicly available on PEBA’s website at www.peba.sc.gov.

Note 8 - Post-retirement health care benefits

Plan description and benefits provided

The District sponsors a single-employer defined benefit health care plan (the Plan) that provides post-retirement health, dental and life insurance premium benefits for eligible employees and Commissioners. Eligible employees are defined as a retired employee who is participating in the District’s medical program and who is eligible to retire under the South Carolina Retirement System. Eligible employees must have 15 years of continuous service with the District.

Eligible commissioners must have 18 years of service with the District and be 65 or older. Prior to age 65, retirees can stay on the District’s plan free of charge. Spouses of eligible retirees can stay on the District’s plan for an annual fee of \$5,904. For retirees 65 and above, the District pays the full cost of the Medicare Supplement. During the fiscal years ended June 30, 2025 and 2024, 25 and 23 individuals, respectively, met these eligibility requirements. The District has not made any contributions to an irrevocable trust as of June 30, 2025 and 2024, and assets are not accumulated in a trust as defined by GAAP.

The District, upon majority vote of the five-member Commission, has the authority to establish and amend benefit provisions.

Plan membership

Membership in the plan as of June 30, 2025 and 2024 was:

	2025	2024
Inactive plan members or beneficiaries currently receiving benefits	25	23
Active plan members	54	57
Total plan members	79	80

Contributions

The contribution requirements of the Plan are established and may be amended by the District, and it is the policy of the District to contribute annually an amount sufficient to satisfy benefit payment requirements to participants. The Plan is financed on a pay-as-you-go basis and the District paid \$146,663 and \$68,464 in contributions for the years ended June 30, 2025 and 2024, respectively, for premiums and claims.

Total OPEB liability

The District's total OPEB liability of \$4,571,000 as of June 30, 2025 was based on a measurement date of July 1, 2024 determined by an actuarial valuation as of July 1, 2023. The June 30, 2024 total OPEB liability of \$4,464,000 was based on a measurement date of July 1, 2023 and determined by an actuarial valuation as of July 1, 2023.

Actuarial assumptions and other inputs - the Total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry age actuarial cost method
Expected return on assets:	N/A - there are no assets accumulated for the plan
Discount rate:	4.09%
Salary scale	2.50%
Healthcare cost trend rates:	Medical: 6.50% for fiscal year end 2025, decreasing 0.25% per year to 5.00% Dental and vision: 5.00% for fiscal year end 2025 and later
Mortality:	PUB-210 Amount - weighted general mortality table - MP-2021 projection scale fully generational

Discount rate - the discount rate used to measure the total OPEB liability was set equal to 4.09% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date, an increase from 3.86% from July 1, 2023 the prior measurement date.

Changes in the total OPEB liability

2025	
	<u>Total OPEB Liability</u>
Balance as of July 1, 2024	\$ 4,464,000
Changes for the Year	
Service cost	148,000
Interest	177,000
Difference between expected and actual experience	(183,000)
Benefit payments	(68,000)
Assumption changes	33,000
Net Changes	<u>107,000</u>
Balance as of June 30, 2025*	<u>\$ 4,571,000</u>

*Measurement date is July 1, 2024

2024	
	<u>Total OPEB Liability</u>
Balance as of July 1, 2024	\$ 4,089,000
Changes for the Year	
Service cost	124,000
Interest	153,000
Difference between expected and actual experience	147,000
Benefit payments	(111,000)
Assumption changes	62,000
Net Changes	<u>375,000</u>
Balance as of June 30, 2024*	<u>\$ 4,464,000</u>

*Measurement date is July 1, 2023

Sensitivity of the total OPEB liability to changes in the discount rate — the following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1.0% higher than the current discount rate:

2025			
	1% Decrease 3.09%	Discount Rate 4.09%	1% Increase 5.09%
Total OPEB Liability	\$ 5,362,000	\$ 4,571,000	\$ 3,950,000

2024			
	1% Decrease 2.86%	Discount Rate 3.86%	1% Increase 4.86%
Total OPEB Liability	\$ 5,180,000	\$ 4,464,000	\$ 3,894,000

Sensitivity of the net OPEB liability to changes in the health care cost trend rates — The following presents the total OPEB liability of the District, as well as what the District's total 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:

2025			
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 3,946,000	\$ 4,571,000	\$ 5,389,000

2024			
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 3,924,000	\$ 4,464,000	\$ 5,158,000

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the years ended June 30, 2025 and 2024, the District recognized OPEB gain of \$54,536 and \$81,255, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2025		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,000	\$ 749,000
Change in assumptions	432,000	813,000
District contributions subsequent to the measurement date	146,663	-
	<u>\$ 677,663</u>	<u>\$ 1,562,000</u>

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 148,000	\$ 885,000
Change in assumptions	608,000	1,132,000
District contributions subsequent to the measurement date	68,464	-
	<u>\$ 824,464</u>	<u>\$ 2,017,000</u>

\$146,663 was reported as deferred outflows of resources for FY 2025 related to OPEB resulting from District contributions after the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. 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:

Year Ended June 30:	
2026	\$ (397,000)
2027	(383,000)
2028	(240,000)
2029	9,000
2030	(20,000)
	<u>\$ (1,031,000)</u>

Note 9 - Deferred compensation plans

Two deferred compensation plans are available to District 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 year 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 District 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. The District matches 401(k) contributions for all participating employees. The match is 50% of the employee contribution up to a maximum of 3% of base pay. The District's deferred compensation match is included in retirement expense. Deferred compensation expense for the fiscal years ended June 30, 2025 and 2024 was \$72,939 and \$60,286, respectively. The District provides quarterly presentations from Empower Retirement to educate and promote employee participation.

Contributions deferred under the Section 401(k) and 457 plans are placed in trust for the contributing employees. The District has no liability for losses under the plans.

Note 10 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured under policies with commercial insurance companies. The District did not have settled claims that exceeded the District's insurance coverage during the past three years.

The District established a self-funded health insurance program effective December 1, 1989. Specific stop loss coverage for each claim in excess of \$50,000 for both the years ended June 30, 2025 and 2024, respectively, and minimum annual aggregate stop loss coverage for claims in excess of \$778,871 and \$750,061 as of June 30, 2025 and 2024, respectively, is provided by a commercial insurance company. Total expenses incurred for claims and stop loss coverage, net of any refunds for claims paid in excess of stop loss amounts, for the fiscal years ended June 30, 2025 and 2024 amounted to \$1,497,381 and \$1,123,605, respectively. Total cumulative funds set aside by the District and designated to meet future claims amounted to \$2,162,070 and \$2,208,473 as of June 30, 2025 and 2024, respectively. The following represents the change in unfilled, unpaid claims from July 1, 2024 to June 30, 2025, and July 1, 2023 to June 30, 2024:

	2025	2024
Beginning of the year liability	\$ 44,000	\$ 44,000
Claims	671,723	545,640
Claims payments - net of refunds	(623,723)	(545,640)
	<u>\$ 92,000</u>	<u>\$ 44,000</u>

The liability is included in other accrued expenses on the Statements of Net Position.

Note 11 - Tax abatements

The District's property tax revenues were reduced by \$701,667 and \$596,423 under Fee in Lieu of Ad Valorem Tax (FILOT) agreements and Special Source Revenue Credits (SSRC) entered into by Spartanburg County for the year ended June 30, 2025 and 2024, respectively. The District received a total of \$784,570 and \$810,901 under both FILOT and SSRC tax agreements for the year ended June 30, 2025 and 2024, respectively. Under FILOT agreements, taxpayers receive a reduction in ad valorem property taxes through reduced assessed values and locked millage rates. Due to these agreements, the taxpayers realized a benefit of \$614,639 and \$470,918 for the years ended June 30, 2025 and 2024, respectively. Under the SSRC program, taxpayers receive a percentage reduction of their total property tax bill if their property qualified for the program. Due to this program, the taxpayers realized a benefit of \$87,028 and \$125,504 for the years ended June 30, 2025 and 2024, respectively.

Note 12 - Contingencies

Unemployment Compensation

The District is required to pay unemployment compensation to 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.

Lake Cooley Recreation Facility

The District and Spartanburg County entered into an agreement in 2013 whereby Spartanburg County agreed to fund the construction of a recreation facility in exchange for use of the facility for twenty years. If the District decides to terminate the agreement in the first ten years of the agreement term, the District will reimburse Spartanburg County for the full appraised value of the improvements. If the District decides to terminate the agreement in the last ten years of the agreement term, the District will reimburse Spartanburg County one-half of the appraised value of the improvements.

Federal and State Assisted Programs

The District has received proceeds from Federal loans, grants, and State grants. Periodic audits of these loans and grants are required and certain costs may be questioned as not being appropriate expenditures under the loan and grant agreements. Such audits could result in the refund of loan or grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of any loan or grant monies.

Construction Commitments

Outstanding commitments on construction contracts totaled \$4,329,072 and \$14,451,065 at June 30, 2025 and 2024, respectively. Subsequent to year end, an additional \$820,000 of contract commitments were entered into by the District for various projects.

Other Contingencies

The District is routinely involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the District.

Arbitrage Rebate Liabilities

Arbitrage represents the difference of "spread" between lower interest rates on tax-exempt government securities and the higher interest rates on taxable investment securities. The Internal Revenue Code requires local governments to rebate arbitrage earnings to the federal government every five years for those bonds that do not meet the spend down exception. In the opinion of management, such rebates, if any rebates are required to be paid, will not have a material effect upon the financial position of the District.

Note 13 - Reclassifications

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

Note 14 - Change in accounting principle/restatement

For the year ended June 30, 2024, the District changed its capitalization policy to include bulk purchases of assets less than the individual capitalization threshold to be capitalized, if the total amount is over \$50,000. This change is a result of clarification in the Governmental Accounting Standards Board (GASB) Implementation Guide 2021-01 for capital assets. This change had no impact on the beginning net position.

During the current year, the District implemented GASB Statement No. 101, *Compensated Absences*, as of July 1, 2023. In addition to the value of unused vacation time owed to employees upon separation of employment, the District now recognizes and measures compensated absences to also include an estimated amount of sick leave earned as of year-end that is considered more likely than not to be used by employees as time off in future years, as well as, salary-related payments that are directly and incrementally associated with unused vacation and sick leave. The restatement of \$310,632 decreased beginning net position as of July 1, 2023. The financial statements for the year ended June 30, 2024, were restated as follows:

	Previously Reported 2024	Increase / (Decrease)	Restated 2024
Statement of Net Position			
Liabilities			
Current liabilities (payable from operating fund)			
Accrued salaries and wages	\$ 148,525	\$ 27	\$ 148,552
Accrued compensated absences - current portion	83,303	19,879	103,182
Current liabilities (payable from operating fund)	2,774,681	19,906	2,794,587
Total Current liabilities	15,439,737	19,906	15,459,643
Noncurrent liabilities			-
Accrued compensated absences - current portion	69,685	227,055	296,740
Total noncurrent liabilities	41,382,578	227,055	41,609,633
Total liabilities	56,822,315	246,961	57,069,276
Net Position			
Unrestricted	1,933,167	(246,961)	1,686,206
Total Net Position	97,446,754	(246,961)	97,199,793
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Direct operating expenses	2,998,458	72	2,998,530
General and administrative expenses	9,834,853	(63,743)	9,771,110
Total Operating Expenses	17,512,317	(63,671)	17,448,646
Net Operating Loss	(2,952,905)	63,671	(2,889,234)
Increase in Net Position - Before Capital Contributions	3,275,210	63,671	3,338,881
Increase in Net Position	9,939,206	63,671	10,002,877
Net Position - Beginning of Year	87,507,548	(310,632)	87,196,916
Net Position - End of Year	97,446,754	(246,961)	97,199,793
Statement of Cash Flows			
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities net operating income (loss)	\$ (2,952,905)	\$ 63,671	\$ (2,889,234)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Increase (decrease) in liabilities:			
Accrued salaries and wages	(10,640)	640	(10,000)
Accrued compensated absences	542	(64,311)	(63,769)
Schedule of General and Administrative Expenses			
Salaries and wages	4,501,759	(52,314)	4,449,445
Retirement expense	989,613	(4,002)	985,611
Payroll taxes	348,925	(7,355)	341,570
Total general and administrative expenses	9,834,853	(63,671)	9,771,182

Note 15 - Subsequent events

On July 31, 2025, the District issued \$4,055,000 in General Obligation Bonds, Series 2025, with an interest rate of 3.63% and principal and interest payable June 1, 2026. The bonds were issued to defray the costs of improvements and cost of issuance.

Required Supplementary Information

Schedule 1

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedule of The District's Proportionate Share of the Collective Net Pension Liability
South Carolina Retirement System
Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018**	2017	2016
District Proportion of the Collective Net Pension Liability	0.031877%	0.030303%	0.028116%	0.027284%	0.027637%	0.027106%	0.025509%	0.024528%	0.024612%	0.024612%
District Proportionate Share of the collective Net Pension Liability	\$ 7,475,165	\$ 7,326,401	\$ 6,816,004	\$ 5,904,559	\$ 7,061,638	\$ 6,189,420	\$ 5,715,822	\$ 5,521,647	\$ 5,257,087	\$ 5,257,087
District's Covered Payroll*	\$ 4,380,400	\$ 3,831,252	\$ 3,347,995	\$ 3,084,181	\$ 3,083,237	\$ 2,862,317	\$ 2,643,473	\$ 2,302,206	\$ 2,386,303	\$ 2,434,539
District Proportionate Share of the collective Net Pension Liability as a Percentage of its Covered Payroll	170.65%	191.23%	203.58%	191.45%	229.03%	216.24%	216.22%	239.84%	220.30%	215.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.79%	58.65%	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%

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

Notes to Schedule:

**The District's covered payroll as of June 30, 2017 reflects 11 months related to the transition from the July 31 fiscal year to the June 30 fiscal year.

Prior to June 30, 2017, the District's fiscal year ending was July 31.

Schedule 2

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedule of The District's Pension Contributions
South Carolina Retirement System
Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017**	2016
Statutorially Required Contributions*	\$ 886,817	\$ 813,002	\$ 672,767	\$ 554,428	\$ 479,899	\$ 479,752	\$ 416,753	\$ 334,144	\$ 262,682	\$ 261,208
Contributions in Relation to the Statutorially Required Contributions	<u>\$ 886,817</u>	<u>813,002</u>	<u>672,767</u>	<u>554,428</u>	<u>479,899</u>	<u>479,752</u>	<u>416,753</u>	<u>334,144</u>	<u>262,682</u>	<u>261,208</u>
Contribution Deficiency (Excess)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
District's Covered Payroll	\$ 4,778,110	\$ 4,380,400	\$ 3,831,252	\$ 3,347,995	\$ 3,084,181	\$ 3,083,237	\$ 2,862,317	\$ 2,643,473	\$ 2,302,206	\$ 2,386,303
Contributions as a Percentage of Covered Payroll	18.56%	18.56%	17.56%	16.56%	15.56%	15.56%	14.56%	12.64%	11.41%	10.95%

Notes to Schedule:

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

**The District's covered payroll as of June 30, 2017 reflects 11 months related to the transition from the July 31 fiscal year to the June 30 fiscal year.

Prior to June 30, 2017, the District's fiscal year ending was July 31.

Schedule 3

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedule of Changes in The District's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years Ending June 30

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 148,000	\$ 124,000	\$ 339,000	\$ 265,000	\$ 228,000	\$ 164,000	\$ 157,000	\$ 153,000
Interest on total OPEB liability	177,000	153,000	121,000	149,000	176,000	201,000	184,000	176,000
Changes in benefit terms		-	-	-	-	-	100,000	-
Difference between expected and actual experience	(183,000)	147,000	(477,000)	(579,000)	(281,000)	(528,000)	181,000	-
Changes of assumptions or other inputs	33,000	62,000	(1,752,000)	467,000	502,000	348,000	(66,000)	-
Benefit payments	(68,000)	(111,000)	(173,000)	(214,000)	(176,000)	(184,000)	(124,000)	(109,000)
Net Change in								
Total OPEB Liability	107,000	375,000	(1,942,000)	88,000	449,000	1,000	432,000	220,000
Net Change in								
Beginning of Year	4,464,000	4,089,000	6,031,000	5,943,000	5,494,000	5,493,000	5,061,000	4,841,000
Net Change in								
End of Year (a)	<u>\$ 4,571,000</u>	<u>\$ 4,464,000</u>	<u>\$ 4,089,000</u>	<u>\$ 6,031,000</u>	<u>\$ 5,943,000</u>	<u>\$ 5,494,000</u>	<u>\$ 5,493,000</u>	<u>\$ 5,061,000</u>
District's Covered Payroll	\$ 3,447,000 ⁴	\$ 3,447,000	\$ 2,778,000	\$ 2,778,000	\$ 2,493,000	\$ 2,493,000	\$ 2,414,000	\$ 2,414,000
Total OPEB Liability as a Percentage of Covered-Employee Payroll	132.61%	129.50%	147.19%	217.10%	238.39%	220.38%	227.55%	209.65%

Notes to Schedule:

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

No assets are accumulated in a trust that meets all the criteria set forth in GASB No. 75 to pay related benefits.

Supplementary Information

Schedule 4

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedules of Direct Operating Expenses
For the Years Ended June 30, 2025 and 2024

	2025	Restated 2024
Direct Operating Expenses		
Power-distribution and filter plant	\$ 674,570.00	\$ 646,159.00
Maintenance and repairs	1,011,448	785,045
Chemicals and sludge removal	1,045,092	1,031,877
Equipment rental	4,804	48,969
Water purchased	55,129	103,411
Lab expense	149,480	115,423
Automobile and truck expenses	141,084	121,590
Maintenance of water tanks	140,218	161,499
Less construction equipment cost capitalized	(19,936)	(15,443)
Total Direct Operating Expenses	\$ 3,201,889	\$ 2,998,530

Schedule 5

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedules of General and Administrative Expenses
For the Years Ended June 30, 2025 and 2024

	2025	Restated 2024
General and Administrative Expenses		
Salaries and wages	\$ 4,914,994	\$ 4,449,445
Insurance - employees	1,296,182	973,901
Retirement expense	1,064,906	985,611
Payroll taxes	368,897	341,570
Maintenance expense	771,824	849,174
Insurance - general	262,242	221,205
Office expense and supplies	92,544	74,530
Bank charges	260,016	233,031
Postage	202,379	187,044
Telephone	171,947	176,801
Dues and subscriptions	173,324	165,828
Consultant's fees	65,529	274,166
Data processing	183,652	182,618
Legal and accounting fees	62,679	239,170
Utilities	107,086	95,331
Training	65,304	71,071
Travel	63,492	37,728
Public relations	96,551	97,821
Miscellaneous expense	81,996	77,173
Permits	47,494	47,400
Small tools	40,188	37,728
Uniforms	42,409	35,756
Commissioners' fees	39,600	39,600
Bad debts	61,155	26,010
Fringe benefits	12,648	34,398
Casual labor	38,440	-
Less salaries and fringes capitalized	(374,216)	(182,998)
Total General and Administrative Expenses	\$ 10,213,262	\$ 9,771,112

Schedule 6

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedules of Other Nonoperating Revenues and Expenses
For the Years Ended June 30, 2025 and 2024

	2025	Restated 2024
Other Nonoperating Revenues		
Interest earned on investments		
Principal and interest funds	\$ 84,028	\$ 86,611
General obligation bonds proceeds	184,273	374,471
Designated funds	788,693	763,923
Increase (decrease) in fair value of investments	88,839	85,397
Other miscellaneous income	10,572	27,867
Lake Cooley income	19,485	20,715
Lake Lyman income	58,335	63,750
Rents	85,829	73,061
Gain (loss) from sale of assets	23,990	877,393
Total Other Nonoperating Revenues	<u>1,344,044</u>	<u>2,373,188</u>
Other Nonoperating Expenses		
Bonded debt interest expense	811,243	883,006
Bond issue costs	37,245	316,246
Lease interest expense	2,833	5,831
Lake Cooley expenses	37,323	32,534
Lake Lyman expenses	64,972	88,303
Other lake expenses	16,912	10,327
Total Other Nonoperating Expenses	<u>970,528</u>	<u>1,336,247</u>
Net Other Nonoperating Revenues and Expenses	<u>\$ 373,516</u>	<u>\$ 1,036,941</u>

Schedule 7

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedules of Principal and Interest Fund Receipts and Disbursements
For the Years Ended June 30, 2025 and 2024

	2025	Restated 2024
Receipts		
Property tax revenue	\$ 5,143,704	\$ 5,191,174
Bonded note issuance - including premium	1,800,000	12,970,102
Investment income - Spartanburg County (P&I)	<u>84,028</u>	<u>86,611</u>
Total Receipts	<u>7,027,732</u>	<u>18,247,887</u>
Disbursements		
Bonded debt principal	4,335,000	9,560,000
Bonded debt interest	697,780	770,821
Capital assets	<u>6,698,116</u>	<u>2,327,039</u>
Total Disbursements	<u>11,730,896</u>	<u>12,657,860</u>
Excess Receipts Over Disbursements	(4,703,164)	5,590,027
Reserves - Beginning of Year	<u>8,537,110</u>	<u>2,947,083</u>
Reserves - End of Year	<u><u>\$ 3,833,946</u></u>	<u><u>\$ 8,537,110</u></u>
Reserves by Type		
Cash Equivalents - P & I Fund	\$ 2,864,406	\$ 2,665,831
Cash Equivalents - Other	919,845	5,817,962
Property Taxes Receivable	<u>49,695</u>	<u>53,317</u>
Total Reserves by Type	<u><u>\$ 3,833,946</u></u>	<u><u>\$ 8,537,110</u></u>

STATISTICAL SECTION

This part of the Startex-Jackson-Wellford-Duncan Water District'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 District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue sources, user charges, and property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District'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 District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District 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

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

Net Position by Component

Last Ten Fiscal Years

Table 1

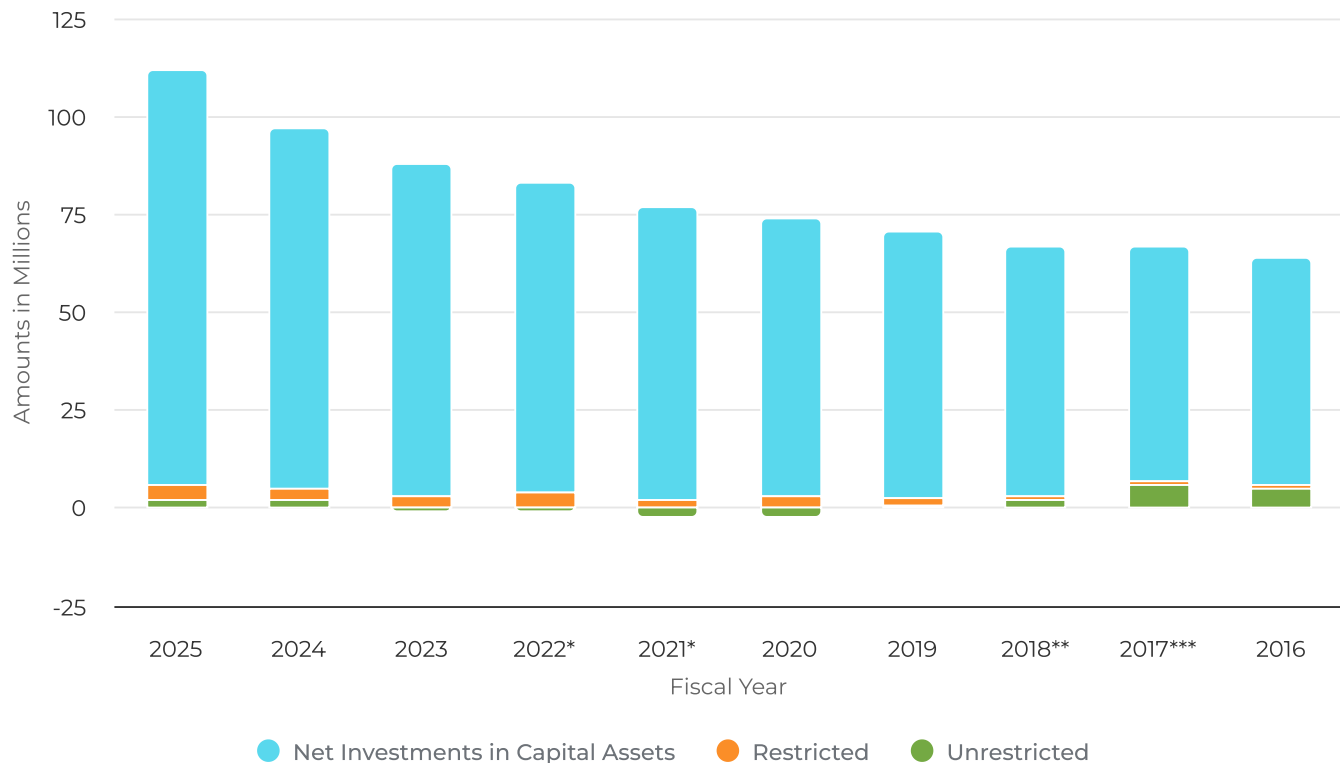
Fiscal Year	Net Investments in Capital Assets	Restricted	Unrestricted	Total Net Position
2025	\$ 105,925,494	\$ 3,601,120	\$ 1,582,069	\$ 111,108,683
2024*	92,323,597	3,189,991	1,686,205	97,199,793
2023*	85,161,695	2,926,141	(890,920)	87,196,916
2022**	78,698,423	3,580,300	(1,477,390)	80,801,333
2021**	75,399,793	2,103,044	(1,972,076)	75,530,761
2020	71,063,641	2,596,209	(1,628,881)	72,030,969
2019	68,428,500	1,657,749	(304,706)	69,781,543
2018***	63,552,838	1,409,368	1,872,030	66,834,236
2017****	60,791,042	1,253,520	5,503,946	67,548,508
2016	58,392,665	1,185,621	5,251,348	64,829,634

*Restated 2024 and 2023 for the implementation of GASB 101 - Compensated Absences

**Restated 2022 and 2021 for correction of inventory

***In fiscal year 2018, the significant decrease in unrestricted net position was due to the implementation of GASB 75 - Accounting and Financial Reporting for Post Employment Benefits other than Pensions

****In fiscal year 2017, the District changed its fiscal year end to June 30 from July 31. Therefore, fiscal year 2017 is a short year (11 months)



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Changes in Net Position
Last Ten Fiscal Years

Table 2

	2025	Restated 2024*	Restated 2023*	Restated 2022*	Restated 2021*	2020	2019	2018	2017***	2016
Revenues										
Operating revenues	\$ 13,333,899	\$12,264,925	\$11,020,167	\$10,288,669	\$ 9,323,058	\$ 9,141,933	\$ 8,641,069	\$ 8,228,330	\$ 7,434,305	\$ 8,299,400
User charge revenues	2,155,141	2,294,487	2,281,609	1,916,987	1,464,856	1,459,979	1,441,525	1,531,201	1,242,454	1,182,886
Other operating revenues	15,489,040	14,559,412	13,301,776	12,205,656	10,787,914	10,601,912	10,082,594	9,759,531	8,676,759	9,482,286
Total operating revenues										
Nonoperating revenues										
Property tax collections	5,143,704	5,191,174	4,147,734	3,776,131	3,611,289	2,999,297	2,340,932	2,652,954	2,486,121	2,063,530
Other nonoperating revenues	1,344,044	2,373,188	714,421	209,025	64,903	375,930	616,360	219,023	143,119	607,925
Total nonoperating revenues	6,487,748	7,564,362	4,862,155	3,985,156	3,676,192	3,375,227	2,957,292	2,871,977	2,629,240	2,671,455
Total Revenues	21,976,788	22,123,774	18,163,931	16,190,812	14,464,106	13,977,139	13,039,886	12,631,508	11,305,999	12,153,741
Expenses										
Operating expenses, before depreciation and amortization	13,415,150	12,769,639	11,126,605	10,094,487	9,102,797	9,485,689	8,237,843	8,569,595	7,239,741	7,265,166
Depreciation and amortization	5,110,324	4,679,006	4,203,980	3,907,686	3,665,626	3,296,585	2,720,644	2,470,435	2,015,647	1,995,564
Nonoperating expenses	970,528	1,336,247	644,637	503,300	733,283	605,044	213,127	207,405	259,747	256,635
Total Expenses	19,496,002	18,784,892	15,975,222	14,505,473	13,501,706	13,387,318	11,171,614	11,247,435	9,515,135	9,517,365
Change in Net Position Before Capital Contributions	2,480,786	3,338,882	2,188,709	1,685,339	962,400	589,821	1,868,272	1,384,073	1,790,864	2,636,376
Capital Contributions	11,428,105	6,663,996	4,206,875	3,585,233	2,537,392	1,659,605	1,079,034	997,130	928,010	2,616,503
	13,908,891	10,002,878	6,395,584	5,270,572	3,499,792	2,249,426	2,947,306	2,381,203	2,718,874	5,252,879
Change in Net Position										
Net Position - Beginning of Year	97,199,793	87,196,915	80,801,331	75,530,759	72,030,967	69,781,541	66,834,235	67,548,508	64,829,634	59,576,755
Change in Accounting Principle	-	-	-	-	-	-	-	(3,095,476)	-	-
Net Position - End of Year	\$ 111,108,684	\$ 97,199,793	\$ 87,196,915	\$ 80,801,331	\$ 75,530,759	\$ 72,030,967	\$ 69,781,541	\$ 69,929,711	\$ 67,548,508	\$ 64,829,634

* Restated 2024 and 2023 for the implementation of GASB 101 — Compensated Absences

** Restated 2022 and 2021 for correction of inventory

*** In fiscal year 2017, the District changed its fiscal year-end to June 30 from July 31. Therefore, fiscal year 2017 is a short year (11 months).

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

Revenues by Source

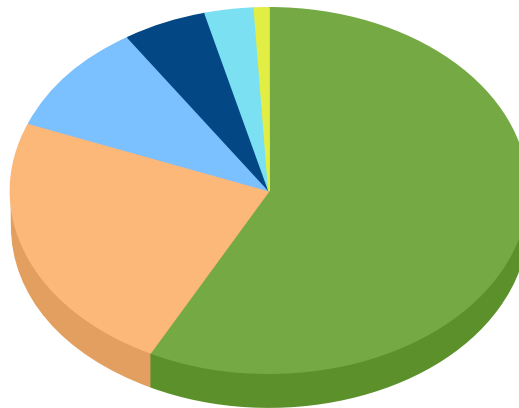
Last Ten Fiscal Years

Table 3

Fiscal Year	Operating Revenues			Nonoperating Revenues			Total Revenues
	Metered Revenues	Flat Rate Service Fees	Miscellaneous	Property Tax Collections	Investment Income	Other Nonoperating Revenue	
2025	\$ 12,658,554	\$ 675,345	\$ 2,155,140	\$ 5,143,704	\$ 1,145,833	\$ 198,211	\$ 21,976,787
2024	11,587,564	677,361	2,294,487	5,191,174	1,310,402	1,062,786	22,123,774
2023	10,377,757	642,409	2,281,610	4,147,734	385,401	329,020	18,163,931
2022	9,742,646	546,023	1,916,987	3,776,131	(72,004)	281,029	16,190,812
2021	8,825,056	498,002	1,464,857	3,611,289	7,458	57,447	14,464,109
2020	8,640,612	501,321	1,459,978	2,999,297	240,680	135,250	13,977,138
2019	8,226,203	414,866	1,465,836	2,340,932	474,278	142,083	13,064,198
2018	7,836,527	391,803	1,531,201	2,652,954	91,124	127,899	12,631,508
2017*	7,089,272	345,034	1,242,453	2,486,121	30,298	112,821	11,305,999
2016	7,937,733	361,667	1,182,886	2,063,530	136,654	471,271	12,153,741

* In fiscal year 2017, the District changed its fiscal year end to June 30 from July 31, therefore fiscal year 2017 is a short year (11 months)

2025 Revenues by Source

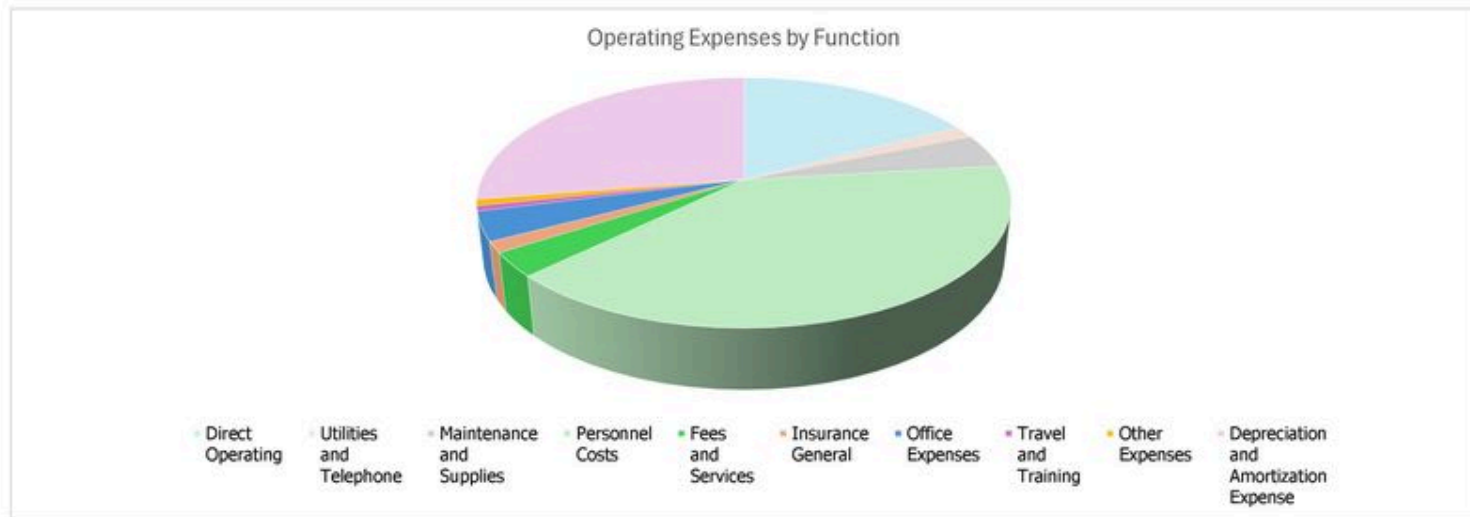


- Metered Revenues **\$12,658,554** (57.60%)
- Property Tax Collections **\$5,143,704** (23.41%)
- Miscellaneous **\$2,155,140** (9.81%)
- Investment Income **\$1,145,833** (5.21%)
- Flat Rate Service Fees **\$675,345** (3.07%)
- Other Nonoperating Revenue **\$198,211** (0.90%)

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Operating Expenses by Function
Last Ten Fiscal Years

Table 4

Fiscal Year	Direct Operating	Utilities and Telephone	Maintenance and Supplies	Personnel Costs	Fees and Services	Insurance General	Office Expenses	Travel and Training	Other Expenses	Depreciation and Amortization Expense	Total Operating Expenses
2025	\$ 3,201,889	\$ 279,033	\$ 812,012	\$ 7,325,820	\$ 571,869	\$ 262,242	\$ 690,339	\$ 128,796	\$ 143,150	\$ 5,110,324	\$ 18,525,474
2024*	2,998,458	272,132	886,974	6,637,683	931,188	221,205	610,020	108,799	103,181	4,679,006	17,448,646
2023*	2,373,863	252,069	553,943	6,378,892	672,977	217,564	459,082	101,094	117,121	4,203,980	15,330,585
2022**	1,922,678	238,516	501,180	5,979,934	704,312	188,668	395,870	79,524	83,807	3,907,685	14,002,174
2021**	1,735,418	359,083	453,261	5,458,772	460,180	178,486	380,441	20,494	56,662	3,665,627	12,768,424
2020	1,911,258	372,209	303,177	5,474,914	573,806	187,101	393,791	70,187	199,245	3,296,585	12,782,273
2019	1,591,299	227,100	302,272	4,853,580	532,342	167,414	373,188	99,092	115,867	2,720,644	10,982,798
2018	2,391,144	199,045	242,685	4,537,162	495,792	174,690	304,297	95,492	129,287	2,382,991	10,952,585
2017***	2,089,189	185,745	196,069	3,622,133	457,015	141,411	332,615	64,937	150,627	2,015,647	9,255,388
2016	1,918,385	183,657	223,870	4,036,099	322,884	155,752	235,729	90,080	98,711	1,995,564	9,260,731



* Restated 2024 and 2023 for the implementation of GASB 101 — Compensated Absences

** Restated 2022 and 2021 for correction of inventory

*** In fiscal year 2017, the District changed its fiscal year-end to June 30 from July 31. Therefore, fiscal year 2017 is a short year (11 months).

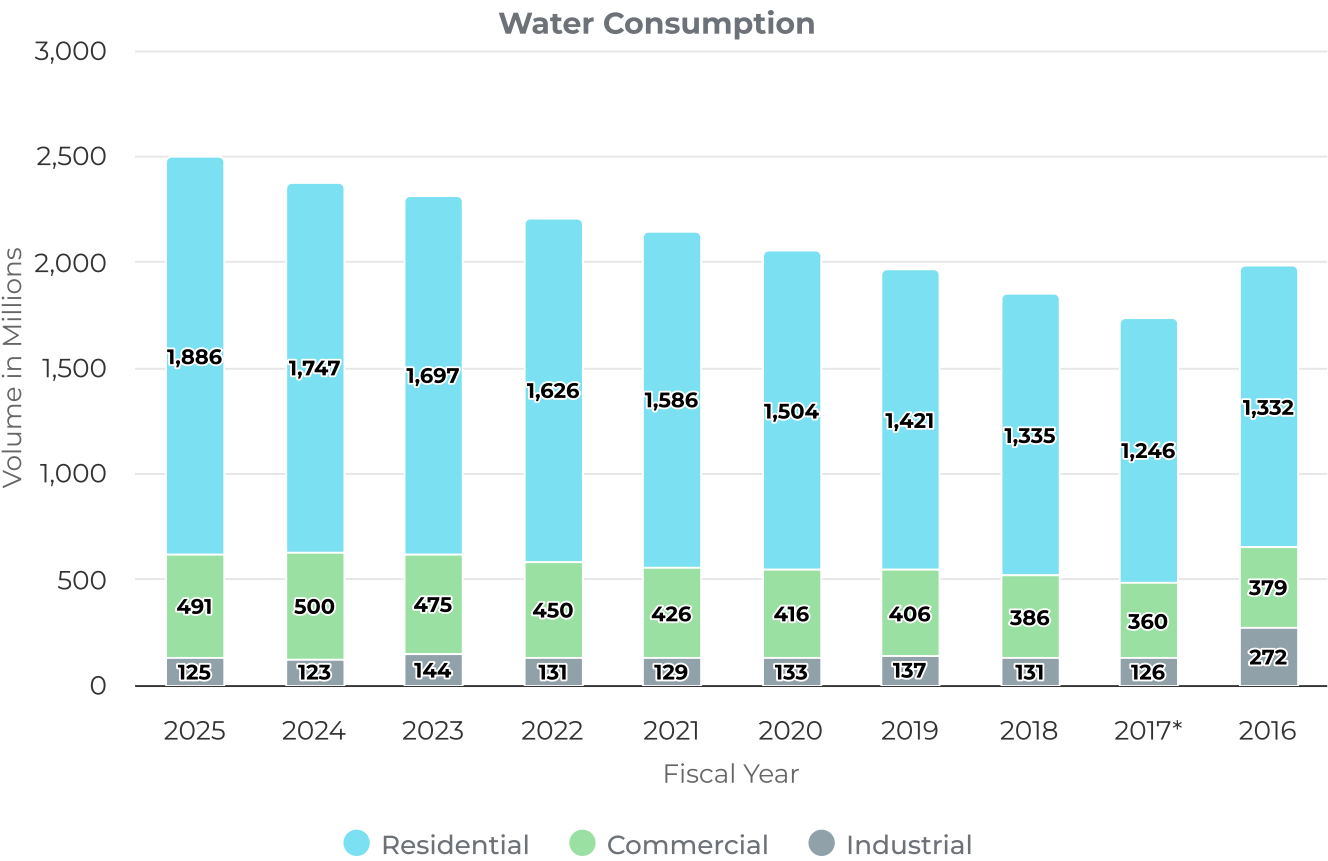
Revenue Capacity

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Water Consumption
Last Ten Fiscal Years

Table 5

Fiscal Year	Volume in Million Gallons			Total
	Residential	Commercial	Industrial	
2025	1,886	491	125	2,502
2024	1,747	500	123	2,370
2023	1,697	475	144	2,316
2022	1,626	450	131	2,207
2021	1,586	426	129	2,141
2020	1,504	416	133	2,053
2019	1,421	406	137	1,964
2018	1,335	386	131	1,852
2017*	1,246	360	126	1,732
2016	1,332	379	272	1,983

*The District changed the fiscal year end to June 30 from July 31. Therefore, fiscal year 2017 is a short year (11 months)



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

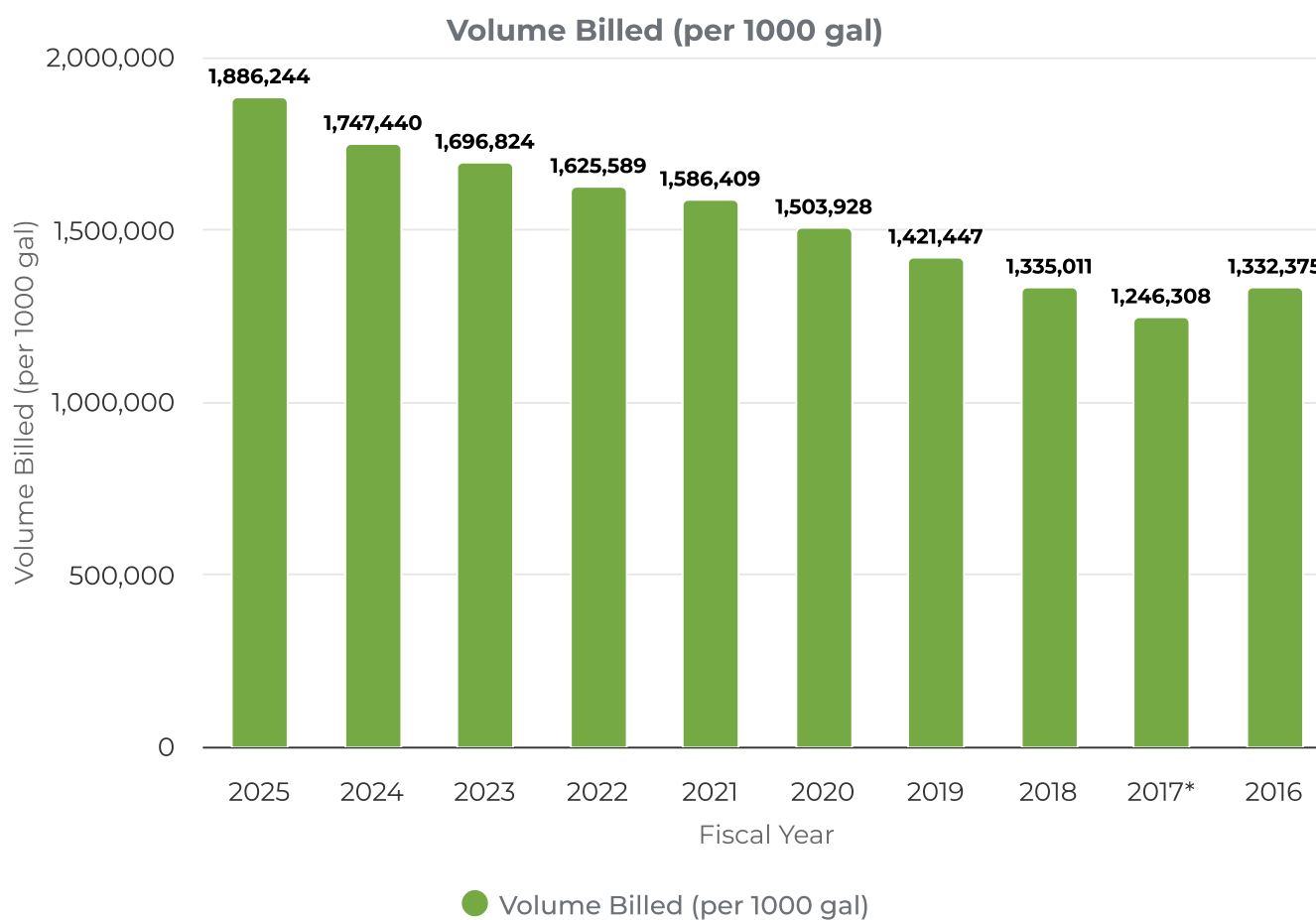
Historical Residential Rate Information

Last Ten Fiscal Years

Table 6

Fiscal Year	Ad Valorem Tax Millage	Average Residential Rate History	Volume Billed (per 1000 gal)
2025	11.2	\$5.33	1,886,244
2024	11.2	5.06	1,747,440
2023	11.6	4.85	1,696,824
2022	12.0	4.23	1,625,589
2021	11.9	4.47	1,586,409
2020	11.5	4.53	1,503,928
2019	9.4	4.59	1,421,447
2018	12.0	4.61	1,335,011
2017*	12.0	4.54	1,246,308
2016	10.0	4.53	1,332,375

*The District changed the fiscal year end to June 30 from July 31, therefore fiscal year 2017 is a short year (11 months)



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT**Table 7****Property Tax Collections****Last Ten Fiscal Years**

<u>Year End</u>	<u>Property Taxes Levy*</u>	<u>Property Taxes Collected</u>	<u>Percent Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Percent Delinquent Collected</u>	<u>Total Collections to Date</u>	<u>Total Percent Collected</u>	<u>Bond Millage</u>	<u>Total Direct Rate**</u>
2025	\$3,876,775	5,102,315	131.61%	\$41,389	0.81%	\$5,143,704	132.68%	11.2	11.2
2024	3,272,621	5,010,718	153.11%	180,456	3.60%	5,191,174	158.62%	11.2	11.2
2023	3,222,050	4,058,750	125.97%	88,984	2.19%	4,147,734	128.73%	11.6	11.6
2022	2,882,297	3,713,163	128.83%	62,968	1.70%	3,776,131	131.01%	12.0	12.0
2021	2,706,222	3,412,453	126.10%	198,836	5.83%	3,611,289	133.44%	11.9	11.9
2020	2,493,391	2,920,755	117.14%	78,542	2.69%	2,999,297	120.29%	11.5	11.5
2019	1,782,396	2,324,832	130.43%	16,100	0.69%	2,340,932	131.34%	9.4	9.4
2018	2,131,144	2,590,618	121.56%	62,336	2.41%	2,652,954	124.48%	12.0	12.0
2017	2,160,774	2,431,384	112.52%	54,737	2.25%	2,486,121	115.06%	12.0	12.0
2016	1,650,418	2,003,264	121.38%	60,266	3.01%	2,063,530	125.03%	10.0	10.0

*Property taxes levy is based on collections required for the calendar year to service the District's debt.

**Total Direct Rate is equivalent to the Ad Valorem Tax Millage

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Ten Largest Taxpayers
Fiscal Year 2025 and 2016

Table 8

Customer	2025			2016		
	Assessed Value	Taxes Paid*	2025 Ranking	Assessed Value	Taxes Paid*	2016 Ranking
Duke Energy Corp	\$ 9,625,740	\$ 3,601,715	1	\$ 2,907,280	\$ 1,063,966	4
Spartanburg DC Inc	5,995,602	2,174,005	2	5,388,773	1,945,886	1
Cryovac Inc	5,148,991	1,678,619	3	3,195,967	1,120,765	3
Stag Duncan LLC	4,973,100	1,597,132	4	1,530,780	543,134	10
DSI Draexlmaier Service Inc	4,571,282	1,600,863	5	2,286,452	822,208	7
Dell Equipment Funding LP	4,293,410	1,560,469	6			
AFL Telecommunications LLC	4,254,183	1,477,361	7	2,085,001	722,337	9
SEW Eurodrive, Inc	3,979,720	1,590,868	8	5,285,265	1,772,270	2
BMW Manufacturing Co, LLC	3,527,113	1,221,575	9	2,723,339	953,448	5
DAA Draexlmaier Automotive of America	3,237,159	1,133,653	10	2,390,688	859,691	6
CBRE Operating Partnership LP				2,235,830	751,326	8
TOTAL	<u>\$ 49,606,300</u>	<u>\$ 17,636,260</u>		<u>\$ 30,029,375</u>	<u>\$ 10,555,031</u>	

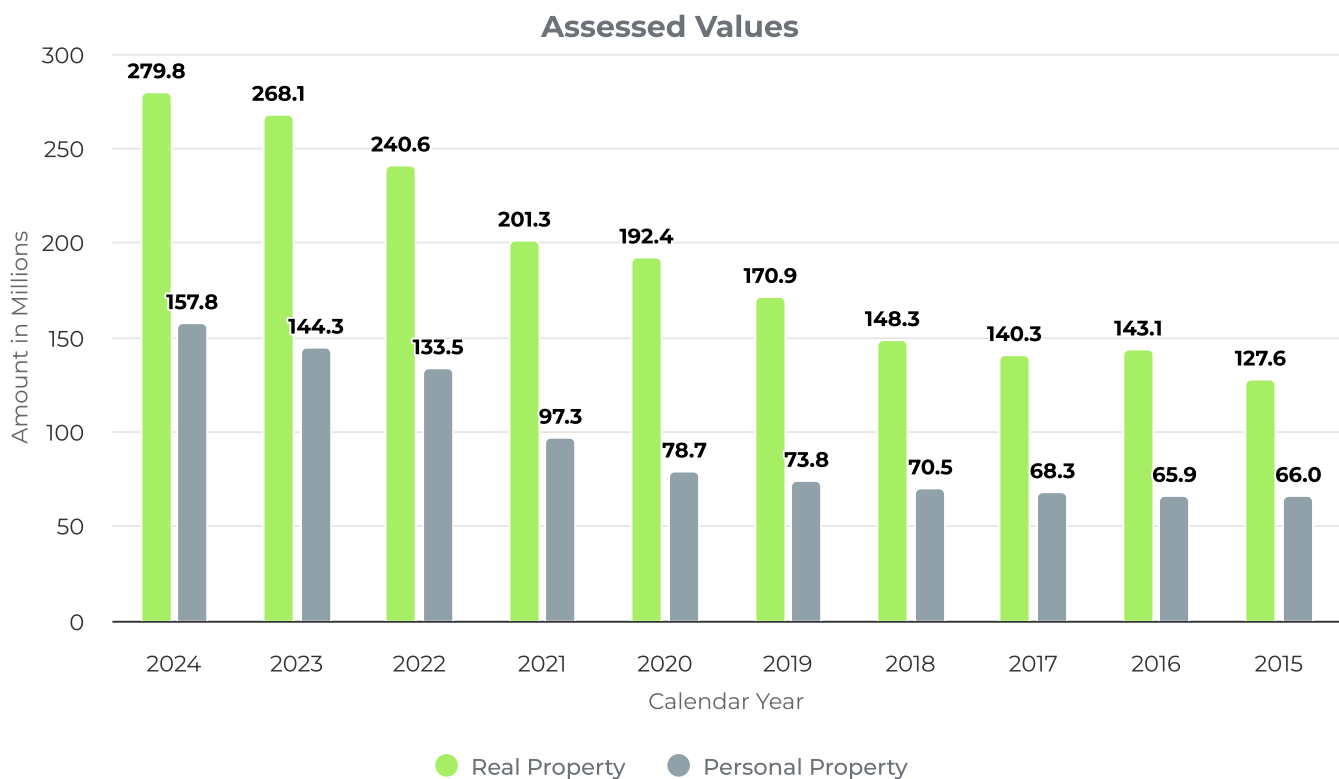
Source: Spartanburg County Auditor's Office

*Taxes paid represents total taxes paid to Spartanburg County

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT**Table 9****Assessed Values****Last Ten Calendar Years**

Calendar Year	Real Property	Personal Property	Total Assessed Value	Total Market Value	Ratio of Total Assessed to Total Market Value
2024	\$ 279.8	\$ 157.8	\$ 437.5	\$ 7,907.1	5.53%
2023	268.1	144.3	412.4	7,285.6	5.66%
2022	240.6	133.5	374.1	6,456.9	5.79%
2021	201.3	97.3	298.5	4,849.7	6.16%
2020	192.4	78.7	271.1	4,898.0	5.53%
2019	170.9	73.8	244.7	4,459.0	5.49%
2018	148.3	70.5	218.8	3,980.1	5.50%
2017	140.3	68.3	208.6	3,711.6	5.62%
2016	143.1	65.9	209.0	3,496.8	5.98%
2015	127.6	66.0	193.6	3,227.1	6.00%

Source: Spartanburg County Auditor



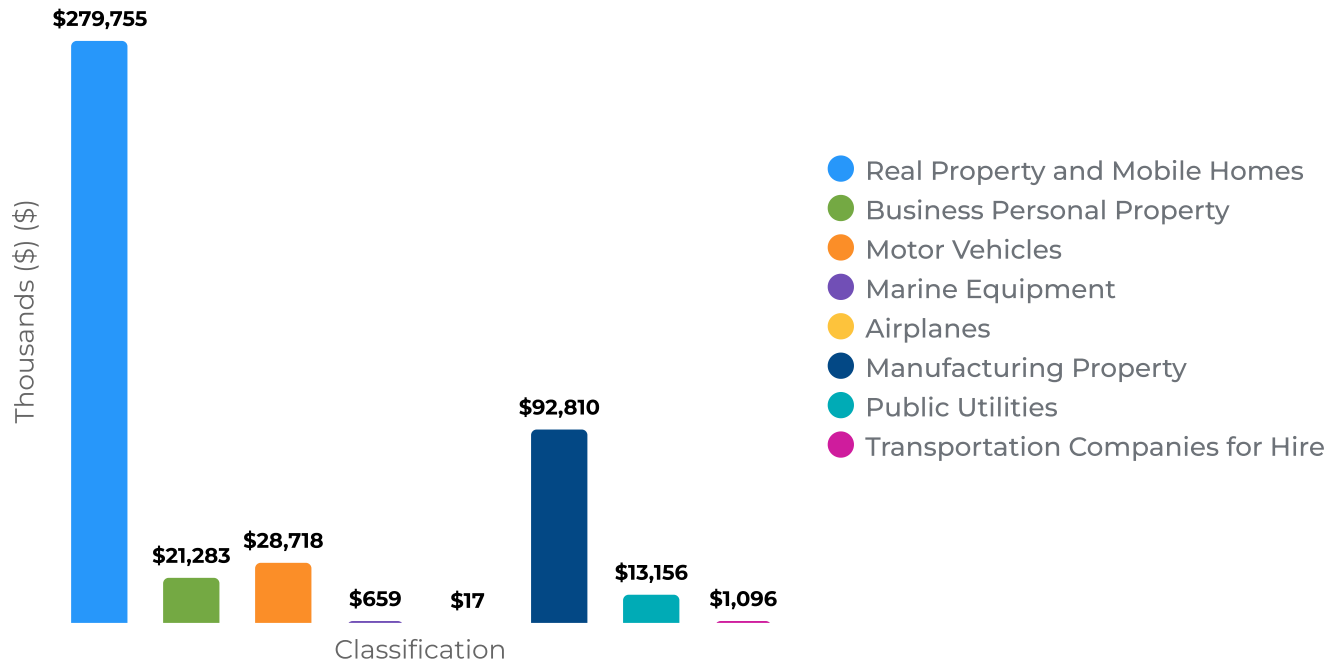
STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Assessed Value Summary
Calendar Year 2024

Table 10

Classification	Assessed Value	Assessment Ratio	Market Value
1. Real Property and Mobile Homes	\$ 279,754,565	4 - 6%	\$ 6,198,273,851
2. Business Personal Property	21,283,110	10.5%	202,696,286
3. Motor Vehicles	28,717,814	6.0%	478,630,233
4. Marine Equipment	659,348	10.5%	6,279,505
5. Airplanes	17,560	4.0%	439,000
6. Manufacturing Property	92,809,794	10.5%	883,902,800
7. Public Utilities	13,156,130	10.5%	125,296,476
8. Transportation Companies for Hire	1,096,100	9.5%	11,537,895
Totals	<u>\$ 437,494,421</u>		<u>\$ 7,907,056,046</u>

Source: Spartanburg County Auditor

Calendar Year 2024 Assessment Summary



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Ten Largest Retail Customers
Fiscal Year 2025 and 2016

Table 11

Customer	2025				2016			
	Consumption	Total Annual Operating Revenue	Percentage of Total Revenue	Rank	Consumption	Total Annual Operating Revenue	Percentage of Total Revenue	Rank
Woodruff-Roebook Water	111,377,890	\$ 222,756	1.67%	1				
Aramark Uniform Service	15,684,980	34,443	0.26%	2				
Albis Barnet Polymers	13,467,750	29,220	0.22%	3				
Minghua	10,999,018	24,727	0.19%	4				
Starchem LLC	10,875,400	28,990	0.22%	5	23,783,343	41,482	0.50%	2
Southwood Realty	9,651,790	30,723	0.23%	6				
Grand Oaks of Spartanburg	8,992,200	29,523	0.22%	7				
Ashford Park LLC	8,100,380	23,939	0.18%	8				
Triangle Real Estate	7,875,000	23,529	0.18%	9				
Keurig Green Mountain Inc	7,263,740	25,619	0.19%	10				
Springfield LLC					140,328,900	288,552	3.48%	1
Autolite					11,358,667	21,354	0.26%	3
Huntington Foam LLC					11,341,207	21,326	0.26%	4
CRYOVAC Plant					11,301,443	21,528	0.26%	5
Leigh Fibers Inc					11,145,500	20,531	0.25%	6
Erik Little					10,004,225	16,476	0.20%	7
United Management Service					9,997,552	39,978	0.48%	8
River Falls APT Homes					8,305,500	18,505	0.22%	9
Chartwell Berry Shoals					8,234,900	32,113	0.39%	10
	204,288,148	\$ 473,470	3.55%		245,801,237	\$ 521,844	6.29%	

Debt Capacity

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT

Debt Outstanding

Last Ten Fiscal Years

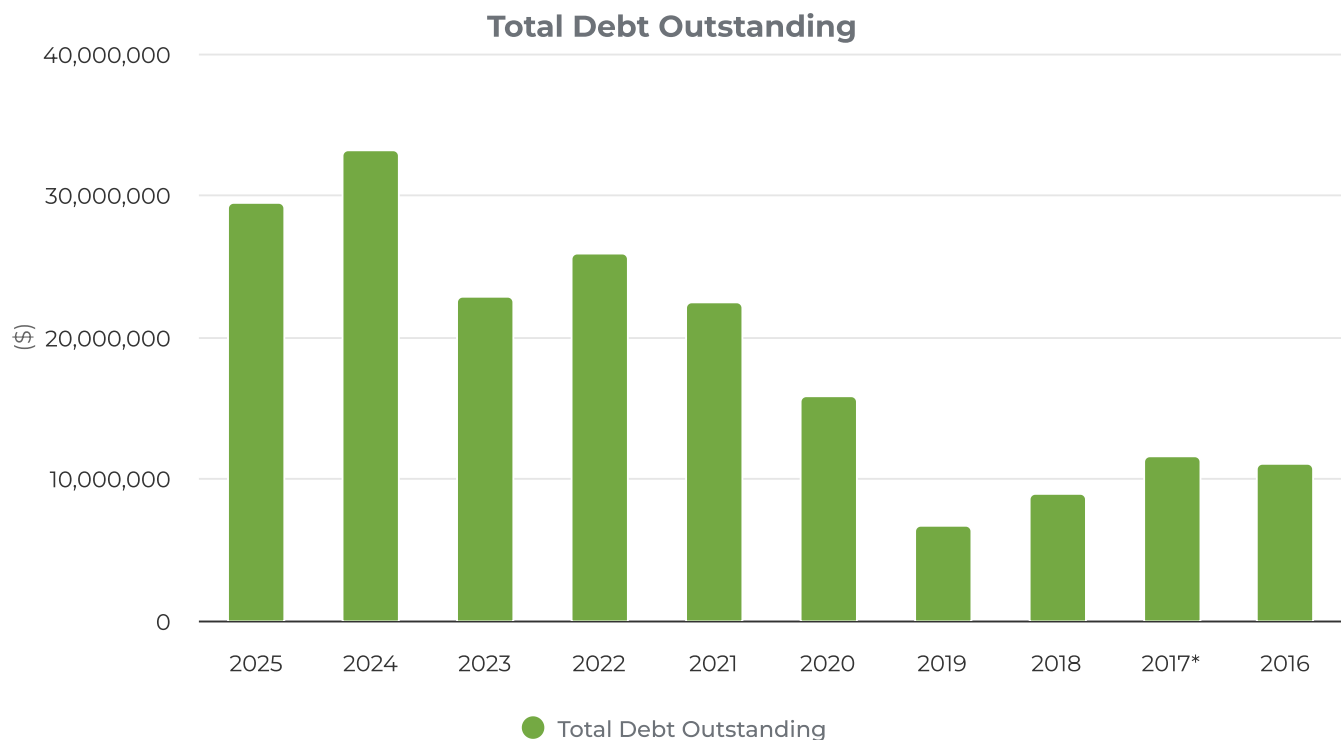
Table 12

Fiscal Year	General Obligation Bonds	Revenue Bonds	Bond Anticipation Note	Leases	Total Debt Outstanding	Per Capita***	As Share of Personal Income
2025*	\$ 15,694,825	\$ 13,749,538	\$ -	\$ 78,129	\$ 29,522,492	\$ 378	0.70%
2024	18,563,465	14,502,454	-	135,639	33,201,558	446	0.83%
2023	9,469,929	7,042,749	6,000,000	272,583	22,785,261	324	0.62%
2022	12,149,235	7,445,360	6,000,000	259,863	25,854,458	381	0.75%
2021	14,356,439	7,817,550	-	295,276	22,469,265	349	0.75%
2020	4,361,611	8,175,940	3,029,000	251,598	15,818,149	256	0.58%
2019	6,391,341	345,230	-	-	6,736,571	114	0.26%
2018	8,393,271	612,276	-	-	9,005,547	158	0.38%
2017**	10,759,760	871,458	-	-	11,631,218	214	0.56%
2016	9,969,080	1,060,824	-	-	11,029,904	210	0.58%

Fiscal year 2025 personal income information is unavailable

*The District changed the fiscal year end to June 30 from July 31, therefore fiscal year 2017 is a short year (11 months)

**Per capita number is based on estimate of the District's residential customers as compared to Spartanburg County Population



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 13

Less: Amounts Available for Debt Service (2)	Total	Percentage of Taxable Market Value (3)	Per Capita (4)
\$ 3,151,379	\$ 12,543,446	0.20%	201
2,986,059	15,577,406	0.25%	249
2,926,141	6,543,788	0.15%	135
3,580,300	8,568,935	0.25%	179
2,103,044	12,253,395	0.29%	223
2,596,209	1,765,402	0.10%	71
1,657,749	4,733,592	0.16%	108
1,409,368	6,983,903	0.23%	148
1,253,520	9,506,240	0.31%	198
1,185,621	8,783,459	0.31%	190

standing debt can be found in the notes to the financial statements.

premium

t service principal payments

; (Table 9) for property value data

ate of the District's residential customers as compared to Spartanburg County Populati

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Legal Debt Margin
Last Ten Fiscal Years

Table 14

Assessed Valuation	
Latest assessed valuation less manufacturing depreciation reduction	\$ 382,203,553
Legal Debt Limit - 8% of assessed valuation	\$ 30,576,284
Amount of Debt Applicable to Debt Limit:	
General obligation bonds outstanding June 30, 2025	15,694,825
Legal Debt Margin*	\$ 14,881,459

*The District may issue general obligation debt up to an amount equal to 8% of the last certified District assessment, without the requirement of conducting a referendum.

Fiscal Year	Debt Limit*	Net Debt Subject to Limit	Legal Debt Margin	Outstanding Net Debt/ Debt Ceiling	Legal Debt Margin/ Debt Ceiling
2025	\$ 30,576,284	\$ 15,694,825	\$ 14,881,459	51.33%	48.67%
2024	28,577,808	18,563,465	10,014,343	64.96%	35.04%
2023	25,597,869	9,469,929	16,127,940	36.99%	63.01%
2022	23,391,392	12,149,235	11,242,157	51.94%	48.06%
2021	21,249,594	14,356,439	6,893,155	67.56%	32.44%
2020	19,700,073	4,361,611	15,338,462	22.14%	77.86%
2019	18,461,321	6,391,341	12,069,980	34.62%	65.38%
2018	15,962,792	8,393,271	7,569,521	52.58%	47.42%
2017	14,714,907	10,759,760	3,955,147	73.12%	26.88%
2016	14,646,776	9,969,080	4,677,696	68.06%	31.94%

*Amounts provided by Spartanburg County Auditor's Office

Demographic and Economic Information

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Historical Statements of Revenues, Expenses, Debt Service and Debt Service Coverage
Last Ten Fiscal Years

Table 15

	2025	Restated 2024	Restated 2023	Restated 2022	Restated 2021	2020	2019	2018	2017	2016
Net Income										
Operating revenues	\$ 15,489,040	\$ 14,559,412	\$ 13,301,776	\$ 12,205,656	\$ 10,787,915	\$ 10,601,911	\$ 10,106,905	\$ 9,759,531	\$ 8,676,759	\$ 9,482,286
Operating expenses before depreciation and amortization	(13,415,151)	(12,769,640)	(11,126,605)	(10,094,487)	(9,102,797)	(9,485,688)	(8,262,154)	(8,569,595)	(7,239,741)	(7,265,166)
Operating income before depreciation and amortization	2,073,889	1,789,772	2,175,171	2,111,169	1,685,118	1,116,223	1,844,751	1,189,936	1,437,018	2,217,120
Depreciation and amortization	(5,110,323)	(4,679,006)	(4,203,980)	(3,907,686)	(3,665,627)	(3,296,585)	(2,720,644)	(2,470,435)	(2,015,647)	(1,995,564)
Operating Income (Loss)	(3,036,434)	(2,889,234)	(2,028,809)	(1,796,517)	(1,980,509)	(2,180,362)	(875,893)	(1,280,499)	(578,629)	221,556
Nonoperating Revenues										
Ad valorem taxes	5,143,704	5,191,174	4,147,734	3,776,131	3,611,289	2,999,297	2,340,932	2,652,954	2,486,121	2,063,530
Other nonoperating revenues	1,344,044	2,373,188	714,421	209,025	64,905	375,930	616,361	219,023	143,119	607,925
Nonoperating Expenses	(970,528)	(1,336,247)	(644,637)	(503,300)	(733,285)	(605,044)	(213,127)	(207,405)	(259,747)	(256,635)
Capital Contributions	11,428,105	6,663,996	4,206,875	3,585,233	2,537,392	1,659,605	1,079,034	997,130	928,010	2,616,503
Net Income (Loss) Per Financial Statements	\$ 13,908,892	\$ 10,002,877	\$ 6,395,584	\$ 5,270,572	\$ 3,499,792	\$ 2,249,426	\$ 2,947,307	\$ 2,381,203	\$ 2,718,874	\$ 5,252,879
Net Income (Loss) Per Financial Statements	\$ 13,908,892	\$ 10,002,877	\$ 6,395,583	\$ 5,270,572	\$ 3,499,792	\$ 2,249,426	\$ 2,947,307	\$ 2,381,203	\$ 2,718,874	\$ 5,252,879
Less: (Gain) loss on sale of capital assets	(23,990)	(877,393)	(162,350)	(112,890)	-	(29,008)	(29,321)	(23,000)	(3,000)	(371,458)
Less: Restricted investment income	(268,301)	(461,082)	(128,799)	(20,446)	(19,241)	(43,599)	(78,821)	(88,231)	(39,301)	(24,197)
Less: Grants and donated line extensions	(10,124,156)	(5,377,796)	(2,057,225)	(1,293,633)	(1,156,021)	(631,380)	(504,884)	(464,255)	(614,355)	(2,361,295)
Less: Ad valorem used for GO debt service (1)	(5,143,704)	(5,191,174)	(4,147,734)	(3,776,131)	(3,611,289)	(2,999,297)	(2,340,932)	(2,652,954)	(2,486,121)	(2,063,530)
Less: Increase in fair value of investments	(88,839)	(85,397)	-	-	-	(53,076)	(198,520)	-	-	-
Plus: Loss on disposal of capital assets	-	-	-	-	50,139	-	-	-	-	-
Plus: Decrease in fair value of investments	-	-	77,811	136,969	48,784	-	-	175,845	160,150	50,704
Plus: Depreciation and amortization	5,110,323	4,679,006	4,203,980	3,907,686	3,665,627	3,296,585	2,720,644	2,470,435	2,015,647	1,995,564
Plus: Interest expense	814,076	888,837	444,315	383,306	487,888	329,571	127,328	144,612	95,135	88,542
Plus: Bond issuance costs	37,245	316,246	65,212	44,253	141,537	221,465	12,242	-	94,217	92,954
Net Earnings per Revenue Bond Covenant	\$ 4,221,546	\$ 3,894,124	\$ 4,691,293	\$ 4,539,685	\$ 3,107,216	\$ 2,340,687	\$ 2,655,043	\$ 1,943,655	\$ 1,941,246	\$ 2,660,163
Debt Service Requiring Coverage, Per Covenant										
Revenue Bond Debt Service	\$ 1,228,450	\$ 1,165,620	\$ 646,400	\$ 640,400	\$ 650,900	\$ 386,908	\$ 282,429	\$ 282,429	\$ 282,429	\$ 282,429
Debt Service Coverage Ratio Based on Revenue Bond Coverage (2) (3)	3.44	3.34	7.26	7.09	4.77	6.05	9.40	6.88	6.87	9.42

(1) Based on millage to service GO Bond debt only.

(2) The coverage is determined by dividing the Net Earnings per Revenue Bond Covenant by the Total Revenue Bond Debt Service.

(3) The Revenue Bond Coverage must be at least 120% to be in compliance with the Revenue Bond Covenant.

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Spartanburg County Demographic Statistics
Last Ten Calendar Years

Table 16

Calendar Year	Population (1)	Personal Income (1)*		Median Age (1)	Total Labor Force (2)	Unemployment Rate (3)
		Total	Per Capita			
2024	369,256	19,154,828	53,700	38.3	164,453	4.6%
2023	356,698	19,154,828	53,700	38.1	159,148	3.0%
2022	345,831	18,197,864	52,621	37.9	155,810	3.2%
2021	335,864	16,993,490	50,596	38.0	157,485	4.1%
2020	326,205	15,182,676	46,543	38.2	156,494	6.5%
2019	319,785	14,124,521	44,169	38.2	166,127	2.5%
2018	313,888	13,543,549	43,148	37.8	160,277	3.1%
2017	306,854	12,798,599	41,709	38.2	157,221	4.1%
2016	301,463	11,501,469	38,152	38.5	153,389	4.7%
2015	297,302	10,738,530	36,120	38.4	151,336	5.8%

Data Sources:

(1) U.S. Census Bureau of Economic Analysis - Fiscal year 2024 information is unavailable

(2) SC Works Online (6/30/24) - <https://dew.sc.gov/data-and-statistics/data-dashboard>

(3) U.S. Department of Labor, Bureau of Labor Statistics

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Spartanburg County, South Carolina Major Employers and Changes
Fiscal Year 2024 and 2016

Table 17

Company Name	Business/Product	Employers and % Workforce			
		2025	%	2015	%
BMW Manufacturing Co, LLC	Automobile manufacturing	11,000	6.5%	8,000	5.8%
Spartanburg Regional Medical	Hospital	10,000	5.9%	6,422	4.6%
Spartanburg County Schools	Public school system	7,712	4.5%	6,650	4.8%
State of South Carolina	State government	2,179	1.3%	2,385	1.7%
Spartanburg County	County government, courts, law enforcement	1,769	1.0%	1,528	1.1%
Adidas	Sporting and recreational goods and supplies	1,659	1.0%	N/A*	
AFL	Fiber optic services	1,540	0.9%	N/A*	
Vayan Group	Automotive industry support	1,500	0.9%	N/A*	
Michelin North America	Radial truck tire manufacturer	1,396	0.8%	1,060	0.8%
Draexlmaier Automotive of America LLC	Car consoles, door and dash panels	1,064	0.6%	N/A*	

Data Sources:

OneSpartanburg, Inc. and individual employers

(N/A*) Data unavailable

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
2024 Special Purpose Districts and Counties Rate Survey
Monthly Water Service Charge 668 CF (5,000 gal)

Table 18

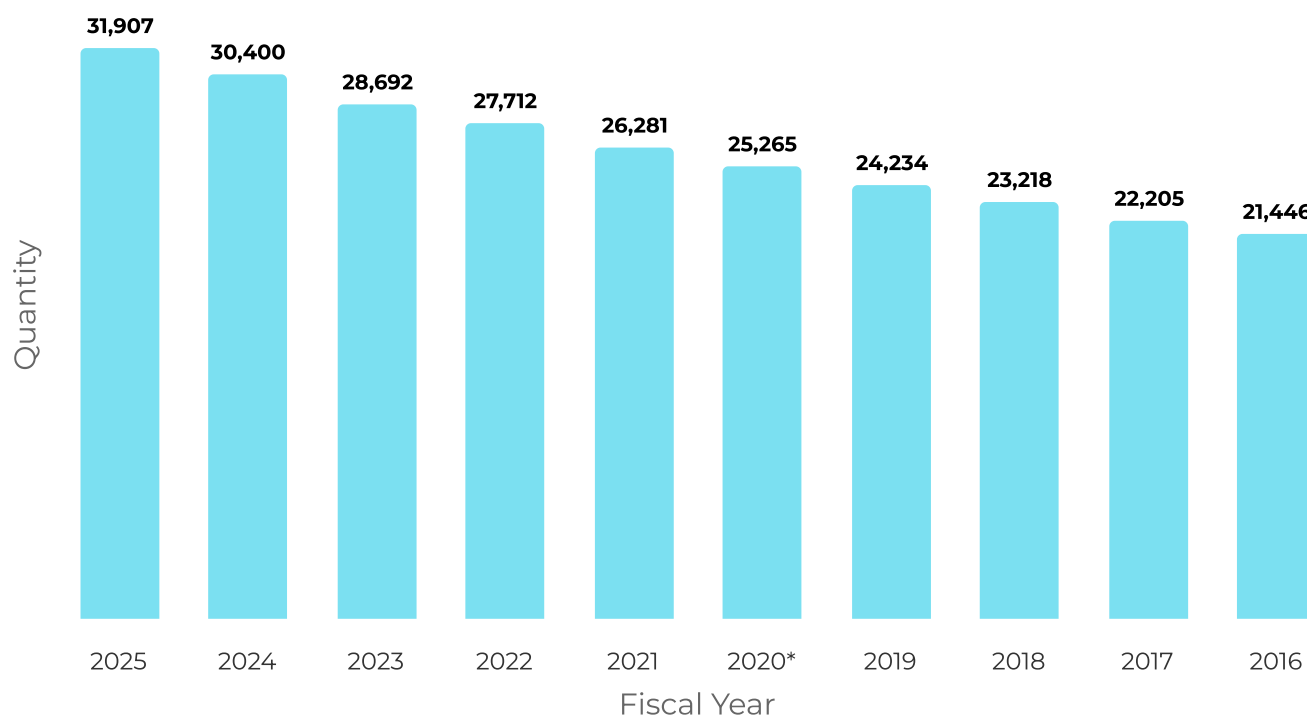
Spartanburg	Water	Sewer
Campobello, Town of	\$ 47.76	
Central Pacolet, Town of	\$ 51.60	\$ 43.08
Cowpens, Town of	\$ 51.60	\$ 43.08
Duncan, Town of	\$ 21.18	\$ 45.47
Inman, City of	\$ 47.76	\$ 40.05
Landrum, City of	\$ 51.60	\$ 43.08
Lyman, Town of	\$ 21.18	\$ 28.61
Pacolet, Town of	\$ 51.60	\$ 43.08
Spartanburg, City of	\$ 30.68	\$ 43.08
Wellford, City of	\$ 21.18	\$ 50.15
Woodruff, City of	\$ 57.81	\$ 48.85
Inman-Campobello Water District	\$ 47.76	
Liberty Chesnee Fingerville Water District	\$ 52.50	
Spartanburg Sanitary Sewer System		\$ 43.08
Startex-Jackson-Wellford-Duncan Water District	\$ 21.18	
Woodruff Roebuck Water District	\$ 57.81	
<p>*This annual rate survey summary is based on the most recent rate surveys received from local providers, but may no longer be current. The monthly average rate is based on 5,000 gallons usage. Due to the possibility of errors in individual survey forms and data entry, the RIA does not guarantee the accuracy of this survey. Should any errors be found, please contact this office, as we do strive for maximum accuracy.</p>		

Operating Information

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT**Table 19****Number of Customers****Last Ten Fiscal Years**

Fiscal Year	Number of Customers		
	Residential	Other	Total
2025	31,907	1,724	33,631
2024	30,400	1,702	32,102
2023	28,692	1,658	30,350
2022	27,712	1,581	29,293
2021	26,281	1,539	27,820
2020*	25,265	1,802	27,067
2019	24,234	1,544	25,778
2018	23,218	1,503	24,721
2017	22,205	1,452	23,657
2016	21,446	1,410	22,856

* Estimate due to meter change out program

Number of Residential Customers

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Monthly Water Charges
Fiscal Year 2025

Table 20

Capacity Rate Schedule

Meter Size	Meter Equivalent	SIF Inside Tax District	SIF Outside Tax District
5/8"	1	\$ 500.00	\$ 1,000.00
1 Inch	2.5	\$1,250.00	\$2,500.00
2 Inch	8	\$4,000.00	\$8,000.00
3 Inch	15	\$7,500.00	\$15,000.00
4 Inch	25	\$12,500.00	\$25,000.00
6 Inch	50	\$25,000.00	\$50,000.00
8 Inch	80	\$40,000.00	\$80,000.00
10 Inch	115	\$57,500.00	\$115,000.00
12 Inch	215	\$107,500.00	\$215,000.00

Monthly Base Charge

Meter Size	Inside District	Outside District
5/8"	\$11.00	\$14.85
1 Inch	\$27.50	\$37.13
1 1/2 - 2 Inch	\$88.00	\$118.80
3 Inch	\$176.00	\$237.60
4 Inch	\$275.00	\$371.25
6 Inch	\$550.00	\$742.50
8 Inch	\$880.00	\$1,188.00
10 Inch	\$1,265.00	\$1,707.75

Water Usage Charge

	Charge per 1,000 Gallons		
	Usage (Gallons)	Inside	Outside
Residential & Irrigation	0 - 4,000	\$1.65	\$2.23
	4,001 - 15,000	\$ 3.58	\$ 4.83
	15,000 & above	\$ 4.40	\$ 5.94
Non-Residential	0 - 15,000	\$3.58	\$4.83
	15,001 - 500,000	\$ 2.20	\$ 2.97
	500,001 and up	\$ 1.82	\$ 2.46

Private Fire Protection Charge (Billed separately from normal water usage)

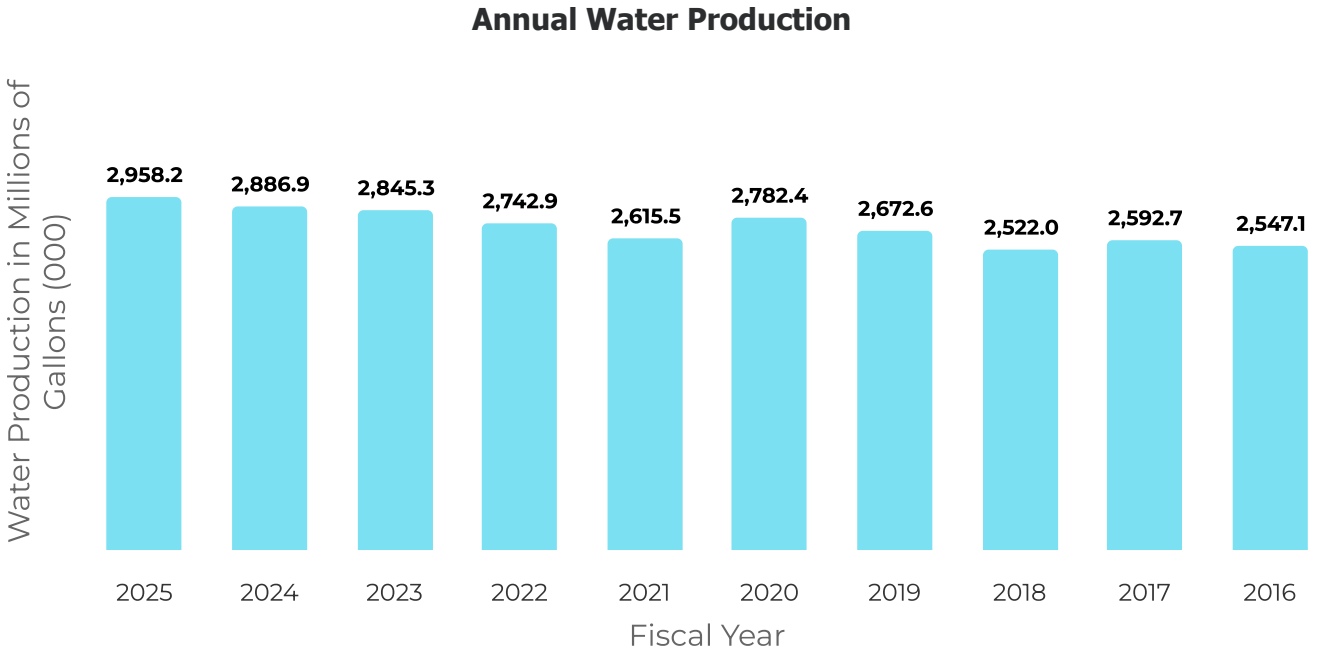
Fire Line Size	Inside	Outside
2 Inch	\$4.85	\$6.06
3 Inch	\$14.70	\$18.38
4 Inch	\$84.36	\$100.75
6 Inch	\$80.60	\$108.81
8 Inch	\$168.72	\$227.78
10 Inch	\$290.07	\$391.59
12 Inch	\$458.80	\$619.38

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Annual Water Production
Last Ten Fiscal Years

Table 21

Month	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
July	306.3	298.0	291.5	265.4	290.6	287.9	247.3	248.3	276.8	261.2
August	309.4	307.2	295.0	264.6	268.4	268.4	240.6	248.8	245.0	239.9
September	267.6	278.1	263.8	237.5	244.9	272.4	237.3	225.6	261.9	224.2
October	249.3	263.6	253.4	225.7	233.2	251.8	233.6	219.4	256.7	195.2
November	220.1	202.8	212.9	196.2	195.0	197.5	201.3	190.8	214.7	185.2
December	215.2	189.6	215.1	187.0	190.3	193.4	187.5	189.2	175.3	167.9
January	227.6	190.2	198.0	202.0	183.0	216.4	195.2	198.0	177.2	180.9
February	191.8	170.7	185.4	180.1	160.2	177.5	185.8	165.6	159.3	169.4
March	207.4	203.4	211.4	186.5	170.2	201.2	191.3	185.6	175.3	187.8
April	235.0	225.2	217.8	210.4	196.5	224.8	201.5	187.7	185.0	225.2
May	251.9	254.7	243.4	277.5	245.9	234.2	281.6	217.3	219.9	241.3
June	276.6	303.4	257.6	310.0	237.3	256.9	269.6	245.7	245.6	268.9
Total Annual Production	2,958.2	2,886.9	2,845.3	2,742.9	2,615.5	2,782.4	2,672.6	2,522.0	2,592.7	2,547.1

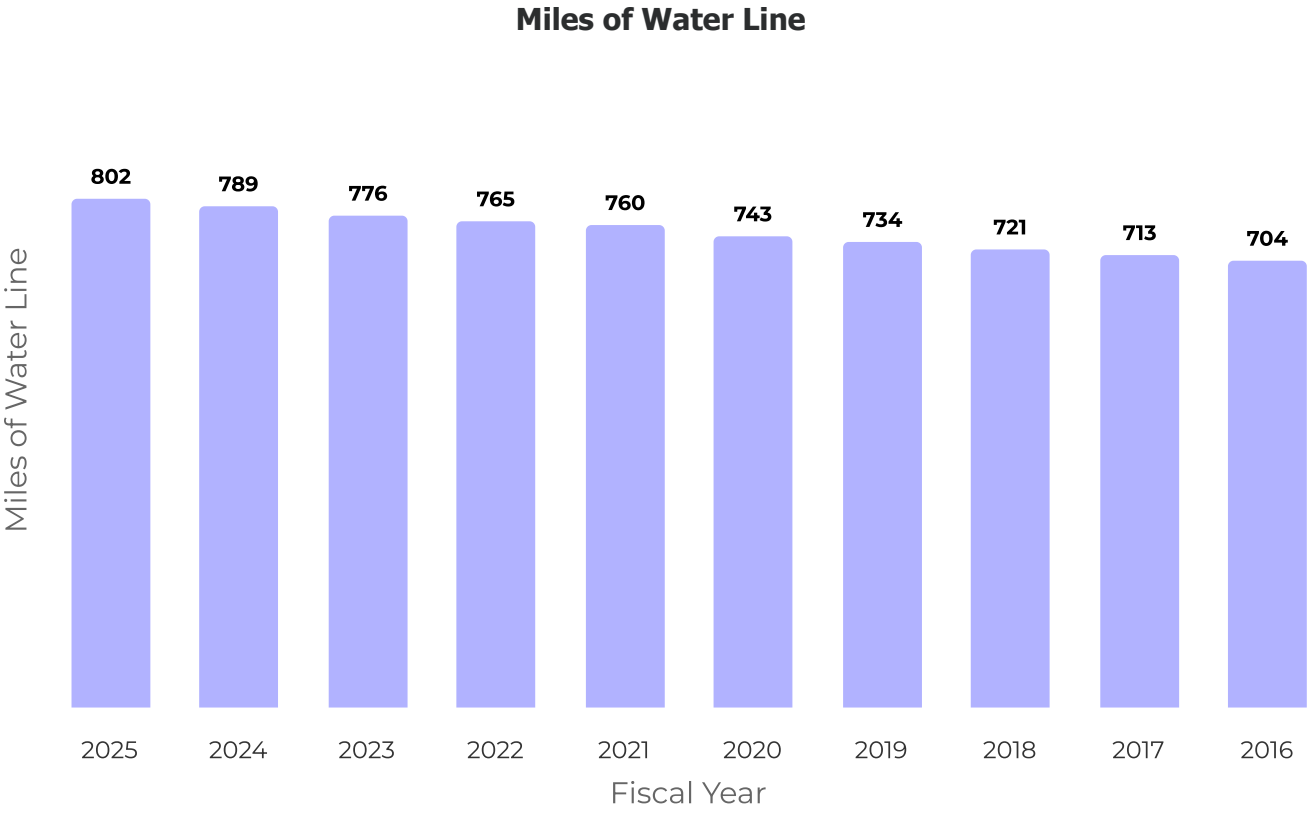
*Amounts shown in millions of gallons



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Miles of Water Line
Last Ten Fiscal Years

Table 22

Fiscal Year	Miles of Water Line	Percent Increase
2025	802	1.65%
2024	789	1.68%
2023	776	1.44%
2022	765	0.66%
2021	760	2.29%
2020	743	1.23%
2019	734	1.80%
2018	721	1.12%
2017	713	1.28%
2016	704	1.14%



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Schedule of Treatment Plants
Fiscal Year 2025

Table 23

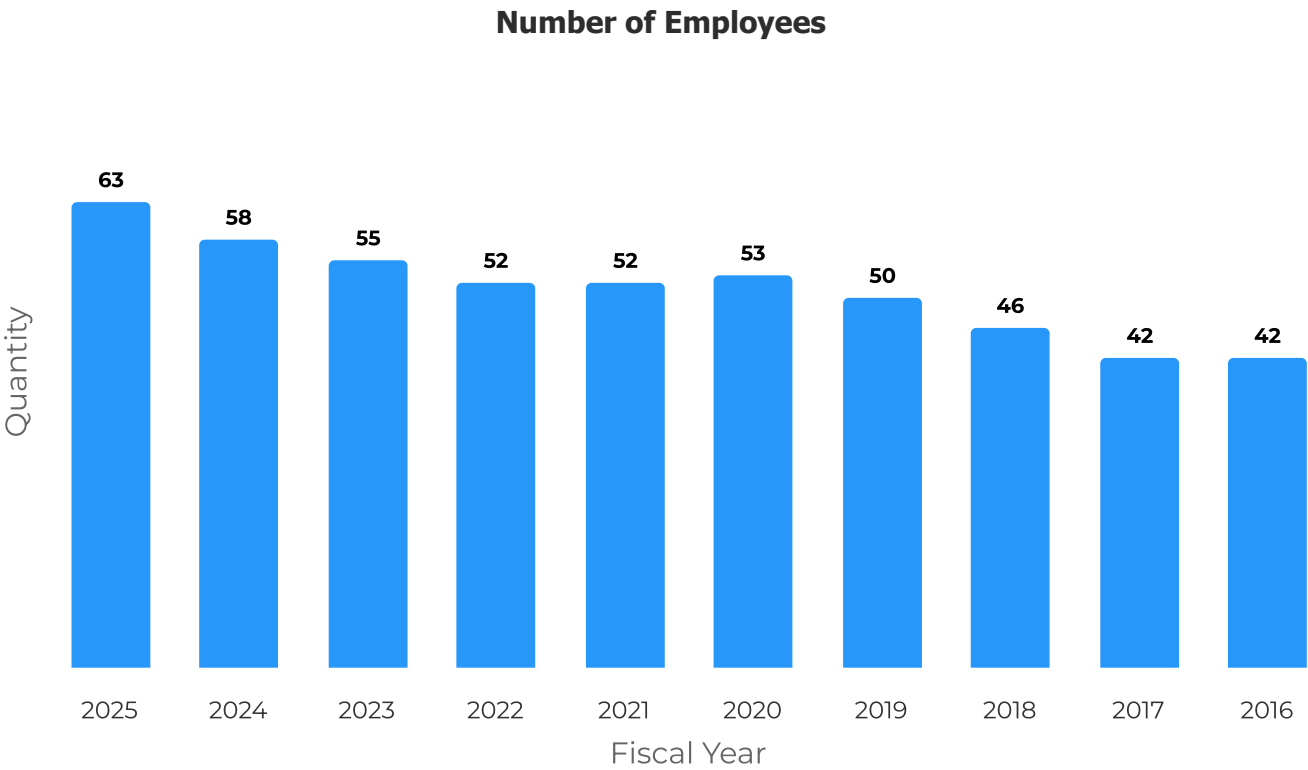
<u>Treatment Plant</u>	<u>Permitted Capacity (MGD)</u>	<u>Average Flow (MGD)</u>
Membrane	8.000	5.560
Conventional	12.000	3.880
	20.000	9.440



STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Number of Employees
Last Ten Fiscal Years

Table 24

Fiscal Year	Number of Employees
2025	63
2024	58
2023	55
2022	52
2021	52
2020	53
2019	50
2018	46
2017	42
2016	42

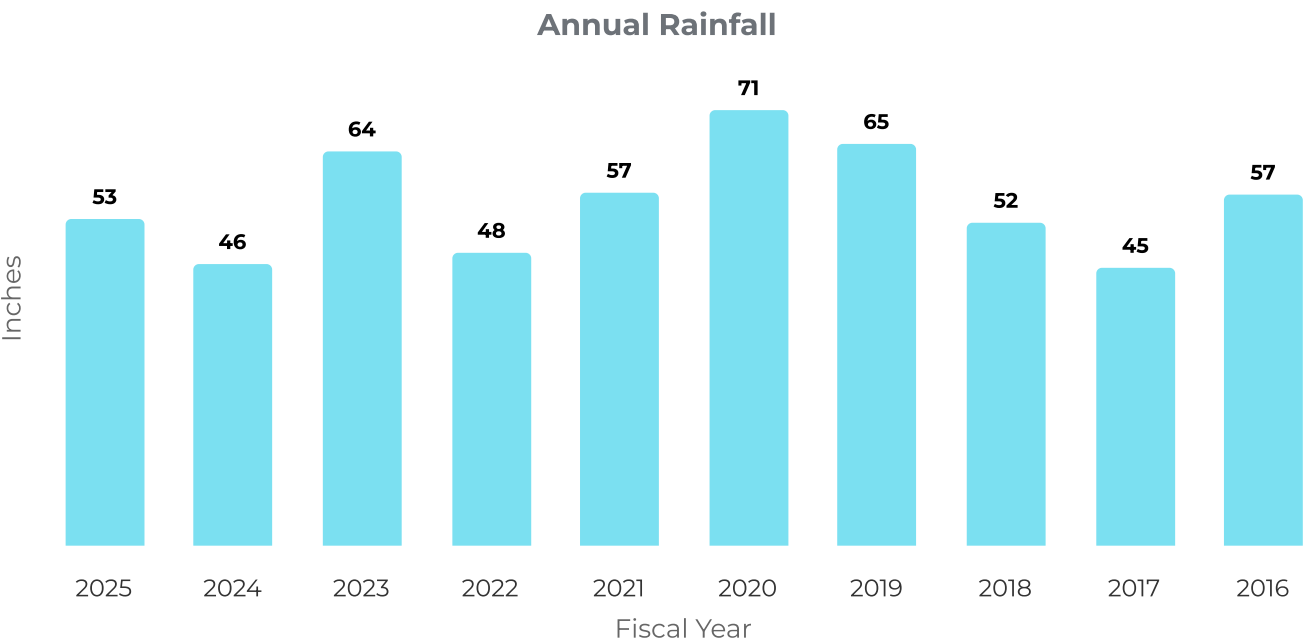


STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
Annual Rainfall
Last Ten Fiscal Years

Table 25

<u>Fiscal Year</u>	<u>Annual Rainfall*</u>
2025	52.9
2024	45.5
2023	63.8
2022	47.5
2021	57.1
2020	70.5
2019	65.2
2018	52.3
2017	45.1
2016	56.9

* Data collected from our Water Production Department - Amounts shown in inches



SINGLE AUDIT SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Startex-Jackson-Wellford-Duncan Water District
Spartanburg, South Carolina

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Startex-Jackson-Wellford-Duncan Water District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Startex-Jackson-Wellford-Duncan Water District's basic financial statements, and have issued our report thereon dated December 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Startex-Jackson-Wellford-Duncan Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Startex-Jackson-Wellford-Duncan Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Startex-Jackson-Wellford-Duncan Water District's internal control.

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

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

Report on Compliance and Other Matters

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

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To the Board of Commissioners of
Startex-Jackson-Wellford-Duncan Water District
Page Two

Purpose of this Report

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

Halliday, Schwartz & Co.

Spartanburg, South Carolina
December 10, 2025



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Commissioners of
Startex-Jackson-Wellford-Duncan Water District
Gaffney, South Carolina

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Startex-Jackson-Wellford-Duncan Water District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Startex-Jackson-Wellford-Duncan Water District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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To the Board of Commissioners of
Startex-Jackson-Wellford-Duncan Water District
Page Two

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
December 10, 2025

Schedule 8-1

**STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass Through Grantor/Program Title	Federal ALN	Direct & Pass-Through Grantor's Number	Expenditures
U.S. Department of the Treasury			
Passed through S.C. Rural Infrastructure Authority COVID 19: Coronavirus State & Local Fiscal Recovery Funds (CSLFRF)	21.027	A-23-C187	<u>\$ 6,838,145</u>
U.S. Environmental Protection Agency			
Congressional Mandated Projects	66.202	03D28924	<u>266,596</u>
U.S. Department of Homeland Security			
Passed through Federal Emergency Management Association			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4829 - 805074	46,125
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4829 - 812464	9,060
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4829 - 813258	18,750
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4829 - 813666	5,187
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4829 - 813637	46,659
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4829 - 813933	<u>106,504</u>
Total U.S. Department of Homeland Security			<u>232,285</u>
Total Federal Financial Assistance Expended			<u>\$ 7,337,026</u>

See accompanying notes to schedule of expenditures of federal awards.

STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Startex-Jackson-Wellford-Duncan Water District (the "District") under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has elected to not use the de minimis 10% indirect cost rate as allowed under the Uniform Guidance.

Schedule 8-2

**STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025**

Fiscal Year Ended June 30, 2024

Financial Statement Findings:

Finding 2024-001 - Internal Controls over Financial Reporting

Condition: The District's unadjusted financial statements reported material misstatements in certain financial statement accounts for the period under audit. These misstatements were not prevented or detected by the District's internal control over financial reporting and were not corrected by the District prior to the financial statements being presented for audit. These material misstatements arose from daily, monthly and annual reconciliations not being completed in a reasonable time frame after the reporting period.

Cause of Condition: During the fiscal year and the months subsequent to year-end, the District did not ensure that all revenue earned during the fiscal year was recorded in the financial records. The District did not report \$1,899,065 of grant receivables and capital contributions earned as of the fiscal year ended June 30, 2024. This error resulted in a material misstatement of the unaudited financial statements.

Current Status: This finding has been corrected as of June 30, 2025

Federal Award Findings and Questioned Costs:

None

Schedule 8-3

**STARTEX-JACKSON-WELLFORD-DUNCAN WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I - Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200? Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None