Renewable Water Resources

Financial Statements,
Supplemental Information
and Schedules of Federal Awards and Reports
Under the Uniform Guidance Thereon

As of and for the Year Ended
December 31, 2020

Cherry Bekaert LLP
CPAs & Advisors

Renewable Water Resources
Greenville, South Carolina

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Commissioners
Renewable Water Resources
Greenville, South Carolina

We have audited the accompanying statement of net position of Renewable Water Resources (the "Agency") as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2020, and the results of its operations and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 13 and required supplementary information schedules on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2021, on our consideration of the Agency'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 the Agency's 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 Agency's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Greenville, South Carolina
March 13, 2021

Management’s Discussion and Analysis

Renewable Water Resources
Management's Discussion and Analysis

As management of Renewable Water Resources ("ReWa" or the "Agency"), we present this narrative overview and analysis of financial performance for the year ended December 31, 2020. Please consider this information in conjunction with the financial statements and related notes, which follow this section.

Financial Highlights

- The Agency's financial position continues to be strong, with an overall increase of $23.4 million in net position.

- Total revenues for the year ended December 31, 2020 were $104.7 million.

- Operating expenses before depreciation totaled $43.8 million for the year ended December 31, 2020.

- The Agency issued Series 2020C and Series 2020D Sewer System Refunding Revenue Bonds in October 2020 to provide funds to be applied, together with other funds from the Agency, to refund four State Revolving Loans and two Revenue Bonds. The Series 2020C issuance generated net present value ("NPV") and cash flow savings of approximately $1.8 million, and the Series 2020D issuance generated NPV and cash flow savings of approximately $1.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Agency. The basic financial statements include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows; with the related notes to provide additional details. These basic financial statements provide information about the activities and performance of the Agency using accounting methods similar to those found in the private sector. The Statement of Net Position presents information on the Agency's assets, plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Agency's financial position is improving or deteriorating.

(Continued)

Overview of the Financial Statements, continued

The Statement of Revenues, Expenses, and Changes in Net Position presents the current period results of operations and can be used to determine whether the Agency is recovering costs through user fees and charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents for the current period. This statement may be used to determine sources of cash, uses of cash, and changes in cash from operating, capital, and related financing and investing activities. It may also be useful in assessing the Agency's ability to meet short-term obligations.

The Notes to Financial Statements provide required disclosures and other information essential to a full understanding of the information reported in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, significant risks, obligations, commitments, contingencies, and subsequent events, if applicable.

Net Position

The Agency's overall financial position improved during the year ended December 31, 2020, as net position increased $23.4 million or 6.3% due to current year operations. Net position for the year ended December 31, 2020, totaled $395.6 million. The largest portion of the Agency's net position, approximately 91.4%, reflects the Agency's investment in capital assets (e.g., land, buildings, trunk lines, equipment, and vehicles), less any related outstanding debt used to acquire those assets. The Agency uses these capital assets to provide services to ratepayers. Although the Agency's investment in capital assets is reported net of debt, the resources needed to repay this debt must be provided from other sources, as these capital assets cannot be liquidated to pay these liabilities.

An additional $38.8 million or 9.8% of the Agency's net position is restricted (restrictions established by debt covenants, enabling legislation or other legal requirements). In the year ended December 31, 2020, restricted net position decreased $0.1 million.

(Continued)

Net Position, continued

A summary of the Agency's Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position (in millions)

	FY 2020	FY 2019
Current and noncurrent assets	$ 50.0	$ 62.8
Restricted assets	38.8	38.9
Capital assets	568.5	526.9
Total assets	657.3	628.6
Deferred outflows from defeasance loss, net	3.1	3.6
Deferred outflows from pension	3.7	1.9
Deferred outflows from other postemployment benefits	3.8	2.1
Total deferred outflows of resources	10.6	7.6
Current liabilities	40.9	39.9
Noncurrent liabilities	229.8	223.0
Total liabilities	270.7	262.9
Deferred inflows from pension	1.0	0.4
Deferred inflows from other postemployment benefits	0.6	0.7
Total deferred inflows of resources	1.6	1.1
Net investment in capital assets	361.5	323.7
Restricted	38.8	38.9
Unrestricted	(4.7)	9.6
Total net position	$ 395.6	$ 372.2

Revenues

Table A-2 shows that the Agency's total revenues increased $3.7 million or 3.7% to $104.7 million in the year ended December 31, 2020. The Agency's regulations provide for a sewer use charge that funds the operation of the system, provides a source of funds to repay liabilities, and provides for future maintenance of the Agency's assets. The current user fee regulation in effect for the year ended December 31, 2020 was adopted April 24, 2017 and became effective January 1, 2018.

In the year ended December 31, 2020, domestic and commercial revenue increased $0.1 million or 0.1% to $80.5 million. Domestic revenue increased $1.5 million or 2.9% mostly offset by a decrease in commercial revenue of $1.4M or 5.3% primarily attributable to the COVID-19 pandemic's impact on businesses and households.

Industrial revenue decreased $0.4 million or 5.3% to $7.2 million in the year ended December 31, 2020. The decrease in fiscal year 2020 is primarily attributable to decreases in consumption as a result of the COVID-19 pandemic.

(Continued)

Revenues, continued

New account fee revenue increased 50% or $5.1 million to $15.3 million in the year ended December 31, 2020 due to the tremendous economic growth and development in the Agency's service area and historically low interest rates. This is the Agency's highest new account fee revenue year in history.

Interest and other nonoperating revenues decreased $1.1 million or 50.0% to $1.1 million in the year ended December 31, 2020. This is largely due to a decrease in interest rates on investments.

Table A-2
Condensed Statements of Revenues, Expenses, and Changes in Net Position (in millions)

	FY 2020	FY 2019
Operating revenues		
Domestic and commercial customers	$ 80.5	$ 80.4
Industrial customers	7.2	7.6
New account fees	15.3	10.2
Septic haulers and other	0.6	0.6
Interest and other nonoperating revenues	1.1	2.2
Total revenues	104.7	101.0
Operating expenses		
Technical operations	26.5	26.6
Administration	17.3	15.6
Total operating expenses before depreciation	43.8	42.2
Depreciation	30.6	29.0
Total operating expenses	74.4	71.2
Interest, amortization, and other nonoperating expenses	8.7	9.0
Total expenses	83.1	80.2
Capital contributions	1.8	0.4
Increase in net position	23.4	21.2
Total net position, beginning of year	372.2	351.0
Total net position, end of year	$ 395.6	$ 372.2

Capital Contributions

Project reimbursement occurs when the Agency enters a contract with one or more entities to construct facilities and/or sewer conveyance systems that will be mutually beneficial. In the year ended December 31, 2020, capital contributions totaled $1.8 million.

Expenses

Total expenses in the year ended December 31, 2020 totaled $83.1 million. Operating expenses before depreciation increased $1.6 million or 3.8% from $42.2 million to $43.8 million. The increase in operating expenses in fiscal year 2020 is largely attributable to increases in employee-related costs, contracted services, and legal expenses partially offset by a decrease in utility expense.

Non-project expenses, which are included in interest, amortization, and other nonoperating expenses, can vary considerably from year to year. These expenses are one-time costs that are not operational and are not capitalizable.

Capital Assets

In the year ended December 31, 2020, capital assets being depreciated, net decreased $18.3 million or 4.2% to $422.2 million, which is attributable to various line rehabilitations and facility enhancements, offset by annual depreciation. For the year ended December 31, 2020, the Agency's $568.5 million of net capital assets consisted of land, rights-of-way, trunk lines, buildings, operating equipment, water resource recovery facilities ("WRRF"), equipment, and vehicles as shown in Table A-3 and in Note 5 of the accompanying notes to financial statements.

Table A-3
Capital Assets (in millions)

	FY 2020	FY 2019
Capital assets not being depreciated:		
Construction in progress	$ 136.5	$ 78.3
Land	7.0	6.3
Rights-of-way	2.8	1.8
Total capital assets not being depreciated	146.3	86.4
Capital assets being depreciated:		
Buildings and land improvements	386.8	383.0
Collection and trunk lines	368.6	364.3
Machinery and equipment	78.6	108.4
Office furniture and equipment	2.8	3.0
Vehicles and heavy equipment	1.4	1.3
Total capital assets being depreciated	838.2	860.0
Less: accumulated depreciation	416.0	419.5
Total capital assets being depreciated, net	422.2	440.5
Net capital assets	$ 568.5	$ 526.9

(Continued)

Capital Assets, continued

Capital improvement program

The Agency's Commission assembled a community-wide volunteer collaboration to develop an environmentally sound, long-term strategy for the Agency. The collaboration was named the Upstate Roundtable and was tasked with aligning the regional wastewater system capacity and infrastructure with projected growth while promoting environmental sustainability. Initially convened in 1994, reconvened in 2008, and again at the end of 2018, this strategic planning group brought together over 100 community, governmental, and industry leaders to develop a 20-year plan to guide the Agency. An intentional effort was made to align this plan with Greenville County's Comprehensive Plan. The latest Upstate Roundtable effort confirmed the Agency's five-year capital improvement program ("CIP") and expanded it through 2040. The latest Upstate Roundtable plan is expected to be released in May 2021.

The Agency maintains a fluid five-year CIP that merges the Agency's strategic plan with the ongoing objective of maintaining compliance with South Carolina Department of Health & Environmental Control regulations and National Pollutant Discharge Elimination System permit limitations. The current CIP calls for approximately $398.9 million over the next five years. The CIP calls for upgrades at many of the Agency's treatment facilities as well as multiple replacement and improvement projects of the Agency's conveyance system.

Capital improvement projects

In 2020, capital projects focused on various conveyance system improvements and facility upgrade projects. During 2020, $39.4 million was injected to improve the Agency's conveyance system; these projects encompassed collection lines, as well as pump stations. Additionally, $18.0 million was incurred in multiple facility improvement projects spanning four river basins. Furthermore, another $4.6 million was invested in system planning, positioning the Agency to meet future needs.

Table A-4 illustrates the Agency's 2021 Capital Budget of $80.0 million for potential spending on conveyance system improvements, facility upgrades, service area expansion, and information technology upgrades. The Agency believes the budget requirement for the upcoming fiscal year will be funded through a combination of reserves, new account fees, bonds, and South Carolina revolving loan funds.

(Continued)

Capital Assets, continued

Capital improvement projects, continued

Table A-4
2021 Capital Budget (in millions)

FUNDING SOURCES		
Reserves and bonds	$	39.4
South Carolina revolving loan fund		24.6
New account fees		16.0
Total funding sources	$	80.0
USES		
Water resource recovery facilities	$	22.4
Conveyance system		34.0
Information technology		1.4
Service area expansion and other projects		22.2
Total uses	$	80.0

Long-Term Liabilities

At December 31, 2020, the total liability for compensated absences was $0.8 million.

The total obligation for other postemployment benefits totaled $24.9 million at December 31, 2020.

The Agency's net pension liability totaled $29.9 million at December 31, 2020.

Long-term debt for the Agency consists of outstanding balances on revenue bonds and state revolving loans with the South Carolina Water Quality Revolving Fund Authority.

Revenue bonds

As of December 31, 2020, revenue bond debt, including premiums, totaled $131.2 million, the long-term portion of which was $109.8 million. As of December 31, 2020, the Agency's revenue bond debt consisted of the following series of revenue and refunding revenue bonds: Series 2005B, Series 2010A, Series 2012, Series 2015A, Series 2017A, Series 2018A, Series 2020C, and Series 2020D.

(Continued)

Long-Term Liabilities, continued

Revenue bonds, continued

The Agency received bond premiums of $7.6 million, $6.1 million, $11.4 million, $3.6 million, $4.6 million, and $0.2M on the Series 2005B, Series 2010A, Series 2012, Series 2018A, Series 2020C, and Series 2020D revenue bonds, respectively. The bond premiums are amortized over the life of the bonds. The Series 2005B bond was issued under the 1990 Bond Resolution is referred to as the Senior Lien Debt. The Series 2010A, Series 2010B, Series 2012, Series 2015A, Series 2017A, Series 2018A, Series 2020C, and Series 2020D bonds were issued under the 2010 Bond Resolution and are on parity with all of the Agency's state revolving loans. These obligations are collectively referred to as the Junior Lien Debt and are subordinate in all aspects to the Senior Lien Debt.

The Series 2005B revenue bonds carry 'Aa1' and 'AAA' ratings from Moody's Investors Service and Standard & Poor's, respectively. The Series 2005B ratings were enhanced through the purchase of a surety agreement at issuance and carry the rating of the surety provider or the underlying rating of the Agency, whichever is higher. Series 2010A, Series 2012, Series 2015A, Series 2017A, Series 2018A, Series 2020C, and Series 2020D bonds were issued based on the Agency's underlying rating. During calendar year 2017, Moody's Investors Service upgraded the Agency's Senior Lien Debt to 'Aa1' from 'Aa2' and upgraded the Agency's Junior Lien Debt to 'Aa1' from 'Aa3' rating. In September 2018, Standard & Poor's raised the Agency's Senior and Junior Lien Debt rating to 'AAA'.

State revolving loans

Since December 1989, the Agency has entered into numerous loan agreements with the South Carolina Water Quality Revolving Fund Authority for new construction and/or upgrades. Interest rates on these loans range from 1.8% to 2.4%. State revolving loans outstanding as of December 31, 2020 totaled $67.8 million.

Listed below are the Agency's state revolving loans outstanding at December 31, 2020:

- March 2016 — FY15/16 Gravity Sewer and Manhole Rehabilitation
- March 2016 — Richland Creek Trunk Sewer Improvements
- December 2017 — FY17 Gravity Sewer and Manhole Rehabilitation
- December 2017 — Reedy River Basin Sewer Tunnel
- May 2019 — Gravity Sewer and Manhole Rehabilitation
- May 2019 — Lower Reedy WRRF Digester Capacity Improvements
- May 2019 — Rock Creek Interceptor Upgrade

As of December 31, 2020, the remaining amount available to draw on the Reedy River Basin Sewer Tunnel, Lower Reedy WRRF Digester Capacity Improvements, and Rock Creek Interceptor Upgrade totaled $22.8 million. Construction has been completed and all funds received for the other projects listed above.

(Continued)

Long-Term Liabilities, continued

Total outstanding long-term debt

At December 31, 2020, the Agency owed $191.5 million (excluding premiums) in total long-term debt, a decrease of $1.5 million or 0.7% from $193.0 million at December 31, 2019.

The Agency's bond covenants require net earnings (as defined in respective loan agreements) to be at least 110% of the combined annual principal and interest requirement (as defined in the respective loan agreements) in the fiscal year. The Agency has not defaulted in the payment of principal or interest or in any other material way with respect to any of its securities at any time, nor has the Agency used the proceeds of any bonds for current operating expenses, nor does the Agency intend to use the proceeds of any bonds for any such purposes. Based on the Agency's accompanying financial statements, the debt coverage ratio is calculated in Table A-5.

Table A-5
Debt Coverage (in millions)

	FY 2020	FY 2019
Operating revenue	$ 103.6	$ 98.8
Investment revenue, unrestricted	0.8	1.9
Gross revenues	104.4	100.7
Less: operating expenses before depreciation	43.7	42.2
Net revenues available for debt service	$ 60.7	$ 58.5
Debt service	$ 29.0	$ 28.7
Debt coverage	209%	204%

During the year ended December 31, 2020, debt service payments increased $0.3 million or 1.0% to $29.0 million. Debt structure on revenue bonds varies year to year causing principal payments to increase and decrease over the life of the bonds.

(Continued)

Long-Term Liabilities, continued

Total outstanding long-term debt

Table A-6 shows the average coupon/interest rate by issue.

Table A-6
Debt Coupon/Interest Rate

	Balance (without premiums) (in millions)	Average Coupon/ Interest Rate
Series 2005B refunding bonds	$ 9.4	4.1%
Series 2010A refunding bonds	4.7	3.4
Series 2012 refunding bonds	16.8	2.9
Series 2015A refunding bonds	12.3	2.0
Series 2017A refunding bonds	9.3	2.1
Series 2018A refunding bonds	25.1	5.0
Series 2020C refunding bonds	22.4	4.8
Series 2020D refunding bonds	23.7	0.8
State revolving loans	67.8	2.0

More detailed information about the Agency's long-term liabilities is presented in Notes 7, 8, and 9 of the accompanying Notes to the Financial Statements.

Renewable Water Resources
Management's Discussion and Analysis

Economic Factors

The Agency is moderately impacted by economic trends. The Agency's operating revenues are derived solely from user fees, as the Agency does not receive any tax appropriation. The Agency experienced domestic and commercial customer growth of 2.25% during the year ended December 31, 2020.

The Agency's customer base is diversified. No single customer represents more than 1.4% of ReWa's operating revenue.

Current economic conditions, such as the above, are considered by the Agency's Commissioners and Management when developing plans and budgets for the upcoming year.

Contacting the Agency's Financial Department

This financial report is designed to provide our users and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for funds received. If you have any questions about this report or need additional financial information, please contact Thomas Brooks, Controller, Renewable Water Resources, 561 Mauldin Road, Greenville, South Carolina 29607; 864-299-4000; or thomasb@re-wa.org.

Basic Financial Statements

Renewable Water Resources
Statement of Net Position
December 31, 2020

Current assets		
Cash and cash equivalents	$	7,166,397
Restricted cash and cash equivalents		31,041,250
Receivables, net		13,715,460
Investments		17,656,255
Restricted investments		7,795,837
Total current assets		77,375,199
Noncurrent assets		
Investments		10,789,633
Capital assets, net		568,503,355
Prepaid insurance		645,893
Total noncurrent assets		579,938,881
Total assets	$	657,314,080
Deferred outflows of resources		
Deferred loss on refunding, net	$	3,123,335
Deferred outflows from pension		3,730,126
Deferred outflows from other postemployment benefits		3,802,036
Total deferred outflows of resources	$	10,655,497
Current liabilities		
Revenue bonds payable	$	21,475,700
State revolving loans payable		2,624,638
Accounts payable - operations		1,913,937
Accounts payable - construction projects		11,124,894
Accrued interest payable		2,048,703
Accrued expenses and other liabilities		1,036,075
Compensated absences		643,818
Total current liabilities		40,867,765
Long-term liabilities		
Revenue bonds payable		109,765,214
State revolving loans payable		65,165,005
Compensated absences		128,296
Other postemployment benefits		24,908,349
Net pension liability		29,919,764
Total long-term liabilities		229,886,628
Total liabilities	$	270,754,393
Deferred inflows of resources		
Deferred inflows from pension	$	1,003,816
Deferred inflows from other postemployment benefits		566,890
Total deferred inflows of resources	$	1,570,706
Net position		
Net investment in capital assets	$	361,471,239
Net position - restricted		
Debt service		28,582,227
Capital asset replacement		5,685,034
Other		4,569,826
Net position - unrestricted		(4,663,848)
Total net position	$	395,644,478

The accompanying notes are an integral part of this financial statement.

Renewable Water Resources
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2020

Operating revenues	
Domestic and commercial customers	$ 80,454,663
Industrial customers	7,227,926
New account fees	15,275,721
Septic haulers and other	649,294
Total operating revenues	103,607,604
Operating expenses	
Technical operations	26,453,542
Administration	17,281,992
Total operating expenses before depreciation	43,735,534
Depreciation	30,601,878
Total operating expenses	74,337,412
Operating income	29,270,192
Nonoperating revenues (expenses)	
Investment revenue	848,351
Interest expense	(4,515,777)
Amortization	(24,319)
Debt issuance costs	(479,109)
Non-project expenses	(3,664,821)
Other revenue	215,501
Net nonoperating expenses	(7,620,174)
Capital contributions	1,810,621
Increase in net position	23,460,639
Total net position, beginning of year	372,183,839
Total net position, end of year	$ 395,644,478

The accompanying notes are an integral part of this financial statement.

Renewable Water Resources
Statement of Cash Flows
For the year ended December 31, 2020

Cash flows from operating activities	
Received from customers	$ 104,093,078
Paid to suppliers for goods and services	(23,890,373)
Paid to employees for services	(14,754,180)
Received from nonoperating revenues	215,501
Net cash provided by operating activities	65,664,026
Cash flows from capital and related financing activities	
Acquisition of capital assets and project expenses	(74,034,620)
Proceeds from debt issuance	76,584,560
Principal payments on debt	(74,919,226)
Interest payments on debt	(6,241,806)
Debt issuance costs	(479,109)
Net cash used for capital and related financing activities	(79,090,201)
Cash flows from investing activities	
Interest received on investments	943,199
Purchases of investment securities	(26,449,297)
Proceeds from sales of investment securities	40,193,596
Net cash provided by investing activities	14,687,498
Net increase in cash and cash equivalents	1,261,323
Cash and cash equivalents, beginning of year	36,946,324
Cash and cash equivalents, end of year	$ 38,207,647

The accompanying notes are an integral part of this financial statement.

Renewable Water Resources
Statement of Cash Flows, continued
For the year ended December 31, 2020

Reconciliation of operating income to net cash flows from operating activities		
Operating income	$	29,270,192
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		30,601,878
Other nonoperating revenue		215,501
Pension expense recognized in excess of contributions		772,252
Changes in asset and liability amounts		
Receivables, net		485,474
Prepaid insurance		(242,619)
Accounts payable - operations		230,575
Accounts payable - construction projects		3,205,121
Accrued expenses and other liabilities		(340,498)
Compensated absences		102,585
Other postemployment benefits		1,363,565
Net cash provided by operating activities	$	65,664,026
Noncash activities		
Decrease in fair value of investments	$	(78,088)
Amortization of prepaid bond insurance		24,319
Total noncash activities	$	(53,769)
Reconciliation of cash and cash equivalents to statement of net position		
Cash and cash equivalents	$	7,166,397
Restricted cash and cash equivalents		31,041,250
Total cash and cash equivalents	$	38,207,647

The accompanying notes are an integral part of this financial statement.

Notes to Financial Statements

Renewable Water Resources
Notes to Financial Statements
For the year ended December 31, 2020

Note 1 – Summary of Significant Accounting Policies and Activities

Description of entity

Renewable Water Resources (the "Agency"), previously known as Western Carolina Regional Sewer Authority, is a special purpose district created by the General Assembly of the state of South Carolina. The Agency is governed by a commission consisting of 11 members who are appointed by the Governor upon recommendation by the legislative delegations of Greenville, Anderson, Laurens, and Spartanburg Counties. The Agency provides wastewater treatment services for residents and industries covering substantially all of Greenville County and portions of Anderson, Laurens, Pickens, and Spartanburg Counties. In fulfilling its functions, the Agency receives wastewater from the area's collection systems, and owns and operates water resource recovery facilities ("WRRF"), pump stations, and trunk lines; which are collectively referred to as the "System". It is the Agency's policy to maintain customer user rates sufficient to meet operational and maintenance expenses, as well as to pay debt service on bonds and notes issued to finance upgrading and maintaining the System.

Reporting entity

This report includes all operations of the Agency for which the Agency's Commissioners are financially accountable.

Fund accounting

The Agency maintains a single enterprise fund to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Basis of accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as recommended by the Governmental Accounting Standards Board ("GASB"). Basis of accounting refers to the timing of recognition of revenues and expenses. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses and liabilities are recognized when incurred, regardless of the timing of related cash flows.

Budgetary practices

Annual budgets are prepared by management as a control device and adopted in accordance with South Carolina Code of Laws Section 6-1-80.

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Cash and cash equivalents

For purposes of reporting cash flows, the Agency considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The Agency has adopted applicable accounting standards for its investments which clarify that fair value is an exit price, representing the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The Agency utilizes market data or assumptions that market participants would use in pricing. Investments in money market funds and certificates of deposit are reported at amortized cost, which approximates fair value. All investments in U.S. agencies notes and bonds and the South Carolina Investment Pool are reported at fair value and are categorized within the fair value hierarchy established under accounting principles generally accepted in the United States of America ("U.S. GAAP"). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Gains or losses that result from market fluctuation are reported in the current period. As of December 31, 2020, investments in certificates of deposit and the South Carolina Investment Pool are valued using amortized cost, while all of the Agency's investments in U.S. agencies notes and bonds are valued using significant other observable inputs (Level 2 inputs), such as bonds valued by a pricing service that uses matrix pricing or a price or yield of a similar bond.

Restricted assets

Any unexpended bond proceeds issued by the Agency are classified as restricted assets because their use is restricted to the purpose for which the bonds were originally issued. Additionally, certain resources set aside for repayment of debt are classified as restricted assets because their use is limited by applicable bond covenants. Cash and cash equivalents and investments included in the Agency's debt service and debt service reserve accounts are classified as restricted because their use is restricted for security and debt service of the outstanding debt. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Capital assets

Capital assets are stated at historical cost. The Agency capitalizes purchases of assets greater than \$5,000. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation of capital assets is calculated on or using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and land improvements	15 – 30 years
Collection and trunk lines	40 years
Machinery and equipment	5–15 years
Office furniture and equipment	4 – 5 years
Vehicles and heavy equipment	3 – 10 years

Intangible assets consisting of rights-of-way are recorded as capital assets at cost and considered to have an indefinite useful life; therefore, they are not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset is evaluated for impairment because a change in the expected duration of use of the asset has occurred. The carrying value of the intangible asset, if any, following the recognition of any impairment loss, is amortized over the remaining estimated useful life of the asset.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Agency follows the guidance of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Accordingly, interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

The cost of fully depreciated assets and the related accumulated depreciation amounts are eliminated from the accounts, whether the assets are retired or continue in service.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The Agency has granted a statutory lien on the System to secure its revenue bonds and state revolving loans.

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Capital assets, continued

Net position

Net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** – This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted** – This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Long-term obligations

Long-term debt and other obligations financed by the Agency are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using methods which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element, *deferred outflows of resources,* represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency's deferred loss on refunding, as well as deferred pension and other postemployment benefits outflows of resources, qualify for reporting in this category. A deferred loss on refunding results from the difference in carrying value of the refunded debt and reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Pension and other postemployment benefits differences between expected and actual experience with regard to economic and demographic factors are recognized as deferred outflows/inflows of resources related to pension and other postemployment benefits and included in the pension and other postemployment benefits expense over a period based on the average expected remaining service lives of all employees that are provided with benefits through the plan. Additionally, contributions to the pension and other postemployment benefits plans made after the plans' measurement date are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents the acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency's deferred inflows from pension and other postemployment benefits consist of differences between projected and actual experience.

Compensated absences

Vested vacation leave is recorded as an expense and liability as the benefits accrue to employees.

Revenues and receivables

- **Domestic and commercial customers** – Revenues and receivables, based on water consumption, are recognized when services are provided.

- **Industrial customers** – Revenues and receivables, based on metered effluent and surcharges, are recognized when services are provided.

- **Allowance for uncollectible accounts** – An allowance for uncollectible accounts is estimated based on historic bad debt levels, plus an amount for any specific doubtful accounts.

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Operating revenues and expenses

Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are charges to customers for wastewater conveyance and treatment services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

Preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the Agency's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

New pronouncements

In May 2020, GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which resulted in an 18-month postponement for Statement 87, *Leases*. Additionally, all statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018 and later have a one-year postponement.

GASB has issued several statements which have not yet been implemented by the Agency. The following statements may have a future impact on the Agency:

GASB Statement No. 87, *Leases,* effective for periods beginning after June 15, 2021, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Note 1 – Summary of Significant Accounting Policies and Activities, continued

New pronouncements, continued

GASB Statement No. 92, *Omnibus 2020,* was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics and includes specific provisions about the following GASB statements:

- **GASB Statement No. 73**, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*
- **GASB Statement No. 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
- **GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- **GASB Statement No. 84**, *Fiduciary Activities*.

Statement No. 92 is effective for periods beginning after June 15, 2020 for topics above.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective for periods beginning after June 15, 2022, was issued to reduce the diversity in practice of current reporting and to define subscription-based information technology arrangements by leveraging guidance in Statement No. 87, *Leases*.

Note 2 – Cash and Cash Equivalents and Investments

As of December 31, 2020, the Agency had the following cash and cash equivalents and investments:

Cash and cash equivalents:	
Checking and other cash	$ 3,595,920
Money markets - government obligations	34,611,727
Total cash and cash equivalents	$ 38,207,647
Investments:	
Government sponsored enterprises	$ 14,787,177
Certificates of deposit	10,591,157
U.S. Treasury notes	1,006,410
SC investment pool	9,856,981
Total investments	$ 36,241,725

Note 2 – Cash and Cash Equivalents and Investments, continued

Investment maturities are as follows as of December 31, 2020:

Investment type	Fair value	Investment maturities (in years) Less than 1 year	1 – 5 years
Certificates of deposit	$ 10,591,157	$ 7,799,274	$ 2,791,883
SC investment pool	9,856,981	9,856,981	-
U.S. agencies notes and bonds			
Federal Home Loan Bank	1,998,310	-	1,998,310
Federal National Mortgage Association	1,997,530	-	1,997,530
Federal Home Loan Mortgage	9,791,537	7,795,837	1,995,700
Federal Farm Credit Bank	999,800	-	999,800
U.S. Treasury notes	1,006,410	-	1,006,410
Total	$ 36,241,725	$ 25,452,092	$ 10,789,633

No investments mature beyond five years as of December 31, 2020.

Interest rate risk

The Agency's investment policy requires structuring investment maturities and investment options to manage its exposure to fair value losses arising from increasing interest rates.

Credit risk

State law limits investments to obligations of the United States and agencies thereof, general obligations of the state of South Carolina, or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance, and certificates of deposit where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest.

The Agency's investment policy follows state law and requires, at the time of investment, the obligor to have an unsecured credit rating in one of the top two categories. In addition, state law authorizes the Agency to invest in the South Carolina Local Government Investment Pool ("SC Investment Pool"). The SC Investment Pool was created by state legislation which restricts the types of securities the pool can purchase. Specifically, the pool is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States, if such obligations bear any of the three highest ratings of at least two nationally-recognized rating services. The SC Investment Pool is a qualifying pool, which provides that it operates in a manner consistent with specified conservative investment strategies described in GASB Statement No. 79, *Certain External Investment Pool Participants*. The SC Investment Pool is not rated. The total fair value of the pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at $1.00. The SC Investment Pool does not contain any restrictive redemption limitations. Funds may be deposited at any time and may be withdrawn upon 24-hours' notice. Financial statements for the SC Investment Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

Note 2 – Cash and Cash Equivalents and Investments, continued

The Agency's investments at December 31, 2020 consist of SC Investment Pool shares, certificates of deposit, U.S. Treasury notes, and U.S. agencies notes and bonds. The U.S. Treasury notes and U.S. agencies notes and bonds were rated AA+ by Standard & Poor's and/or Aaa by Moody's Investors Service as of December 31, 2020.

The Agency's cash and cash equivalents at December 31, 2020 consist of cash and money market accounts. Approximately $20.8 million of the money market funds are in First American Treasury Obligations Fund Class Y which is assigned the highest credit rating by Standard & Poor's, Moody's, and Fitch. The remaining $13.8 million are held in business money market accounts which are not currently rated but are collateralized.

Concentration of credit risk

In accordance with the Agency's investment policy, all investments must be allowable under the current state law. As a result, more than 5.0% of the Agency's investments are in government sponsored enterprises due to the limited type of investment instruments available under current state law. These investments are approximately 40.8% of the Agency's total investments at December 31, 2020.

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of December 31, 20200, all of the Agency's deposits were insured or collateralized using one of two methods. Under the dedicated method, all uninsured deposits are collateralized with securities held by the Agency's agents in the Agency's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agents in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Agency, these deposits are considered to be held by the Agency's agents in the Agency's name.

Note 3 – Receivables

Customer and other accounts receivables as of December 31, 2020 were as follows:

Fees and services	
Domestic and commercial customers	$ 12,366,382
Industrial customers	1,332,173
Total receivables from fees	13,698,555
Less: allowance for uncollectible accounts	400,000
Net receivables from fees	13,298,555
Accrued interest on cash equivalents and other receivables	416,905
Total receivables	$ 13,715,460

Note 4 – Restricted Cash and Cash Equivalents and Investments

Provisions of the revenue bond and state revolving loan covenants require the Agency to establish funds and restrict the use of certain cash and cash equivalents and investments. A brief description of such funds follows:

- **Current principal and interest payments** – restricts resources accumulated for the next principal and interest payments.
- **Debt service reserves** – restricts resources to cover potential future deficiencies in the current principal and interest payments account.
- **Operations and maintenance** – restricts resources to cover operating and maintenance expenses for one month.
- **Capital asset replacement** – restricts resources to fund asset replacements.
- **Contingencies** – restricts resources to meet unexpected contingencies.

Restricted cash and cash equivalents and investments at December 31, 2020 are restricted for the following uses:

Current principal and interest payments	$ 20,601,416
Debt service reserves	7,980,811
Operations and maintenance	3,569,826
Capital asset replacement	5,685,034
Contingencies	1,000,000
Total restricted assets	$ 38,837,087

Note 4 – Restricted Cash and Cash Equivalents and Investments, continued

Restricted assets consisted of the following at December 31, 2020:

Cash	$ 31,041,250
Investments	7,795,837
Total restricted assets	$ 38,837,087

Note 5 – Capital Assets

A summary of changes in capital assets from December 31, 2019 to December 31, 2020 follows below:

	December 31, 2019	Additions	Disposals	December 31, 2020
Capital assets not being depreciated				
Construction in progress	$ 78,341,071	$ 70,229,396	$ 12,064,274	$ 136,506,193
Land	6,304,061	708,369	-	7,012,430
Rights-of-way	1,770,835	1,034,639	-	2,805,474
Total capital assets not being depreciated	86,415,967	71,972,404	12,064,274	146,324,097
Capital assets being depreciated				
Buildings and land improvements	382,946,131	3,912,339	-	386,858,470
Collection and trunk lines	364,344,311	4,299,966	-	368,644,277
Machinery and equipment	108,430,479	3,620,205	33,497,333	78,553,351
Office furniture and equipment	2,934,842	90,470	225,046	2,800,266
Vehicles and heavy equipment	1,319,625	424,610	376,030	1,368,205
Total capital assets being depreciated	859,975,388	12,347,590	34,098,409	838,224,569
Less: accumulated depreciation				
Buildings and land improvements	195,165,704	12,974,926	-	208,140,630
Collection and trunk lines	151,745,333	9,163,102	-	160,908,435
Machinery and equipment	71,412,086	7,487,372	33,422,032	45,477,426
Office furniture and equipment	658,351	693,766	225,046	1,127,071
Vehicles and heavy equipment	485,067	282,712	376,030	391,749
Total accumulated depreciation	419,466,541	30,601,878	34,023,108	416,045,311
Total capital assets being depreciated, net	440,508,847	(18,254,288)	75,301	422,179,258
Capital assets, net	$ 526,924,814	$ 53,718,116	$ 12,139,575	$ 568,503,355

Note 6 – Defeasance of Debt

From time to time the Agency defeases debt through the issuance of new debt with the proceeds deposited in an irrevocable trust to provide for all debt service payments of the old debt. Thus, the defeased debt and the irrevocable trust are not part of the financial statements. Outstanding principal amounts of defeased bonds totaled $55,513,276 at December 31, 2020.

On October 6, 2020, the Agency issued its $22,445,000 Sewer System Refunding Revenue Bonds, Series 2020C, to provide funds to be applied, together with other funds from the Agency, to refund the following four State Revolving Loans: Lower Reedy Water Resource Recovery Facility Expansion Phase II (2005A Bond), Durbin Creek Water Resource Recovery Facility Upgrade and Expansion (2006 Bond), Gravity Sewer and Manhole Rehabilitation Phase I (2009A Bond), and Gravity Sewer and Manhole Rehabilitation Phase II (2009B Bond), as well as the Taxable Sewer System Revenue Bonds, Series 2010B. To accomplish the refunding of the 2010B Bonds, a portion of the proceeds from the sale of the Series 2020C Bonds, along with other funds from the Agency, were deposited with the Escrow Agent, U.S. Bank National Bank Association. The Series 2020C issuance generated NPV and cash flow savings of approximately $1.8 million.

On the same day, the Agency issued its $23,730,000 Sewer System Refunding Revenue Bonds, Series 2020D (Federally taxable) to provide funds to be applied, together with other funds from the Agency; to advance refund the callable principal of the Sewer System Refunding Revenue Bonds, Series 2012 maturing after January 1, 2022. To accomplish the refunding of the Refunded 2012 Bonds, a portion of the proceeds from the sale of the Series 2020D Bonds, along with other funds from the Agency, were deposited with the Escrow Agent, U.S. Bank National Bank Association. The Series 2020D issuance generated NPV and cash flow savings of approximately $1.1 million.

As a result of the above, these debt issues are considered to be defeased and the the escrowed assets and the liability for the debt have been removed from these financial statements.

Deferred outflow of resources from defeasance loss

When a difference exists between the reacquisition price and the net carrying amount of the old debt, a deferred loss or gain is recorded and classified in the respective deferred outflow or inflow of resources on the Statement of Net Position. This amount is amortized as a component of interest expense over the remaining life of the old debt or new debt, whichever is shorter. As of December 31, 2020, the Agency's defeasance loss, net was $3,123,335.

Amortization of the defeasance loss for the period ended December 31, 2020 totaled $945,433.

Estimated future amortization expense is as follows:

Year ending December 31,	Amortization expense
2021	$ 898,392
2022	896,266
2023	889,642
2024	439,035
Total	$ 3,123,335

Note 7 – Revenue Bonds Payable

At December 31, 2020, the Agency was obligated on various series of revenue bonds issued for purposes of constructing capital assets, with all but Series 2015A and 2017A revenue bonds being publicly traded debt. The Series 2015A and 2017A revenue bonds are direct placement. Revenue bonds outstanding at December 31, 2020 are as follows:

$69,695,000 Series 2005B refunding revenue bonds dated March 15, 2005, with interest at 2.6% to 5.1% payable semi-annually beginning September 1, 2005. Beginning March 1, 2012, annual principal payments ranging from $5,180,000 to $9,400,000 plus semi-annual payments of interest at 2.6% to 5.1% are payable through March 2021.	$ 9,400,000
$63,630,000 Series 2010A refunding revenue bonds dated July 9, 2010, with interest at 3.0% to 5.0% payable semi-annually beginning January 1, 2011. Beginning January 1, 2011, annual principal payments ranging from $1,665,000 to $5,585,000 plus semi-annual payments of interest at 3.0% to 5.0% are payable through January 2021.	4,715,000
$71,395,000 Series 2012 refunding revenue bonds dated March 20, 2012, with interest at 2.0% to 5.0% payable semi-annually beginning July 1, 2012. Beginning January 1, 2014, annual principal payments ranging from $270,000 to $15,065,000 plus semi-annual payments of interest at 2.0% to 5.0% are payable through January 2022.	16,835,000
$13,465,000 Series 2015A refunding revenue bonds dated October 7, 2015, with annual principal payments ranging from $181,000 to $1,649,000 plus interest at 2.0% payable semi-annually through January 2025.	12,282,000
$11,736,000 Series 2017A refunding revenue bonds dated March 14, 2017, with annual principal payments ranging from $141,000 to $2,387,000 plus interest at 2.1% payable semi-annually through March 2024.	9,264,000
$25,055,000 Series 2018A refunding revenue bonds dated October 11, 2018, with annual principal payments ranging from $8,445,000 to $16,610,000 plus interest at 5.0% payable semi-annually through January 2025.	25,055,000
$22,445,000 Series 2020C refunding revenue bonds dated October 6, 2020, with annual principal payments ranging from $295,000 to $5,380,000 plus semi-annual interest payments at 4.0% to 5.0% payable through January 2031.	22,445,000
$23,730,000 Series 2020D refunding revenue bonds dated October 6, 2020, with annual principal payments ranging from $150,000 to $15,650,000 plus semi-annual interest payments at 0.4% to 1.0% payable through January 2024.	23,730,000
Total revenue bonds payable	123,726,000
Premium on refunding bonds	7,514,914
Less: current maturities	21,475,700
Long-term portion	$ 109,765,214

(Continued)

Note 7 – Revenue Bonds Payable, continued

Amortization of bond premiums totaled $2,026,734 for the year ended December 31, 2020.

Future amounts required to pay principal and interest on revenue bonds outstanding at December 31, 2020 are as follows:

Year ending December 31,	Principal	Interest	Total
2021	$ 20,091,000	$ 3,457,128	$ 23,548,128
2022	22,494,000	3,016,702	25,510,702
2023	23,859,000	2,496,643	26,355,643
2024	23,468,000	1,960,216	25,428,216
2025	23,639,000	1,053,773	24,692,773
2026 - 2031	10,175,000	981,675	11,156,675
Total	$ 123,726,000	$ 12,966,137	$ 136,692,137

Provisions of the revenue bond agreements require the Agency to maintain user rates sufficient to generate net earnings as defined by the bond agreement of at least 110% of the combined annual principal and interest payments; make timely payment of principal and interest on all outstanding debt; maintain required funds for debt service reserves, operations, and maintenance expenses, capital asset replacement and contingencies; and meet various other general requirements specified in the bond agreements. Management believes the Agency was in compliance with these covenants at December 31, 2020.

The outstanding bonds, as described above, contain a provision that upon the occurrence of an event of default, the Trustee, along with bond holders with not less than 25% of outstanding bond principal, can declare the outstanding bonds immediately due and payable. The portion of the outstanding bonds due and payable includes the entire principal amount outstanding, plus all interest accrued thereon and which will accrue thereon to the date of payment. Further, in such a default event, the Trustee may demand from the Agency, as promptly as practicable after receipt thereof, all gross revenues, as well as all moneys and securities held by the Agency or Bond Issuer under the respective Bond Resolutions in force.

The Series 2005B bond is payable solely from and secured by a pledge of the gross revenues of the Agency.

The Series 2010A, Series 2012, Series 2015A, Series 2017A, Series 2018A, Series 2020C, and Series 2020D bonds are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution, which is subordinate to the aforementioned Series 2005B pledge.

Interest expense on the revenue bonds totaled $4,081,638 for the year ended December 31, 2020.

Interest paid on the debt issued by the Agency is exempt from federal income tax except for the Series 2020D refunding revenue bonds. The Agency sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. At December 31, 2020, the Agency had no arbitrage rebate liability.

Note 8 – State Revolving Loans Payable

At December 31, 2020, the Agency was obligated on various state revolving loans, constituting direct borrowing issued for purposes of constructing capital assets. State revolving loan amounts outstanding at December 31, 2020, are as follows:

$4,572,731 FY15/16 Gravity Sewer and Manhole Rehabilitation loan dated March 25, 2016. Payable in quarterly installments of $49,400 including interest at 1.8%, through November 2046.	$ 4,095,674
$13,807,197 Richland Creek Trunk Sewer Improvements loan dated March 25, 2016. Payable in quarterly installments of $149,161 including interest at 1.8%, through July 2047.	12,644,766
$1,529,876 FY17 Gravity Sewer and Manhole Rehabilitation loan dated December 4, 2017. Payable in quarterly installments of $23,031 including interest at 1.9%, through July 2038.	1,385,270
$42,690,718 Reedy River Basin Sewer Tunnel loan dated December 4, 2017. Payable in 80-quarterly installments of $517,697 including interest at 1.9%, followed by 40-quarterly installments of $341,979 including interest at 2.4%, through April 2050. Funds remaining to be drawn in 2021 are $10,399,660.	31,659,730
$1,242,265 FY18 Gravity Sewer and Manhole Rehabilitation loan dated May 17, 2019. Payable in quarterly installments of $19,057 including interest at 2.1%, through July 2039.	1,178,928
$15,882,883 Lower Reedy WRRF Digester Capacity Evaluation and Improvements loan dated May 17, 2019. Payable in quarterly installments of $243,652 including interest at 2.1%, through May 2041. As of December 31, 2020, $8,384,983 of funds remain available to be drawn in 2021.	7,497,900
$13,411,050 Rock Creek Interceptor Upgrade loan dated May 17, 2019. Payable in quarterly installments of $205,732 including interest at 2.1%, through January 2041. As of December 31, 2020, $4,083,675 of funds remain available to be drawn in 2021.	$ 9,327,375
Total state revolving loans payable	67,789,643
Less: current maturities	2,624,638
Long-term portion	$ 65,165,005

Interest expense on the state revolving loans totaled $1,515,440 for the year ended December 31, 2020.

Note 8 – State Revolving Loans Payable, continued

Future amounts required to pay outstanding principal and interest on state revolving loans outstanding at December 31, 2020 are as follows:

Year ending December 31,	Principal	Interest	Total
2021	$ 2,624,638	$ 1,513,248	$ 4,137,886
2022	3,138,171	1,692,752	4,830,923
2023	3,200,268	1,630,654	4,830,922
2024	3,263,599	1,567,324	4,830,923
2025	3,328,187	1,502,735	4,830,922
2026 - 2030	17,655,561	6,499,050	24,154,611
2031 - 2035	16,135,765	4,106,204	20,241,969
2036 - 2040	12,348,116	2,164,809	14,512,925
2041 - 2045	4,874,358	617,701	5,492,059
2046 - 2048	1,220,980	20,747	1,241,727
Total	$ 67,789,643	$ 21,315,224	$ 89,104,867

Provisions of the state revolving loan agreements require the Agency to use loan proceeds solely for the purpose of paying eligible project costs, submit the annual audit of its financial statements by June 30, maintain user rates sufficient to make timely payment of principal and interest on all outstanding debt, maintain required funds for current principal and interest payments, operations and maintenance expenses, capital asset replacement and contingencies, review the adequacy of its user rates at least annually, and meet various other general requirements specified in the loan agreements. Management believes the Agency was in compliance with these covenants at December 31, 2020.

The state revolving loans are on parity with the bonds issued under the 2010 Bond Resolution which is subordinate to the Series 2005B pledge. The state revolving loans are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution.

The outstanding revolving loans, as described above, contain a provision that upon the occurrence of an event of default, the outstanding principal balance may be declared immediately due and payable. The portion of the outstanding revolving loans due and payable includes the entire principal amount outstanding, plus all interest accrued thereon and which will accrue thereon to the date of payment.

Note 9 – Changes in Long-Term Liabilities

Changes in long-term debt, compensated absences, other postemployment benefits ("OPEB"), and net pension liability at December 31, 2019 to December 31, 2020 are as follows:

	December 31, 2019	Additions	Reductions	December 31, 2020	Due within One Year
Revenue bonds	$ 123,803,000	$ 46,175,000	$ 46,252,000	$ 123,726,000	$ 20,091,000
State revolving loans	69,174,841	25,991,276	27,376,474	67,789,643	2,624,638
Compensated absences	669,529	740,029	637,444	772,114	643,818
OPEB	21,715,221	3,490,653	297,525	24,908,349	-
Net pension liability	27,918,386	10,346,301	8,344,923	29,919,764	-
Subtotal	243,280,977	86,743,259	82,908,366	247,115,870	23,359,456
Premiums on bond issuance	5,918,356	4,914,044	3,317,486	7,514,914	1,384,700
Total	$ 249,199,333	$ 91,657,303	$ 86,225,852	$ 254,630,784	$ 24,744,156

Note 10 – Construction Contracts in Progress

At December 31, 2020, the Agency had commitments for various projects for the construction and acquisition of property and equipment. Construction in progress is included in capital assets along with land and land improvements, buildings, collection and trunk lines, machinery and equipment, office furniture, vehicles, and heavy equipment.

Note 10 – Construction Contracts in Progress, continued

The following summarizes construction contracts in progress at December 31, 2020 on which significant additional work is to be performed:

Project name	Contract amount	Total contract incurred	Balance to be performed
5R Watershed Planning	$ 1,215,142	$ 912,667	$ 302,475
Asset Management Program Implementation	1,390,386	655,054	735,332
Blossom Branch Sewer Improvements	4,119,350	510,146	3,609,204
Burger King PS Upgrade	3,107,888	559,473	2,548,415
Cityworks Improvements	672,848	562,988	109,860
Conestee Improvements	562,610	462,278	100,332
Dunwoody Oaks PS Elimination	2,903,543	1,994,608	908,935
Flow Meters	1,327,253	263,012	1,064,241
Georges Creek Influent Screen Replacement	566,000	-	566,000
Gilder Creek Comprehensive Facility MP	637,195	332,237	304,958
Gilder Creek Phase III - Package 5	4,137,662	4,018,277	119,385
Lower Reedy Comprehensive Facility MP	834,054	399,897	434,157
Lower Reedy Process Improvements	1,177,840	133,994	1,043,846
Lower Reedy WRRF Digester Improvements	18,788,121	14,402,192	4,385,929
Mauldin Road & Lower Reedy PCS	5,437,126	5,204,355	232,771
Mauldin Road Comprehensive Facility MP	902,441	440,937	461,504
Mauldin Road Process Improvements	1,093,158	780,155	313,003
Mauldin Road Solar Power Improvements	3,673,112	3,471,675	201,437
Mauldin Road Wet Weather PS Phase I Improvements	3,276,190	1,004,759	2,271,431
NE Laurel Creek (Verdae) Sewer Upgrade	1,109,083	864,453	244,630
NGU Regional WRRF	1,237,305	756,721	480,584
Odor Control Evaluation	663,576	180,164	483,412
Payne Branch Basin Phase I	741,900	500,160	241,740
Pelham WRRF Lime System Improvements	801,768	440,676	361,092
Peters Creek Gravity Sewer	2,399,441	2,185,943	213,498
Project Mgmt KPI Dashboard	839,120	738,758	100,362
Reedy River Basin Sewer Tunnel	49,372,477	42,576,607	6,795,870
Rock Creek Interceptor Upgrade	14,914,836	12,009,771	2,905,065
Rocky Creek PS & FM Upgrade	678,040	510,393	167,647
Sewage Works Building Upfit	3,137,876	852,794	2,285,082
Travelers Rest North Regional PS	865,616	724,108	141,508
Unity Park Trunk Sewer	10,925,665	5,925,868	4,999,797
Upper Brushy Creek Sewer Phase I Improvements	628,050	144,796	483,254
Wet Weather Program	7,152,230	4,686,189	2,466,041
Other Projects	5,440,733	1,629,167	3,811,566
Total	$ 156,729,635	$ 110,835,272	$ 45,894,363

Note 11 – Compensated Absences

Full-time employees of the Agency accumulate vacation benefits at one to two days per month, based on length of service, up to 24 days per year. Annual leave in excess of 36 days at December 31 of each year is forfeited. Annual leave earned up to 36 days is paid to employees upon separation from employment. Accrued vacation benefits totaled $772,114 at December 31, 2020.

Note 12 – Employee Benefits

Pension plan

Plan description

Substantially all of the Agency's employees are members of the South Carolina Retirement System (the "SCRS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which is governed by an 11-member Board of Directors. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board of Directors as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees and co-fiduciaries for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA board decisions regarding the actuary of the SCRS.

The SCRS was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. The SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government, and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election. Generally, all employees of covered employers, are required to participate in and contribute to the system as a condition of employment. Employees with an effective membership date prior to July 1, 2012, are considered a Class Two member, whereas, employees with an effective membership date on or after July 1, 2012, are considered a Class Three member. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the SCRS' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Benefits

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

Note 12 – Employee Benefits, continued

Pension plan, continued

Benefits, continued

A brief summary of the benefit terms for SCRS is presented below.

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1.0% 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 over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.0%, while employer contribution rates were increased by two percentage points and further scheduled to increase by a minimum of one percentage point each year through July 1, 2022. However, due to the COVID-19 pandemic, the one percentage point increase was deferred one year for the current and all future increases. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Note 12 – Employee Benefits, continued

Pension plan, continued

Contributions, continued

Additionally, the PEBA Board of Directors is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85.0%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85.0%, then the PEBA Board of Directors, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85.0%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85.0%, then effective on the following July first, and annually thereafter as necessary, the PEBA Board of Directors shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85.0%.

Plan members were required to contribute 9.0% of their annual covered salary for the period of January 1, 2020 to December 31, 2020, and the Agency was required to contribute 15.41% of covered payroll for the period of January 1, 2020 to December 31, 2020. An additional 0.15% of payroll is contributed to a group life insurance benefit for the participants for the period ended December 31, 2020.

All required contributions for the year ended December 31, 2020 were made and are summarized as follows:

Year ended December 31,	Employer SCRS	Employee SCRS
2020	$ 2,156,149	$ 1,247,129

Net pension liability

At December 31, 2020, the Agency reported a liability of $29,919,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, based on the July 1, 2018 actuarial valuation. The total pension liability was rolled forward from the valuation date to the plan’s year ended June 30, 2020, using generally accepted actuarial principles. The Agency’s proportion of the net pension liability was based on the Agency’s normal contributions. At the June 30, 2020 measurement date, the Agency’s proportionate share was 0.117095%.

Note 12 – Employee Benefits, continued

Pension plan, continued

Net pension liability, continued

For the year ended December 31, 2020, the Agency recognized pension expense of $2,930,865 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 345,234	$ 113,139
Changes of assumptions	36,657	-
Net difference between projected and actual earnings on pension plan investments	2,200,852	-
Changes in proportion and differences between Agency's contributions and proportionate share of contributions	22,881	890,677
Agency contributions subsequent to the measurement date	1,124,502	-
Total	$ 3,730,126	$ 1,003,816

At December 31, 2020, the Agency reported $1,124,502 as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement dates and will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. 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 ending December 31,	Pension expense
2021	$ 159,574
2022	400,126
2023	480,498
2024	561,610
Total	$ 1,601,808

Note 12 – Employee Benefits, continued

Pension plan, continued

Actuarial assumptions

Measurement of the total net pension liability requires the use of assumptions about numerous future events that affect the benefit payments that will be made to employees in retirement. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015. The following provides a brief description of the significant actuarial assumptions applied to all periods included in the measurements.

Cost method	Entry age normal
Investment rate of return	7.25%
Salary increases	3.0% plus step-rate increases for members with less than 21 years of service
Inflation	2.25%
Benefit adjustments	Lesser of 1.0% or $500 annually

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

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected investment returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of PEBA's 2020 fiscal year. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

Note 12 – Employee Benefits, continued

Pension plan, continued

Actuarial assumptions, continued

Asset class	Target allocation	Expected arithmetic real rate of return	Long-term expected portfolio real rate of return
Global equity - public equity	35.00%	7.81%	2.73%
Global equity - private equity	9.00%	8.91%	0.80%
Global equity - options strategies	7.00%	5.09%	0.36%
Real assets - private	8.00%	5.55%	0.44%
Real assets - REITs	1.00%	7.78%	0.08%
Real assets - private infrastructure	2.00%	4.88%	0.10%
Real assets - public infrastructure	1.00%	7.05%	0.07%
Opportunistic - GTAA	7.00%	3.56%	0.25%
Opportunistic - other strategies	1.00%	4.41%	0.04%
Credit - high yield bonds/bank loans	4.00%	4.21%	0.17%
Credit - emerging markets debt	4.00%	3.44%	0.14%
Credit - private debt	7.00%	5.79%	0.40%
Rate sensitive - core fixed income	13.00%	1.60%	0.21%
Rate sensitive - cash and short duration	1.00%	0.56%	0.01%
Total expected return	100.00%		5.80%
Inflation			2.25%
Expected arithmetic nominal return			8.05%

Discount rate

The discount rate used to measure the pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the SCRS'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.

Note 12 – Employee Benefits, continued

Pension plan, continued

Actuarial assumptions, continued

Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate

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

1.0% Decrease 6.25%	Current discount rate 7.25%	1.0% Increase 8.25%
$ 37,081,878	$ 29,919,764	$ 23,939,312

Pension plan fiduciary net position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Deferred compensation plan

The Agency offers its employees multiple deferred compensation plans, created in accordance with Internal Revenue Code Sections 401(k) and 457, which are administered and controlled by the state of South Carolina. The plans, available to all the Agency employees, permit employees to defer a portion of their salary until future years. Participation in the plans is optional. Certain employees of the Agency have elected to participate. Compensation deferred under the plans is placed in trust for the contributing employee. Empower Retirement is the program administrator of the plans based on the current state contract.

Note 13 – Postemployment Healthcare Plan

Plan description

The Agency maintains a single-employer defined benefit plan (the "Plan") to provide certain postretirement healthcare benefits to all former regular full-time employees. Healthcare coverage levels for retirees are the same as coverage provided to regular active, full-time employees in accordance with the terms and conditions of the South Carolina State Health Plan.

Benefits

The Agency contributes up to 81.1% of the monthly premium for retirees and covered dependents based on the selected healthcare Plan. The amount contributed by the Agency is determined by PEBA. This amount is based on the level of coverage selected by the retiree, not the Plan selected. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the Agency's commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Summary of membership information

The following table provides a summary of the number of participants in the Plan as of the June 30, 2020 measurement date:

Inactive Plan members or beneficiaries currently receiving benefits	89
Inactive Plan members entitled to, but not yet receiving benefits	-
Active Plan members	176
Total Plan members	265

Contributions

The Agency contributes the following per retiree, per month based on the level of coverage selected, and not the Plan selected by the retiree:

	Employee	Employer
Retiree only	$ 114	$ 470
Retiree/spouse	296	931
Retiree/child(ren)	168	721
Family	358	1,166

Note 13 – Postemployment Healthcare Plan, continued

Changes in the OPEB obligation

Discount rate

For Plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.45% (based on the Fidelity "20-year Municipal GO AA Index" as of June 30, 2020). The discount rate was 3.13% as of the prior measurement date.

Total OPEB liability

The Agency's total OPEB liability of $24,908,349 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2018.

Rollforward disclosure

The actuarial valuation was performed as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to June 30, 2020.

Plan assets

There are no Plan assets accumulated in a trust that meet the criteria in paragraph four of GASB Statement No. 75.

Note 13 – Postemployment Healthcare Plan, continued

Actuarial methods and assumptions

Projections of health benefits are based on the Plan as understood by the Agency and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Agency and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial cost method	Individual Entry Age
Discount rate	2.45%
Payroll growth	3.0% to 7.0%, including inflation
Inflation	2.25% per annum
Experience studies	Based on the experience study covering the five-year period ending June 30, 2015 as conducted for the SCRS.
Mortality	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Females is used with fully generational mortality projections based on Scale AA from the year 2016. The following multipliers are applied to the base tables: 100% for male SCRS members, 111% for female SCRS members.
Medical care trend rates	Initial rate of 6.40% declining to an ultimate rate of 4.00% after 16 years.
Participation rates	It was assumed that 90% of eligible retirees would choose to receive retiree healthcare benefits through the employer.

Sensitivity of total OPEB liability to the discount rate assumption

The Sensitivity of Total OPEB Liability to Change in Discount Rate and Healthcare Trend Rate – OPEB Plan's liability was prepared using a discount rate of 2.45%, which was a change from 3.13% applied in the prior year. If the discount rate were 1.0% higher than what was used in this valuation, the OPEB Plan liability would decrease to $21,403,907 or by 14.1%. If the discount rate were 1.0% lower than what was used in this valuation, the OPEB Plan liability would increase to $29,276,552 or by 17.5%.

	Discount rate		
	1.00% Decrease	Baseline 2.45%	1.00% Increase
OPEB Plan	$ 29,276,552	$ 24,908,349	$ 21,403,907

Note 13 – Postemployment Healthcare Plan, continued

Sensitivity of total OPEB liability to the healthcare cost trend rate assumption

The June 30, 2020 OPEB Plan liability was prepared using an initial trend rate of 6.40%. If the trend rate were 1.0% higher than what was used in this valuation, the OPEB Plan liability would increase to $30,802,290 or by 23.7%. If the trend rate were 1.0% lower than what was used in this valuation, the OPEB Plan liability would decrease to $20,417,743 or by 18.0%.

	Healthcare cost trend rate		
	1.00% Decrease	**Baseline**	**1.00% Increase**
OPEB Plan	$ 20,417,743	$ 24,908,349	$ 30,802,290

For the year ended December 31, 2020, the Agency recognized an increase in OPEB Plan liability of $2,321,067 and reported deferred outflows and inflows of resources related to the OPEB Plan from the following sources:

	Deferred outflows of resources	**Deferred inflows of resources**
Difference in expected and actual experience	$ 51,369	$ 464,801
Changes in assumptions	3,422,529	102,089
Contributions subsequent to the measurement date	328,138	-
	$ 3,802,036	$ 566,890

The $328,138 reported as deferred outflows of resources related to OPEB resulting from the Agency's contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the OPEB liability in the year ending December 31, 2021.

Amounts reported as deferred outflows and deferred inflows of resources related to the OPEB Plan will be recognized in OPEB expense for the year ended December 31, as follows:

2021	$ 483,884
2022	483,884
2023	483,884
2024	483,884
2025	496,137
Thereafter	475,335
Total	$ 2,907,008

Note 14 – Commitments

The Agency has contracted with 11 local water utilities which have common customers to provide billing and collection functions. The most significant is with the Commissioners of the Public Works of the City of Greenville, South Carolina. The fee charged is subject to adjustment annually based upon experience. The cost to the Agency for the year ended December 31, 2020 was $2.7 million, which is included in administration operating expenses on the accompanying Statement of Revenues, Expenses, and Changes in Net Position. For the year ending December 31, 2021, billing charges to the Agency are estimated to cost approximately $3.0 million.

Note 15 – Contingencies

The Agency is from time to time subject to various claims, legal actions, and other matters arising out of the normal conduct of the Agency's operations. In particular, the Agency is regularly involved in lawsuits related to acquiring rights-of-way for its use, which requires a determination of amounts of just compensation to be paid to the owners. Based on prior experience and available information, the Agency does not anticipate any lawsuits to be material to the basic financial statements.

Note 16 – Risk Management

The Agency is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency maintains insurance coverage through the state of South Carolina and manages risk through various employee education and prevention programs. No significant reductions in insurance coverage have occurred from the prior year to the current year. The amount of settlements has not exceeded insurance coverage for the year ended December 31, 2020. The Agency believes the amount of actual or potential claims as of December 31, 2020 will not materially affect the financial condition of the Agency.

Note 17 – Subsequent Events

During January, February, and March 2021, the Agency executed 37 contracts approximating $11.5 million primarily for capital projects.

Renewable Water Resources
Required Supplementary Information
Schedule of Funding Progress - Other Postemployment Benefits

	2020	2019	2018
Service cost	$ 880,678	$ 719,921	$ 804,621
Interest on the total OPEB liability	683,240	704,663	667,597
Difference between expected and actual experience of the total OPEB liability	59,499	(595,133)	(53,461)
Changes of assumptions	2,223,335	2,068,201	(168,926)
Benefit payments	(653,624)	(576,585)	(412,174)
Net change in total OPEB liability	3,193,128	2,321,067	837,657
Total OPEB liability - beginning	21,715,221	19,394,154	18,556,497
Total OPEB liability - ending	$ 24,908,349	$ 21,715,221	$ 19,394,154
Covered-employee payroll	14,828,638	13,541,854	13,170,405
Total OPEB liability as a % of covered-employee payroll	168.0%	160.4%	147.3%

* Information is presented for the years for which information is available

Notes to Schedule

Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	2.45%
2019	3.13%
2018	3.62%

There are no assets accumulated in an irrevocable trust to pay related benefits.

Renewable Water Resources
Required Supplementary Information
Schedule of Agency's Proportionate Share of the Net Pension Liability

Fiscal year [1]	Agency's proportion of net pension liability	Agency's proportionate share of the net pension liability	Agency's total payroll	Agency's proportionate share of the net pension liability as a percentage of total payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.117095%	$ 29,919,764	$ 13,534,813	221.1%	50.7%
2019	0.122266	27,918,387	13,208,153	211.4	54.4
2018	0.122396	27,424,970	12,677,569	216.3	54.1
2017	0.121972	27,457,859	12,276,416	223.7	53.3
2016	0.125092	26,719,467	12,109,581	220.6	52.9
2015	0.123507	23,423,698	11,960,378	195.8	57.0
2014	0.126513	21,781,344	11,961,237	182.1	59.9
2013	0.126513	22,691,919	11,261,359	201.5	56.4

[1] Represents South Carolina Retirement System's fiscal year, which is June 30.

Information is presented for the years for which information is available.

Renewable Water Resources
Required Supplementary Information
Schedule of Agency's Pension Contribution

Fiscal year [1]	Actuarial required contribution	Actual contributions	Contribution deficiency (excess)	Agency's total payroll	Contributions as a percentage of total payroll
2020	$ 2,156,149	$ 2,156,149	$ -	$ 14,754,180	14.6%
2019	1,942,662	1,942,662	-	13,535,656	14.4
2018	1,793,576	1,793,576	-	13,314,563	13.5
2017	1,448,857	1,448,857	-	12,926,984	11.2
2016	709,222	709,222	-	6,124,376	11.6
2016	1,339,320	1,339,320	-	12,109,581	11.1
2015	1,262,243	1,262,243	-	11,960,378	10.6
2014	1,215,138	1,215,138	-	11,961,237	10.2
2013	1,129,479	1,129,479	-	11,261,359	10.0
2012	972,459	972,459	-	10,666,643	9.1
2011	949,406	949,406	-	10,305,949	9.2
2010	915,126	915,126	-	9,981,382	9.2

[1] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 fiscal year end.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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
Renewable Water Resources
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of Renewable Water Resources (the "Agency") as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cherry Bekaert LLP

Greenville, South Carolina
March 13, 2021

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Renewable Water Resources
Greenville, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Renewable Water Resource's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2020. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Cherry Bekaert LLP

Greenville, South Carolina
March 13, 2021

Renewable Water Resources
Schedule of Findings and Questioned Costs
For the year ended December 31, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:				Unmodified
Internal control over financial reporting:				
• Material weakness identified?	____	yes	X	no
• Significant deficiency identified?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major federal programs:				
• Material weakness identified?	____	yes	X	no
• Significant deficiency identified?	____	yes	X	none reported
Type of auditor's report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of *Uniform Guidance*?	____	yes	X	no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
	Clean Water State Revolving Funds (CWSRFs)
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:				$ 750,000
Auditee qualified as low-risk auditee?	X	yes	____	no

Section II – Financial Statement Findings

No findings reported.

Section III – Federal Award Findings and Questioned Costs

No findings reported.

Renewable Water Resources
Summary Schedule of Prior Year Audit Findings
For the year ended December 31, 2020

Section IV – Prior Year Findings

No findings noted.

Renewable Water Resources
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2020

Federal Grantor Pass-through entity Program title	Federal CFDA number	Pass-through entity identifying number	Expenditures
Clean Water State Revolving Funds Cluster			
Environmental Protection Agency			
Passed through the State of South Carolina			
Capitalization Grants for Clean Water State Revolving Funds	66.458	1-195-17-370-85	$ 7,148,821
Capitalization Grants for Clean Water State Revolving Funds	66.458	1-206-18-370-84	2,009,371
Total Clean Water State Revolving Funds Cluster			9,158,192
Total Expenditures of Federal Awards			$ 9,158,192

The accompanying notes are an integral part of this schedule.

Renewable Water Resources
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2020

Note 1 – Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Renewable Water Resources (the "Agency") under programs of the federal government for the year ended December 31, 2020. 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"). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to, and does not, present the statements of net position, revenues, expenses, and changes in net position and cash flows of the Agency.

Note 2 – Summary of significant accounting policies

Basis of Accounting – Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Note 3 – Indirect cost rate

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