

RENEWABLE WATER RESOURCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

**RENEWABLE WATER RESOURCES
GREENVILLE, SOUTH CAROLINA**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Renewable Water Resources** (the "Agency") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Agency's proportionate share of the net pension liability, the schedule of pension contributions, and the schedule of changes in the total OPEB liability and related ratios be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2025 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.



Columbia, South Carolina
March 13, 2025

Management's Discussion and Analysis

RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024. 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 \$34.0 million in net position.
- Total revenues for the year ended December 31, 2024, were \$145.5 million.
- Operating expenses before depreciation totaled \$64.7 million for the year ended December 31, 2024.

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.

The Statement of Revenues, Expenses and Changes in Net Position present 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. They 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, 2024, as net position increased \$34.0 million or 6.8% due to current year operations. Net position for the year ended December 31, 2024, totaled \$531.0 million. The largest portion of the Agency's net position, approximately 79.1%, 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 \$37.6 million or 7.1% 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, 2024, restricted net position increased \$6.9 million.

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

(Continued)

RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Net Position, Continued

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

	<u>FY 2024</u>	<u>FY 2023</u>
Current and noncurrent assets	\$ 131.4	\$ 81.5
Restricted assets	37.6	30.7
Capital assets	712.6	700.6
Total assets	<u>881.6</u>	<u>812.8</u>
Deferred outflows from defeasance loss, net	-	0.4
Deferred outflows from pension	3.1	2.9
Deferred outflows from other postemployment benefits	2.9	3.8
Total deferred outflows of resources	<u>6.0</u>	<u>7.1</u>
Current liabilities	52.4	53.2
Noncurrent liabilities	294.3	258.9
Total liabilities	<u>346.7</u>	<u>312.1</u>
Deferred inflows from pension	1.6	0.8
Deferred inflows from other postemployment benefits	8.1	9.8
Deferred inflows from lease	0.2	0.2
Total deferred inflows of resources	<u>9.9</u>	<u>10.8</u>
Net investment in capital assets	420.1	444.2
Restricted	37.6	30.7
Unrestricted	73.3	22.1
Total net position	<u>\$ 531.0</u>	<u>\$ 497.0</u>

Revenues

Table A-2 shows that the Agency's total revenues increased \$16.5 million or 12.8% to \$145.5 million in the year ended December 31, 2024. 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, 2024, was adopted August 28, 2023 and became effective January 1, 2024.

In the year ended December 31, 2024, domestic and commercial revenue increased \$2.9 million or 3.0% to \$102.3 million. Domestic revenue increased \$1.2 million or 2.0% while commercial revenue increased \$1.7 million or 4.8%. Both increases are primarily attributed to rate increases along with customer growth.

Industrial revenue increased \$0.7 million or 8.8% to \$8.9 million in the year ended December 31, 2024.

New account fee revenue increased \$11.7 million or 71.0% to \$28.2 million in the year ended December 31, 2024, due to an increase in rates effective July 1, 2024, and the timing of fee collection. This is the Agency's highest new account fee revenue year in history.

Interest and other nonoperating revenues increased \$1.1 million or 26.8% to \$5.4 million in the year ended December 31, 2024. This is largely due to an increase in cash and increases in overall yield with the Agency's investment strategy.

(Continued)

RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Revenues, Continued

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

	<u>FY 2024</u>	<u>FY 2023</u>
Operating revenues		
Domestic and commercial customers	\$ 102.3	\$ 99.4
Industrial customers	8.9	8.2
New account fees	28.2	16.5
Septic haulers and other	0.7	0.7
Interest and other nonoperating revenue	5.4	4.2
Total revenues	<u>145.5</u>	<u>129.0</u>
Operating expenses		
Technical operations	45.7	31.4
Administration	19.0	17.1
Total operating expenses before depreciation	<u>64.7</u>	<u>48.5</u>
Depreciation	41.1	37.7
Total operating expenses	<u>105.8</u>	<u>86.2</u>
Interest, amortization and other nonoperating expenses	8.5	8.4
Total expenses	<u>114.3</u>	<u>94.6</u>
Increase in net position	31.2	34.4
Cumulative effect of change in accounting principle		
Capital project cost reimbursements	<u>2.8</u>	<u>5.6</u>
Increase in net position	<u>34.0</u>	<u>40.0</u>
Total net position, beginning of year	<u>497.0</u>	<u>457.0</u>
Total net position, end of year	<u>\$ 531.0</u>	<u>\$ 497.0</u>

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, 2024, capital contributions totaled \$2.8 million.

Expenses

Total expenses in the year ended December 31, 2024, totaled \$114.3 million. Operating expenses before depreciation increased \$16.2 million or 33.5% from \$48.5 million to \$64.7 million. The increase in operating expenses in fiscal year 2024 is largely attributable to increases in employee-related costs, contracted services, and the inflationary impact on chemicals and utilities.

Non-project expenses, which historically were included in non-operating expense, are now being included in operating expense. These expenses are one-time costs that are not capitalizable and can vary considerably from year to year.

RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Capital Assets

In the year ended December 31, 2024, capital assets being depreciated, net increased \$30.7 million or 5.7% to \$574.1 million, which is attributable to various line rehabilitations and facility enhancements, which were offset by annual depreciation. For the year ended December 31, 2024, the Agency's \$712.6 million of net 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)

	<u>FY 2024</u>	<u>FY 2023</u>
Capital assets not being depreciated:		
Construction in progress	\$ 126.4	\$ 145.3
Land	7.8	7.8
Rights-of-way	4.3	4.1
Total capital assets not being depreciated	<u>138.5</u>	<u>157.2</u>
Capital assets being depreciated:		
Buildings and land improvements	421.1	408.0
Collection and trunk lines	517.1	489.0
Machinery and equipment	169.2	140.2
Office furniture and equipment	9.2	9.0
Vehicles and heavy equipment	4.8	3.7
Other assets	3.6	3.6
Right-to-use equipment	1.8	1.8
Right-to-use software	1.3	1.3
Total capital assets being depreciated	<u>1,128.1</u>	<u>1,056.6</u>
Less: accumulated depreciation	<u>554.0</u>	<u>513.2</u>
Total capital assets being depreciated, net	<u>574.1</u>	<u>543.4</u>
Net capital assets	<u>\$ 712.6</u>	<u>\$ 700.6</u>

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 Agency maintains a dynamic 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 \$613.0 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.

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RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Capital Assets, Continued

Capital improvement projects

In 2024, capital projects focused on various conveyance system improvements and facility upgrade projects. During 2024, \$16.3 million was injected to improve the Agency's conveyance system, \$4.5 million was incurred on projects to expand the Agency's service area, and \$32.4 million was incurred in multiple facility improvement projects. The remaining projects focused on system planning and technology and other priority projects.

Table A-4 illustrates the Agency's 2025 Capital Budget of \$102.7 million for conveyance system improvements, facility upgrades, and service area expansions. 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.

Table A-4
2025 Capital Budget (in millions)

FUNDING SOURCES

Reserves and bonds	\$ 50.6
Grants	22.1
South Carolina revolving loan fund	21.1
New account fees	8.9
Total funding sources	<u>\$ 102.7</u>

USES

Conveyance System	\$ 57.3
Water resource recovery facilities	26.1
Service area expansion and other projects	17.6
Rehabilitation and Replacement	1.7
Total uses	<u>\$ 102.7</u>

Long-Term Liabilities

At December 31, 2024, the total obligation for other postemployment benefits is \$18.4 million.

The Agency's net pension liability totaled \$27.2 million at December 31, 2024.

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, 2024, revenue bond debt, including premiums, totaled \$162.6 million, the long-term portion of which was \$137.9 million. As of December 31, 2024, the Agency's revenue bond debt consisted of the following series of revenue and refunding revenue bonds: Series 2015A, Series 2018A, Series 2020C, and Series 2024A.

The Agency received bond premiums of \$3.6 million, \$4.6 million, and \$6.7 million on the Series 2018A, Series 2020C, and Series 2024A revenue bonds, respectively. The bond premiums are amortized over the life of the bonds. The Series 2015A, Series 2018A, Series 2020C, and Series 2024A bonds were issued under the 2010 Bond Resolution and are on parity with all of the Agency's state revolving loans.

All revenue bonds were issued based on the Agency's underlying rating. As of June 2024, the Agency's underlying ratings from Moody's Investors Service was an 'Aa1'. During this same time period, Standard & Poor's maintained their rating of the Agency of 'AAA'.

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RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Long-Term Liabilities, Continued

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 1.4% to 2.4%. State revolving loans outstanding as of December 31, 2024, totaled \$116.0 million.

Listed below are the Agency's state revolving loans outstanding at December 31, 2024:

- 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 FY18 Gravity Sewer and Manhole Rehabilitation
- May 2019 Lower Reedy WRRF Digester Capacity Improvements
- May 2019 Rock Creek Interceptor Upgrade
- May 2020 Unity Park Trunk Sewer Improvements
- June 2021 Simpsonville B Pump Station Elimination
- June 2021 Peppertree Pump Station 1 and 2 Elimination
- June 2023 Lower Reedy Odor Control
- June 2023 Gravity Sewer and Manhole Rehabilitation
- June 2023 Lower Reedy WRRF Digester Improvements Phase II
- June 2023 Gravity Sewer and Manhole Rehabilitation

As of December 31, 2024, the remaining amount available to draw on the Unity Park Sewer Improvements, Simpsonville B Pump Station Elimination, Lower Reedy Odor Control, Gravity Sewer and Manhole Rehabilitation, and Lower Reedy WRRF Digester Improvements totaled \$11.3 million. Construction has been completed and all funds received for the other projects listed above.

Total outstanding long-term debt

At December 31, 2024, the Agency owed \$258.8 million (excluding premiums) in total long-term debt, an increase of \$22.0 million or 9.3% from \$237.3 million at December 31, 2023.

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)**

	<u>FY 2024</u>	<u>FY 2023</u>
Operating revenue	\$ 140.1	\$ 124.8
Investment revenue, unrestricted	4.9	2.2
Gross revenues	<u>145.0</u>	<u>127.0</u>
Less: operating expenses before depreciation	64.7	48.5
Net revenues available for debt service	<u>\$ 80.3</u>	<u>\$ 78.5</u>
Debt service	\$ 33.9	\$ 34.5
Debt coverage	237%	228%

(Continued)

RENEWABLE WATER RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Long-Term Liabilities, Continued

Total outstanding long-term debt, continued

During the year ended December 31, 2024, debt service payments decreased \$0.6 million or 1.8% to \$33.9 million. In June 2024 proceeds of the Series 2024A Refunding Revenue Bonds were utilized to restructure the Series 2022A Revenue Bonds. Debt structure on revenue bonds varies year to year causing principal payments to increase and decrease over the life of the bonds.

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 2015A refunding bonds	1.6	2.0%
Series 2018A capital improvement bonds	16.6	5.0%
Series 2020C refunding bonds	15.6	4.8%
Series 2024A revenue bonds	120.8	4.3%
State revolving loans	116.0	2.0%

More detailed information about the Agency's long-term liabilities is presented in Notes 6, 7 and 8 of the accompanying Notes to the Financial Statements.

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 2.9% during the year ended December 31, 2024.

The Agency's customer base is diversified. No single customer represents more than 0.8% 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 Amanda Bardin, Controller, Renewable Water Resources, 561 Mauldin Road, Greenville, South Carolina 29607; 864-299-4000; or amandab@re-wa.org.

Basic Financial Statements

RENEWABLE WATER RESOURCES

STATEMENT OF NET POSITION DECEMBER 31, 2024

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,436,393
Restricted cash and cash equivalents	37,595,967
Receivables, net	16,241,485
Prepaid assets	2,149,156
Investments	101,574,897
Total current assets	<u>162,997,898</u>
Noncurrent assets:	
Investments	6,003,440
Capital assets, net of accumulated depreciation and amortization	712,646,557
Total noncurrent assets	<u>718,649,997</u>
 Total assets	 <u><u>881,647,895</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources:	
Deferred outflows from pension	3,079,152
Deferred outflows from other postemployment benefits	2,898,512
Total deferred outflows of resources	<u>\$ 5,977,664</u>

RENEWABLE WATER RESOURCES

STATEMENT OF NET POSITION (CONTINUED) DECEMBER 31, 2024

LIABILITIES	
Current liabilities:	
Revenue bonds payable	\$ 24,703,861
State revolving loans payable	5,114,695
Lease liability	388,097
Subscription liability	456,314
Accounts payable - operations	1,827,060
Accounts payable - construction projects	12,883,591
Accrued interest payable	4,037,610
Accrued expenses and other liabilities	1,203,710
Compensated absences	1,430,621
Other postemployment benefits liability	399,484
Total current liabilities	52,445,043
Long-term liabilities:	
Revenue bonds payable	137,896,610
State revolving loans payable	110,840,825
Lease liability	239,334
Compensated absences	144,880
Other postemployment benefits liability	18,000,395
Net pension liability	27,185,636
Total long-term liabilities	294,307,680
Total liabilities	346,752,723
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources:	
Deferred inflows from pension	1,562,222
Deferred inflows from other postemployment benefits	8,130,781
Deferred inflows from lease receipts	154,683
Total deferred inflows of resources	9,847,686
NET POSITION	
Net position:	
Net investment in capital assets	420,123,230
Net position - restricted:	
Debt service	32,765,750
Other	4,830,217
Net position - unrestricted	73,305,953
Total net position	\$ 531,025,150

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

RENEWABLE WATER RESOURCES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2024

Operating revenues:	
Domestic and commercial customers	\$ 102,303,823
Industrial customers	8,883,565
New account fees	28,195,969
Septic haulers and other	751,220
Total operating revenues	<u>140,134,577</u>
Operating expenses:	
Operations	45,710,700
Administration	18,999,913
Total operating expenses before depreciation and amortization	<u>64,710,613</u>
Depreciation and amortization on capital and right-to-use assets	<u>41,057,530</u>
Total operating expenses	<u>105,768,143</u>
Operating income	<u>34,366,434</u>
Nonoperating revenues (expenses):	
Investment income	4,922,838
Interest expense	(7,289,251)
Debt issuance costs	(724,921)
Loss on the disposal of assets	(518,021)
Other revenue	440,738
Net nonoperating expenses	<u>(3,168,617)</u>
Capital contributions:	
Capital contributions	<u>2,781,267</u>
Total capital contributions	<u>2,781,267</u>
Increase in net position	33,979,084
Total net position, beginning of year	<u>497,046,066</u>
Total net position, end of year	<u>\$ 531,025,150</u>

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

RENEWABLE WATER RESOURCES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

Cash flows from operating activities:	
Received from customers	\$ 140,804,094
Paid to suppliers for goods and services	(49,010,509)
Paid to employees for services	(19,545,358)
Other receipts	440,738
Net cash flows from operating activities	<u>72,688,965</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets and project expenses	(54,189,418)
Proceeds from debt issuance	140,826,221
Principal payments on debt	(101,986,494)
Interest payments on debt	(6,266,474)
Debt issuance costs	(724,921)
Proceeds from the sale of capital assets	1,761,325
Net cash flows from capital and related financing activities	<u>(20,579,761)</u>
Cash flows from investing activities:	
Interest received on investments	4,212,549
Purchases of investment securities	(102,638,662)
Proceeds from sales of investment securities	16,447,394
Net cash flows from investing activities	<u>(81,978,719)</u>
Net change in cash and cash equivalents	(29,869,515)
Cash and cash equivalents, beginning of year	<u>72,901,875</u>
Cash and cash equivalents, end of year	<u><u>\$ 43,032,360</u></u>

RENEWABLE WATER RESOURCES

STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2024

Reconciliation of operating income to net cash flows from operating activities:

Operating income	\$ 34,366,434
Adjustments to reconcile operating income to net cash flows provided by operating activities:	
Depreciation and amortization	41,057,530
Other nonoperating revenue	440,738
Changes in asset and liability amounts:	
Receivables, net	741,261
Prepaid insurance	(566,906)
Accounts payable - operations	(2,732,903)
Accrued expenses and other liabilities	(138,245)
Compensated absences	578,310
Pension	(543,833)
Other postemployment benefits	(441,677)
Lease liability and deferred inflows from lease	(71,744)
Net cash flows provided by operating activities	<u>\$ 72,688,965</u>

Noncash activities:

Contributed capital	\$ 2,781,267
Increase in fair value of investments	710,289
Total noncash activities	<u>\$ 3,491,556</u>

Reconciliation of cash and cash equivalents to statement of net position:

Cash and cash equivalents	\$ 5,436,393
Restricted cash and cash equivalents	37,595,967
Total cash and cash equivalents	<u>\$ 43,032,360</u>

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

Notes to Financial Statements

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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. All investments reported at fair value 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, 2024, investments in money market funds, certificates of deposit and the South Carolina Local Government Investment Pool are valued using amortized cost which approximates fair value, while all of the Agency's investments in U.S. agencies notes and bonds are valued using significant other observable inputs (Level 1 and 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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Capital Assets

Capital assets, including right-to-use lease and subscription 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
Right-to-use software	2 - 15 years
Right-to-use equipment	2 - 15 years

Intangible assets consisting of rights-of-ways 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 after December 31, 2017, 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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Leases

Lessee

The Agency is a lessee for noncancellable leases of equipment. The Agency recognizes a lease liability and an intangible right-to-use lease asset in the Statement of Net Position. The Agency recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Leases (Continued)

Lessor

The Agency is a lessor for a noncancellable lease of a building. The Agency recognizes a lease receivable and deferred inflow of lease receipts in the Statement of Net Position. The Agency recognizes lease receivables with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The Agency uses the stated interest rate as the discount rate. When the interest rate is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that the lessee is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred inflows of lease receipts are reported with deferred inflows of resources and lease receivables are reported with receivables on the Statement of Net Position.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Subscription-Based Information Technology Arrangements (SBITAs)

The Agency has a noncancellable SBITA for certain IT software. The Agency recognizes a subscription liability and an intangible right-to-use subscription asset in the Statement of Net Position. The Agency recognizes subscription liabilities with an initial, individual value of \$5,000 or more. At the commencement of a SBITA, the Agency initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of the SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain implementation and conversion costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITAs include how the Agency determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments:

- The Agency uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the subscription liability are composed of fixed payments and purchase option prices that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term liabilities on the Statement of Net Position.

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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (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 and intangible right-to-use assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease liabilities, subscription liabilities, 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."

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial element represents consumption of net assets 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 pension and other postemployment benefits outflows of resources, qualify for reporting in this category. 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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial element represents the acquisition of net assets 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. The Agency's deferred inflows from leases represents revenue which will be recognized over the life of lease agreement in which the Agency is a lessor.

Compensated Absences

Vested vacation and sick 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.

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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Pensions and Other Postemployment Benefits

The Agency recognizes net pension and total OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the Agency's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension and total OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and total OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

Recent Accounting Pronouncements

GASB has issued GASB Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023, which has been implemented by the Agency. This statement was issued to align the recognition and measurement guidance for compensated absences under a unified model and amend certain previously required disclosures.

GASB has issued GASB Statement No. 102, *Certain Risk Disclosures*, effective for periods beginning after June 15, 2024, which has not yet been implemented by the Agency. This statement was issued to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

As of December 31, 2024, the Agency had the following cash and cash equivalents and investments:

	<u>2024</u>
Cash and cash equivalents:	
Checking and other cash	\$ 10,266,610
Money markets - government obligations	32,765,750
Total cash and cash equivalents	<u>\$ 43,032,360</u>
Investments:	
Government sponsored enterprises	\$ 15,345,990
U.S. Treasury notes	14,426,130
U.S. Treasury bills	1,000,000
SC Local Government Investment Pool	76,806,217
Total investments	<u>\$ 107,578,337</u>

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment maturities are as follows as of December 31, 2024:

Investment type	Fair value	Investment maturities (in years)	
		Less than 1 year	1 – 5 years
SC Local Government Investment Pool	\$ 76,806,217	\$ 76,806,217	\$ -
U.S. agencies notes and bonds:			
Federal Home Loan Bank	3,952,460	2,952,430	1,000,030
Federal National Mortgage Association	1,953,300	1,953,300	-
Federal Home Loan Mortgage	1,943,100	1,943,100	-
Federal Farm Credit Bank	7,497,130	5,495,770	2,001,360
U.S. Treasury notes	14,426,130	11,424,080	3,002,050
U.S. Treasury bills	1,000,000	1,000,000	-
Total	<u>\$ 107,578,337</u>	<u>\$ 101,574,897</u>	<u>\$ 6,003,440</u>

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 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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

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 (LGIP). The LGIP 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 LGIP 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, and is accounted for at amortized cost. The LGIP is not rated. The total 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 LGIP 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 LGIP may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

The Agency's investments at December 31, 2024, consist of LGIP shares, U.S. Treasury notes and bills, 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, 2024.

The Agency's cash and cash equivalents at December 31, 2024, consist of cash and money market accounts. Approximately \$32.8 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 balance of approximately \$10.3 million is 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 14% of the Agency's total investments at December 31, 2024.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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, 2024, 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 fiduciary capacity for the Agency, these deposits are considered to be held by the Agency's agents in the Agency's name.

Renewable Water Resources has the following recurring fair value measurements as of December 31, 2024:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. Agencies:				
Federal Home Loan Bank	\$ -	\$ 3,952,460	\$ -	\$ 3,952,460
Federal National Mortgage Association	-	1,953,300	-	1,953,300
Federal Home Loan Mortgage	972,510	970,590	-	1,943,100
Federal Farm Credit Bank	-	7,497,130	-	7,497,130
U.S. Treasury notes	14,426,130	-	-	14,426,130
Total investments measured at fair value	\$ 15,398,640	\$ 14,373,480	\$ -	29,772,120
Investments not subject to level disclosure				
SC Local Government Investment Pool				76,806,217
U.S. Treasury bills				1,000,000
Total investments				\$ 107,578,337

The U.S. Agencies securities and the U.S. Treasury notes investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical assets. The U.S. Agencies investments classified in Level 2 of the fair value hierarchy are valued using pricing matrix technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 3. RECEIVABLES

Customer and other accounts receivables as of December 31, 2024, were as follows:

	<u>2024</u>
Fees and services:	
Domestic and commercial customers	\$ 13,201,222
Industrial customers	1,748,034
Total receivables from fees	14,949,256
Less: allowance for uncollectible accounts	(400,000)
Net receivables from fees	14,549,256
Accrued interest on cash equivalents and other receivables	1,692,229
Total receivables	<u>\$ 16,241,485</u>

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.
- **Operations and maintenance** - restricts resources to cover operating and maintenance expenses for one month.

Restricted cash and cash equivalents at December 31, 2024, are restricted for the following uses:

	<u>2024</u>
Current principal and interest payments	\$ 32,765,750
Operations and maintenance	4,830,217
Total restricted assets	<u>\$ 37,595,967</u>

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets from December 31, 2023, to December 31, 2024, follows below:

	December 31, 2023	Additions	Disposals	December 31, 2024
Capital assets not being depreciated:				
Construction in progress	\$ 145,337,913	\$ 55,139,774	\$ 74,066,843	\$ 126,410,844
Land	7,836,900	-	-	7,836,900
Rights-of-way	4,073,563	225,745	-	4,299,308
Total capital assets not being depreciated	<u>157,248,376</u>	<u>55,365,519</u>	<u>74,066,843</u>	<u>138,547,052</u>
Capital assets being depreciated:				
Buildings and land improvements	407,985,322	13,768,189	623,355	421,130,156
Collection and trunk lines	488,997,655	29,537,863	1,469,583	517,065,935
Machinery and equipment	140,260,512	29,364,138	377,925	169,246,725
Office furniture and equipment	8,976,016	177,578	-	9,153,594
Vehicles and heavy equipment	3,701,998	1,199,410	144,661	4,756,747
Other assets	3,670,358	19,666	-	3,690,024
Right-to-use equipment	1,765,000	-	-	1,765,000
Right-to-use software	1,251,487	-	-	1,251,487
Total capital assets being depreciated	<u>1,056,608,348</u>	<u>74,066,844</u>	<u>2,615,524</u>	<u>1,128,059,668</u>
Less: accumulated depreciation:				
Buildings and land improvements	247,379,693	14,589,757	194,310	261,775,140
Collection and trunk lines	193,476,254	12,764,978	32,935	206,208,297
Machinery and equipment	62,605,003	9,608,882	-	72,213,885
Office furniture and equipment	6,456,229	1,818,489	-	8,274,718
Vehicles and heavy equipment	1,064,180	740,451	108,933	1,695,698
Other assets	1,675,265	920,061	-	2,595,326
Right-to-use equipment	477,896	197,750	-	675,646
Right-to-use software	104,291	417,162	-	521,453
Total accumulated depreciation	<u>513,238,811</u>	<u>41,057,530</u>	<u>336,178</u>	<u>553,960,163</u>
Total capital assets being depreciated, net	<u>543,369,537</u>	<u>33,009,314</u>	<u>2,279,346</u>	<u>574,099,505</u>
Capital assets, net	<u>\$ 700,617,913</u>	<u>\$ 88,374,833</u>	<u>\$ 76,346,189</u>	<u>\$ 712,646,557</u>

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 6. REVENUE BONDS PAYABLE

At December 31, 2024, the Agency was obligated on various series of revenue bonds issued for purposes of constructing capital assets, with all but Series 2015A revenue bonds being publicly traded debt. The Series 2015A revenue bond is direct placement. Revenue bonds outstanding at December 31, 2024, are as follows:

\$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.	\$ 1,649,000
\$25,055,000 Series 2018A capital improvement bonds dated October 11, 2018, with principal payments ranging from \$8,445,000 to \$16,610,000 plus interest at 5.0% payable semi-annually through January 2025.	16,610,000
\$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.	15,555,000
\$120,810,000 Series 2024A refunding revenue bonds dated June 27, 2024, with annual principal payments ranging from \$2,735,000 to \$7,935,000 plus semi-annual interest payments at 4.0 to 5.0% payable through April 2049.	120,810,000
	<hr/>
Total revenue bonds payable	154,624,000
Premium on revenue bonds	7,976,471
Less: current maturities	24,703,861
	<hr/>
Long-term portion	<u>\$ 137,896,610</u>

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 6. REVENUE BONDS PAYABLE (CONTINUED)

Amortization of bond premiums totaled \$1,557,633 for the year ended December 31, 2024.

Future amounts required to pay principal and interest on revenue bonds outstanding at December 31, 2024, are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 23,639,000	\$ 7,899,714	\$ 31,538,714
2026	5,395,000	5,781,075	11,176,075
2027	5,670,000	5,504,450	11,174,450
2028	5,015,000	5,237,325	10,252,325
2029	5,015,000	4,995,750	10,010,750
2030 - 2034	19,410,000	21,999,575	41,409,575
2035 - 2039	23,770,000	16,707,500	40,477,500
2040 - 2044	30,020,000	10,465,950	40,485,950
2045 - 2049	36,690,000	3,786,000	40,476,000
Total	<u>\$ 154,624,000</u>	<u>\$ 82,377,339</u>	<u>\$ 237,001,339</u>

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; and meet various other general requirements specified in the bond agreements. Management believes the Agency was in compliance with these covenants at December 31, 2024.

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 2015A, Series 2018A, Series 2020C, and Series 2024A bonds are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 6. REVENUE BONDS PAYABLE (CONTINUED)

In June 2024, the Agency issued \$120,810,000 Series 2024A, Revenue Refunding Bonds as current refunding the Series 2022A Revenue Bonds. Proceeds of the Series 2024A bonds were issued to provide funds, together with other moneys of the Agency, to redeem in full the Agency's 2022A bonds, to defray all or a portion of project costs, to fund capitalized interest, and to pay costs of issuance. The reacquisition price did not exceed the net carrying amount of the old debt (2022A bonds). The refunding did not result in an economic gain due to the Agency transitioning from interim, revolver-type debt to a long-term financing. The interest rate of the Series 2024A refunding bonds is 4.0% to 5.0% and is payable initially on April 1, 2025, and semi-annually on each April 1 and October 1 thereafter until maturity or early redemption.

Interest expense on the revenue bonds totaled \$4,552,048 for the year ended December 31, 2024. Interest paid on the debt issued by the Agency is exempt from federal income tax except for the refunding revenue bonds. The Agency may temporarily reinvest 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, 2024, the Agency estimated that it had no arbitrage rebate liability.

NOTE 7. STATE REVOLVING LOANS PAYABLE

At December 31, 2024, 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, 2024, 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.	\$ 3,583,085
\$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.	11,117,730
\$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.	1,112,462
\$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.	36,787,458
\$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.	964,736

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 7. STATE REVOLVING LOANS PAYABLE (CONTINUED)

\$15,343,433 Lower Reedy WRRF Digester Capacity Evaluation and Improvements loan dated May 17, 2019. Payable in quarterly installments of \$235,376 including interest at 2.1%, through May 2041.	\$ 13,100,365
\$12,540,156 Rock Creek Interceptor Upgrade loan dated May 17, 2019. Payable in quarterly installments of \$192,373 including interest at 2.1%, through January 2041.	10,570,742
\$10,664,665 Unity Park Trunk Sewer Improvements loan dated May 19, 2020. Payable in quarterly installments of \$165,140 including interest at 2.2%, through February 2041. Funds remaining to be drawn in 2025 are \$845,822.	8,158,527
\$3,181,988 Peppertree Pump Stations #1 and #2 Elimination loan dated June 30, 2021. Payable in quarterly installments of \$47,451 including interest at 1.8%, through May 2042.	2,843,872
\$2,184,315 Simpsonville B Pump Station Elimination loan dated June 30, 2021. Payable in quarterly installments of \$31,959 including interest at 1.6%, through March 2042.	1,926,569
\$8,246,000 Lower Reedy Odor Control Improvements loan dated June 9, 2023. Payable in quarterly installments of \$119,500 including interest at 1.5%, through March 2044. Funds remaining to be drawn in 2025 are \$46,720.	7,931,291
\$3,488,161 Gravity Sewer and Manhole Rehabilitation loan dated June 9, 2023. Payable in quarterly installments of \$50,147 including interest at 1.4%, through December 2043.	3,341,273
\$10,778,231 Lower Reedy Digester Improvements Phase II loan dated June 9, 2023. Payable in quarterly installments of \$154,703 including interest at 1.4%, through January 2045. Funds remaining to be drawn in 2025 are \$2,123,116.	8,655,115
\$6,280,044 Gravity Sewer and Manhole Rehabilitation loan dated June 9, 2023. Payable in quarterly installments of \$90,139 including interest at 1.4%, through June 2044. Funds remaining to be drawn in 2025 are \$281,192.	5,862,295
Total state revolving loans payable	115,955,520
Less: current maturities	5,114,695
Long-term portion	<u>\$ 110,840,825</u>

Interest expense on the state revolving loans totaled \$2,183,211 for the year ended December 31, 2024.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 7. STATE REVOLVING LOANS PAYABLE (CONTINUED)

Future amounts required to pay outstanding principal and interest on state revolving loans outstanding at December 31, 2024, are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,114,695	\$ 2,113,590	\$ 7,228,285
2026	5,328,391	2,054,597	7,382,988
2027	5,427,357	1,955,631	7,382,988
2028	5,528,201	1,854,787	7,382,988
2029	5,630,958	1,752,029	7,382,987
2030 - 2034	29,765,755	7,149,184	36,914,939
2035 - 2039	32,474,918	4,272,176	36,747,094
2040 - 2044	17,672,189	1,794,724	19,466,913
2045 - 2049	8,335,204	540,340	8,875,544
2050 - 2054	677,852	6,107	683,959
Total	<u>\$ 115,955,520</u>	<u>\$ 23,493,165</u>	<u>\$ 139,448,685</u>

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 not later than one hundred and twenty (120) days after the close of each fiscal year, 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, 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, 2024.

The state revolving loans are on parity with the bonds issued under the 2010 Bond Resolution. 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.

During the year ended December 31, 2024, the Agency entered into two state revolving loan agreements, one for a Series 2024C loan with a liability of \$10,795,000 and one for a Series 2024D state revolving loan with a liability of \$4,750,000. As of year-end, the Agency has had no draws on these loans, and as such no liability is recorded for either loan.

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

Changes in long-term debt, leases, subscription liabilities, compensated absences, total other postemployment benefits (OPEB), and net pension liability at December 31, 2023, to December 31, 2024, are as follows:

	December 31, 2023	Additions	Reductions	December 31, 2024	Due within One Year
Revenue bonds	\$ 130,262,785	\$ 120,810,000	\$ 96,448,785	\$ 154,624,000	\$ 23,639,000
Lease liability	989,144	-	361,713	627,431	388,097
Subscription liability	1,182,863	-	726,549	456,314	456,314
State revolving loans	107,050,598	13,354,369	4,449,447	115,955,520	5,114,695
Compensated absences	997,191	578,310	-	1,575,501	1,430,621
OPEB	18,111,002	1,411,893	1,123,016	18,399,879	399,484
Net pension liability	28,317,861	3,009,816	4,142,041	27,185,636	-
Subtotal	286,911,444	139,164,388	107,251,551	318,824,281	31,428,211
Premiums on bond issuance	2,872,252	6,661,852	1,557,633	7,976,471	1,064,861
Total	\$ 289,783,696	\$ 145,826,240	\$ 108,809,184	\$ 326,800,752	\$ 32,493,072

NOTE 9. CONSTRUCTION CONTRACTS IN PROGRESS

At December 31, 2024, 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. The following summarizes construction contracts in progress at December 31, 2024, on which significant additional work is to be performed:

Project name	Contract amount	Total contract incurred	Balance to be performed
Asset Management System Development	\$ 3,221,452	\$ 2,453,916	\$ 767,536
Brushy & Welcome Creeks Gravity Sewer Upgrade	3,601,803	3,027,622	574,181
Brushy Creek PS Renovation	2,309,848	1,576,586	733,262
FY23 Gravity Sewer Rehab	5,579,214	558,693	5,020,521
Gilder Creek Trunk Sewer	1,339,015	248,538	1,090,477
LR Digester Complex Imp Ph II	10,864,456	9,709,940	1,154,516
MR Bioreactor Equipment Replacement	1,578,163	1,009,111	569,052
MR Dewatering Equipment Upgrades	1,874,604	648,122	1,226,482
MR Main Switchgear Replacement	3,896,642	205,373	3,691,269
Payne Branch Basin Ph I	10,671,716	9,905,591	766,125
Swamp Rabbit Trunk Gravity Upgrade 1	3,350,338	2,374,858	975,480
Towns of Pelzer/West Pelzer Sewer Consolidation	4,227,449	884,541	3,342,908
WRRF VFD Replacements	1,518,232	534,421	983,811
Total	\$ 54,032,932	\$ 33,137,312	\$ 20,895,620

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 10. LEASE AS LESSEE

The Agency leases various assets under a noncancelable lease. The Agency determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Agency.

The Agency's lease agreement does not contain any material residual value guarantees or material restrictive covenants. The Agency does not have leases where it is involved with the construction or design of an underlying asset.

The following is a schedule summarizing the lease terms for the lease agreement held by the Agency at December 31, 2024:

	Length of Lease	Implicit Rate	Lease Liability
Asset Lease	60 months	7.06%	\$ 627,431

Right-of-Use (ROU) assets are included with capital assets on the statement of net position, and amortization of the ROUs is included with depreciation expense. The following is a schedule summarizing the ROU assets held by the Agency and related amortization for the year ended December 31, 2024:

	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024
Right-to-use assets:				
Heavy equipment	\$ 1,320,000	\$ -	\$ -	\$ 1,320,000
Equipment	310,000	-	-	310,000
Vehicles	135,000	-	-	135,000
Total right-to-use assets	1,765,000	-	-	1,765,000
Less accumulated amortization for:				
Heavy equipment	(319,000)	(132,000)	-	(451,000)
Equipment	(93,646)	(38,750)	-	(132,396)
Vehicles	(65,250)	(27,000)	-	(92,250)
Total amortization	(477,896)	(197,750)	-	(675,646)
Right-to-use assets, net	\$ 1,287,104	\$ (197,750)	\$ -	\$ 1,089,354

Future lease payments as of December 31, 2024, are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 388,097	\$ 31,903	\$ 420,000
2026	239,334	5,666	245,000
Total	\$ 627,431	\$ 37,569	\$ 665,000

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 11. LEASE AS LESSOR

In February 2022 the Agency, as a lessor, entered into an agreement with a tenant, the lessee, to lease space in one of the Agency's buildings. The lease calls for a term of five years commencing February 2022. The lease does not include options for renewing the lease nor may either party terminate the lease. In accordance with the provisions of GASB Statement No. 87, the lease was measured as of February 2022 with a lease term of five years and a rate of 0.39%, the Agency's incremental borrowing rate based on benchmarks and spreads on the recent borrowings.

Rental payments of \$6,042 are payable monthly. The Agency collected \$72,500 from the tenant for the year ended December 31, 2024, which includes \$71,444 in lease revenue and \$1,036 in lease interest revenue. At December 31, 2024, the Agency recorded a receivable balance of \$154,683 and deferred inflows of \$154,683 related to this agreement.

NOTE 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Agency has entered into a noncancellable SBITA as the lessee for various right-to-use subscription assets. Right-to-use subscription assets and subscription liabilities are recognized at the commencement date based on the present value of the future minimum payments over the contract term. Renewal and termination clauses are factored into the determination of the term if it is reasonably certain that these options would be exercised by the Agency. Right-to-use subscriptions are amortized over the term. In order to determine the present value of payments, the Agency uses the rate implicit in the lease when it is readily determinable.

The following is a schedule summarizing the SBITA terms for the SBITA agreement held by the Agency at December 31, 2024:

	<u>Length of SBITA</u>	<u>Implicit Rate</u>	<u>Subscription Liability</u>
Subscription asset	36 months	5.30%	\$ 456,314

The following is a schedule summarizing the right-to-use subscriptions held by the Agency and related amortization for the year ended December 31, 2024:

	<u>Balance December 31, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2024</u>
Right-to-use assets:				
Software	\$ 1,251,487	\$ -	\$ -	\$ 1,251,487
Total right-to-use assets	<u>1,251,487</u>	<u>-</u>	<u>-</u>	<u>1,251,487</u>
Less accumulated amortization for:				
Software	(104,291)	(417,162)	-	(521,453)
Total amortization	<u>(104,291)</u>	<u>(417,162)</u>	<u>-</u>	<u>(521,453)</u>
Right-to-use assets, net	<u>\$ 1,147,196</u>	<u>\$ (417,162)</u>	<u>\$ -</u>	<u>\$ 730,034</u>

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

Future minimum payments as of December 31, 2024, are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 456,314	\$ 23,938	\$ 480,252
Total	<u>\$ 456,314</u>	<u>\$ 23,938</u>	<u>\$ 480,252</u>

NOTE 13. COMPENSATED ABSENCES

Full-time employees of the Agency accumulate vacation and sick 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 and sick benefits totaled \$1,575,501 at December 31, 2024.

	<u>December 31,</u> <u>2023</u>	<u>Net Change</u>	<u>December 31,</u> <u>2024</u>	<u>Due within</u> <u>One Year</u>
Compensated absences	\$ 997,191	\$ 578,310	\$ 1,575,501	\$ 1,430,621

NOTE 14. RETIREMENT PLAN

The Agency participates in the State of South Carolina’s retirement plans. The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

Plan Membership

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

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

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

Plan Benefits

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year 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.

Plan 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 and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board would increase the employer contributions rates as necessary to meet the funding periods set for the applicable year.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

Plan Contributions (Continued)

Pension reform legislation modified statutes such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period for 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employer and employee contribution rates for the past two years are as follows:

	SCRS			
	2023		2024	
	1/1 - 6/30	7/1 - 12/31	1/1 - 6/30	7/1 - 12/31
Employer Rate:				
Retirement	17.41%	18.41%	18.41%	18.41%
Incidental Death	0.15%	0.15%	0.15%	0.15%
	<u>17.56%</u>	<u>18.56%</u>	<u>18.56%</u>	<u>18.56%</u>
Employee Rate	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>

The Agency's employer contributions to the SCRS plan during 2024 amounted to \$3,059,225.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The GASB Statement No. 67 valuation report prepared as of June 30, 2024, is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023, and will be used for future valuations.

The June 30, 2024, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2023. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions for any of the systems.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

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

	SCRS
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)
Includes inflation at	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 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity	9.0%	9.60%	0.86%
Private Debt	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real Estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
	100.0%		
Total expected return			5.49%
Inflation for actuarial purposes			2.25%
			7.74%

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2024 measurement date, for the SCRS, are presented in the following table:

Total pension liability	\$ 61,369,806,968
Plan fiduciary net position	37,919,492,371
Employers' net pension liability	\$ 23,450,314,597
Plan fiduciary net position as a percentage of the total pension liability	61.8%
Renewable Water Resources's proportionate share of the collective net pension liability	0.115929%

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

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

The TPL is calculated by the Systems' actuary, and the Plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plan's funding requirements.

At December 31, 2024, the Agency reported a liability of \$27,185,636 for its proportionate share of the NPL for the SCRS. The NPL was measured as of June 30, 2024, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report of July 1, 2023, that was projected forward to the measurement date. The Agency's proportion of the NPL was based on a projection of the Agency's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2024 measurement date, the Agency's SCRS proportion was 0.115929 percent, which was a decrease of 0.001196 from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the Agency recognized pension expense of approximately \$2,518,000 for the SCRS plan. At December 31, 2024, the Agency reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 893,416	\$ 33,739
Changes of assumptions	479,278	-
Net difference between projected and actual earnings on pension plan investments	-	1,047,470
Changes in proportion and differences between Agency's contributions and proportionate share of contributions	169,559	481,013
Agency contributions subsequent to the measurement date	1,536,899	-
Total	<u>\$ 3,079,152</u>	<u>\$ 1,562,222</u>

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

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

\$1,536,899 is reported as deferred outflows of resources related to the Agency's contributions subsequent to the measurement date to the SCRS plan and will be recognized as a reduction of the NPL in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year ending December 31,	
2025	\$ (628,167)
2026	962,249
2027	(78,976)
2028	(275,075)
Total	<u>\$ (19,969)</u>

Discount Rate

The discount rate used to measure the TPL was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents The Agency's proportionate share of the NPL calculated using the discount rate of 7 percent, as well as what the employer's NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

Sensitivity of the Net Position Liability to Changes in the Discount Rate		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 35,229,513	\$ 27,185,636	\$ 19,777,863

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 14. RETIREMENT PLAN (CONTINUED)

Additional Financial and Actuarial Information

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

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 contribution employee. Empower Retirement is the program administrator of the plans based on the current state contract.

NOTE 15. POSTEMPLOYMENT

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 81.3% 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.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 15. POSTEMPLOYMENT (CONTINUED)

Plan Membership

As of June 30, 2022, the date of the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

Inactive Plan members or beneficiaries currently receiving benefits	97
Active Plan members	177
Total Plan members	<u>274</u>

Actuarial Assumptions and Methods

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 Normal
Discount rate	3.97% (June 30, 2024 measurement date)
Healthcare cost trend rate:	Initial rate of 6.00% declining to an ultimate rate of 4.00% after 13 years.
Experience studies	Based on the experience study covering the five-year period ending June 30, 2019, as conducted for the SCRS.
Inflation rate	2.25%
Salary increase:	3.00% to 9.50%, including inflation
Participation rate:	90% for eligible retirees
Mortality	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with males rates multiplied by 97% and female rates multiplied by 107%. The rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 15. POSTEMPLOYMENT (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the Agency's total OPEB liability to changes in the discount rate, calculated using the discount rate of 3.97%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.97%) or 1% point higher (4.97%) than the current rate:

	Discount Rate		
	1.00% Decrease	Baseline 3.97%	1.00% Increase
OPEB Plan	\$ 21,094,620	\$ 18,399,879	\$ 16,200,802

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the Agency's total OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	Healthcare Cost Trend Rate		
	1.00% Decrease	Baseline 6.00%	1.00% Increase
OPEB Plan	\$ 15,591,890	\$ 18,399,879	\$ 21,958,914

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The Agency's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2022.

	December 31
Service cost	\$ 642,254
Interest on OPEB obligation	695,014
Difference between expected and actual experience	74,625
Changes in assumptions	(269,829)
Benefit payments	(853,187)
Net change in OPEB obligation	288,877
OPEB obligation, beginning of year	18,111,002
OPEB obligation, end of year	\$ 18,399,879

(Continued)

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 15. POSTEMPLOYMENT (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended December 31, 2024, the Agency recognized OPEB expense of approximately \$421,006. At December 31, 2024, the Agency reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 244,766	\$ 2,573,800
Changes in assumptions	2,254,262	5,556,981
Contributions subsequent to the measurement date	399,484	-
	\$ 2,898,512	\$ 8,130,781

Amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

2025	\$ (904,009)
2026	(1,024,128)
2027	(1,300,829)
2028	(1,673,520)
2029	(703,545)
Thereafter	(25,722)
Total	\$ (5,631,753)

Discount Rate

Pursuant to GASB 75, for unfunded plans the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark. That index was 3.97% on June 30, 2024, and was used to measure the total OPEB liability as of the June 30, 2024 measurement date.

RENEWABLE WATER RESOURCES

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 16. COMMITMENTS

The Agency has contracted with 10 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, 2024, was \$3,379,096, 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, 2025, billing charges to the Agency are estimated to cost approximately \$3,465,105.

The Agency has agreed to fund certain future capital projects on behalf of affiliate systems. The future maximum commitment is \$75 million over a 15-year period, with an annual maximum commitment of \$6 million. The maximum lifetime and annual commitment is to be reduced by anticipated grant funding, the total of which to be received is not yet determinable at December 31, 2024.

NOTE 17. 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 18. 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 reputable insurance providers 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, 2024 or the two years prior. The Agency believes the amount of actual or potential claims as of December 31, 2024 will not materially affect the financial condition of the Agency.

NOTE 19. SUBSEQUENT EVENTS

During January, February, and through March 13 2025, the Agency executed or amended 13 contracts approximating \$17 million primarily for capital projects.

Required Supplementary Information

RENEWABLE WATER RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN AGENCY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 642,254	\$ 648,217	\$ 1,333,564	\$ 1,173,921	\$ 880,678	\$ 719,921	\$ 804,621
Interest on the total OPEB liability	695,014	785,140	558,307	615,488	683,240	704,663	667,597
Difference between expected and actual experience of the total OPEB liability	74,625	(3,465,409)	86,630	247,485	59,499	(595,133)	(53,461)
Changes of assumptions	(269,829)	(418,546)	(8,653,794)	2,604,349	2,223,335	2,068,201	(168,926)
Benefit payments	(853,187)	(783,612)	(782,378)	(746,709)	(653,624)	(576,585)	(412,174)
Net change in total OPEB liability	288,877	(3,234,210)	(7,457,671)	3,894,534	3,193,128	2,321,067	837,657
Total OPEB liability - beginning	18,111,002	21,345,212	28,802,883	24,908,349	21,715,221	19,394,154	18,556,497
Total OPEB liability - ending	<u>\$ 18,399,879</u>	<u>\$ 18,111,002</u>	<u>\$ 21,345,212</u>	<u>\$ 28,802,883</u>	<u>\$ 24,908,349</u>	<u>\$ 21,715,221</u>	<u>\$ 19,394,154</u>
Covered-employee payroll	\$ 14,354,299	\$ 13,098,648	\$ 14,730,245	\$ 14,436,712	\$ 14,828,638	\$ 13,541,854	\$ 13,170,405
Total OPEB liability as a % of covered-employee payroll	128.18%	138.27%	144.91%	199.51%	167.97%	160.36%	147.26%

* 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 and health care trend rate each period.

The following are the discount rates used in each period:

2024	3.97%
2023	3.86%
2022	3.69%
2021	1.92%
2020	2.45%
2019	3.13%
2018	3.62%

The following are the health care trend rates used in each period:

2024	Initial rate of 6.00% declining to an ultimate rate of 4.00% after 13 years.
2023	Initial rate of 6.00% declining to an ultimate rate of 4.00% after 13 years.
2022	Initial rate of 6.00% declining to an ultimate rate of 4.00% after 15 years.
2021	Initial rate of 6.00% declining to an ultimate rate of 4.15% after 15 years.
2020	Initial rate of 6.40% declining to an ultimate rate of 4.00% after 16 years.
2019	Initial rate of 6.40% declining to an ultimate rate of 4.15% after 15 years.
2018	Initial rate of 6.75% declining to an ultimate rate of 4.15% after 14 years.

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

RENEWABLE WATER RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEARS ENDED DECEMBER 31,

Fiscal year	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
2024	0.115929%	\$ 27,185,636	\$ 15,799,819	172.1%	61.8%
2023	0.117125	28,317,861	14,549,264	194.6	58.6
2022	0.115521	28,004,791	13,716,469	204.2	57.1
2021	0.121354	26,262,465	14,068,285	186.7	60.7
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

The assumptions used in the preparation of the above schedule are disclosed in Note 14 to the financial statements.

RENEWABLE WATER RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS - SOUTH CAROLINA RETIREMENT SYSTEM FOR THE YEARS ENDED DECEMBER 31,

Fiscal year ¹	Actuarial required contribution	Actual contributions	Contribution deficiency (excess)	Agency's total payroll	Contributions as a percentage of total payroll
2024	\$ 3,059,225	\$ 3,059,225	\$ -	\$ 16,548,722	18.5%
2023	2,738,684	2,738,684	-	15,156,035	18.1
2022	2,345,256	2,345,256	-	14,625,159	16.0
2021	2,230,010	2,230,010	-	14,647,918	15.2
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

The assumptions in the preparation of the above schedule are as follows:

System	SCRS
Calculation date	July 1, 2022
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year Smoothed
Amortization method	Level % of pay
Amortization period	25 years maximum, closed period period
Investment return	7.00%
Inflation	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service.
Mortality	The 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale UMP from the year 2020. Male rates multiplied by 97% for non-educators and 95% for educators. Female rates multiplied by 107% for non-educators and 94% for educators.

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.

Compliance Section



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, 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, the financial statements of the **Renewable Water Resources** (the "Agency") as of and for the year ended December 31, 2024, 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, 2025.

Report on 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 opinion 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
March 13, 2025