2018 Comprehensive Annual Financial Report

For the Year Ended December 31, 2018

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renewable water resources

GREENVILLE, SOUTH CAROLINA

2018 Comprehensive Annual Financial Report

For the Year Ended December 31, 2018

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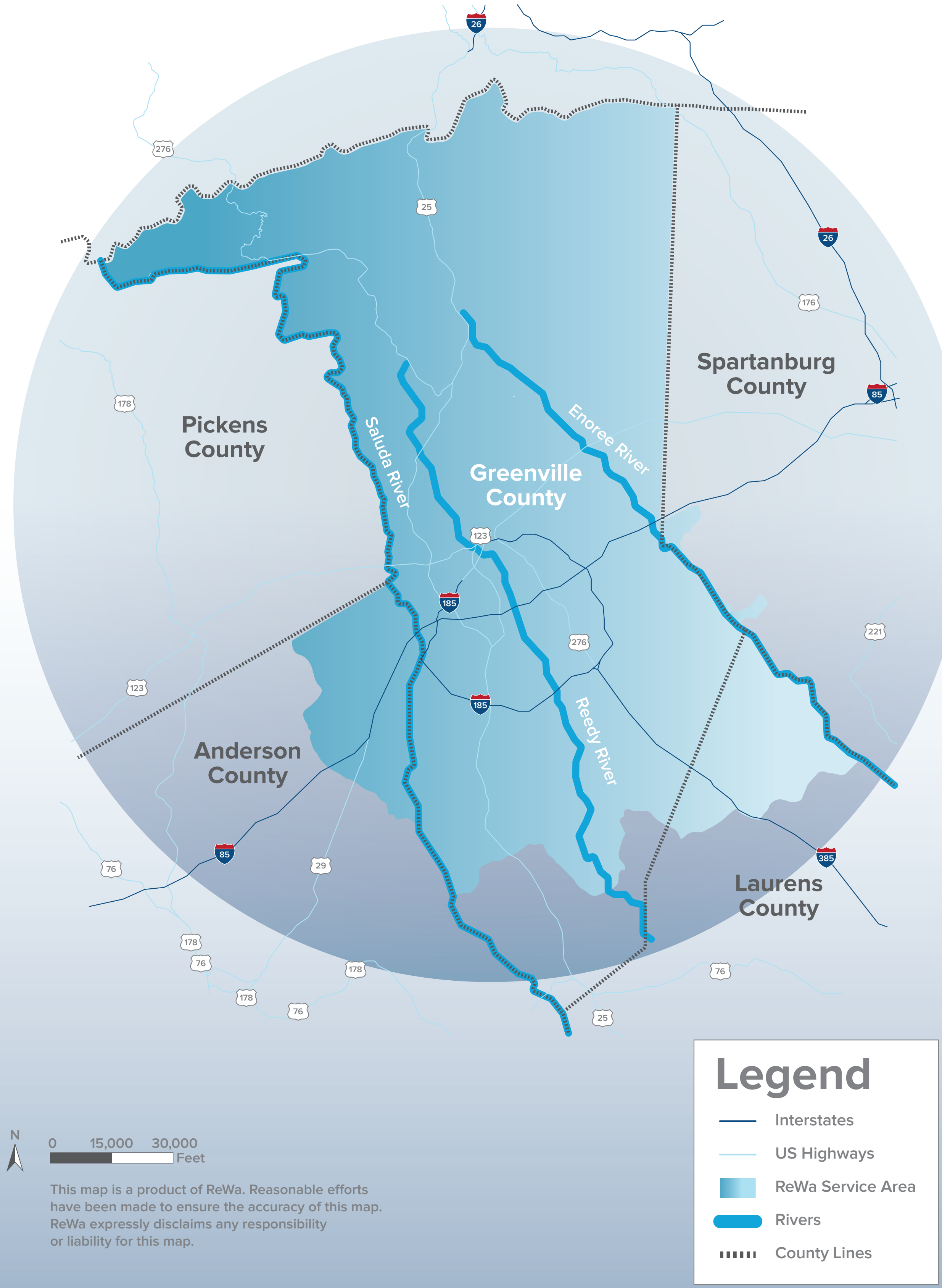
INTRODUCTION

INTRODUCTION

SERVICE AREA



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Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Renewable Water Resources
South Carolina

For its Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill
Executive Director/CEO

April 03, 2019

To Renewable Water Resources Board of Commissioners, Bondholders and Customers:

The management and staff of Renewable Water Resources (the "Agency" or "ReWa") are pleased to present the Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended December 31, 2018.

The CAFR consists of management's representations concerning the finances of the Agency for the fiscal year ended December 31, 2018. Accordingly, management assumes full responsibility for the accuracy and completeness of the information provided in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft or misuse, and to compile sufficient, reliable information for the preparation of the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Since the cost of internal controls should not outweigh the benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert to the best of our knowledge and belief that this financial report is complete and reliable in all material respects.

The Agency's Board of Commissioners (the "Commission") requires an annual audit by an independent firm of certified public accountants. Cherry Bekaert LLP performed this function and conducted the engagement 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. Cherry Bekaert LLP concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion on the Agency's financial statements for the fiscal year ended December 31, 2018. Management's Discussion and Analysis ("MD&A"), as required by GAAP, serves as an introduction to the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Agency's MD&A can be found in the financial section of this report.

PROFILE OF THE AGENCY

The Agency is a special purpose district originally created in 1925 under the name of the "Greater Greenville Sewer District" by Act No. 362 of the Acts of the General Assembly of the State of South Carolina. As originally constituted, Act No. 362 provided for the Greater Greenville Sewer District to be governed by a commission known as the "Greater Greenville Sewer District Commission." In 1926, by Act No. 784, the Commission of the Greater Greenville Sewer District was empowered "to establish, extend, enlarge, maintain, conduct and operate sewer systems, sewer lines and sewer mains; to make any and all regulations which they consider necessary to effectuate this Act; and generally to do all things necessary to create and maintain a sewerage system in the District." The name, Greater Greenville Sewer District, was changed to Western Carolina Regional Sewer Authority by Act No. 393 of 1974, and was subsequently changed to Renewable Water Resources by Act No. 102 of 2009. In 2010, by Act No. 311, the Agency's authority was expanded to use, market and set rates related to the generation of goods and energy derived from by-products of the treatment process and alternate sources. In 2016, Act No. 298 expanded the Agency's retail, trunk and treatment service area in Greenville County to the North Carolina border; the Agency is currently in the process of acquiring existing wastewater assets in the area. Act No. 284 of 2018 expanded the Agency's service area to include Spartanburg County's Enoree Basin. The Agency's activities are accounted for as an enterprise fund, and costs are recovered through user fees.

The Agency is the largest wastewater trunk and treatment provider in the region, serving much of Greenville County and portions of Anderson, Laurens, Pickens and Spartanburg Counties which are commonly referred to as the Upstate. The Saluda River, Reedy River and Enoree River basins are the three drainage basins in the Agency's service area. Upon closing of the aforementioned acquisition, the Agency will also discharge in the Tyger River Basin. Wastewater within the region is collected from 18 public partners that construct and maintain approximately 2,400 miles of sewer retail collection lines. These collection lines connect into the Agency's 352 mile interceptor system. The Agency owns and operates eight water resource recovery facilities ("WRRF") which treat an average flow of 43 million gallons per day.

An eleven-member Commission governs the Agency. The Governor, upon the recommendation of the respective county legislative delegation, appoints each member of the Commission to a four-year term. Seven members are residents of Greenville County, two members are required to live in Spartanburg County and the remaining two are required to live in Anderson and Laurens Counties, respectively.

The Agency is dedicated to enhancing the quality of life and economic growth in its service area by providing quality wastewater treatment services. In addition to providing wastewater treatment services, the Agency is focused on long-term sustainability strategies such as generating renewable products from methane gas and biosolids, which are by-products of the treatment process.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in this report is most meaningful when it is considered in relation to the economic and social environment in which the Agency operates.

Regional Economy

The City of Greenville is centrally located within Greenville County and is in the largest metropolitan statistical area in South Carolina. Greenville County is strategically located on the I-85 corridor between Atlanta and Charlotte, one of the fastest growing corridors in the country. Greenville has become an established coordination center for east coast transportation, offering a multitude of transportation options with convenient access to air, interstate and railways. The region continues to improve and expand transportation options. WINGSPAN, a $125 million investment in the Greenville Spartanburg International ("GSP") Airport, was completed during 2017. Money well spent considering a recent study by Syneva Economics concluded that the GSP Airport had a $2.9 billion economic impact on the Upstate's economy in 2017, compared to $377 million in 2009. Additionally, the Inland Port Greer opened in October 2013 and has experienced five years of steady growth. The inland port extends the Port of Charleston's reach 212 miles inland; boosting efficiency for international freight movements between the Port of Charleston and companies located across the Southeast.

For many years now, Greenville has accumulated accolades and generated national recognition. The attention has ranged from our progressive government and favorable business climate to our vibrant downtown. Recently, Greenville ranked 35th in *Business Insider's*, "The 35 cities in the US with the biggest influx of people, the most work opportunities, and the hottest business growth". Further, in recent years, Greenville has emerged as a travel destination citing an alluring Main Street lined with boutiques, foodie restaurants, art galleries, acclaimed theatres and a baseball stadium. In 2018, Greenville was showcased in over 80 travel related articles or media mentions. Additionally, Greenville's quality of life, for all ages, is often highlighted. Greenville ranked #6 in Southern Living Magazine's "The South's Prettiest Cities" and was included in the "50 Best Places (In the World) to Travel in 2018" by *Travel and Leisure.*

Greenville is known to have a progressive local government, which has formed partnerships with companies and universities to promote economic development. One of the most prominent partnerships is Clemson University's International Center of Automotive Research ("CU-ICAR"), the result of a combined effort among BMW, Michelin North America, the City of Greenville, the State of South Carolina and others. The $250 million investment in the 250 acre advanced-technology campus, located within the city limits of Greenville, was designed to bridge the gaps between research, technology and commercial application. CU-ICAR is composed of five technology neighborhoods, each designed uniquely for optimizing an innovative and collaborative environment. Additionally, the South Carolina Technology and Aviation Center ("SCTAC"), a 2,600 acre campus jointly owned by the City of Greenville and Greenville County, boasts tenants such as 3M, Cytec Carbon Fibers, Lockheed Martin, Michelin and Stevens Aviation.

During 2018, Greenville County Council brokered a billion dollar deal to transform County Square into a mixed-use development which will include a new 250,000 square foot County office building. The development will take seven to 10 years to build out and is expected to generate an additional

$22.5 million in property tax revenue for the county and City of Greenville. Further, taxes will not be raised to pay for the development.

Greenville is committed to strategic planning and is regarded as an innovative and entrepreneurial leader in South Carolina. Companies continue to be attracted to Greenville's pro-business attitude, location and workforce quality. In fact, Greenville has earned the reputation as one of the top metropolitan areas in the world for engineering talent per capita and over 100 international companies have a major presence in Greenville. During 2018, the Greenville Area Development Corporation announced seventeen expansions and/or relocations, representing an estimated investment of $161.7 million and creating approximately 1,477 jobs.

As of December 2018, Greenville County's unemployment rate, not seasonally adjusted, was 2.8%. Greenville's unemployment rate remains lower than South Carolina's overall rate of 3.3%, which can be attributed to Greenville's economic development strategy.

Industry

The Agency has slightly more than 100 industrial customers that it bills directly and classifies as either significant industrial users or low-volume dischargers. An industry is classified as a significant industrial user by meeting one of the following criteria:

- Is subject to National Categorical Treatment Standards
- Discharges a minimum average of 25,000 gallons per day of process wastewater to the Public Owned Treatment Works ("POTW")
- Discharges five percent or more of any design or treatment capacity of the POTW
- Is found by the Agency, the South Carolina Department of Health & Environmental Control, or the U.S. Environmental Protection Agency to have a reasonable potential for adversely affecting, either singly or in combination with other discharges, the wastewater disposal system, the quality of sludge, the system's effluent quality, the receiving stream, or air emissions generated by the system

Currently, the Agency has 75 industries classified as significant industrial users. All significant industrial users must obtain a permit to discharge to the POTW. Significant industrial users pay fixed-base fees, volume charges, and surcharges for industrial biological oxygen demand and total suspended solid discharges. Conversely, a low-volume discharger is a regulated industry that does not meet any of the previously mentioned criteria.

Listed below are the Agency's largest industrial customers by revenue generation during 2018.

Industry	**Revenue**	**Percentage of total operating revenue**
House of Raeford Farms, Inc *Poultry processing*	1,540,996	1.59%
Cytec Carbon Fibers, LLC *Carbon fiber and graphite manufacturer*	410,411	0.42%
Cryovac Sealed Air Corporation *Food packaging services*	351,638	0.36%
Furman University *Higher education*	338,946	0.35%
C.F. Sauer Company, Inc. *Mayonnaise, spice & extract manufacturing*	317,879	0.33%
Kemet Electronics Corporation *Electronic capacitor manufacturing*	290,261	0.30%
Michelin North America, Inc. *Tire manufacturer*	277,658	0.29%
BASF Corporation *Chemical manufacturer*	276,829	0.29%
3M Company *Film and tape manufacturer*	223,017	0.23%
General Electric Gas Turbine *Gas turbine manufacturing*	217,327	0.22%

Long-Term Financial Planning

The Agency performs long-range planning, such as the 20-year strategic plan (the "Upstate Roundtable Plan"), which was adopted in 2009 and built upon the original 1994 plan. In addition, the Agency maintains a rolling five-year capital improvement program. The development of this program involves evaluating the recommendations identified in the Upstate Roundtable Plan to current growth projections and regulatory requirements, as well as project affordability. Rate studies are completed every three to five years, which identifies the funding sources and limits of the capital improvement program. The last rate study was completed in 2017.

Accountability and Transparency

The Agency's website, www.rewaonline.org, is utilized to publish both financial and non-financial information to enhance the public's understanding and promote interest. The site serves to disseminate information in a timely and effective manner and includes a description of the wastewater treatment process, approved rates, procurement and employment opportunities, new customer information, Annual Reports, Sewer Use Regulation and upcoming events. The website also includes links to the Upstate Roundtable Plan and the Agency's community outreach initiatives such as Project Rx: A River Remedy and Be Freshwater Friendly. The Agency uses the website and local newspapers to communicate public comment and hearing notifications, as well as Commission meeting agendas. The Agency strives to be transparent and accountable both operationally and fiscally.

Budget

The Agency's Commission annually adopts an operating and capital budget prior to the new fiscal year. The budget provides the basis for reporting, which management uses to monitor and control the Agency's spending. Management receives the budget to actual report monthly and is responsible for providing variance explanations to the Accounting Department.

The Commission approves the budget after a public hearing and upon the recommendation of the Chief Executive Officer, ("CEO"). The approved budget will remain in effect for the entire fiscal year and can only be revised with a public hearing and Commission approval.

Major Initiatives

Shortly after Graham W. Rich joined the Agency, as CEO, in January 2016 a strategic planning initiative was launched. The first step of the planning initiative was to realign the Agency's mission with its purpose: "To enhance our community's quality of life by transforming wastewater into renewable resources through responsible and innovative solutions." The next step was to define the Agency's vision: "Through the passion of our workforce, ReWa will be a community partner and an industry leader safeguarding our environment for future generations." During planning, it became evident that to be successful in fulfilling its mission and vision, ReWa would need to engage employees who embodied the following core values: Professionalism, Unity, Integrity and Trust, Safety, Accountability, and Dedication. During 2017, a diverse cross-functional Strategic Core Group was formed and identified these five critical objectives:

1. Invest in our employees to achieve an engaged and sustainable workforce.
2. Manage assets in a fiscally responsible manner to assure infrastructure reliability.
3. Increase community awareness and understanding of ReWa.
4. Maintain financial viability while balancing community needs and affordability.
5. Enhance policies and practices to provide the highest quality products and services.

With these objectives in mind, 2018 has been filled with a multitude of initiatives ranging from Wellness and Compensation to Wet Weather and Network Redesign.

ACCOMPLISHMENTS

Organizational Awards

Seven of the Agency's facilities and several departments won the South Carolina Chamber of Commerce Safety Award. The South Carolina Chamber of Commerce recognizes companies achieving a commendable lost workday case rate.

All of the Agency's facilities won the South Carolina Department of Health & Environmental Control's Facility Excellence Award which recognizes facilities that are striving to meet or exceed expectations in environmental protection.

All of the Agency's facilities received Peak Performance Awards from the National Association of Clean Water Agencies ("NACWA"). NACWA recognizes member agencies for excellence in wastewater treatment as measured by their compliance with their National Pollutant Discharge Elimination System ("NPDES") permit.

ReWa's Biosolids Management Program received The Environmental Management System ("EMS") Platinum Level Award. This award signifies compliance with EMS standards.

The Agency received the Water Environment Federation Utility of the Future Award for ReWa's community engagement with ReWa's Dig Greenville capital project. The Utility of the Future Today Recognition Program honors water resource recovery facilities for community engagement, watershed stewardship and recovery of resources such as water, energy and nutrients.

Financial Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Agency for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the 25th consecutive year that the Agency has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily-readable and efficiently-organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements. Receipt of this award represents the highest form of recognition in the area of governmental accounting and financial reporting.

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

The Agency was also awarded the GFOA's prestigious Award for Outstanding Achievement in Popular Annual Financial Reporting for the 20th consecutive year. We believe that our current Annual Report to the Community continues to meet the award requirements and we are submitting it to the GFOA for evaluation.

ACKNOWLEDGEMENTS

This report could not have been prepared without the dedicated and professional effort of the Agency's Accounting Department along with the cooperation of staff from the Agency's other departments.

Graham W. Rich, PE, BCEE
Chief Executive Officer

Cathy D. Caldwell, CPA
Administrative Finance Director

Patricia R. Dennis, CPA
Controller

RENEWABLE WATER RESOURCES
BOARD OF COMMISSIONERS
2018

Name	Original Appointment	Current Term Expires	Principal Occupation
Daniel K. Holliday Chairman	01/01/13	12/31/20	Businessman
Ray C. Overstreet Vice Chairman	12/31/10	12/31/22	Retired Businessman
John T. Crawford, Jr. Secretary/Treasurer	12/31/15	12/31/19	Lawyer
Timothy A. Brett	12/31/17	12/31/21	Businessman
Emily K. DeRoberts	12/31/17	12/31/21	Businesswoman
Chip Fogleman	12/31/16	12/31/20	Businessman
L. Gary Gilliam	12/30/06	12/30/22	Businessman
J. D. Martin	12/31/01	12/31/21	Businessman
Clinton J. Thompson	12/31/16	12/31/20	Businessman
Vacant			
Vacant			

RENEWABLE WATER RESOURCES LEADERSHIP

Graham W. Rich, P.E., BCEE	Chief Executive Officer
Mary Beth Lampe, SHRM-CP	Chief Administrative Officer
Joel H. Jones, MSM	Chief Technical Officer
Terry E. Bice	Conveyance and Maintenance Director
Cathy D. Caldwell, CPA	Administrative Finance Director
Kevin James	Water Resource Recovery Director
Dan Johnson, PMP, LSSBB, ITIL	Information Technology Director
L. Glen McManus, MPA	Business Continuity Services Director
Angie Price, P.E.	Regulatory Services Director
Gregory A. Wright, P.E.	Engineering Director

ORGANIZATIONAL STRUCTURE

- **RATE PAYERS**
  - **BOARD OF COMMISSIONERS**
    - **GRAHAM W. RICH,** CHIEF EXECUTIVE OFFICER
      - **JOEL JONES,** CHIEF TECHNICAL OFFICER
        - **KEVIN JAMES, DIRECTOR** WATER RESOURCE RECOVERY
          - **Brain Smith, Manager** Water Resource Recovery
        - **GREG WRIGHT, DIRECTOR** ENGINEERING
          - **Angela Allen, Senior Project Manager** Engineering
          - **Brian Kohart, Senior Project Manager** Engineering
          - **Jason Gillespie, Senior Project Manager** Engineering
          - **Joe Thompson, Senior Project Manager** Engineering
        - **TERRY BICE, DIRECTOR** CONVEYANCE AND MAINTENANCE
          - **Toby Humphries, Manager** Conveyance and Maintenance
        - **ANGIE PRICE, DIRECTOR** REGULATORY SERVICES
          - **Mike Ward, Manager** Regulatory Services
          - **Josh Smith, Manager** Compliance Programs
          - **Joey Collins, Manager** Biosolids and Residuals
        - **GLEN MCMANUS, DIRECTOR** BUSINESS CONTINUITY SERVICES
          - **Randy Boyette, Manager** Technical Resources
      - **MARY BETH LAMPE,** CHIEF ADMINISTRATIVE OFFICER
        - **DAN JOHNSON, DIRECTOR** INFORMATION TECHNOLOGY
          - **Toby Louris, Manager** IT Operations
          - **Chris Lienau, Manager** IT Support
        - **Lavada Galloway, Manager** Human and Strategic Resources
        - **CATHY CALDWELL, DIRECTOR** ADMINISTRATIVE FINANCE
          - **Patricia Dennis, Controller** Accounting
          - **Julie Dacus, Manager** Purchasing
          - **Veronica Davis, Supervisor** Customer Service
        - **Stacey Flax, Senior Strategic Communications Coordinator** Public Relations

FINANCIAL

Renewable Water Resources
Financial Statements
and Supplemental Information

As of and for the Year Ended
December 31, 2018

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying statement of net position of Renewable Water Resources (the "Agency") as of December 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2018, and the results of its operations and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 17 to the basic financial statements, the Agency implemented provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions*, effective January 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and the required supplementary information schedules on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Greenville, South Carolina
March 25, 2019

Management’s Discussion and Analysis

Renewable Water Resources
Management's Discussion and Analysis

As management of Renewable Water Resources ("ReWa" or the "Agency"), we present this narrative overview and analysis of financial performance for the year ended December 31, 2018. Please consider this information in conjunction with the financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2018, the Agency implemented Governmental Accounting Standards Board ("GASB") **Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective for periods beginning after June 15, 2017, which replaces the requirements of **GASB Statement No. 45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Among other things, GASB Statement No. 75 requires governments to recognize the net Other Postemployment Benefits ("OPEB") liability and OPEB expense in their financial statements, along with the related deferred outflows and inflows of resources.

- The Agency's financial position continues to be strong with an overall net increase of $13.2 million in net position despite a reduction of $12.2 million, at January 1, 2018, due to the implementation of the aforementioned GASB Statement No. 75.

- Total revenues for the year ended December 31, 2018 were $98.2 million.

- Operating expenses before depreciation totaled $38.7 million for the year ended December 31, 2018.

- In September 2018, S&P Global Ratings upgraded ReWa's outstanding rated Senior Lien Debt one level to AAA from AA+ and upgraded the Agency's outstanding rated Junior Lien Debt two levels to AAA from AA.

Overview of the Financial Statements

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

(Continued)

Overview of the Financial Statements, continued

The Statement of Revenues, Expenses and Changes in Net Position 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, 2018, as net position increased $13.2 million or 3.9%. The $13.2 million increase in net position is due to $25.4 million of current year operations, reduced by $12.2 million on January 1, 2018, as a result of the GASB Statement No. 75 implementation. Net position for the year ended December 31, 2018 totaled $351.0 million. The largest portion of the Agency's net position, approximately 87.7%, 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 10.8% of the Agency's net position is restricted (restrictions established by debt covenants, enabling legislation or other legal requirements). In the year ended December 31, 2018, restricted net position increased $0.4 million or 1.1%, due to scheduled debt service.

(Continued)

Net Position, continued

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

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

	FY 2018	FY 2017
Current and noncurrent assets	$ 56.3	$ 61.9
Restricted assets	38.8	37.2
Capital assets	508.0	485.4
Total assets	603.1	584.5
Deferred outflows from defeasance loss, net	4.5	7.4
Deferred outflows from pension	2.6	3.4
Deferred outflows from other postemployment benefits	0.3	-
Total deferred outflows of resources	7.4	10.8
Current liabilities	37.5	38.8
Noncurrent liabilities	221.3	218.1
Total liabilities	258.8	256.9
Deferred inflows from pension	0.5	0.6
Deferred inflows from other postemployment benefits	0.2	-
Total deferred inflows of resources	0.7	0.6
Net investment in capital assets	307.6	275.6
Restricted	37.6	37.2
Unrestricted	5.8	25.0
Total net position	$ 351.0	$ 337.8

Revenues

Table A-2 shows that the Agency's total revenues increased $6.1 million or 6.6% to $98.2 million in the year ended December 31, 2018. 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, 2018 was adopted April 24, 2017, and became effective January 1, 2018.

In the year ended December 31, 2018, domestic and commercial revenue increased $3.6 million or 4.8% to $78.5 million. This increase is predominantly a result of the 9.1% base rate increase and approximate 4.5% volume rate increase, as well as modest customer growth increase of 2.1% which was offset by a decline in consumption.

Industrial revenue increased $0.4 million or 5.4% to $7.9 million in the year ended December 31, 2018. The increase in fiscal year 2018 is primarily attributable to the 9.1% base rate increase and approximate 4.5% volume rate increase which took effect on January 1, 2018.

(Continued)

Revenues, continued

New account fees, based on water meter size, increased 50.0% or $3.3 million to $9.9 million in the year ended December 31, 2018 and totaled $6.6 million in 2017. This is the Agency's highest new account fee revenue year in history.

Interest and other nonoperating revenues decreased $1.2 million or 46.2% to $1.4 million in the year ended December 31, 2018. This is largely due to the sales tax refund of $1.8 million, which was received during fiscal year 2017.

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

	FY 2018	FY 2017
Operating revenues		
Domestic and commercial customers	$ 78.5	$ 74.9
Industrial customers	7.9	7.5
New account fees	9.9	6.6
Septic haulers and other	0.5	0.5
Interest and other nonoperating revenues	1.4	2.6
Total revenues	98.2	92.1
Operating expenses		
Technical operations	24.6	22.9
Administration	14.1	11.9
Total operating expenses before depreciation	38.7	34.8
Depreciation	27.8	26.8
Total operating expenses	66.5	61.6
Interest, amortization and other nonoperating expenses	8.3	7.7
Total expenses	74.8	69.3
Capital project cost reimbursements	2.0	0.6
Increase in net position	25.4	23.4
Total net position, beginning of year	337.8	314.4
Effect of GASB 75 implementation	(12.2)	-
Total net position, beginning of year, as restated	325.6	314.4
Total net position, end of year	$ 351.0	$ 337.8

Capital Contributions

Project reimbursement occurs when the Agency enters into 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, 2018, capital contributions totaled $2.0 million.

Expenses

Total expenses in the year ended December 31, 2018 totaled $74.8 million. Operating expenses before depreciation increased $3.9 million or 11.2% from $34.8 million. The increase in operating expenses in fiscal year 2018 is largely attributable to increases in electricity, solids disposal, customer billing expenses and software support contracts.

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

Capital Assets

In the year ended December 31, 2018, capital assets being depreciated, net decreased $8.9 million or 2.0% to $432.1 million, which is attributable to various line rehabilitations, pump station improvements and facility enhancements, which were offset by annual depreciation. For the year ended December 31, 2018, the Agency invested $508.0 million in infrastructure, which includes land, rights-of-way, trunk lines, buildings, operating equipment, water resource recovery facilities ("WRRF") equipment and vehicles as shown in Table A-3 and in Note 5 of the accompanying notes to financial statements.

Table A-3
Capital Assets (in millions)

	FY 2018	FY 2017
Capital assets not being depreciated:		
Construction in progress	$ 69.3	$ 38.3
Land	5.3	5.3
Rights-of-way	1.3	0.8
Total capital assets not being depreciated	75.9	44.4
Capital assets being depreciated:		
Buildings and land improvements	368.4	365.4
Collection and trunk lines	348.2	347.9
Machinery and equipment	104.4	90.1
Office furniture and equipment	1.3	0.4
Vehicles and heavy equipment	0.8	0.9
Total capital assets being depreciated	823.1	804.7
Less: accumulated depreciation	391.0	363.7
Total capital assets being depreciated, net	432.1	441.0
Net capital assets	$ 508.0	$ 485.4

(Continued)

Capital Assets, continued

Capital improvement program

The Agency's Commission assembled a community-wide volunteer collaboration to develop an environmentally sound, long-term strategy for the Agency. The collaboration was named the Upstate Roundtable and was tasked with aligning the regional wastewater system capacity and infrastructure with projected growth, while promoting environmental sustainability. Initially convened in 1994 and reconvened in 2008, this strategic planning group brought together over 60 community, governmental and industry leaders to develop a 20-year plan to guide the Agency. The 1994 Upstate Roundtable Plan identified needs of approximately $326.5 million for growth in the Reedy, Saluda and Enoree basins. In fiscal year 2013, all projects that were identified in this plan were completed. The 2008 Upstate Roundtable Plan identified numerous projects that have been incorporated into the Agency's capital improvement program ("CIP").

The Agency maintains a fluid five-year CIP that merges the Agency's strategic plan with the ongoing objective of maintaining compliance with South Carolina Department of Health & Environmental Control regulations and National Pollutant Discharge Elimination System permit limitations. The current CIP calls for approximately $300.0 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 including a gravity sewer tunnel located approximately 100 feet below ground, which will address some of Greenville County's 100-year sewage needs.

Capital improvement projects

In 2018, capital projects focused on various conveyance system improvements and facility upgrade projects. During 2018, $25.7 million was injected to improve the Agency's conveyance system; these projects encompassed collection lines, as well as pump stations. Additionally, $13.2 million was invested in multiple facility improvement projects spanning all three river basins. Furthermore, another $8.8 million was incurred to complete construction of the Agency's new laboratory building.

Table A-4 illustrates the Agency's 2019 Capital Budget of $61.3 million for potential spending on facility upgrades, basin plans and conveyance system improvements. The Agency believes the budget requirement for the upcoming fiscal year will be funded through a combination of reserves, bonds and South Carolina revolving loan funds.

(Continued)

Capital Assets, continued

Capital improvement projects, continued

Table A-4
2019 Capital Budget (in millions)

FUNDING SOURCES		
South Carolina revolving loan fund	$	23.6
Reserves and bonds		37.7
Total funding sources	$	61.3
USES		
Water resource recovery facilities	$	15.8
Conveyance system		29.5
Sustainability and reuse		1.6
Other projects		14.4
Total uses	$	61.3

Long-Term Liabilities

At December 31, 2018, the total liability for compensated absences was $0.7 million.

The total obligation for other postemployment benefits totaled $19.4 million at December 31, 2018.

The Agency's net pension liability totaled $27.4 million at December 31, 2018.

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, 2018, revenue bond debt, including premiums, totaled $150.6 million, the long-term portion of which was $129.7 million. As of December 31, 2018, the Agency's revenue bond debt consisted of eight series of revenue and refunding revenue bonds: Series 2005B, Series 2009, Series 2010A, Series 2010B, Series 2012, Series 2015A, Series 2017A and Series 2018A.

The Agency received bond premiums of $7.6 million, $6.1 million, $11.4 million and $3.6 million on the Series 2005B, Series 2010A, Series 2012 and Series 2018A revenue bonds, respectively. The bond premiums are amortized over the life of the bonds. The Series 2005B and Series 2009 bonds are payable from gross revenues and collectively referred to as the Senior Lien Debt. The Series 2010A, Series 2010B, Series 2012, Series 2015A, Series 2017A and Series 2018A bonds were issued under the 2010 Bond Resolution and are on parity with all of the Agency's state revolving loans. These obligations are collectively referred to as the Junior Lien Debt and are subordinate in all aspects to the Senior Lien Debt.

(Continued)

Long-Term Liabilities, continued

Revenue bonds, continued

The Series 2005B revenue bonds carry 'Aa1' and 'AAA' ratings from Moody's Investors Service and Standard & Poor's, respectively. The Series 2005B ratings were enhanced through the purchase of a surety agreement at issuance and carry the rating of the surety provider or the underlying rating of the Agency, whichever is higher. The Series 2009, Series 2010A, Series 2010B, Series 2012, Series 2015A, Series 2017A and Series 2018A bonds were issued based on the Agency's underlying rating. During calendar year 2017, Moody's Investors Service upgraded the Agency's Senior Lien Debt to 'Aa1' from 'Aa2' and upgraded the Agency's Junior Lien Debt to 'Aa1' from 'Aa3' rating. In September 2018, Standard & Poor's raised the Agency's Senior and Junior Lien Debt rating to 'AAA'.

State revolving loans

Since December 1989, the Agency has entered into numerous loan agreements with the South Carolina Water Quality Revolving Fund Authority for new construction and/or upgrades. Interest rates on these loans range from 1.8% to 2.3%. State revolving loans outstanding as of December 31, 2018 totaled $48.0 million.

Listed below are the Agency's state revolving loans outstanding at December 31, 2018:

- June 2005 — Lower Reedy WRRF Expansion Phase II
- November 2006 — Durbin Creek WRRF Upgrade and Expansion
- December 2009 — Gravity Sewer and Manhole Rehabilitation Phase I
- December 2009 — Gravity Sewer and Manhole Rehabilitation Phase II
- March 2016 — FY15/16 Gravity Sewer and Manhole Rehabilitation
- March 2016 — Richland Creek Trunk Sewer Improvements
- December 2017 — FY17 Gravity Sewer and Manhole Rehabilitation

As of December 31, 2018, the remaining amount available to draw on the Richland Creek is $0.3 million. Construction has been completed and all funds received for the other projects listed above.

Total outstanding long-term debt

At December 31, 2018, the Agency owed $191.0 million (excluding premiums) in total long-term debt, a decrease of $7.9 million or 4.0% from $198.9 million at December 31, 2017.

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.

Long-Term Liabilities, continued

Total outstanding long-term debt, continued

Table A-5
Debt Coverage (in millions)

	FY 2018	FY 2017
Operating revenue	$ 96.8	$ 89.5
Investment revenue, unrestricted	1.0	0.8
Gross revenues	97.8	90.3
Less: operating expenses before depreciation	38.7	34.8
Net revenues available for debt service	$ 59.1	$ 55.5
Debt service	$ 29.1	$ 28.5
Debt coverage	203%	195%

During the year ended December 31, 2018, debt service payments increased $0.6 million or 2.1% to $29.1 million. 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
Average Coupon/Interest Rate

	Balance (without premiums) (in millions)	Average Coupon/ Interest Rate
Series 2005B refunding bonds	$ 26.4	4.1%
Series 2009 revenue bonds	2.0	3.8
Series 2010A refunding bonds	15.6	3.4
Series 2010B revenue bonds	7.0	2.7
Series 2012 refunding bonds	42.5	2.9
Series 2015A refunding bonds	12.8	2.0
Series 2017A refunding bonds	11.6	2.1
Series 2018A refunding bonds	25.1	5.0
State revolving loans	48.0	2.1

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

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 2.1% during the year ended December 31, 2018.

The Agency's customer base is diversified. No single customer represents more than 1.6% 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 Patricia Dennis, Controller, Renewable Water Resources, 561 Mauldin Road, Greenville, South Carolina 29607; 864-299-4000; or patriciad@re-wa.org.

Basic Financial Statements

Renewable Water Resources
Statement of Net Position
December 31, 2018

Current assets	
Cash and cash equivalents	$ 6,466,980
Restricted cash and cash equivalents	31,001,857
Receivables, net	12,940,513
Investments	18,035,837
Restricted investments	95,807
Total current assets	68,540,994
Noncurrent assets	
Receivables, net	1,585,788
Investments	16,697,149
Restricted investments	7,748,021
Capital assets, net	508,042,260
Prepaid insurance	522,891
Total noncurrent assets	534,596,109
Total assets	$ 603,137,103
Deferred outflows of resources	
Deferred loss on refunding, net	$ 4,453,424
Deferred outflows from pension	2,653,316
Deferred outflows from other postemployment benefits	280,999
Total deferred outflows of resources	$ 7,387,739
Current liabilities	
Revenue bonds payable	$ 20,908,430
State revolving loans payable	3,258,947
Accounts payable - operations	1,779,951
Accounts payable - construction projects	7,481,229
Accrued interest payable	2,497,995
Accrued expenses and other liabilities	927,966
Compensated absences	630,839
Total current liabilities	37,485,357
Long-term liabilities	
Revenue bonds payable	129,721,356
State revolving loans payable	44,781,468
Compensated absences	63,850
Other postemployment benefits	19,394,154
Net pension liability	27,424,970
Total long-term liabilities	221,385,798
Total liabilities	$ 258,871,155
Deferred inflows of resources	
Deferred inflows from pension	$ 491,975
Deferred inflows from other postemployment benefits	193,057
Total deferred inflows of resources	$ 685,032
Net position	
Net investment in capital assets	$ 307,561,430
Net position - restricted	
Debt service	28,338,439
Capital asset replacement	5,080,422
Other	4,209,648
Net position - unrestricted	5,778,716
Total net position	$ 350,968,655

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

Renewable Water Resources
Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2018

Operating revenues	
Domestic and commercial customers	$ 78,519,523
Industrial customers	7,889,536
New account fees	9,860,000
Septic haulers and other	481,012
Total operating revenues	96,750,071
Operating expenses	
Technical operations	24,647,604
Administration	14,082,540
Total operating expenses before depreciation	38,730,144
Depreciation	27,795,178
Total operating expenses	66,525,322
Operating income	30,224,749
Nonoperating revenues (expenses)	
Investment revenue	1,090,705
Interest expense	(6,304,478)
Amortization	(27,131)
Debt issuance costs	(1,286,301)
Non-project expenses	(646,783)
Other revenue	314,172
Net nonoperating expenses	(6,859,816)
Capital project cost reimbursements	2,011,797
Increase in net position	25,376,730
Total net position, beginning of year	337,764,142
Effect of GASB 75 implementation	(12,172,217)
Total net position, beginning of year, as restated	325,591,925
Total net position, end of year	$ 350,968,655

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

Renewable Water Resources
Statement of Cash Flows
For the year ended December 31, 2018

Cash flows from operating activities	
Received from customers	$ 98,007,376
Paid to suppliers for goods and services	(25,128,927)
Paid to employees for services	(13,314,563)
Received from nonoperating revenues	314,172
Net cash provided by operating activities	59,878,058
Cash flows from capital and related financing activities	
Cash received on notes receivable for capital	273,459
Acquisition of capital assets and project expenses	(50,599,694)
Proceeds from debt issuance	(48,161,982)
Principal payments on debt	40,350,906
Interest payments on debt	(7,588,348)
Debt issuance costs	(1,286,301)
Other	3,743,934
Net cash used for capital and related financing activities	(63,268,026)
Cash flows from investing activities	
Interest received on investments	1,035,354
Purchases of investment securities	(35,809,675)
Proceeds from sales of investment securities	51,850,178
Net cash provided by investing activities	17,075,857
Net increase in cash and cash equivalents	13,685,889
Cash and cash equivalents, beginning of year	23,782,948
Cash and cash equivalents, end of year	$ 37,468,837

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

Renewable Water Resources
Statement of Cash Flows, continued
For the year ended December 31, 2018

Reconciliation of operating income to net cash flows from operating activities	
Operating income	$ 30,224,749
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	27,795,178
Other nonoperating revenue	314,172
Pension expense recognized in excess of contributions	687,802
Changes in asset and liability amounts	
Receivables, net	1,257,305
Prepaid insurance	206,956
Accounts payable - operations	660,625
Accounts payable - construction projects	(2,336,640)
Accrued expenses and other liabilities	50,245
Compensated absences	(65,564)
Other postemployment benefits	1,083,230
Net cash provided by operating activities	$ 59,878,058
Noncash activities	
Increase in fair value of investments	$ 87,526
Amortization of prepaid bond insurance	$ 27,131
Reconciliation of cash and cash equivalents to statement of net position	
Cash and cash equivalents	$ 6,466,980
Restricted cash and cash equivalents	31,001,857
Total cash and cash equivalents	$ 37,468,837

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

Notes to Financial Statements

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)

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

Investments in money market funds and certificates of deposit are reported at amortized cost, which approximates fair value. All investments in U.S. agencies notes and bonds and the South Carolina Investment Pool are reported at fair value and are categorized within the fair value hierarchy established under accounting principles generally accepted in the United States of America ("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, 2018, all of the Agency's investments in U.S. agencies notes and bonds and the South Carolina Investment Pool are valued using significant other observable inputs (Level 2 inputs).

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.

Capital assets

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

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

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

Capital assets, continued

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Agency implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective January 1, 2018. Accordingly, interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

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

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

Net position

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

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

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

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

(Continued)

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

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.

Deferred outflows/inflows of resources

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

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

Compensated absences

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

Revenues and receivables

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

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

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

(Continued)

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

Operating revenues and expenses

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

Estimates

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

New pronouncements

The Agency has implemented the following GASB pronouncements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the other postemployment benefits ("OPEB") that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The effect of this implementation is discussed in Note 17.

GASB Statement No. 85, *Omnibus 2017,* effective for periods beginning after June 15, 2017, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement enhances consistency in the application of accounting and financial reporting requirements to improve the usefulness of information for users of state and local government financial statements. This Statement does not have a material impact on the Agency's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* effective for periods beginning after June 15, 2017, was issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement does not have a material impact on the Agency's financial statements.

(Continued)

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

New pronouncements, continued

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* effective for periods beginning after December 15, 2018, while early adoption is permitted, was issued to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period by requiring interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred. The Agency chose to early adopt GASB Statement No. 89, which did not have a material impact on the financial statements and, accordingly, no interest incurred before the end of a construction period was capitalized during the year ended December 31, 2018.

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

GASB Statement No. 87, *Leases,* effective for periods beginning after December 15, 2020, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* effective for periods beginning after June 15, 2018, was issued to improve the information disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. Statement No. 88 further clarifies which liabilities should be included when disclosing information related to debt.

Note 2 – Cash and Cash Equivalents and Investments

As of December 31, 2018, the Agency had the following cash and cash equivalents and investments:

Cash and cash equivalents	
Checking and other cash	$ 8,061,342
Money markets - government obligations	29,407,495
Total cash and cash equivalents	$ 37,468,837
Investments	
Government sponsored enterprises	$ 25,627,039
Certificates of deposit	9,982,623
US Treasury notes	1,094,869
SC investment pool	5,872,283
Total investments	$ 42,576,814

Investment maturities are as follows as of December 31, 2018:

		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Certificates of deposit	$ 9,982,623	$ 6,794,643	$ 3,187,980	$ -
SC investment pool	5,872,283	5,872,283	-	-
US agencies notes and bonds				
Federal Home Loan Bank	5,447,955	-	5,447,955	-
Federal National Mortgage Association	1,481,769	985,766	496,003	-
Federal Home Loan Mortgage	13,751,967	3,384,083	10,367,884	-
Federal Farm Credit Bank	4,945,348	-	4,945,348	-
US Treasury notes	1,094,869	1,094,869	-	-
Total	$ 42,576,814	$ 18,131,644	$ 24,445,170	$ -

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.

(Continued)

Note 2 – Cash and Cash Equivalents and Investments, continued

Credit risk

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

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

The Agency's investments at December 31, 2018 consist of SC Investment Pool shares, certificates of deposit, US Treasury notes and US agencies notes and bonds. The US Treasury notes and US agencies notes and bonds were rated AA+ by Standard & Poor's and/or Aaa by Moody's Investors Service as of December 31, 2018.

The Agency's cash and cash equivalents at December 31, 2018 consist of cash and money market accounts. Approximately $21.7 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 $7.7 million are held in business money market accounts which are not currently rated but are collateralized.

Concentration of credit risk

In accordance with the Agency's investment policy, all investments must be allowable under the current State law. As a result, more than 5.0% of the Agency's investments are in Government sponsored enterprises due to the limited type of investment instruments available under current State law. These investments are approximately 60.2% of the Agency's total investments at December 31, 2018.

(Continued)

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, 2018, all of the Agency's deposits were insured or collateralized using one of two methods. Under the dedicated method, all uninsured deposits are collateralized with securities held by the Agency's agents in the Agency's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agents in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Agency, these deposits are considered to be held by the Agency's agents in the Agency's name.

Note 3 – Receivables

Customer and other accounts receivables as of December 31, 2018 were as follows:

Fees and services	
Domestic and commercial customers	$ 11,469,022
Industrial customers	1,328,343
Total receivables from fees	12,797,365
Less: allowance for uncollectible accounts	400,000
Net receivables from fees	12,397,365
Accrued interest on cash equivalents and other receivables	258,800
Reimbursements due from other governmental units	1,870,136
Total receivables	14,526,301
Less: current receivables, net	12,940,513
Noncurrent receivables, net	$ 1,585,788

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:

- **Capital projects** - restricts the use of revenue bond, state revolving loan, real property sales proceeds, and interest earnings on such proceeds, to the construction of capital projects.

- **Current principal and interest payments** - restricts resources accumulated for the next principal and interest payments.

- **Debt service reserves** - restricts resources to cover potential future deficiencies in the current principal and interest payments account.

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

- **Capital asset replacement -** restricts resources to fund asset replacements.

- **Contingencies** - restricts resources to meet unexpected contingencies.

Restricted cash and cash equivalents and investments at December 31, 2018 are restricted for the following uses:

Capital projects	$ 1,217,176
Current principal and interest payments	20,490,775
Debt service reserves	7,847,664
Operations and maintenance	3,209,648
Capital asset replacement	5,080,422
Contingencies	1,000,000
Total restricted assets	$ 38,845,685

Restricted assets consisted of the following at December 31, 2018:

Cash	$ 31,001,857
Investments	7,843,828
Total restricted assets	$ 38,845,685

Note 5 – Capital Assets

A summary of changes in capital assets from December 31, 2017 to December 31, 2018 follows below:

	December 31, 2017	Additions	Disposals	December 31, 2018
Capital assets not being depreciated				
Construction in progress	$ 38,315,032	$ 49,180,553	$ 18,229,614	$ 69,265,971
Land	5,331,079	-	-	5,331,079
Rights-of-way	748,729	594,406	-	1,343,135
Total capital assets not being depreciated	44,394,840	49,774,959	18,229,614	75,940,185
Capital assets being depreciated				
Buildings and land improvements	365,362,902	3,060,644	-	368,423,546
Collection and trunk lines	347,898,850	270,694	-	348,169,544
Machinery and equipment	90,112,946	14,639,387	295,238	104,457,095
Office furniture and equipment	423,044	949,801	100,486	1,272,359
Vehicles and heavy equipment	864,543	133,823	192,482	805,884
Total capital assets being depreciated	804,662,285	19,054,349	588,206	823,128,428
Less: accumulated depreciation				
Buildings and land improvements	170,575,513	12,203,424	-	182,778,937
Collection and trunk lines	134,291,833	8,698,035	-	142,989,868
Machinery and equipment	57,982,743	6,568,366	192,200	64,358,909
Office furniture and equipment	247,902	122,980	95,551	275,331
Vehicles and heavy equipment	613,416	202,373	192,481	623,308
Total accumulated depreciation	363,711,407	27,795,178	480,232	391,026,353
Total capital assets being depreciated, net	440,950,878	(8,740,829)	107,974	432,102,075
Capital assets, net	$ 485,345,718	$ 41,034,130	$ 18,337,588	$ 508,042,260

Interest cost in 2018 totaled $6,903,249.

Note 6 – Defeasance of Debt

The Agency previously defeased outstanding debt through the issuance of new debt with the proceeds deposited in an irrevocable trust to provide for all debt service payments of the old debt. Thus, the defeased debt and the irrevocable trust are not part of the financial statements. Outstanding principal amounts of defeased bonds totaled $49,050,000 at December 31, 2018.

(Continued)

Note 6 – Defeasance of Debt, continued

Defeasance of debt with cash and existing resources

On September 12, 2018, the Agency defeased a portion of the Series 2012 bonds by depositing funds in the amount of $28,619,615 with U.S. Bank National Association, the Escrow Agent. The $28,619,615 which, as set forth in the verification report, is the amount necessary to pay the debt service requirements of the defeased Series 2012 bonds through the redemption date of January 1, 2022. The Escrow Agent used the $28,619,615 to purchase the subscribed direct noncallable US Treasury Securities – State and Local Government Series (collectively, "SLGS") plus $0.66 held in cash. The transaction provided the Agency with an economic gain of $1,635,321 and a cash flow savings of $5,976,759. The description of the Escrow Fund Securities is shown below:

Maturity	Type	Coupon	Amount
January 1, 2019	SLGS-CI	2.12%	$ 430,727
July 1, 2019	SLGS-CI	2.41%	278,279
January 1, 2020	SLGS-NT	2.53%	283,644
July 1, 2020	SLGS-NT	2.62%	287,231
January 1, 2021	SLGS-NT	2.67%	290,995
July 1, 2021	SLGS-NT	2.70%	294,879
January 1, 2022	SLGS-NT	2.71%	26,753,860
Total investments purchased			28,619,615
Total cash deposit			0.66
Total deposit to Series 2012 Escrow Fund			$ 28,619,616

Deferred outflow of resources from defeasance loss

When a difference exists between the reacquisition price and the net carrying amount of the old debt, a deferred loss or gain is recorded and classified in the respective deferred outflow or inflow of resources on the Statement of Net Position. This amount is amortized as a component of interest expense over the remaining life of the old debt or new debt, whichever is shorter. As of December 31, 2018, the Agency's defeasance loss, net was $4,453,424.

Amortization of the defeasance loss for the period ended December 31, 2018 totaled $1,293,629.

Estimated future amortization expense is as follows:

Year ending December 31,	Amortization expense
2019	$ 880,417
2020	779,713
2021	718,247
2022	716,121
2023	709,497
Thereafter	649,429
Total	$ 4,453,424

Note 7 – Revenue Bonds Payable

At December 31, 2018, the Agency was obligated on various series of revenue bonds issued for purposes of constructing capital assets. Revenue bonds outstanding at December 31, 2018 are as follows:

$69,695,000 Series 2005B refunding revenue bonds dated March 15, 2005, with interest at 2.6% to 5.1% payable semi-annually beginning September 1, 2005. Beginning March 1, 2012, annual principal payments ranging from $5,180,000 to $9,400,000 plus semi-annual payments of interest at 2.6% to 5.1% are payable through March 2021.	$ 26,475,000
$30,000,000 Series 2009 revenue bonds dated April 29, 2009, with annual principal payments ranging from $1,520,000 to $1,975,000 plus interest at 3.8% payable semi-annually through March 2019.	1,975,000
$63,630,000 Series 2010A refunding revenue bonds dated July 9, 2010, with interest at 3.0% to 5.0% payable semi-annually beginning January 1, 2011. Beginning January 1, 2011, annual principal payments ranging from $1,665,000 to $5,585,000 plus semi-annual payments of interest at 3.0% to 5.0% are payable through January 2021.	15,620,000
$26,800,000 Series 2010B revenue bonds dated December 7, 2010, with interest at 2.0% to 5.8% payable semi-annually beginning July 1, 2011. Beginning January 1, 2012, annual principal payments ranging from $225,000 to $3,080,000 plus semi-annual payments of interest at 2.0% to 5.8% are payable through January 2025.	6,990,000
$71,395,000 Series 2012 refunding revenue bonds dated March 20, 2012, with interest at 2.0% to 5.0% payable semi-annually beginning July 1, 2012. Beginning January 1, 2014, annual principal payments ranging from $270,000 to $15,065,000 plus semi-annual payments of interest at 2.0% to 5.0% are payable through January 2024.	42,515,000
$13,465,000 Series 2015A refunding revenue bonds dated October 7, 2015, with annual principal payments ranging from $181,000 to $1,649,000 plus interest at 2.0% payable semi-annually through January 2025.	12,793,000
$11,736,000 Series 2017A refunding revenue bonds dated March 14, 2017, with annual principal payments ranging from $141,000 to $2,387,000 plus interest at 2.1% payable semi-annually through March 2024.	11,589,000
$25,055,000 Series 2018A refunding revenue bonds dated October 11, 2018, with annual principal payments ranging from $8,445,000 to $16,610,000 plus interest at 5.0% payable semi-annually through January 2025.	25,055,000
Total revenue bonds payable	143,012,000
Premium on refunding bonds	7,617,786
Less: current maturities	20,908,430
Long-term portion	$ 129,721,356

(Continued)

Note 7 – Revenue Bonds Payable, continued

Amortization of bond premiums totaled $1,749,255 for the year ended December 31, 2018.

Future amounts required to pay principal and interest on revenue bonds outstanding at December 31, 2018 are as follows:

Year ending December 31,	Principal	Interest	Total
2019	$ 19,209,000	$ 5,211,288	$ 24,420,288
2020	19,842,000	4,668,317	24,510,317
2021	20,611,000	3,748,110	24,359,110
2022	19,964,000	3,010,435	22,974,435
2023	20,974,000	2,303,097	23,277,097
2024 - 2025	42,412,000	1,900,053	44,312,053
Total	$ 143,012,000	$ 20,841,300	$ 163,853,300

Provisions of the revenue bond agreements require the Agency to maintain user rates sufficient to generate net earnings as defined by the bond agreement of at least 110% of the combined annual principal and interest payments, make timely payment of principal and interest on all outstanding debt, maintain required funds for debt service reserves, operations and maintenance expenses, capital asset replacement and contingencies and meet various other general requirements specified in the bond agreements. Management believes the Agency was in compliance with these covenants at December 31, 2018.

The Series 2005B and Series 2009 bonds are payable solely from and secured by a pledge of the gross revenues of the Agency.

The Series 2010A, Series 2010B, Series 2012, Series 2015A, Series 2017A and Series 2018A bonds are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution, which is subordinate to the aforementioned Series 2005B and Series 2009 pledge.

Interest expense on the revenue bonds totaled $5,796,583 for the year ended December 31, 2018.

Interest paid on the debt issued by the Agency is exempt from federal income tax. The Agency sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. At December 31, 2018, the Agency had no arbitrage rebate liability.

Note 8 – State Revolving Loans Payable

At December 31, 2018, the Agency was obligated on various state revolving loans issued for purposes of constructing capital assets. State revolving loan amounts outstanding at December 31, 2018, are as follows:

$19,571,443 Lower Reedy Water Resource Recovery Facility Expansion Phase II loan dated June 10, 2005. Payable in quarterly installments of $312,731, including interest at 2.3%, through March 2027.	$ 9,394,868
$27,800,000 Durbin Creek Water Resource Recovery Facility Upgrade and Expansion loan dated November 14, 2006. Payable in quarterly installments of $438,048, including interest at 2.3%, through March 2029.	15,999,417
$2,850,550 Gravity Sewer and Manhole Rehabilitation Phase I loan dated December 9, 2009. Payable in quarterly installments of $42,187 including interest at 1.8%, through November 2030.	1,817,832
$2,509,938 Gravity Sewer and Manhole Rehabilitation Phase II loan dated December 9, 2009. Payable in quarterly installments of $38,755 including interest at 2.2%, through January 2031.	1,656,705
$5,252,207 FY15/16 Gravity Sewer and Manhole Rehabilitation loan dated March 25, 2016. Payable in quarterly installments of $56,740 including interest at 1.8%, through November 2046.	4,338,486
$14,057,387 Richland Creek Trunk Sewer Improvements loan dated March 25, 2016. Payable in quarterly installments of $151,864 including interest at 1.8%, through July 2047. As of December 31, 2018, $291,357 of funds remain available to be drawn in 2019.	13,318,996
$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.	1,514,111
Total state revolving loans payable	48,040,415
Less: current maturities	3,258,947
Long-term portion	$ 44,781,468

Interest expense on the state revolving loans totaled $963,520 for the year ended December 31, 2018.

(Continued)

Note 8 – State Revolving Loans Payable, continued

Future amounts required to pay outstanding principal and interest on state revolving loans outstanding at December 31, 2018 are as follows:

Year ending December 31,	Principal	Interest	Total
2019	$ 3,258,947	$ 965,115	$ 4,224,062
2020	3,329,244	894,818	4,224,062
2021	3,401,150	822,912	4,224,062
2022	3,474,704	749,358	4,224,062
2023	3,549,944	674,118	4,224,062
2024 - 2028	16,713,773	2,217,421	18,931,194
2029 - 2033	4,516,202	1,094,037	5,610,239
2034 - 2038	3,711,017	751,855	4,462,872
2039 - 2043	3,602,973	422,304	4,025,277
2044 - 2047	2,482,461	96,938	2,579,399
Total	$ 48,040,415	$ 8,688,876	$ 56,729,291

Provisions of the state revolving loan agreements require the Agency to use loan proceeds solely for the purpose of paying eligible project costs, submit the annual audit of its financial statements by June 30, maintain user rates sufficient to make timely payment of principal and interest on all outstanding debt, maintain required funds for current principal and interest payments, operations and maintenance expenses, capital asset replacement and contingencies, review the adequacy of its user rates at least annually, and meet various other general requirements specified in the loan agreements. Management believes the Agency was in compliance with these covenants at December 31, 2018.

The state revolving loans are on parity with the bonds issued under the 2010 Bond Resolution which is subordinate to the Series 2005B and Series 2009 pledge. The state revolving loans are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution.

Note 9 – Changes in Long-Term Liabilities

Changes in long-term debt, compensated absences, OPEB and net pension liability at December 31, 2017 to December 31, 2018 are as follows:

	December 31, 2017	Additions	Reductions	December 31, 2018	Due within One Year
Revenue bonds	$ 162,887,000	$ 25,055,000	$ 44,930,000	$ 143,012,000	$ 19,209,000
State revolving loans	35,976,491	15,295,906	3,231,982	48,040,415	3,258,947
Compensated absences	760,253	559,029	624,593	694,689	630,839
OPEB, as restated (Note 17)	18,556,497	6,976,364	6,138,707	19,394,154	-
Net pension liability	27,457,859	2,592,458	2,625,347	27,424,970	-
Subtotal	245,638,100	50,478,757	57,550,629	238,566,228	23,098,786
Premiums on bond issuance	8,511,557	3,616,534	4,510,304	7,617,787	1,699,430
Total	$ 254,149,657	$ 54,095,291	$ 62,060,933	$ 246,184,015	$ 24,798,216

Note 10 – Construction Contracts in Progress

At December 31, 2018, 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, 2018 on which significant additional work is to be performed:

Project name	Contract amount	Total contract incurred	Balance to be performed
5R Watershed Planning	$ 959,665	$ 570,960	$ 388,705
Cityworks PLL	513,623	272,032	241,591
Conestee Improvements	562,610	462,278	100,332
Flow Meters	335,275	68,140	267,135
Gilder Creek Phase III - Package 5	4,194,125	563,877	3,630,248
2018 Gravity Sewer & Manhole Rehabilitation	1,502,564	134,406	1,368,158
Grove Creek & Piedmont WRRF Closures	2,651,367	2,531,208	120,159
Laboratory Improvements	14,466,082	14,084,308	381,774
Lower Reedy IPS VFD Improvements	705,335	199,152	506,183
Lower Reedy Process Improvements	139,840	3,310	136,530
Lower Reedy WRRF Digester Improvements	2,581,224	1,053,318	1,527,906
Mauldin Road Equipment Replacement	273,128	134,928	138,200
Mauldin Road & Lower Reedy PCS	5,609,143	2,039,879	3,569,264
Mauldin Road Process Improvements	180,000	76,501	103,499
Mauldin Road Shop Building Addition	229,187	103,765	125,422
Mauldin Road Wet Weather PS Improvements	331,970	221,344	110,626
NGU Interceptor Phase I	431,000	193,929	237,071
Pelham Falls #1 Force Main Relocation	1,347,508	1,240,767	106,741
Pelham Process Improvements Phase I	146,600	-	146,600
Peppertree PS 1 & 2 Elimiation	323,643	152,608	171,035
Perry Correctional FM Corrosion Control	124,000	2,345	121,655
Peters Creek Gravity Sewer	2,562,814	2,156,571	406,243
Piedmont #5 PS Odor Control	134,600	14,759	119,841
Ravenwood PS & FM Upgrade	2,590,675	2,434,057	156,618
Reedy River Basin Sewer Tunnel	42,564,384	11,747,869	30,816,515
Rock Creek Interceptor Upgrade	1,042,729	566,033	476,696
Saluda #2 PS Improvements	1,841,443	1,010,457	830,986
Saluda #3 PS Improvements	1,747,086	1,078,400	668,686
System Wide Biosolids Masterplan	345,210	-	345,210
Travelers Rest North Regional PS	685,401	477,785	207,616
Wet Weather Program	1,515,407	1,077,112	438,295
Total	$ 92,637,638	$ 44,672,098	$ 47,965,540

Note 11 – Compensated Absences

Full-time employees of the Agency accumulate vacation benefits at 1 to 2 days per month, based on length of service, up to 24 days per year. Annual leave in excess of 24 days at December 31 of each year is forfeited. Annual leave earned up to 24 days is paid to employees upon separation from employment. Accrued vacation benefits totaled $694,689 at December 31, 2018.

Note 12 – Employee Benefits

Pension plan

Plan description

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

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

Benefits

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

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Benefits, continued

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1.0% or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the Board of Directors, are insufficient to maintain the amortization period set in statute, the Board of Directors shall increase employer contribution rates as necessary. After June 30, 2017, if the most recent actuarial valuation of the SCRS for funding purposes shows a ratio of the actuarial value of the SCRS assets to the actuarial accrued liability of the SCRS (the funded ratio) that is equal to or greater than 85.0%, then the Board of Directors, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85.0%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the SCRS shows a funded ratio of less than 85.0%, then effective on the following July first, and annually thereafter as necessary, the Board of Directors shall increase the then current contribution rates until a subsequent annual actuarial valuation of the SCRS shows a funded ratio that is equal or greater than 85.0%.

The Retirement Funding and Administration Act establishes a ceiling on employee contribution rates at 9.0%. The employer contribution rates will continue to increase annually by 1.0% through July 1, 2022.The legislation's ultimate scheduled employer rate is 18.56%. The amortization period is scheduled to be reduced one year for each of the next 10 years to a 20-year amortization period.

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Contributions, continued

Plan members were required to contribute 9.0% of their annual covered salary for the period of January 1, 2018 to December 31, 2018, and the Agency was required to contribute 13.41% of covered payroll for the period of January 1, 2018 to June 30, 2018 and 14.41% for the period July 1, 2018 to December 31, 2018. An additional 0.15% of payroll is contributed to a group life insurance benefit for the participants for the period ended December 31, 2018.

All required contributions for the year ended December 31, 2018 were made and are summarized as follows:

Year ended December 31,	Employer SCRS	Employee SCRS
2018	$ 1,793,576	$ 1,147,772

Net pension liability

At December 31, 2018, the Agency reported a liability of $27,424,970, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, based on the July 1, 2017 actuarial valuation. The total pension liability was rolled forward from the valuation date to the plan's year ended June 30, 2018, using generally accepted actuarial principles. The Agency's proportion of the net pension liability was based on the Agency's normal contributions. At the June 30, 2018 measurement date, the Agency's proportionate share was 0.122396%.

For the year ended December 31, 2018, the Agency recognized pension expense of $2,481,378 and a revenue credit of $123,563, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 49,505	$ 161,388
Changes of assumptions	1,088,069	-
Net difference between projected and actual earnings on pension plan investments	435,646	-
Changes in proportion and differences between Agency's contributions and proportionate share of contributions	144,354	330,587
Agency contributions subsequent to the measurement date	935,742	-
Total	$ 2,653,316	$ 491,975

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Net pension liability, continued

At December 31, 2018, the Agency reported $935,742 as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement dates and will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	Pension expense
2019	$ (994,026)
2020	(570,840)
2021	295,549
2022	43,718
Total	$ (1,225,599)

The revenue credit of $123,563 is a nonemployer contribution appropriated in the State of South Carolina's budget. In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the General Assembly funded 1.0% of the SCRS contribution increases for the SCRS year ended June 30, 2018. The State of South Carolina's budget appropriated these funds directly to PEBA for the SCRS trust fund.

Actuarial assumptions

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

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

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Actuarial assumptions, continued

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

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected investment returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of PEBA's 2018 fiscal year. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

Asset class	Target allocation	Expected arithmetic real rate of return	Long-term expected portfolio real rate of return
Global equity - global public equity	33.00%	6.99%	2.31%
Global equity - private equity	9.00%	8.73%	0.79%
Global equity - options strategies	5.00%	5.52%	0.28%
Real assets - private	6.00%	3.54%	0.21%
Real assets - REITs	2.00%	5.46%	0.11%
Real assets - infrastructure	2.00%	5.09%	0.10%
Opportunistic - GTAA/Risk Parity	8.00%	3.75%	0.30%
Opportunistic - HF (non-PA)	2.00%	3.45%	0.07%
Opportunistic - other strategies	3.00%	3.75%	0.11%
Diversified credit - mixed credit	6.00%	3.05%	0.18%
Diversified credit - emerging markets	5.00%	3.94%	0.20%
Diversified credit - private debt	7.00%	3.89%	0.27%
Conservative fixed income - core	10.00%	0.94%	0.09%
Conservative fixed income - cash	2.00%	0.34%	0.01%
Total	100.00%		5.03%
Inflation			2.25%
Expected arithmetic nominal return			7.28%

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the SCRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1.0% Decrease 6.25%	Current discount rate 7.25%	1.0% Increase 8.25%
$ 35,044,019	$ 27,424,970	$ 21,978,080

Pension plan fiduciary net position

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

Deferred compensation plan

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

Note 13 – Postemployment Healthcare Plan

Plan description

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

Benefits

The Agency contributes up to 79.8% of the monthly premium for retirees and covered dependents based on the selected healthcare Plan. The amount contributed by the Agency is determined by PEBA. This amount is based on the level of coverage selected by the retiree, not the Plan selected. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the Agency's commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Summary of membership information

The following table provides a summary of the number of participants in the Plan as of the June 30, 2018 measurement date:

Inactive Plan members or beneficiaries currently receiving benefits	83
Inactive Plan members entitled to, but not yet receiving benefits	-
Active Plan members	182
Total Plan members	265

Contributions

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

	Employee	Employer
Retiree only	$ 109	$ 430
Retiree/spouse	289	839
Retiree/child(ren)	174	653
Family	362	1,047

(Continued)

Note 13 – Postemployment Healthcare Plan, continued

Changes in the OPEB obligation

Service cost	$ 804,621
Interest on OPEB obligation	667,597
Difference between expected and actual experience	(53,461)
Changes in assumptions	(168,926)
Benefit payments	(412,174)
Net change in OPEB obligation	837,657
OPEB obligation, beginning of year, as restated (Note 17)	18,556,497
OPEB obligation, end of year	$ 19,394,154

Discount rate

For Plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rates is 3.62% (based on the daily rate closest to, but not later than, the measurement date of the Fidelity "20-year Municipal GO AA Index"). The discount rate was 3.56% as of the prior measurement date.

Total OPEB liability

The Agency's total OPEB liability of $19,394,154 was measured as of June 30, 2018 and was determined by an actuarial valuation as of January 1, 2017.

Rollforward disclosure

The actuarial valuation was performed as of January 1, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.

Plan assets

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

(Continued)

Note 13 – Postemployment Healthcare Plan, continued

Actuarial methods and assumptions

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

Actuarial cost method	Individual Entry Age
Discount rate	3.62%
Payroll growth	3.0% to 7.0%, including inflation
Inflation	2.25% per annum
Experience studies	Based on the experience study covering the five-year period ending June 30, 2015 as conducted for the SCRS
Mortality	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Females is used with fully generational mortality projections based on Scale AA from the year 2016. The following multipliers are applied to the base tables: 100% for male SCRS members, 111% for female SCRS members.
Medical care trend rates	Initial rate of 6.75% declining to an ultimate rate of 4.15% after 14 years; ultimate trend rate includes a 0.15% adjustment for excise tax
Participation rates	It was assumed that 85% of eligible retirees would choose to receive retiree healthcare benefits through the employer.

Sensitivity of total OPEB liability to the discount rate assumption

The Sensitivity of Total OPEB Liability to Change in Discount Rate and Healthcare Trend Rate – OPEB Plan's liability was prepared using a discount rate of 3.62%, which was a change from 3.56% applied in the prior year. If the discount rate were 1.0% higher than what was used in this valuation, the OPEB Plan liability would decrease to $16,866,144 or by 13.1%. If the discount rate were 1.0% lower than what was used in this valuation, the OPEB Plan liability would increase to $22,505,960 or by 16.1%.

	Discount rate		
	1.00% Decrease	**Baseline 3.62%**	**1.00% Increase**
OPEB Plan	$ 22,505,960	$ 19,394,154	$ 16,866,144

(Continued)

Note 13 – Postemployment Healthcare Plan, continued

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

The June 30, 2018 OPEB Plan liability was prepared using an initial trend rate of 6.75%. If the trend rate were 1.0% higher than what was used in this valuation, the OPEB Plan liability would increase to $23,416,935 or by 20.8%. If the trend rate were 1.0% lower than what was used in this valuation, the OPEB Plan liability would decrease to $16,271,094 or by 16.1%.

	Healthcare cost trend rate		
	1.00% Decrease	**Baseline 6.75%**	**1.00% Increase**
OPEB Plan	$ 16,271,094	$ 19,394,154	$ 23,416,935

For the year ended December 31, 2018, the Agency recognized an increase in OPEB Plan liability of $1,442,888 and reported deferred outflows and inflows of resources related to the OPEB Plan from the following sources:

	Deferred outflows of resources	**Deferred inflows of resources**
Difference in expected and actual experience	$ -	$ 46,410
Changes in assumptions	-	146,647
Contributions subsequent to the measurement date	280,999	-
	$ 280,999	$ 193,057

The $280,999 reported as deferred outflows of resources related to OPEB resulting from the Agency's contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the OPEB liability in the year ending December 31, 2019.

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

2019	$ (29,330)
2020	(29,330)
2021	(29,330)
2022	(29,330)
2023	(29,330)
Thereafter	(46,407)
	$ (193,057)

Note 14 – Commitments

The Agency has contracted with eight 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, 2018 was $2.5 million, which is included in administration operating expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Position. For the year ending December 31, 2019, billing charges to the Agency are estimated to cost approximately $2.6 million.

Note 15 – Contingencies

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

Note 16 – Risk Management

The Agency is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency maintains insurance coverage through the State of South Carolina, and manages risk through various employee education and prevention programs. No significant reductions in insurance coverage have occurred from the prior year to the current year. The amount of settlements has not exceeded insurance coverage for the year ended December 31, 2018. The Agency believes the amount of actual or potential claims as of December 31, 2018 will not materially affect the financial condition of the Agency.

Note 17 – Restatement for implementation of an accounting pronouncement

As described in Notes 1 and 13, the Agency implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Statement No. 75 represents a significant change to the reporting requirements for OPEB plans, establishing a net OPEB liability based upon actuarially calculated amounts representing OPEB benefits accrued by current employees and retirees of the Agency. As of January 1, 2018, the balance of the OPEB liability was restated from $6,138,707 to $18,556,497, while deferred outflows from subsequent contributions to the OPEB was restated from $0 to $245,573. As a result, the unrestricted net position for the Agency as of January 1, 2018 decreased by $12,172,217, from $337,764,142 to $325,591,925. The beginning balance of deferred inflows of resources and deferred outflows of resources, other than subsequent contributions, were not reflected in the restated January 1, 2018 net position, since it was not practical to determine such balances.

Note 18 – Subsequent Events

During January, February, and March 2019, the Agency executed nine contracts approximating $19.7 million for capital projects and equipment purchases.

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

Fiscal year [1]	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2018	January 01, 2017	$ -	$ 19,394,154	$ 19,394,154	0.0%	$ 13,170,405	147.3%
2017	January 01, 2017	-	18,556,497	18,556,497	0.0	12,503,399	140.4
2016	June 30, 2014	-	12,325,758	12,325,758	0.0	12,203,162	101.1
2016	June 30, 2014	-	12,325,758	12,325,758	0.0	12,109,581	101.8
2015	June 30, 2014	-	12,325,758	12,325,758	0.0	11,580,233	106.4
2014	June 30, 2012	-	11,756,531	11,756,531	0.0	11,463,560	102.6
2013	June 30, 2010	-	8,780,194	8,780,194	0.0	10,660,375	82.3
2012	June 30, 2010	-	8,780,194	8,780,194	0.0	10,198,831	86.1
2011	June 30, 2008	-	8,417,369	8,417,369	0.0	10,318,963	81.6
2010	June 30, 2008	-	8,417,369	8,417,369	0.0	9,518,573	88.4
2009	June 30, 2006	-	5,643,466	5,643,466	0.0	9,431,889	59.8

1 - Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 fiscal year end. Due to this change, the covered payroll of $12,203,162, for the first listed 2016 period, represents the trailing twelve month period ended December 31, 2016.

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

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

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

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

Fiscal year [1]	Actuarial required contribution	Actual contributions	Contribution deficiency (excess)	Agency's total payroll	Contributions as a percentage of total payroll
2018	$ 1,793,576	$ 1,793,576	$ -	$ 13,314,563	13.5%
2017	1,448,857	1,448,857	-	12,926,984	11.2
2016	709,222	709,222	-	6,124,376	11.6
2016	1,339,320	1,339,320	-	12,109,581	11.1
2015	1,262,243	1,262,243	-	11,960,378	10.6
2014	1,215,138	1,215,138	-	11,961,237	10.2
2013	1,129,479	1,129,479	-	11,261,359	10.0
2012	972,459	972,459	-	10,666,643	9.1
2011	949,406	949,406	-	10,305,949	9.2
2010	915,126	915,126	-	9,981,382	9.2
2009	925,730	925,730	-	10,155,599	9.1

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

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STATISTICAL

STATISTICAL

Statistical Section

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

Contents

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

Revenue Capacity – This schedule contains information to help the reader assess the Agency's most significant local revenue sources.

Debt Capacity – These schedules present information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the ability to manage debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment in which the Agency operates.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the financial report relates to the services the Authority provides.

Renewable Water Resources
Schedule of Net Position

	FY18 [4] 12/31/2018	FY17 12/31/2017	SY16[3] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	Restated FY13[2] 6/30/2013	Restated FY12[2] 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09[1] 6/30/2009
Net investment in capital assets	$ 307,561,430	$ 275,530,356	$ 243,542,420	$ 236,817,979	$ 221,814,140	$ 217,096,602	$ 207,368,981	$ 183,853,336	$ 169,934,492	$ 161,289,271	$ 170,727,631
Restricted											
Debt service	28,338,439	28,320,441	27,725,012	18,937,075	18,972,661	19,357,293	19,560,054	18,744,295	31,669,416	40,108,418	39,528,346
Capital asset replacement	5,080,422	4,853,457	4,666,997	4,602,950	4,620,109	4,760,286	4,874,899	4,848,431	4,659,144	4,802,059	4,955,508
Other	4,209,648	4,059,996	3,963,044	4,077,221	3,869,834	3,942,408	3,562,656	3,563,847	3,463,870	3,286,842	3,173,574
Total restricted	37,628,509	37,233,894	36,355,053	27,617,246	27,462,604	28,059,987	27,997,609	27,156,573	39,792,430	48,197,319	47,657,428
Unrestricted	5,778,716	24,999,892	34,490,280	40,285,442	34,019,081	45,491,583	48,580,665	63,402,146	57,782,111	50,394,599	38,614,745
Total net position	$ 350,968,655	$ 337,764,142	$ 314,387,753	$ 304,720,667	$ 283,295,825	$ 290,648,172	$ 283,947,255	$ 274,412,055	$ 267,509,033	$ 259,881,189	$ 256,999,804

(1) In fiscal year 2010, the Agency restated fiscal year 2009 net position to reflect the cumulative impact of certain unbilled services. For comparative purposes, all other fiscal years presented have been adjusted to reflect the application of this methodology.

(2) In fiscal year 2014, the Agency adopted GASB Statement No. 65 and restated fiscal years 2013 and 2012 net position to reflect the cumulative impact of the write-off of debt issue cost previously capitalized.

(3) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

(4) In fiscal year 2018, the Agency adopted GASB Statement No. 75, restating beginning net position as of January 1, 2018.

Exhibit 2

Renewable Water Resources
Schedule of Revenues, Expenses and Changes in Net Position

	FY18 [5] 12/31/2018	FY17 12/31/2017	SY16[4] 12/31/2016	FY16 6/30/2016	FY15[3] 6/30/2015	Restated FY14 6/30/2014	Restated FY13[2] 6/30/2013	FY12[2] 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09[1] 6/30/2009
Operating revenues											
Domestic and commercial customers	$ 78,519,523	$ 74,867,453	$ 38,209,439	$ 71,975,651	$ 69,136,651	$ 64,718,545	$ 61,858,932	$ 62,503,653	$ 59,872,550	$ 55,789,993	$ 55,522,398
Industrial customers	7,889,536	7,490,645	3,799,379	7,555,116	7,448,487	6,987,451	6,734,685	6,771,088	6,771,019	6,352,280	6,209,957
New account fees	9,860,000	6,575,000	3,576,000	8,227,500	7,420,000	5,477,500	5,492,500	4,684,500	2,712,528	2,375,000	2,914,250
Septic haulers and other	481,012	566,086	220,123	595,787	564,857	589,610	546,015	454,470	410,743	389,836	368,854
Total operating revenues	96,750,071	89,499,184	45,804,941	88,354,054	84,569,995	77,773,106	74,632,132	74,413,711	69,766,840	64,907,109	65,015,459
Operating expenses											
Total operating expenses before depreciation	38,730,144	34,807,935	19,070,485	33,261,129	35,442,323	35,245,111	29,085,234	27,278,286	25,659,915	25,206,823	26,082,901
Depreciation	27,795,178	26,806,997	13,344,747	26,286,924	26,274,360	26,579,447	26,061,618	24,134,563	24,055,324	24,137,438	24,073,372
Total operating expenses	66,525,322	61,614,932	32,415,232	59,548,053	61,716,683	61,824,558	55,146,852	51,412,849	49,715,239	49,344,261	50,156,273
Net operating revenue	30,224,749	27,884,252	13,389,709	28,806,001	22,853,312	15,948,548	19,485,280	23,000,862	20,051,601	15,562,848	14,859,186
Nonoperating revenues (expenses)											
Investment revenue	1,090,705	778,177	97,637	705,283	424,023	457,974	218,939	453,338	425,659	439,915	1,035,059
Other revenue	314,172	1,834,163	122,608	127,636	64,376	132,123	108,829	87,436	43,134	91,628	57,637
Amortization	(27,131)	(27,131)	(13,565)	(27,131)	(29,005)	(29,005)	(29,005)	(29,005)	(557,839)	(866,645)	(915,208)
Interest expense	(6,304,478)	(7,031,615)	(3,793,386)	(7,891,725)	(8,806,068)	(9,435,113)	(10,094,401)	(10,723,179)	(12,093,716)	(12,259,120)	(11,129,245)
Non-project expenses	(646,783)	(348,064)	(144,108)	(119,327)	(385,131)	(373,610)	(154,442)	(375,100)	(240,995)	(87,241)	(77,476)
Debt issuance costs	(1,286,301)	(297,140)	-	(191,537)	-	-	-	(602,960)	-	-	-
Net nonoperating expenses	(6,859,816)	(5,091,610)	(3,730,814)	(7,396,801)	(8,731,805)	(9,247,631)	(9,950,080)	(11,189,470)	(12,423,757)	(12,681,463)	(11,029,233)
Capital project cost reimbursement	2,011,797	583,747	8,191	15,642	-	-	-	610,293	-	-	-
Increase in net position before change in accounting principle	25,376,730	23,376,389	9,667,086	21,424,842	14,121,507	6,700,917	9,535,200	12,421,685	7,627,844	2,881,385	3,829,953
Cumulative effect of change in accounting principle	-	-	-	-	(21,473,854)	-	-	-	-	-	-
Increase (decrease) in net position	25,376,730	23,376,389	9,667,086	21,424,842	(7,352,347)	6,700,917	9,535,200	12,421,685	7,627,844	2,881,385	3,829,953
Total net position, beginning of year	337,764,142	314,387,753	304,720,667	283,295,825	290,648,172	283,947,255	274,412,055	267,509,033	259,881,189	256,999,804	253,169,851
Change in accounting principle	(12,172,217)	-	-	-	-	-	-	(5,518,663)	-	-	-
Total net position, beginning of year, restated	325,591,925	314,387,753	304,720,667	283,295,825	290,648,172	283,947,255	274,412,055	261,990,370	259,881,189	256,999,804	253,169,851
Total net position, end of year	$ 350,968,655	$ 337,764,142	$ 314,387,753	$ 304,720,667	$ 283,295,825	$ 290,648,172	$ 283,947,255	$ 274,412,055	$ 267,509,033	$ 259,881,189	$ 256,999,804

(1) In fiscal year 2010, the Agency restated fiscal year 2009 net position to reflect the cumulative impact of certain unbilled services. For comparative purposes, all other fiscal years presented have been adjusted to reflect this methodology.
(2) In fiscal year 2014, the Agency adopted GASB Statement No. 65 and restated fiscal years 2013 and 2012 net position to reflect the cumulative impact of the write-off of debt issuance costs previously capitalized.
(3) In fiscal year 2015, the Agency adpopted GASB Statement No. 68.
(4) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.
(5) In fiscal year 2018, the Agency adopted GASB Statement No. 75, restating beginning net position as of January 1, 2018.

Renewable Water Resources

Schedule of Operation and Maintenance Expenses[(1)]

	FY18 12/31/2018	FY17 12/31/2017	SY16[(3)] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13[(2)] 6/30/2013	FY12[(2)] 6/30/2012	FY11[(2)] 6/30/2011	FY10[(2)] 6/30/2010	FY09[(2)] 6/30/2009
Salaries	$ 12,488,931	$ 12,222,521	$ 6,205,727	$ 11,778,818	$ 11,340,068	$ 11,288,400	$ 10,592,787	$ 10,000,763	$ 9,697,910	$ 9,412,737	$ 9,563,556
Electricity / natural gas / water	4,111,428	3,627,580	1,940,110	3,883,190	3,888,844	3,747,844	3,345,476	3,344,854	2,910,330	3,259,596	3,379,424
Customer service and billing expenses	3,015,931	2,513,925	1,265,356	2,525,112	2,449,727	2,333,274	2,143,908	2,223,663	1,619,244	1,626,053	1,500,289
Professional service contracts	2,910,006	1,982,674	1,135,622	1,868,908	3,451,718	4,031,270	1,021,255	1,220,595	1,243,892	1,321,222	1,497,284
Solids disposal	2,028,040	1,449,971	592,590	1,342,441	1,631,456	1,530,287	1,227,630	1,129,904	1,149,986	1,156,579	1,575,855
Retirement	1,684,324	1,357,670	671,464	1,316,483	1,595,788	1,285,421	1,194,305	1,027,680	993,626	947,703	922,698
R & M equipment	1,563,009	1,412,994	676,528	1,289,004	1,525,012	1,567,007	1,096,590	834,423	757,235	753,196	819,919
OPEB	1,529,674	1,412,673	601,435	1,159,046	1,100,651	760,825	-	-	-	-	-
Insurance	1,521,962	1,671,284	831,965	1,501,644	1,426,437	1,672,141	2,209,387	2,001,616	1,690,069	1,643,087	1,677,727
Chemicals	1,490,727	1,529,777	771,017	1,783,804	2,649,481	2,275,096	1,423,308	1,185,175	1,175,710	1,084,024	1,268,878
FICA	898,465	869,984	444,866	852,678	819,261	811,800	752,442	721,986	698,699	669,919	671,902
Legal	777,465	281,390	140,360	372,321	253,691	293,233	181,273	175,240	295,555	288,293	373,979
Pension	686,981	1,122,429	1,608,757	230,791	-	-	-	-	-	-	-
General insurance	540,170	315,845	487,291	488,209	199,975	400,135	380,201	336,563	338,888	290,520	279,026
R & M electrical	512,178	414,116	218,800	412,455	484,456	524,917	485,390	381,951	320,748	298,311	145,169
Public relations	429,079	346,202	131,916	219,142	217,848	351,863	394,173	265,909	320,699	170,515	174,396
Telephones and communication	330,138	259,994	126,474	224,246	192,487	190,522	187,066	180,807	173,689	174,560	180,803
Workman compensation insurance	284,911	93,582	301,397	244,364	236,538	242,952	195,811	184,616	220,168	226,207	195,584
Training / reference	219,223	209,790	67,224	76,498	71,642	83,289	90,656	90,176	88,213	51,761	69,077
R & M building grounds	218,925	131,516	72,273	131,761	107,688	120,723	112,347	126,524	129,432	111,085	85,131
Administrative expenses	171,289	139,694	63,323	139,723	128,142	148,141	236,917	146,889	183,275	199,894	109,453
Permit and other fees	167,289	164,813	146,012	146,224	174,591	135,810	123,128	168,633	119,426	67,520	62,828
Employee travel	157,000	159,705	89,085	129,503	148,702	145,063	137,167	127,643	105,099	106,026	99,728
Vehicle supplies	133,091	150,009	66,253	148,945	164,228	141,073	118,706	110,741	100,809	78,331	111,896
Lab equipment & supplies	128,821	153,969	78,894	146,885	149,102	126,556	143,523	113,207	127,553	116,979	101,533
Office and cleaning supplies	124,228	149,960	65,726	124,664	153,514	123,607	119,570	101,114	107,861	98,420	122,772
Gasoline	122,634	129,125	49,265	134,020	156,521	201,153	199,276	173,837	152,643	124,712	178,457
Fuel oil	117,536	75,770	35,637	85,045	136,270	160,411	135,373	116,873	109,097	87,690	35,904
Uniforms	91,622	91,573	58,930	65,601	60,038	61,542	58,610	51,313	54,313	55,112	39,872
Equipment supplies	53,550	36,103	19,887	17,414	54,593	50,881	23,233	45,282	78,662	32,875	9,597
Small hand tools	18,518	17,100	6,334	10,024	11,266	9,461	6,065	13,998	10,548	9,079	9,543
Employee professional expenses	6,968	-	44,999	125,203	131,005	135,081	102,691	82,607	59,586	58,761	43,306
Unemployment	5,377	-	-	-	12,443	2,001	75	142	2,140	26,549	29,868
Total departmental expense	38,539,490	34,493,738	19,015,517	32,974,166	35,123,183	34,951,779	28,438,339	26,684,724	25,035,105	24,547,316	25,335,454
Percentage increase (decrease) over prior year	11.7%	81.4%	(42.3)%	(6.1)%	0.5%	22.9%	6.6%	6.6%	2.0%	(3.1)%	1.8%
Bad debt expense	190,654	314,197	54,968	286,963	319,140	293,332	646,895	593,562	624,810	659,507	747,447
Total, including bad debt expense	$ 38,730,144	$ 34,807,935	$ 19,070,485	$ 33,261,129	$ 35,442,323	$ 35,245,111	$ 29,085,234	$ 27,278,286	$ 25,659,915	$ 25,206,823	$ 26,082,901

(1) Certain amounts have been reclassed to conform with the current year presentation. These reclassifications had no effect on the previously reported expenses.

(2) OPEB was combined with Insurance from June 30, 2009 to June 30, 2013

(3) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Schedule of Revenue Statistics

	FY18 12/31/2018	FY17 12/31/2017	SY16[2] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Domestic and commercial customer revenue											
Greenville	$72,963,802	$ 69,902,221	$ 35,728,021	$ 67,400,696	$ 64,875,472	$ 60,844,104	$ 58,317,726	$ 59,233,997	$ 56,785,235	$ 52,922,310	$ 52,705,367
Greer/Taylors	3,234,127	3,072,757	1,585,781	2,929,794	2,756,556	2,555,577	2,551,021	2,474,381	2,309,191	2,149,999	2,007,268
Powdersville	790,085	661,357	312,903	578,878	507,808	441,553	417,331	349,261	336,455	296,425	317,808
Laurens	370,084	333,367	185,763	306,241	263,747	196,306	146,410	127,749	108,787	98,290	77,723
Marietta	227,365	223,295	111,366	218,475	214,428	202,246	192,711	186,887	184,511	183,616	180,017
Pelzer	215,643	198,735	105,814	207,606	192,634	188,915	64,230	-	-	-	-
West Pelzer	176,925	159,956	80,553	156,724	160,654	149,410	46,307	-	-	-	-
Well water/commercial	370,889	245,331	79,155	140,400	132,520	111,152	94,853	77,899	80,771	81,985	196,468
Blue Ridge	170,603	70,434	20,083	36,837	32,832	29,282	28,343	25,323	21,940	13,434	-
Slater	-	-	-	-	-	-	-	28,156	45,660	43,934	37,747
Total domestic and commercial revenue	$78,519,523	$ 74,867,453	$ 38,209,439	$ 71,975,651	$ 69,136,651	$ 64,718,545	$ 61,858,932	$ 62,503,653	$ 59,872,550	$ 55,789,993	$ 55,522,398
Number of customers											
Customer accounts	139,294	136,488	133,199	132,391	130,045	127,400	126,054	122,826	121,374	120,558	119,184
Percentage increase	2.1%	2.5%	0.6%	1.8%	2.1%	1.1%	2.6%	1.2%	0.7%	1.2%	1.9%
Commercial revenue rates											
User volume charge per 1,000 gallons	$ 5.57	$ 5.33	$ 5.33	$ 5.33	$ 5.33	$ 5.12	$ 4.92	$ 4.71	$ 4.55	$ 4.38	$ 4.23
Base charge per month	12.00	11.00	11.00	11.00	11.00	10.60	10.20	9.80	9.40	9.00	8.50
Total monthly charge [1]	$ 67.70	$ 64.30	$ 64.30	$ 64.30	$ 64.30	$ 61.80	$ 59.40	$ 56.90	$ 54.90	$ 52.80	$ 50.80
Monthly charge percent increase	5.3%	0.0%	0.0%	0.0%	4.0%	4.0%	4.4%	3.6%	4.0%	3.9%	3.9%
Domestic revenue rates											
User volume charge per 1,000 gallons	$ 5.86	$ 5.61	$ 5.61	$ 5.61	$ 5.61	$ 5.39	$ 5.18	$ 4.96	$ 4.79	$ 4.61	$ 4.45
Base charge per month	12.00	11.00	11.00	11.00	11.00	10.60	10.20	9.80	9.40	9.00	8.50
Total monthly charge [1]	$ 41.30	$ 39.05	$ 39.05	$ 39.05	$ 39.05	$ 37.55	$ 36.10	$ 34.60	$ 33.35	$ 32.05	$ 30.75
Monthly charge percent increase	5.8%	0.0%	0.0%	0.0%	4.0%	4.0%	4.3%	3.7%	4.1%	4.2%	4.2%

[1] Assumes commercial consumption of approximately 10,000 gallons per month and residential consumption of approximately 5,000 gallons per month

[2] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Schedule of Long-Term Debt

	FY18 12/31/2018	FY17 12/31/2017	SY16[1] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	Restated FY13 6/30/2013	Restated FY12 6/30/2012	Restated FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Revenue bonds											
2001 Refunding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,920,000	$ 9,535,000
2005 Revenue	-	-	-	-	-	520,000	1,025,000	1,510,000	81,495,000	81,585,000	81,650,000
2005B Refunding	26,475,000	34,285,000	41,180,000	41,180,000	47,430,000	53,395,000	59,070,000	64,515,000	69,695,000	69,695,000	69,695,000
2009 Revenue	1,975,000	3,880,000	16,780,000	16,780,000	18,550,000	20,260,000	21,900,000	23,480,000	25,000,000	30,000,000	30,000,000
2010A Refunding	15,620,000	20,685,000	25,555,000	25,555,000	42,030,000	46,770,000	51,285,000	55,585,000	59,720,000	-	-
2010B Revenue	6,990,000	9,985,000	12,910,000	12,910,000	15,695,000	18,500,000	21,270,000	24,000,000	26,800,000	-	-
2012 Refunding	42,515,000	69,275,000	70,035,000	70,035,000	70,850,000	71,125,000	71,395,000	71,395,000	-	-	-
2015A Refunding	12,793,000	13,041,000	13,284,000	13,284,000	-	-	-	-	-	-	-
2017A Refunding	11,589,000	11,736,000	-	-	-	-	-	-	-	-	-
2018A Refunding	25,055,000	-	-	-	-	-	-	-	-	-	-
Total revenue bonds payable	143,012,000	162,887,000	179,744,000	179,744,000	194,555,000	210,570,000	225,945,000	240,485,000	262,710,000	186,200,000	190,880,000
State revolving loans ("SRL")											
Regional Sludge	-	-	-	-	-	-	-	-	-	21,159	103,340
Brushy Creek/Reedy River	-	-	-	-	-	-	-	-	-	1,685,006	1,928,758
Maple Creek	-	-	-	-	-	-	-	-	-	75,378	147,457
Lower Reedy River	-	-	-	-	-	-	-	-	-	19,572,448	21,044,548
Gilder Creek Phase I	-	-	-	-	-	-	-	-	-	5,488,322	5,847,480
Georges Creek	-	-	-	-	-	-	-	-	-	13,619,303	14,366,298
Gilder Creek Phase II	-	-	-	-	-	-	-	-	-	28,528,215	29,920,953
Georges Creek Conveyance Phase I	-	-	-	-	-	-	-	-	-	4,846,898	5,111,675
Georges Creek Conveyance Phase II	-	-	-	-	-	-	-	-	-	4,159,734	4,376,787
Lower Reedy WRRF Expansion Phase II	9,394,868	10,419,951	11,422,290	11,915,089	12,884,255	13,831,919	14,758,556	15,664,634	16,533,197	17,327,143	18,097,710
Durbin Creek WRRF Upgrade and Expansion	15,999,417	17,372,261	18,714,646	19,374,629	20,672,587	21,941,747	23,182,748	24,396,215	25,549,712	26,571,651	24,487,526
Gravity Sewer and Manhole Rehabilitation Phase I	1,817,832	1,953,605	2,087,335	2,153,455	2,284,250	2,413,171	2,540,283	2,665,648	2,789,326	1,496,822	-
Gravity Sewer and Manhole Rehabilitation Phase II	1,656,705	1,774,013	1,889,041	1,945,723	2,057,474	2,167,134	2,274,775	2,380,466	1,600,138	698,068	-
FY15/16 Gravity Sewer and Manhole Rehabilitation	4,338,486	4,456,661	1,586,233	-	-	-	-	-	-	-	-
Richland Creek Trunk Sewer Improvements	13,318,996	-	-	-	-	-	-	-	-	-	-
FY17 Gravity Sewer and Manhole Rehabilitation	1,514,111	-	-	-	-	-	-	-	-	-	-
Total SRL	48,040,415	35,976,491	35,699,545	35,388,896	37,898,566	40,353,971	42,756,362	45,106,963	46,472,373	124,090,147	125,432,532
Total long-term debt payable	191,052,415	198,863,491	215,443,545	215,132,896	232,453,566	250,923,971	268,701,362	285,591,963	309,182,373	310,290,147	316,312,532
Premiums on bond issuance	7,617,787	8,511,557	10,308,217	11,209,753	13,768,234	15,824,836	17,987,312	20,070,524	13,338,573	9,734,500	10,991,600
Total long-term debt, including premiums	$ 198,670,202	$ 207,375,048	$ 225,751,762	$ 226,342,649	$ 246,221,800	$ 266,748,807	$ 286,688,674	$ 305,662,487	$ 322,520,946	$ 320,024,647	$ 327,304,132
Customer accounts	139,294	136,488	133,199	132,391	130,045	127,400	126,054	122,826	121,374	120,558	119,184
Long-term liabilities per customer account	$ 1,426	$ 1,519	$ 1,695	$ 1,710	$ 1,893	$ 2,094	$ 2,274	$ 2,489	$ 2,657	$ 2,655	$ 2,746

(1) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Long-Term Debt Obligation (Excluding Premiums)

Year	Revenue bond principal	Revenue bond interest	SRL principal	SRL interest	Total principal	Total interest	Grand total
2019	$ 19,209,000	$ 5,211,288	$ 3,258,947	$ 965,115	$ 22,467,947	$ 6,176,403	$ 28,644,350
2020	19,842,000	4,668,317	3,329,244	894,818	23,171,244	5,563,135	28,734,379
2021	20,611,000	3,748,110	3,401,150	822,912	24,012,150	4,571,022	28,583,172
2022	19,964,000	3,010,435	3,474,704	749,358	23,438,704	3,759,793	27,198,497
2023	20,974,000	2,303,097	3,549,944	674,118	24,523,944	2,977,215	27,501,159
2024	21,073,000	1,416,506	3,626,910	597,151	24,699,910	2,013,657	26,713,567
2025	21,339,000	483,547	3,705,643	518,419	25,044,643	1,001,966	26,046,609
2026	-	-	3,786,185	437,877	3,786,185	437,877	4,224,062
2027	-	-	2,925,097	360,773	2,925,097	360,773	3,285,870
2028	-	-	2,669,938	303,201	2,669,938	303,201	2,973,139
2029	-	-	1,405,504	253,491	1,405,504	253,491	1,658,995
2030	-	-	988,476	232,471	988,476	232,471	1,220,947
2031	-	-	720,576	215,359	720,576	215,359	935,935
2032	-	-	694,489	202,692	694,489	202,692	897,181
2033	-	-	707,157	190,024	707,157	190,024	897,181
2034	-	-	720,056	177,124	720,056	177,124	897,180
2035	-	-	733,191	163,989	733,191	163,989	897,180
2036	-	-	746,566	150,615	746,566	150,615	897,181
2037	-	-	760,184	136,997	760,184	136,997	897,181
2038	-	-	751,020	123,130	751,020	123,130	874,150
2039	-	-	694,947	110,109	694,947	110,109	805,056
2040	-	-	707,540	97,515	707,540	97,515	805,055
2041	-	-	720,362	84,693	720,362	84,693	805,055
2042	-	-	733,417	71,639	733,417	71,639	805,056
2043	-	-	746,707	58,348	746,707	58,348	805,055
2044	-	-	760,239	44,816	760,239	44,816	805,055
2045	-	-	774,016	31,039	774,016	31,039	805,055
2046	-	-	788,043	17,013	788,043	17,013	805,056
2047	-	-	160,163	4,070	160,163	4,070	164,233
	$ 143,012,000	$ 20,841,300	$ 48,040,415	$ 8,688,876	$ 191,052,415	$ 29,530,176	$ 220,582,591

Renewable Water Resources
Schedule of Bond Coverage

	FY18 12/31/2018	FY17 12/31/2017	SY16[2] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Operating revenues	$ 96,750,071	$ 89,499,184	$ 90,616,515	$ 88,354,054	$ 84,569,995	$ 77,773,106	$ 74,632,132	$ 74,413,711	$ 69,766,840	$ 64,907,109	$ 65,015,459
Investment revenue, unrestricted	1,090,705	778,177	830,119	705,283	424,023	457,974	217,379	382,179	364,936	405,982	1,023,713
Gross revenues	97,840,776	90,277,361	91,446,634	89,059,337	84,994,018	78,231,080	74,849,511	74,795,890	70,131,776	65,313,091	66,039,172
Less: operating expense before depreciation	38,730,144	34,807,935	37,207,699	33,261,129	35,442,323	35,245,111	29,085,234	27,278,286	25,659,915	25,206,823	26,082,901
Net revenues available for debt service	$ 59,110,632	$ 55,469,426	$ 54,238,935	$ 55,798,208	$ 49,551,695	$ 42,985,969	$ 45,764,277	$ 47,517,604	$ 44,471,861	$ 40,106,268	$ 39,956,271
Debt service on senior lien bonds	$ 11,420,902	$ 11,107,463	$ 11,015,516	$ 11,213,120	$ 15,084,365	$ 15,073,246	$ 15,075,678	$ 18,825,634	$ 23,593,930	$ 24,949,616	$ 22,564,302
Senior lien debt coverage[1]	5.2	5.0	4.9	5.0	3.3	2.9	3.0	2.5	1.9	1.6	1.8
Debt service on all bonds	$ 29,112,612	$ 28,547,755	$ 28,155,128	$ 28,663,459	$ 28,786,540	$ 28,792,979	$ 27,797,235	$ 29,219,832	$ 28,918,439	$ 24,949,616	$ 22,564,302
Total debt coverage	2.0	1.9	1.9	1.9	1.7	1.5	1.6	1.6	1.5	1.6	1.8

[1] Per Article IV, Section 4.02 (A) (7) of the Sewer System Revenue Bond Resolution dated April 26, 1990, net revenues available for debt service cannot be less than 1.10 of the debt service obligation
[2] Amounts shown represent January to December 2016 activity

Renewable Water Resources
Ratio of Total Operating Expenses to Total Debt Service

	FY18 12/31/2018	FY17 12/31/2017	SY16[2] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	Restated FY14 6/30/2014	Restated FY13 [1] 6/30/2013	FY12 [1] 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Operating expenses											
Operating expenses before depreciation	$ 38,730,144	$ 34,807,935	$ 19,070,485	$ 33,261,129	$ 35,442,323	$ 35,245,111	$ 29,085,234	$ 27,278,286	$ 25,659,915	$ 25,206,823	$ 26,082,901
Depreciation	27,795,178	26,806,997	13,344,747	26,286,924	26,274,360	26,579,447	26,061,618	24,134,563	24,055,324	24,137,438	24,073,372
Total operating expenses	66,525,322	61,614,932	32,415,232	59,548,053	61,716,683	61,824,558	55,146,852	51,412,849	49,715,239	49,344,261	50,156,273
Debt service											
Interest payments	7,494,236	8,216,598	4,286,183	9,412,789	10,316,135	11,015,587	10,906,634	13,123,410	12,317,959	13,661,275	12,399,921
Principal payments	21,618,376	20,331,157	1,275,584	19,250,670	18,470,405	17,777,392	16,890,601	16,096,422	16,600,480	11,288,341	10,164,381
Total debt service	$ 29,112,612	$ 28,547,755	$ 5,561,767	$ 28,663,459	$ 28,786,540	$ 28,792,979	$ 27,797,235	$ 29,219,832	$ 28,918,439	$ 24,949,616	$ 22,564,302
Total expenses to debt ratio	2.3	2.2	5.8	2.1	2.1	2.1	2.0	1.8	1.7	2.0	2.2

[1] In fiscal year 2014, the Agency restated fiscal year 2013 and 2012 amortization to reflect the write-off of bond issuance costs which were previously capitalized and amortized amount is over the life of the debt.

[2] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Exhibit 9

Renewable Water Resources
Ratio of Assessed Value Per Capita and General Obligation Debt Balance

	FY18 12/31/2018	FY17 12/31/2017	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11[3] 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Assessed value [1]	$1,944,271,880	$1,954,883,763	$1,810,198,571	$1,735,073,462	$1,671,390,180	$1,628,001,143	$1,600,768,508	$1,597,142,350	$1,540,375,699	$1,508,622,437
Renewable Water Resources' general obligation debt	-	-	-	-	-	-	-	-	-	-
Population [2]	513,431	506,457	495,777	481,317	474,266	464,394	459,324	457,575	453,966	438,119
Assessed value per capita	$ 3,787	$ 3,860	$ 3,651	$ 3,605	$ 3,524	$ 3,506	$ 3,485	$ 3,490	$ 3,393	$ 3,443

[1] Greenville County Auditor's Office as of fiscal year ended June 30.
[2] Greenville County Planning Department (estimate)
[3] U.S. Census (population estimate)

Renewable Water Resources
Outstanding General Obligation Bonds - Greenville County and Surrounding Municipalities

	FY18 12/31/2018	FY17 12/31/2017	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Berea Public Service District [1]	$ 2,106,448	$ 1,878,700	$ 2,074,200	$ 2,323,350	$ 2,210,000	$ 2,475,000	$ 2,730,000	$ 2,970,000	$ 1,690,000	$ 1,830,000
Boiling Springs Fire District [1]	3,878,756	4,122,539	2,093,763	2,161,731	2,226,384	262,799	297,092	329,392	359,819	388,486
Canebrake Fire District [2]	-	-	81,000	133,770	-	-	-	-	-	-
City of Fountain Inn [2]	849,250	1,119,250	1,382,750	1,635,500	345,000	430,000	700,000	3,895,000	3,935,000	1,080,000
City of Greenville [2]	5,500,000	6,455,000	7,375,000	8,250,000	9,095,000	9,915,000	10,208,000	11,222,000	12,040,780	13,005,000
City of Greer [2]	915,000	1,130,000	1,340,000	1,545,000	2,115,000	2,655,000	3,180,000	3,693,500	4,136,500	4,576,500
City of Mauldin [2]	2,475,000	2,785,000	2,880,000	3,140,000	3,395,000	3,645,000	3,885,000	4,250,000	4,535,000	4,855,000
City of Simpsonville [2]	1,240,409	1,192,226	1,553,512	799,130	1,256,394	1,699,669	2,050,000	2,585,000	3,105,000	3,605,000
City of Travelers Rest [2]	4,897,611	63,098	31,630	39,788	39,788	815,000	845,000	875,000	683,310	721,447
Clear Springs Fire District [1]	3,705,000	3,875,000	749,000	847,000	939,000	1,031,000	1,117,000	880,000	935,000	990,000
Donaldson Center Fire Service Area [1]	-	-	115,000	230,000	345,000	455,000	565,000	-	-	-
Duncan Chapel Fire District [1]	3,746,563	1,465,163	1,482,850	1,500,000	-	-	-	-	-	-
Dunklin Fire District [1]	247,702	382,234	425,299	-	-	-	-	-	-	-
Fountain Inn Fire Service Area [1]	-	-	1,660,000	1,760,000	1,880,000	1,990,000	2,100,000	880,000	1,670,000	1,735,000
Gantt Fire, Sewer & Police District [1]	4,112,433	570,272	743,369	894,462	1,045,598	1,201,823	1,428,180	1,444,710	1,580,453	1,640,447
Glassy Mountain Fire District [1]	1,685,000	1,890,000	2,090,000	1,535,000	1,745,000	1,945,000	2,140,000	2,325,000	2,505,000	1,690,000
Gowensville Fire District [1]	134,250	-	-	-	-	-	-	-	-	-
Greenville Arena District [1]	32,132,423	35,573,800	38,050,000	18,435,000	19,690,000	20,900,000	22,065,000	36,848,647	24,275,000	8,125,000
Greenville County Art Museum [1]	2,381,667	3,668,000	3,429,000	2,300,000	-	-	-	-	-	-
Greenville County [1]	123,364,342	137,746,748	146,493,098	155,889,836	166,060,779	143,469,285	65,900,000	64,440,000	68,040,000	62,510,000
Greenville County School District [1]	718,030,000	845,577,000	812,125,000	845,170,000	945,359,652	973,508,597	66,449,000	47,785,000	38,230,000	15,795,000
Lake Cunningham Fire District	-	-	217,861	257,722	-	-	-	-	-	-
Mauldin Fire Service Area [1]	-	-	1,530,000	1,630,000	1,750,000	1,870,000	2,005,000	2,135,000	2,265,000	2,390,000
North Greenville Fire District [1]	1,160,000	1,270,000	1,375,000	1,480,000	1,580,000	1,675,000	1,750,000	-	-	-
Parker Fire District [1]	12,721,247	-	-	-	-	-	-	-	-	-
Pelham Batesville Fire District [1]	-	-	-	2,349,961	-	-	-	-	-	-
Piedmont Park Fire District [1]	415,146	-	-	-	-	-	-	-	-	-
Piedmont Public Service District [1]	123,193	151,502	178,880	-	-	-	-	-	-	-
Recreation District [1]	-	-	-	-	-	1,017,357	1,201,391	1,377,193	1,544,817	1,704,315
River Falls Fire District [1]	230,003	271,951	312,642	383,266	390,401	-	-	-	-	-
Simpsonville Fire Service Area [1]	-	-	3,230,000	-	-	-	210,000	415,000	615,000	805,000
South Greenville Fire & Sewer District [1]	566,605	1,135,924	1,079,256	582,000	719,000	850,000	975,000	1,095,000	1,209,000	1,318,000
Taylors Fire & Sewer District [1]	1,873,591	1,975,316	1,975,316	-	-	80,209	229,535	372,680	509,899	641,438
Tigerville Fire District [1]	285,000	-	355,000	390,000	425,000	455,000	485,000	550,000	158,935	180,069
Total	$ 928,776,639	$ 1,054,298,723	$ 1,036,428,426	$ 1,055,662,516	$ 1,162,611,996	$ 1,172,345,739	$ 192,515,198	$ 190,368,122	$ 174,023,513	$ 129,585,702

[1] Greenville County Treasurer June 30 fiscal year end report
[2] Surrounding Municipalities June 30 fiscal year end report

Renewable Water Resources
Ten Largest Employers in 2018

Company	County	Product / Service	Employment		Established
			Jobs	% of Total	
Greenville Health Systems	Greenville	Health services	15,493	3.0%	1930
Greenville County School District	Greenville	Public education	10,095	2.0%	1951
Bon Secours St. Francis Health System	Greenville	Health services	4,355	0.8%	1932
Michelin North America, Inc.	Greenville	Headquarters, R&D /Mfg (radial tire manufacturer)	3,737	0.7%	1975
South Carolina State Government	Greenville	State government	3,419	0.7%	1967
GE Power & Water	Greenville	Engineering (gas turbine manufacturing)	3,400	0.7%	1905
Duke Energy	Greenville	Energy	3,300	0.6%	1960
Fluor Corporation	Greenville	Engineering/Construction Services	2,555	0.5%	1961
Greenville County Government	Greenville	Government	2,104	0.4%	1786
US Government	Greenville	Federal Government	2,065	0.4%	1776

Source: GADC and SCACOG; January 2019

Note: Data for previous nine years not considered relevant to current year report and therefore omitted

Renewable Water Resources
Summary of Demographic and Economic Statistics

	FY18 12/31/2018	FY17 12/31/2017	SY16 (6) 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Population (1)	513,431	506,457	498,766	495,777	481,317	474,266	464,394	459,324	457,575	453,966	438,119
Population growth	1.4%	1.5%	0.6%	3.0%	1.5%	2.1%	1.1%	0.4%	0.8%	3.6%	2.3%
School enrollment (2)	74,789	73,757	74,319	72,855	71,996	70,866	70,282	69,649	69,141	69,006	70,051
Median age (3)	38	38	38	38	38	37	37	37	37	37	37
Per capita personal income (4)	$ 46,066	$ 44,298	$ 43,671	$ 40,791	$ 40,257	$ 39,130	$ 37,689	$ 36,426	$ 35,963	$ 36,905	$ 35,076
Personal income (4)	$ 23,347,725	$ 22,094,260	$ 21,427,856	$ 19,691,774	$ 19,092,741	$ 18,297,465	$ 17,385,834	$ 16,510,427	n/a	n/a	n/a
Percent unemployment (5)	2.8%	3.6%	3.5%	4.9%	5.4%	5.6%	6.8%	8.1%	9.3%	9.8%	10.6%

n/a - not available
(1) Greenville County Planning Department (estimate)
(2) The School District of Greenville County (http://www.greenville.k12.sc.us/gcsd/depts/admin/stats/)
(3) US Census Bureau (http://factfinder2.census.gov/faces/tableservices)
(4) US Department of Commerce, Bureau of Economic Analysis (http://www.bea.gov/iTable)
(5) Bureau of Labor Statictics Data, reflects LAUS 2015 redesign (http://www.bls.gov/data/)
(6) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Employees by Function

	FY18 12/31/2018		FY17 [1] 12/31/2017		FY16 6/30/2016		FY15 6/30/2015		FY14 6/30/2014		FY13 6/30/2013		FY12 6/30/2012		FY11 6/30/2011		FY10 6/30/2010		FY09 6/30/2009	
Employees by department	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Administration	46	23%	43	19%	46	21%	38	18%	36	18%	36	18%	33	17%	31	16%	31	16%	33	17%
Engineering	16	8%	16	7%	16	7%	15	7%	11	6%	15	7%	14	7%	15	8%	14	7%	13	7%
Laboratory	13	6%	18	8%	18	8%	18	9%	16	8%	18	9%	18	9%	17	9%	16	8%	17	9%
Maintenance/Collections	58	29%	68	31%	67	30%	63	31%	64	32%	65	32%	62	32%	64	33%	64	33%	59	31%
Operations, see below	47	23%	53	24%	59	27%	58	28%	60	30%	57	28%	56	28%	55	28%	58	30%	58	30%
Pretreatment	13	6%	9	4%	9	4%	9	4%	8	4%	8	4%	7	4%	8	4%	8	4%	8	4%
Biosolids Management [2]	6	3%	6	3%	6	3%	6	3%	5	2%	5	2%	5	3%	5	2%	5	2%	4	2%
Business Continuity Services [2]	5	2%	8	4%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	0%	0%	-	0%
Total	204	100%	221	100%	221	100%	207	100%	200	100%	204	100%	195	100%	195	100%	196	100%	192	100%
Operations employees by facility																				
Durbin Creek	4	8%	5	9%	5	8%	5	9%	5	8%	4	7%	2	3%	3	5%	4	7%	3	5%
Georges Creek	4	10%	5	9%	5	8%	6	10%	5	8%	5	9%	5	9%	5	9%	5	9%	5	9%
Gilder Creek	5	11%	6	12%	6	10%	6	10%	6	10%	6	10%	7	13%	6	11%	6	10%	6	10%
Grove Creek	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	4	7%	5	9%	5	9%	4	7%
Lower Reedy	7	15%	7	14%	7	12%	7	12%	7	12%	7	12%	7	13%	7	13%	7	12%	7	12%
Mauldin Road	13	28%	17	32%	23	40%	22	38%	24	40%	22	39%	23	41%	22	40%	23	40%	21	36%
Pelham	8	17%	8	15%	8	14%	8	14%	8	14%	8	14%	8	14%	7	13%	8	13%	8	14%
Piedmont	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	1	2%
Piedmont Regional	6	11%	5	9%	5	8%	4	7%	5	8%	5	9%	-	0%	-	0%	-	0%	-	0%
Taylors	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	3	5%
Total	47	100%	53	100%	59	100%	58	100%	60	100%	57	100%	56	100%	55	100%	58	100%	58	100%

[1] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year. The employees by function did not change from June 30, 2016 to December 31, 2016 so the SY16 column has been removed from the exhibit.

[2] Department name changes in FY18: Solids Management to Biosolids Management and Technical Resources to Business Continuity Services

Renewable Water Resources
Length of Gravity Line Serving Water Resource Recovery Facilities (in feet)

	FY18 12/31/2018	FY17 12/31/2017	SY16 [1] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Water resource recovery facility											
Durbin Creek	130,315	130,674	130,672	135,548	135,548	135,548	135,548	135,548	135,548	135,556	135,312
Georges Creek	94,429	94,491	94,491	94,491	94,491	94,491	94,491	107,006	94,674	94,674	94,674
Gilder Creek	168,247	164,251	161,998	161,998	161,998	161,999	161,999	161,999	162,000	162,000	162,000
Grove Creek	-	-	-	-	-	-	-	94,570	94,570	94,570	94,570
Lower Reedy	282,564	282,720	282,691	282,725	282,725	282,725	282,485	282,495	282,528	285,209	279,622
Marietta	27,554	27,579	24,969	24,969	24,969	24,877	24,877	24,877	24,877	24,877	24,877
Mauldin Road	410,836	399,050	400,933	400,933	400,916	400,935	400,920	397,285	400,352	397,109	388,847
Pelham	347,673	343,335	342,557	342,442	342,288	342,049	342,006	341,019	347,054	339,132	345,862
Piedmont	-	-	-	-	-	-	-	10,417	10,417	10,417	10,437
Piedmont Regional	105,237	105,187	105,117	105,117	105,118	105,118	104,987	-	-	-	-
Totals	1,566,855	1,547,287	1,543,428	1,548,223	1,548,053	1,547,742	1,547,313	1,555,216	1,552,020	1,543,544	1,536,201

[1] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Summary of Water Resource Recovery Facility Flows in Million Gallons Per Day (MGD)

	FY18 12/31/2018	FY17 12/31/2017	SY16 [3] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Permitted flow	87	87	87	87	87	87	90	85	85	85	92
Average flow	43	38	35	44	39	42	40	34	35	40	36
Average peak flow	64	45	38	58	45	54	50	39	44	51	47

Fiscal year 2018 flows by facility and basin [1]

	Permitted	Average	Peak
Reedy River basin			
Mauldin Road [2]	29.0	16.1	26.1
Lower Reedy	11.5	6.7	8.2
Basin Total	40.5	22.8	34.3
Saluda River basin			
Marietta	0.7	0.3	0.3
Georges Creek	3.0	1.3	1.8
Piedmont Regional	4.0	1.7	3.2
Basin Total	7.7	3.3	5.3
Enoree River basin			
Pelham	22.5	10.6	14.3
Gilder Creek	11.3	4.6	6.2
Durbin Creek	5.2	2.1	3.8
Basin Total	39.0	17.3	24.3
Total all basins	87.2	43.4	63.9

[1] Flows by plant and basin for previous nine years not considered relevant to current year report and therefore omitted.

[2] The actual permitted wet weather flow of the Mauldin Road WRRF is 70.0 MGD and its permitted load allocation capacity is 40.0 MGD; however, the plant's biological nutrient removal process is only designed to treat daily flows of 29.0 MGD.

[3] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Miscellaneous Statistics

	FY18 12/31/2018	FY17 12/31/2017	SY16[2] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Operations power usage											
Electric power [1]	$ 3,454,511	$ 2,998,157	$ 1,653,580	$ 3,343,709	$ 3,296,892	$ 3,173,428	$ 2,859,338	$ 2,904,547	$ 2,470,977	$ 2,755,858	$ 2,830,718
Operations chemical usage (in tons)											
Chlorine	198	176	54	249	239	287	461	240	159	135	89
Polymer	201	151	40	140	207	239	73	93	88	96	107
Lime slurry	-	-	-	-	-	-	69	250	158	226	498
Lime	3,242	2,943	1,314	2,552	2,504	2,957	1,114	2,994	2,176	1,065	1,051
Sulfur dioxide	97	23	23	166	75	121	26	96	28	46	62

(1) Amount represents annual total less Powershare credits.
(2) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Pump Stations and Industrial User Statistics

	FY18 12/31/2018	FY17 12/31/2017	SY16 (1) 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Number of pump stations by facility											
Durbin Creek	5	5	5	5	6	6	6	6	6	6	6
Georges Creek	13	13	13	13	13	13	13	13	13	13	13
Gilder Creek	3	3	3	3	3	3	3	3	3	3	3
Grove Creek	-	-	-	-	-	-	2	2	2	2	2
Lower Reedy	5	5	5	5	5	5	5	5	5	5	5
Marietta	2	2	3	3	3	3	3	3	3	3	3
Mauldin Road	8	8	8	8	8	8	8	8	8	8	8
Pelham	15	15	15	15	15	15	15	16	16	16	17
Piedmont	-	-	-	-	-	-	-	3	3	3	3
Piedmont Regional	6	6	6	6	6	6	4	-	-	-	-
Totals	57	57	58	58	59	59	59	59	59	59	60
Number of industrial customers by facility											
Durbin Creek	13	13	15	15	12	13	13	14	14	14	14
Georges Creek	3	3	3	3	2	1	1	1	1	1	1
Gilder Creek	6	6	7	7	7	7	7	7	8	9	9
Grove Creek	-	-	-	-	-	-	7	8	8	7	10
Lower Reedy	32	32	31	31	30	31	32	30	30	30	30
Marietta	1	1	1	1	1	1	1	1	1	1	1
Mauldin Road	23	23	25	24	25	27	27	25	26	28	28
Pelham	12	12	13	13	14	17	17	17	17	17	17
Piedmont	-	-	-	-	-	-	-	2	2	2	1
Piedmont Regional	12	12	12	13	11	11	2	-	-	-	-
Totals	102	102	107	107	102	108	107	105	107	109	111

(1) Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Schedule of Funding Sources for Capital Projects

	FY18 12/31/2018	FY17 12/31/2017	SY16[1] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009	Totals
Funding sources for capital projects												
Bond proceeds	$ 27,441,295	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,966,337	$ 3,679,145	$ 3,139,084	$ 22,264,062	$ 81,489,923
State revolving loan proceeds	15,292,458	2,986,498	1,586,233	-	-	-	-	-	3,165,598	3,640,849	6,420,017	33,091,653
Contributed capital	2,011,797	583,747	8,191	15,642	-	-	-	-	-	-	-	2,619,377
Federal payments	-	-	-	-	-	-	-	610,293	-	-	-	610,293
Internal reserves	5,854,144	40,695,401	17,370,026	23,566,224	11,619,001	13,922,349	28,070,672	16,527,079	2,556,656	1,195,542	542,036	161,919,130
Total capital project expense	$ 50,599,694	$ 44,265,646	$ 18,964,450	$ 23,581,866	$ 11,619,001	$ 13,922,349	$ 28,070,672	$ 42,103,709	$ 9,401,399	$ 7,975,475	$ 29,226,115	$ 279,730,376

[1] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Renewable Water Resources
Solids Generated and Method of Disposal (Dry Tons Per Year)

	FY18 12/31/2018	FY17 12/31/2017	SY16[1] 12/31/2016	FY16 6/30/2016	FY15 6/30/2015	FY14 6/30/2014	FY13 6/30/2013	FY12 6/30/2012	FY11 6/30/2011	FY10 6/30/2010	FY09 6/30/2009
Solids generated by facility											
Durbin Creek	631	328	106	254	333	649	403	258	200	239	127
Georges Creek	210	61	83	204	199	188	121	166	159	161	264
Gilder Creek	441	605	155	649	588	678	455	523	500	682	655
Grove Creek	-	-	-	-	-	-	55	143	109	147	117
Lower Reedy	1,256	1,387	488	1,108	1,400	968	1,146	869	1,066	764	1,240
Marietta	59	58	44	60	68	76	101	75	102	74	92
Mauldin Road	2,668	2,231	1,049	2,150	3,999	2,294	2,930	2,869	2,933	2,791	3,215
Pelham	1,537	1,735	836	1,925	2,096	1,471	1,282	1,284	1,468	1,166	1,999
Piedmont	-	-	-	-	-	-	38	52	52	71	39
Piedmont Regional	356	317	148	348	294	317	92	-	-	-	-
Taylors	-	-	-	-	-	-	-	-	-	-	423
Totals	7,158	6,722	2,909	6,698	8,977	6,641	6,623	6,239	6,589	6,095	8,171
Disposal methods											
Landfill disposal	1,577	416	5	2,177	6,808	4,804	516	158	365	382	498
Land application/recycled	5,581	6,306	2,904	4,521	2,169	1,837	6,107	6,081	6,224	5,713	7,673
Totals	7,158	6,722	2,909	6,698	8,977	6,641	6,623	6,239	6,589	6,095	8,171

[1] Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 year end. The short year ("SY") 16 transitions from June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between SY16 and other years will be difficult because of the different number of months reflected in each year.

Appendix

Cherry Bekaert LLP
CPAs & Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renewable Water Resources (the "Agency"), which comprise of the statement of net position as of December 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2019.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cherry Bekaert LLP

Greenville, South Carolina
March 25, 2019

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That's Purely
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GREENVILLE, SOUTH CAROLINA