



Greenville Water

Commissioners of Public Works
of the City of Greenville, South Carolina

Annual Comprehensive Financial Report

For Year Ended
December 31, 2021

Prepared by the Finance Department of Greenville Water

**GREENVILLE WATER
GREENVILLE, SOUTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Introduction





GreenvilleWater

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May 3, 2022

To the Honorable Chairperson, Members of the Commission and Customers of Greenville Water:

We are pleased to present our Annual Comprehensive Financial Report for the year ended December 31, 2021. This report conforms to the reporting and accounting standards of the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the Government Finance Officers Association's (GFOA's) Governmental Accounting, Auditing and Financial Reporting document.

Based upon a comprehensive framework of internal control, Management assumes full responsibility for the completeness and reliability of the information contained in this report. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

Our independent auditor, Mauldin & Jenkins, LLC has issued an unmodified ("clean") opinion on Greenville Water's financial statements for the year ended December 31, 2021. Their report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides an introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Greenville Water

Greenville Water was established in 1918 when the Citizens of the City of Greenville (City) purchased the nucleus of the present system from a private water company for the sum of \$800,000. The acquisition was authorized by a City referendum that approved the issuance of \$1,000,000 of general obligation bonds and the establishment of a "Board of Commissioners of Public Works" vested with the authority to acquire, operate, and control the system. From the beginning, the Commissioners have operated the system as a self-sustaining utility, and the original bonds, together with subsequent issues, have been retired solely from system earnings. To more accurately identify the Commissioners in the public mind with this responsibility and service, the Commissioners adopted the name Greenville Water for all purposes except legal transactions.

Greenville Water receives half its water from two forested watersheds, owned entirely by Greenville Water and comprised of 26,000 acres. The watersheds are located about 25 miles north and northwest of the City in the foothills of the Blue Ridge Mountains. Rainfall, averaging in excess of 60 inches per year, is gradually gathered into streams, which flow into either of two man-made reservoirs: one on the headwaters of the South Saluda River (Table Rock) and the other on the headwaters of the North Saluda River (Poinsett). These highly protected watersheds are preserved by a conservation easement held by The Nature Conservancy to help guarantee that residential, agricultural or industry never develops within the watershed.

The Table Rock Reservoir has two state permitted intakes of 32 Million Gallons per Day (MGD) and 35 MGD. The North Saluda Reservoir's one intake has a permitted capacity of 60 MGD. These two reservoirs supply the 75 MGD Stovall Water Treatment Plant which utilizes a state-of-the art Dissolved Air Flotation process prior to deep bed filtration to further purify the water. In 2013, Greenville Water was able to secure a State Surface Water Withdrawal Permit for all three intakes, ensuring firm capacities, as stated above, from the two reservoirs for the next 32 years.

Greenville Water also owns the Adkins Water Treatment Plant, a conventional water filtration plant currently rated at 90 MGD. This facility, located in the Savannah River Basin within Pickens County, draws from Lake Keowee as its raw water source and holds a State Surface Water Withdrawal Permitted capacity of 150 MGD, also secured for the next 32 years. In addition, Greenville Water has a long-term agreement with Duke Energy, the owner of Lake Keowee, which allows a maximum day usage of 150 million gallons, to meet projected long-range needs.

The system has been developed by the Commissioners into a modern water utility with an abundant supply of water, which currently serves most of Greenville County and portions of Anderson, Pickens and Laurens counties. There are currently 192,981 metered accounts and 13 wholesale water customers that obtain their water supply from the system.

The Commission is composed of three elected Commissioners, elected for staggered six-year terms, and two ex-officio Commissioners, consisting of the Mayor and one City Council member. All Commissioners serve without financial compensation. The Commissioners are vested with the power to manage the fiscal affairs of the system; however, it may not incur any indebtedness without the concurrence of the City.

They are the policy-making body which approves rates and charges, the Annual Operating Budget, the five-year Capital Improvement Program and makes recommendations to the City Council for the issuance of bonds. The Commissioners appoint the Chief Executive Officer. As a matter of policy, the Commissioners continually review recommendations of management relating to capital improvements, water usage trends, and projections, along with revenue requirements to meet these needs.

The Commission must approve an operating budget by January 1 prior to any expenditure being made in the new fiscal year. The biennium budget serves as the foundation for Greenville Water's financial planning and control. The Commission may amend or supplement the budget at any time after its approval by majority vote of its members. The CEO has the authority to make administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect reserve balances.

Local Economy

Greenville Water is headquartered in the City of Greenville and provides water service to most of Greenville County, which has an estimated population of 525,534. The County is the most populous county in the State and is located in the northwestern or Piedmont section of the State. It has an area of approximately 792 square miles and is bordered on the north by the State of North Carolina, on the east by Spartanburg County, on the west by Pickens and Anderson Counties and on the south and southeast by Laurens County. It is the center of the largest three-county area in the State and is the commercial center for nine counties in the Piedmont. The City is the county seat and the sixth largest city in the State.

Greenville County is the centerpiece of the region considered to be the "economic engine of South Carolina." Greenville County is part of one of the nation's fastest growing areas, "The I-85 Corridor."

Greenville is located between Atlanta, Georgia and Charlotte, North Carolina on I-85. The Atlantic Ocean and Port of Charleston are 200 miles to the Southeast down I-26, and the Blue Ridge Mountains are just 15 minutes away. The Greenville-Spartanburg International Airport is the busiest in the State and is served by most major airlines.

Greenville has what it takes to attract coveted new jobs and investment; skilled worker availability, exceptional quality of life, high quality technical colleges, highly rated K-12 schools, low cost of living, low cost of doing business, excellent interstate access and numerous colleges and universities. Considering these competitive advantages, it is easy to understand why the region is home to a collection of domestic and international businesses. From disaster recovery software to polymer technology, biomedical engineering to molecular diagnostics, Greenville is home to a burgeoning tech ecosystem. The following table sets forth the total announced capital investment for new and expanded industry over the past five years.

| Year | Announced New Employment | Announced New Investments (000's) |
|-------------|---------------------------------|--|
| 2017 | 1,789 | \$335,968 |
| 2018 | 1,477 | \$161,755 |
| 2019 | 2,178 | \$401,883 |
| 2020 | 1,422 | \$631,500 |
| 2021 | 1,835 | \$142,300 |

Greenville Water’s customer base is 88.6% residential and is not subjected to economic downturns. No single customer accounts for more than 1.82% of Greenville Water’s annual revenue.

Greenville Water’s new accounts grew by 1.9% to 192,981 for the fiscal year ended December 31, 2021 as compared to a 1.8% increase the previous fiscal year.

The 2021 unemployment rate for the Greenville County area was 3.9%, compared to the State unemployment rate of 4.5% and the U.S. unemployment rate of 5.9%.

New residential permits issued in the County decreased by 3.6 % from 4,004 to 3,860 in 2021 compared to 2020. New commercial permits decreased 20.4% from 1,364 to 1,086.

Retail sales in the County increased by 5.8% to \$20.0B in 2021.

Assessed value in the County increased 4.1% to \$2,642,159,318 from \$2,539,093,472 in 2021 compared to 2020. The estimated market value of taxable property increased 1.9% to \$50,953,847,046 from \$49,986,262,794 in 2021 compared to 2020.

Per capita personal income in the County was \$52,213 for 2021, which was 8.7% above the State per capita income of \$48,021, and 12.2% below U.S. per capita income of \$59,510.

Greenville Water maintained its Aaa bond rating from Moody’s Investor Service, Standard and Poor’s Corporation and Fitch. This bond rating is a clear indication of the sound financial condition of Greenville Water. Greenville Water is one of the few governmental water utilities in the country that maintains the highest financial rating from all three major rating agencies.

Sources: Greenville County Official Statement, 2021 Greenville County Annual Comprehensive Financial Report, and the U.S. Department of Commerce.

Long-Term Financial Planning and Major Initiatives

Greenville Water's Strategic Plan provides the focus for our strategic direction and priorities for our operations as well as our capital investments. The focus areas of the Strategic Plan are as follows:

- *Operational Excellence*
- *Long-Term Viability*
- *Corporate/Social Responsibility*

Highlights of the significant strategic initiatives and achievements in 2021 in each of the focus areas are discussed in the following paragraphs.

Operational Excellence

In 2021, the risk matrix model was revisited to expand the consequence of failure parameters and develop a likelihood of failure component to better assess and define Greenville Water's risk exposure and to enhance the waterline deterioration model. The results of this risk assessment are currently being incorporated into Voda.ai's artificial intelligence machine learning software for the prediction of leaks and breaks throughout the distribution system. The artificial intelligence results will guide waterline preventive maintenance activities such as leak detection and valve exercising and will aid in the prioritization of capital improvement projects.

In order to ensure the reliable operation and performance of the transmission and distribution system, in 2021 our Field Operations department performed a total of 4,551 valve inspections. Additionally, the Distribution Technicians inspected and flow tested 3,745 fire hydrants in 2021.

Long-Term Viability

During 2016, Greenville Water developed a Water Resources Management Model that serves as a tool for staff to understand, forecast and manage the water resources from the Table Rock and North Saluda Reservoirs. The model utilizes local climate data and flow data from the USGS gauging stations strategically placed throughout both watersheds to estimate the quantity of water available for withdrawal from the two reservoirs. In 2017, staff worked with USGS to implement a stream flow and rainfall monitoring program to support the model in the Table Rock and North Saluda Watersheds. This effort supports the long-term goal of sustainable management of our water resources and will enable staff to predict the influence of climate on current and future water supplies that feed the Table Rock and North Saluda Reservoirs. In addition, the information developed and collected from the stream and rainfall monitoring program will be combined with ongoing water quality information to ensure excellent water quality for the greater Greenville community.

During 2021, 34,722 parameters were measured throughout the reservoirs and at stream crossings in the Table Rock, North Saluda and Lake Keowee watersheds. These measurements, including those collected directly after rain events, compared favorably to previous years and indicated no degradation of water quality in any of the watersheds, validating our targeted efforts to maintain water quality for future generations. Additionally, 266 trees were removed from our reservoirs in 2021. This ongoing effort minimizes the release of organic compounds from the trees into the water as they decay.

Water Loss

As diligent stewards of the environment, Greenville Water ensures water resource sustainability by monitoring water losses starting at the water treatment plant and following the journey of the finished water all the way until it arrives at the customer's meter. Our Water Loss Control Team, established in 2015, has now conducted baseline AWWA water audits for the past seven years.

Finished water production versus billed consumption is analyzed monthly. This enables us to assess meter testing and replacement, the calibration of production meters and automatic flushers, new account activation procedures, the accurate coding of registers, the tracking of water loss due to main breaks and service leaks, and the analysis of billed consumption data. Greenville Water is a leader in Water Loss Control within the state of South Carolina, with staff serving on the SC AWWA Water Loss Control Committee, as well as being chosen as a beta testing utility for the latest version of the AWWA Water Audit software, v6.0.

In the newest release of the AWWA Water Audit software the recommended Key Performance Indicators report the nonrevenue water consumption in both gallons and gallons per connection per day for benchmarking with other water utilities. Greenville Water's total nonrevenue water in 2020 was estimated at 3.7 billion gallons, consisting of 2.8 billion gallons of real water losses due to system leakage; 0.3 billion gallons of apparent losses due to metering inaccuracies and unauthorized consumption; 0.5 billion gallons corresponding to the water necessary to ensure water quality (to flush where necessary and sample new water mains prior to installation) and to provide fire protection for the public; and 82 million gallons (.082 billion gallons) supplied without cost to the City of Greenville's nonrevenue generating premises such as community parks in support of Greenville Water's corporate social responsibility pillar. Upon comparison with other reporting water utilities, GW's apparent losses of 4.6 gallons per connection per day are below the median, the real losses of 39.8 gallons per connection per day and the Infrastructure Leakage Index of 1.9 are just slightly above the median.

Our Field Operations crews ensure reliable and sustainable water service by expediently locating and repairing all major breaks and minor leaks. Field Operations also minimizes water losses through leak detection and fire hydrant maintenance. Leak detection equipment is used throughout the distribution system to minimize real losses and since implementation, over 200 miles of pipe have been inspected and over 200 leaks have been detected, confirmed and repaired. In 2021 over 250 fire hydrants were repaired or replaced.

Corporate/Social Responsibility

Greenville Water entered a partnership in 2018 with the Roper Mountain Science Center (RMSC) and the Greenville County school district for the development of its new Environmental Science and Sustainability Center. This partnership provided a unique opportunity to create an educational facility to engage our future leaders while creating a lasting, positive impact in the areas of environmental awareness, sustainability, conservation, and water education. As part of Greenville Water's sponsorship of the RMSC Environmental Science and Sustainability Center, we collaborated directly on the design for the Center, which includes an immersive water cycle exhibit that takes visitors on a journey through the Table Rock Watershed and provides an interactive gaming experience of both the water treatment process and the maintenance of the distribution system that serves the greater Greenville community. Our exhibit is interactively designed to educate and inspire future generations to consider careers in the water utility industry by raising awareness of the importance of the long-term sustainability of our water resources. Additionally, this facility will provide a platform to educate local youth, out of town visitors, and the community about water resources and the environment,

ultimately ensuring the preservation of our high-quality water, which is critical to the growth and prosperity of our community. The RMSC Environmental Science and Sustainability Center, featuring the Our Water Story exhibit opened to the public in 2021.

Greenville Water also initiated its Greenville Cares Volunteer Time Off (VTO) program in 2021 which affords full-time GW team members the opportunity to volunteer up to one day a year (8 hours) of paid time off to give back to the greater Greenville community. In 2021, Greenville Water staff contributed 454 hours of volunteer time to organizations that included Naturaland Trust (to clean up Boones Creek Preserve), Save Our Saluda (planting trees to create a riparian buffer along the North Saluda Reservoir), Harvest Hope and Mill Village Farms (boxing food), Project Host (serving meals to those in need), and Habitat for Humanity.

Capital Improvement Program (CIP)

The CIP serves as a planning document to ensure that Greenville Water facilities, equipment, and infrastructure are well maintained and capable of providing the capacity to meet current and future demand. The CIP and five-year financial forecasting process provide the ability to plan for Greenville Water's capital needs and allocate short and long-term resources appropriately. Capital projects included in the CIP are non-recurring major projects that exceed \$100,000 in cost and have a useful life of at least five years. The significant cost of the projects included in the CIP may also require the use of debt or reserves to finance their cost. As part of the CIP process, operational costs associated with capital projects are identified and quantified and the appropriate resources are budgeted.

The 2022 CIP totals \$66.5 million, with projects funded by debt financing, rate and revenue reserves, and capacity fees in the amounts of \$53.3 million, \$8.5 million, and \$4.7 million, respectively. Included in the \$66.5 million is \$54.5 million for water main replacements and improvements, \$3.5 million for intake replacements and improvements, \$3.0 million for pumping stations, \$2.8 million in water treatment plant improvements, \$1.7 million for electrical and network infrastructure upgrades, \$0.6 million for pressure control and optimization, and \$0.4 million for reservoirs.

Capital items included in the annual operating budget include \$6.0 million for recurring Normal System Improvements required to replace aging pipe, make upgrades & replacements due to road improvements, serve new customers and improve flows, stabilize pressures, etc. \$3.9 million has been included to replace water lines. The costs of these improvement projects are recovered through rates or capacity fees. Also included in the operating budget is capital outlay for \$3.0 million for meters, \$1.1 million for equipment, and \$0.7 million for vehicles.

Greenville Water’s overall financial position improved during 2021, with net position increasing by 5.1% to \$28.1 million from the prior year. The following table sets forth Greenville Water’s net position during each of the past five fiscal years.

| <u>YEAR ENDED</u> | <u>TOTAL INCREASE</u> |
|-------------------|-----------------------|
| 2017 | 21,116,306 |
| 2018 | 21,382,303 |
| 2019 | 26,719,070 |
| 2020 | 29,843,293 |
| 2021 | 28,125,780 |

As part of its long-range financial planning efforts, the Commission evaluates the need for rate adjustments. The last rate adjustment approved by Commission became effective on March 1, 2016.

The tables below reflect the retail rates since 2016.

Inside City

| <u>EFFECTIVE DATE</u> | <u>BASE CHARGE</u> | <u>PER 1,000 GAL</u> |
|-----------------------|--------------------|----------------------|
| March 1, 2016 | \$4.52 | \$1.47 |
| March 1, 2017 | \$4.52 | \$1.47 |
| March 1, 2018 | \$4.52 | \$1.47 |
| March 1, 2019 | \$4.52 | \$1.47 |
| March 1, 2020 | \$4.52 | \$1.47 |
| March 1, 2021 | \$4.52 | \$1.47 |

Outside City

| <u>EFFECTIVE DATE</u> | <u>BASE CHARGE</u> | <u>PER 1,000 GAL</u> |
|-----------------------|--------------------|----------------------|
| March 1, 2016 | \$6.78 | \$2.22 |
| March 1, 2017 | \$6.78 | \$2.22 |
| March 1, 2018 | \$6.78 | \$2.22 |
| March 1, 2019 | \$6.78 | \$2.22 |

| | | |
|---------------|--------|--------|
| March 1, 2020 | \$6.78 | \$2.22 |
| March 1, 2021 | \$6.78 | \$2.22 |

Financial Policies

Greenville Water has the following financial policies in place:

- Reserve Policy
- Debt Management Policy
- Long-Term Financial Planning Policy
- Operating Budget Policy
- Capital Planning, Budgeting & Management Policy
- Investment Policy
- Procurement Policy
- Internal Control Policy
- Risk Management Policy
- Expense Policy
- Rates, Fees and Charges Policy
- Fixed Asset Policy
- Accounting, Auditing and Financial Reporting Policy

The adoption of these policies serves to formalize and institutionalize financial management best practices in our organization.

Awards and Acknowledgements

The Government Finance Officer’s Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Greenville Water for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. In order to be recognized with this prestigious award, Greenville Water published an easily readable and efficiently organized annual report that satisfies both generally accepted accounting principles and applicable program requirements.

We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility as well.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Accounting Division. We wish to thank all Greenville Water departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Chairperson and the Commission for their unfailing support for maintaining the highest standards of professionalism in management of Greenville Water’s finances.



David H. Bereskin
Chief Executive Officer



Phillip L. Robey
Chief Financial Officer

Commissioners & CEO

2022 & 2023



PHILLIP KILGORE
Commission Chair



JAMES BANNISTER
Vice Chair



DEBRA SOFIELD
Commissioner



KNOX WHITE
Ex-Officio
Mayor



WIL BRASINGTON
Ex-Officio
Council Member



DAVID BERESKIN
Chief Executive Officer

Greenville Water Officials
List of Commissioners and Executive Staff

COMMISSIONERS OF PUBLIC WORKS

| Commissioner | Year Service Began | Current Term Expires | Position |
|---------------------|---------------------------|-----------------------------|-----------------------------------|
| Phillip A. Kilgore | 2003 | 2024 | Chair |
| James W. Bannister | 2012 | 2027 | Vice-Chair |
| Debra M. Sofield | 1999 | 2026 | Commissioner |
| Knox H. White | 1995 | 2024 | Mayor/Ex-Officio |
| Wil Brasington | 2019 | 2025 | City Council Member/Ex-Officio |

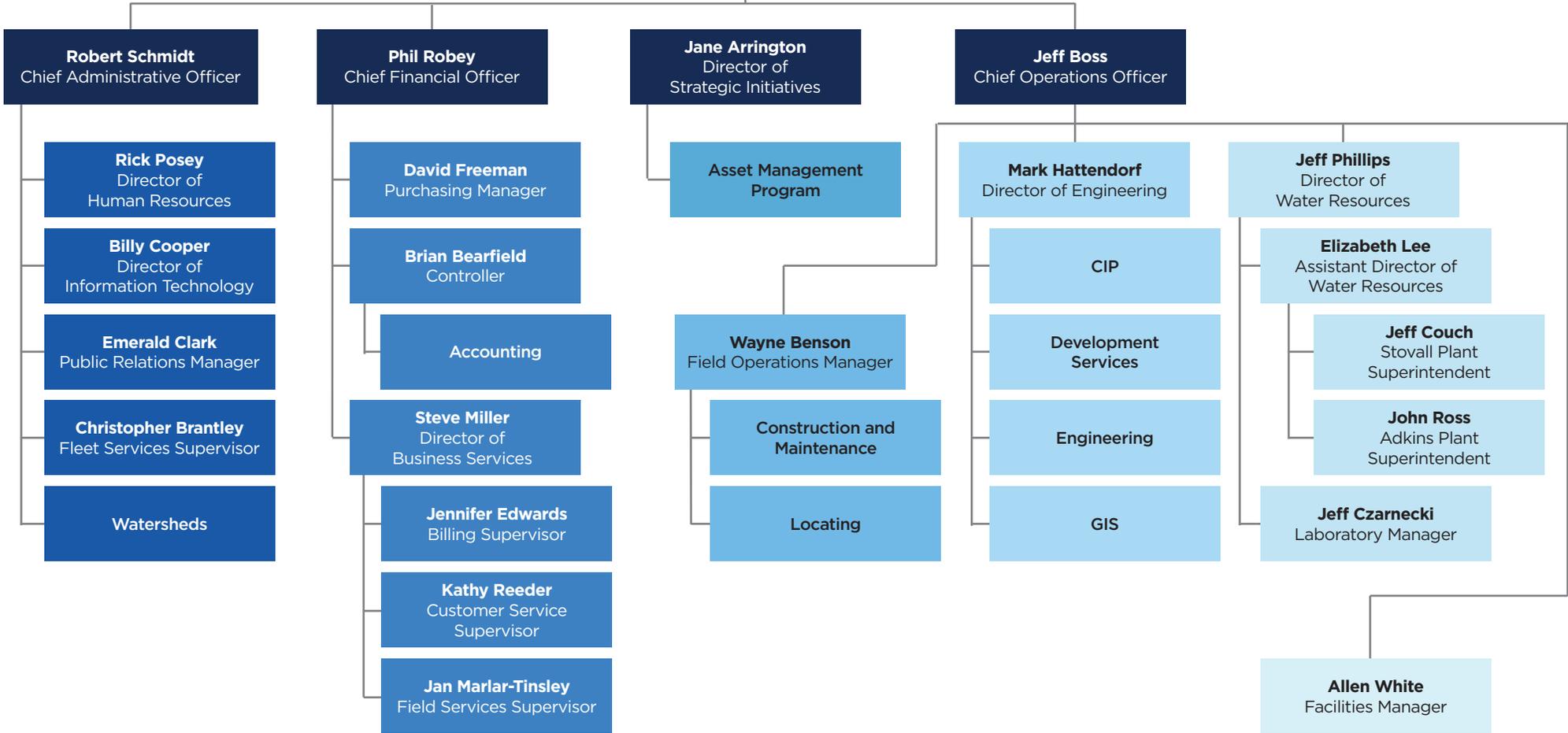
OFFICERS OF COMMISSION OF PUBLIC WORKS

| Officer | Year Service Began | Position |
|-------------------|---------------------------|--------------------------|
| David H. Bereskin | 2011 | Chief Executive Officer |
| Phillip L. Robey | 2012 | Chief Financial Officer |
| Jeff Boss | 2018 | Chief Operations Officer |

**Commission of Public Works
of the City of Greenville**

David H. Bereskin
Chief Executive Officer

Kim Haulter
Executive Secretary





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Greenville Water System
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

Financial





INDEPENDENT AUDITOR'S REPORT

**To the Commissioners of Public Works
of the City of Greenville
Greenville, South Carolina**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Commissioners of Public Works of the City of Greenville** ("Greenville Water") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Greenville Water's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Greenville Water, as of December 31, 2021, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 on our consideration of the Greenville Water'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 Greenville Water '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 Greenville Water's internal control over financial reporting and compliance.



Columbia, South Carolina
April 29, 2022

Greenville Water

Management's Discussion and Analysis

As management of Greenville Water, we offer readers of the financial statements this narrative overview and analysis of the financial activities of Greenville Water for the twelve months ended December 31, 2021. Please consider this information in conjunction with the financial statements and related notes, which follow this section.

Financial Highlights

Greenville Water continued to show a solid financial position for 2021. Greenville Water is well within its debt covenants.

- ❖ The assets plus the deferred outflows of resources of Greenville Water exceeded its liabilities plus the deferred inflows of resources at the close of 2021 by \$579.9 million (net position). Of this amount \$91.1 million (unrestricted net position) may be used to meet the system's ongoing obligations.
- ❖ Net position improved by \$28.1 million (compared to the prior year net position), or 5.1%, due to the excess of revenues over expenses that is largely reinvested in the system and used to fund the capital improvement program.
- ❖ Total revenues were \$75.0 million, which was \$3.3 million or (4.2%) less compared to \$78.3 million in 2020. This is primarily the result of a 2020 \$8.9 million Powdersville Water purchase of 3.25 million GPD allocation of capacity. This year over year decrease was offset by increases in Water Sales, Capacity Fees, Delinquent Fees and Turn Off/Turn On Fees.
- ❖ Total expenses were \$47.5 million, a \$1.5 million (3.0%) decrease compared to \$49.0 million in 2020. This was the result of decreases in interest on debt and depreciation expense which were partially offset by increases in supplies and general and administrative costs.
- ❖ Net capital assets were \$502.2 million at the close of the fiscal year, increasing by \$7.0 million or 1.4% compared to \$495.2 million in 2020. The increase is due to net additions of \$19.5 million offset by a \$12.5 million increase in accumulated depreciation.
- ❖ Long term debt decreased by \$11.6 million to \$18.5 million as a result of regularly scheduled principal reductions on existing outstanding debt.
- ❖ Greenville Water maintained its AAA bond rating with all three major rating agencies.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Greenville Water. 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 statements are presented in a manner similar to a private-sector business. These statements report information about Greenville Water's activities and provide an indication of financial health.

The Statement of Net Position presents Greenville Water's financial position and reports the resources owned by Greenville Water (assets), obligations owed by Greenville Water (liabilities) and Greenville Water's net position (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Position presents a summary of how Greenville Water's net position (revenues less expenses) changed during the year. Revenue is reported when it is earned, and expenses are reported when incurred. This statement serves as a basis for determining Greenville Water's actual Debt Service Ratio, as required by the revenue bond covenant.

The Statement of Cash Flows provides information about Greenville Water's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of Greenville Water

The following provides a summary of the activities of the year ended December 31, 2021 and the year ended December 31, 2020 (in millions). Certain amounts may vary slightly due to differences caused by rounding.

Statement of Net Position (\$ millions)

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-----------------|-----------------|
| Assets: | | |
| Current unrestricted assets | \$ 129.0 | \$ 121.3 |
| Current restricted assets | 4.5 | 15.6 |
| Capital assets | 502.2 | 495.2 |
| Other noncurrent assets | 11.7 | 0.3 |
| Total assets | <u>647.4</u> | <u>632.4</u> |
| Deferred outflows of resources | | |
| Deferred Pension Charges | 4.5 | 3.9 |
| Bond Deferred Refunding Charges | - | 0.2 |
| Deferred OPEB changes | 0.01 | 0.01 |
| Total deferred outflows of resources | <u>4.6</u> | <u>4.1</u> |
| Liabilities: | | |
| Current liabilities | 28.1 | 21.1 |
| Long-term liabilities | 37.4 | 60.4 |
| Total liabilities | <u>65.5</u> | <u>81.5</u> |
| Deferred inflows of resources | | |
| Deferred Pension Credits | 4.4 | 0.9 |
| Deferred OPEB Credits | 2.1 | 2.3 |
| Total deferred inflows of resources | <u>6.5</u> | <u>3.2</u> |
| Net position: | | |
| Net Investment in Capital Assets | 482.9 | 463.2 |
| Restricted | 5.8 | 15.2 |
| Unrestricted | 91.2 | 73.4 |
| Net Position | <u>579.9</u> | <u>551.8</u> |
| Total liabilities and net position | <u>\$ 651.9</u> | <u>\$ 636.5</u> |

Greenville Water's overall financial position improved during 2021. As a result of 2021 Operations and Capital Contributions, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$579.9 million, an increase of 5.1% or \$28.1 million from the prior year net position. This is primarily the result of excess revenue over expenses, regularly scheduled bond repayment, and a capital improvement program being funded largely through equity.

The largest portion of Greenville Water's net position is reflected in capital assets. The increase in capital assets is primarily due to improvements to the water supply and distribution system. Notable additions include work to continue to increase capacity at the Crestwood Pump Station from its existing 2.6 million gallons per day to 5.5 million gallons per day to meet demands of the Hillandale, Paris Mountain, Tanyard, and Upper Paris Mountain zones at a cost of \$2.4 million, design costs for the Adkins Water Treatment Plant to Welborn Road new transmission line project of \$2.2 million, and the acquisition of a portion of the service area from the Laurens County Water and Sewer Commission ("LCWSC") of \$1.3 million. The acquisition included 200 accounts located in Greenville County that had previously been served by LCWSC.

These capital assets are essential in providing service to our customers and are not available for future spending. The resources needed to repay the related debt on these capital assets must be provided by other sources, since the assets themselves cannot be used to liquidate these liabilities. At December 31, 2021 these other unrestricted resources totaled \$91.2 million and may be used for any lawful purpose.

An analysis of total liabilities also demonstrates the benefit of cash financing and debt reduction. Total liabilities decreased 18.7% or \$16.0 million, due primarily to scheduled paydown of long-term debt and a reduction in Greenville Water's share of the South Carolina Retirement System net pension liability.

Greenville Water anticipates continued increases in net position arising from its capital improvement program, a projected excess of revenues and contributions over expenditures, and the continued low cost of debt due to its AAA bond rating.

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Statements of Revenue, Expenses, and Changes in Net Position
(\$ millions)

| | 2021 | 2020 |
|---|----------|----------|
| Revenues: | | |
| Water supply and distribution | \$ 58.3 | 55.0 |
| Sewer handling charges | 3.2 | 3.1 |
| Other operating revenues | 13.2 | 19.0 |
| Total operating revenues | 74.7 | 77.1 |
| Investment income | 0.3 | 1.2 |
| Total revenues | 75.0 | 78.3 |
| Expenses: | | |
| Salaries and benefits | 20.7 | 21.1 |
| Utilities | 2.7 | 2.6 |
| Professional services | 0.8 | 1.0 |
| Chemicals | 1.2 | 1.0 |
| Supplies | 3.3 | 2.8 |
| Repair and maintenance | 3.3 | 3.5 |
| General and administrative | 2.9 | 2.4 |
| Depreciation and amortization | 12.5 | 13.5 |
| Interest expense, net of premium | - | 1.0 |
| (Gain)/Loss on disposal of capital assets | 0.1 | 0.1 |
| Total expenses | 47.5 | 49.0 |
| Income Before Contributions | 27.5 | 29.3 |
| Capital contributions and grants | 0.6 | 0.5 |
| Change in net position | 28.1 | 29.8 |
| Net position – beginning | 551.8 | 522.0 |
| Net position – ending | \$ 579.9 | \$ 551.8 |

The largest source of Greenville Water’s operating revenue is derived from water sales. Water rates are composed of two components; a fixed monthly service charge based on the size of the installed water meter and a monthly volume (commodity) usage charge per thousand gallons of water consumed. All rates, charges and fees are calculated under a cost-of-service ratemaking methodology.

In 2021, total revenue decreased by \$3.3 million or (4.2%) compared to 2020.

Water sales account for \$54.8 million and represent a \$2.6 million increase over 2020. This increase is primarily the result of the Greenville Water service area returning to more normal rainfall levels in 2021 in comparison to near record rainfall amounts in 2020. There were no rate adjustments in 2021.

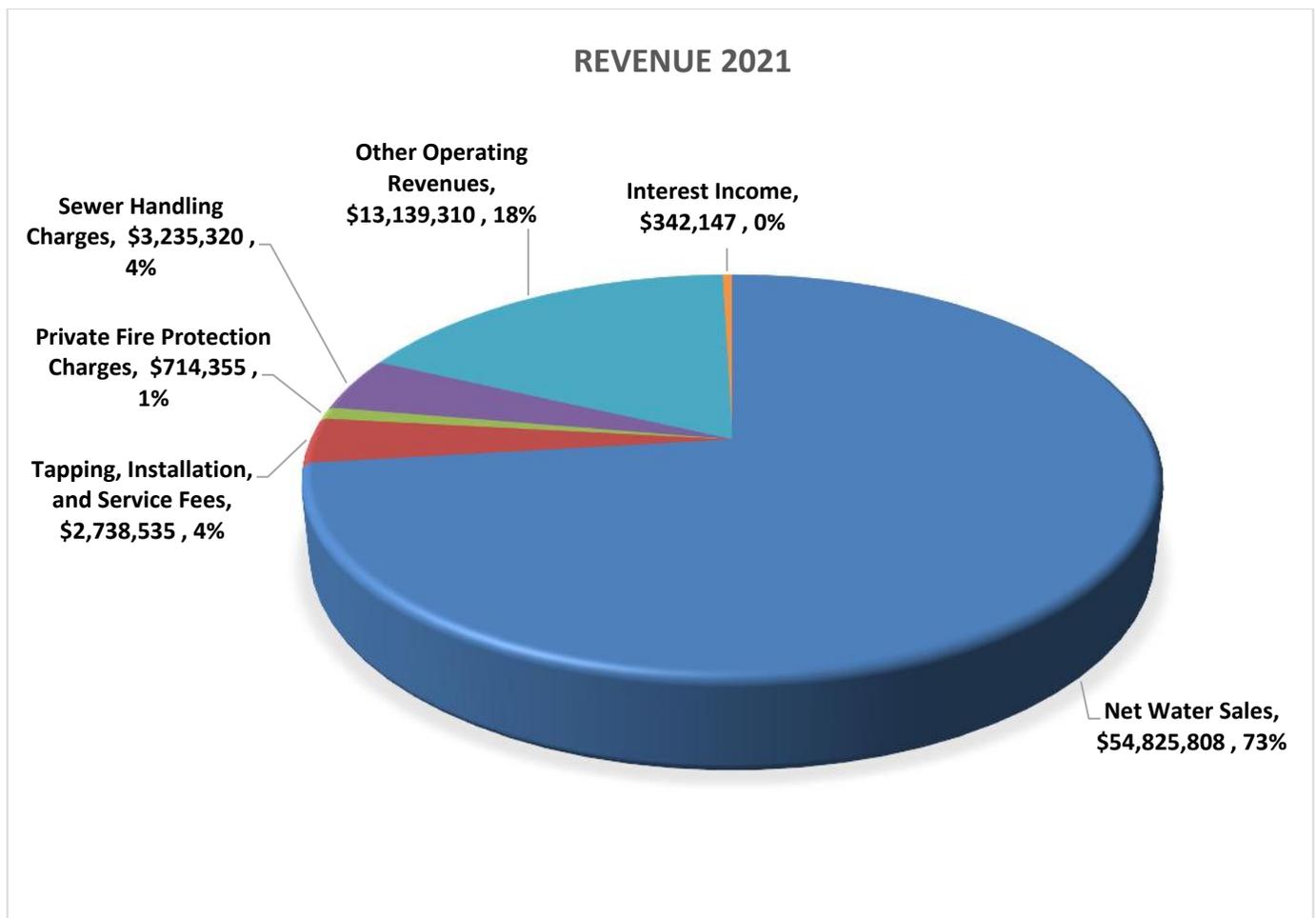
Tapping and Installation Fees increased \$0.7 million year over year primarily due to 4,684 new connections added during 2021.

Revenue from Sewer Handling Charges increased by \$0.1 million in 2021 as customers were added by MetroConnects. The additions resulted from the consolidation of the Gantt, Berea, Marietta, and Wade Hampton sewer districts into the MetroConnects sewer district.

Other Operating Revenues include income received from Delinquent Charges, Capacity Fees, Miscellaneous Income and Other Service Charges. In 2021, Other Operating Revenues decreased by \$5.8 million or 30.5%. This decrease is primarily attributable to a one-time \$8,866,000 Powdersville Water capacity allocation purchase in 2020 partially offset by increases in Capacity Fees, Delinquent Fees, and Turn Off/Turn On fees. Capacity fees increased by \$2.2 million due to continued system growth. Delinquent Fees and Turn-Off/Turn-On Fees increased \$1.4 million compared to 2020 primarily as a result of suspension of these fees due to COVID-19 for most of 2020.

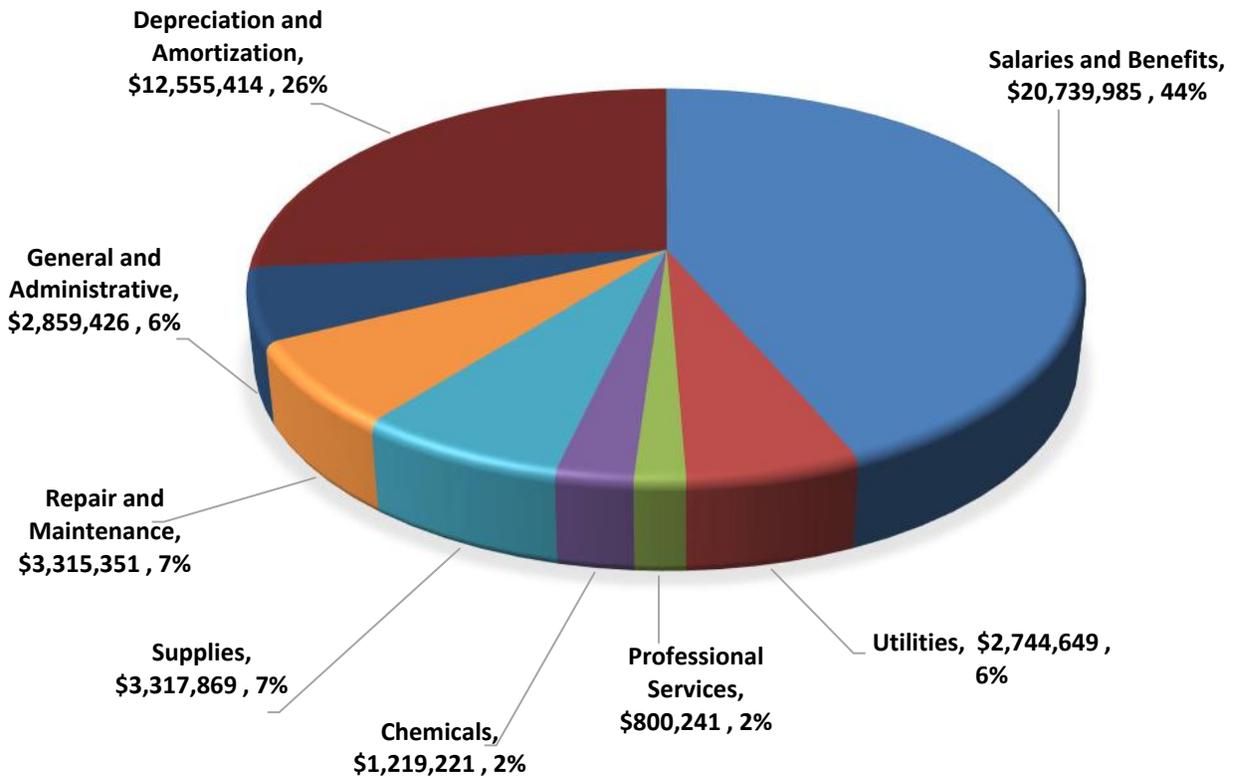
Investment Income decreased to \$0.3 in 2021 from \$1.2 million in 2020. Although cash and investment balances were higher in 2021 compared to 2020, returns were offset by falling interest rates. The average yield in 2021 was approximately .25%, compared to approximately 1% in 2020.

Revenues (excluding capital contributions) for the fiscal year ended December 31, 2021, were comprised of the following:



There was a decrease in total expenses of \$1.5 million (3.0%). Total expenses in 2021 were \$47.5 million and \$49.0 million in 2020. Operating expenses are the expenses necessary to perform the normal business operations and include (but are not limited to) salaries, benefits, costs of materials, supplies, insurance, power, chemicals, and depreciation. Expenses for the year ended December 31, 2021 were comprised of the following:

EXPENSES 2021



Highlights of the 2021-2020 expense comparison are provided below:

- ❖ Salaries and Benefits decreased \$0.4 million (1.9%) primarily due to a reduction of approximately \$1.0 million in Greenville Water's proportionate share of expenses in the South Carolina Retirement System. This decrease more than offset a 1% increase in employer contributions to this plan effective July 1, 2021 from 15.56% to 16.56% as well as merit increases. Greenville Water's vacancy rate was 18.8 in 2021, compared to 16.4 in 2020.
- ❖ Chemicals and Utilities increased \$0.2 million and \$0.1 million, respectively, due to an additional 3.3 MGD per day of water produced in 2021 vs. 2020.
- ❖ Professional Services decreased \$0.2 million primarily due to IT consulting services related to the January 2020 cyberattack which were partially offset by increases in engineering and legal fees in 2021.
- ❖ Supplies increased \$0.5 million (17.9%) in 2021 primarily due to increases in tapping supplies.
- ❖ Repair and Maintenance decreased \$0.2 million (5.7%) largely due to approximately \$0.7 million in costs incurred in the response and recovery in 2020 from the January 2020 cyberattack. This reduction was offset by increases in IT Cloud Services and vehicle and equipment maintenance in 2021.
- ❖ General and Administration increased by \$0.5 million (20.8%) primarily as the result of increases in merchant fee costs.
- ❖ Depreciation expense decreased \$1.0 million due to 2020 being the last year of depreciation recognized on the Stovall Mechanical Plant.

Greenville Water's outlook to meet operating expenses and adequately cover debt service requirements remained positive.

Capital Contributions and Grants totaled approximately \$0.6 million for the year, a \$0.1 million increase from 2020. These are comprised of reimbursements for construction of developer dedicated facilities. Greenville Water receives contributions in the form of cash payments and donated lines. U.S. Generally Accepted Accounting Principles require that these contributions be reflected as a revenue source on the Statements of Revenue, Expense and Net Position. Greenville Water received \$0.5 million in grant proceeds from the South Carolina Rural Infrastructure Authority for the City View Mill Village project. The project involved the full replacement of 16,500 linear feet of aging mains.

Capital Assets

Greenville Water's capital assets include land and rights of way, water supply and distribution systems, buildings and equipment and furnishings. Such amounts are detailed as follows (in millions):

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-----------------------|-----------------------|
| Land and rights of way | \$ 11.9 | \$ 11.4 |
| Water supply and distribution | 462.6 | 450.8 |
| Buildings | 251.6 | 247.6 |
| Equipment and furnishings | 30.1 | 29.8 |
| Construction in progress | 19.3 | 16.6 |
| Total | <u>775.5</u> | <u>756.2</u> |
| Less accumulated depreciation | <u>273.3</u> | <u>261.0</u> |
| Total, net | <u><u>\$502.2</u></u> | <u><u>\$495.2</u></u> |

The net increase in Greenville Water's capital assets during 2020 was \$7.0 million or 1.4%. There was a \$12.3 million (4.7%) increase in accumulated depreciation. Capital additions, net of removals, for 2021 were \$19.7 million, as follows:

| | |
|-----------------------------|----------------|
| ❖ Transmission Mains | \$ 8.8 million |
| ❖ Water Line Replacements | \$ 6.2 million |
| ❖ Line Extensions | \$ 1.2 million |
| ❖ City CIP | \$ 0.3 million |
| ❖ Highway Improvements | \$ 0.4 million |
| ❖ Meter costs | \$ 1.5 million |
| ❖ Equipment and furnishings | \$ 0.8 million |
| ❖ Land Acquisition | \$ 0.5 million |

Notable among improvements to transmission mains include work to continue to increase capacity at the Crestwood Pump Station from its existing 2.6 million gallons per day to 5.5 million gallons per day to meet demands of the Hillandale, Paris Mountain, Tanyard, and Upper Paris Mountain zones at a cost of \$2.4 million, design costs for the Adkins Water Treatment Plant to Welborn Road new transmission line project of \$2.2 million, and the acquisition of a portion of the service area from the LCWSC of \$1.3 million.

Significant line replacement projects included completed projects at State Park Road (\$1.2 million), Yorkshire Drive (\$0.8 million), Sugar Mill/Roper Mountain ((\$0.6 million), and Monroe Drive (\$0.5 million). The City View project was in progress at the end of 2021, with annual spend in 2021 of \$1.0 million.

A 16-inch main extension was added on Highway 418 at a cost of \$.75 million.

System capacity is expected to be sufficient to meet the community's needs well into the future. Additional information on Greenville Water's capital assets can be found in Note 4 in the Notes to the Financial Statements.

Debt Administration

Outstanding Debt at Year End

Greenville Water uses a combination of debt and pay as you go financing to fund capital improvements. At December 31, 2021, the total outstanding debt of Greenville Water was \$18.5 million revenue bonds, compared to \$30.1 million for 2020. The decrease was due to regularly scheduled principal reductions on existing outstanding debt. The total outstanding long-term debt at December 31, 2021, by issue date, follows (in millions):

| <u>Issue date</u> | <u>2021</u> |
|----------------------|-----------------------|
| 2015 | \$ 0.8 |
| 2014 | 3.7 |
| 2012 | 6.8 |
| 2010 | <u>7.2</u> |
| Total long-term debt | \$ <u><u>18.5</u></u> |

In January 2015, Greenville Water issued \$5,500,000 of Waterworks System Revenue Bonds, Series 2015, to pay for a portion of the costs to construct a new Operations building and for improvements to the central campus. The issuance consisted of serial bonds with stated rates of 1.58% and maturing from 2016 to 2022.

In November 2014, Greenville Water issued \$36,365,000 of Waterworks System Refunding Revenue Bonds, Series 2014, to pay the costs of refunding the outstanding Series 2013 Bonds. The issuance consisted of serial bonds with stated rates of 1.40% and maturing from 2015 to 2022.

In April 2012, the System issued \$15,500,000 of Waterworks System Refunding Revenue Bonds, Series 2012, to pay the costs of advance refunding a portion of the outstanding Series 2005 Bonds. The issuance consisted of serial bonds with stated rates ranging between 3.0% and 5.0% and maturing from 2013 to 2025.

In July 2010, the System issued \$40,485,000 of Waterworks System Refunding Revenue Bonds, Series 2010, to pay the costs of advance refunding a portion of the outstanding Series 2002 and 2003 Bonds. The issuance consisted of serial bonds with stated rates ranging between 2.0% and 5.0% and maturing from 2011 to 2023.

Additional information on Greenville Water's long-term obligations can be found in Note 5 in the Notes to the Financial Statements.

Debt Service Coverage

Bond covenants require a debt service coverage ratio of 1.25x. In May 2013, Greenville Water adopted a Debt Management Policy that establishes a target debt service coverage ratio of 1.75x.

Greenville Water's debt service coverage is summarized by the table below:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|--------------|
| Net earnings (Bond Ordinance) | \$40,498,733 | \$43,772,735 |
| Revenue Bond Debt Service | \$12,446,493 | \$12,452,354 |
| Revenue Debt Service Coverage | 3.25 | 3.52 |
| Greenville Water Policy Required (Bond Ordinance) | 1.75 1.25 | 1.75 1.25 |

Bond Ratings

As mentioned in the financial highlights of this document, Greenville Water maintained its AAA bond rating from Moody's Investor Service, Standard and Poor's Corporation, and Fitch. This bond rating is a clear indication of sound financial condition. Greenville Water is one of the few governmental water utilities in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest rates low on outstanding debt.

Economic Factors and Rates

Greenville County's (County) estimated population is 525,534 (1). The number of new metered accounts grew by 1.9% to 192,981 for the fiscal year ended December 31, 2021 as compared to a 1.8% increase the previous fiscal year.

Greenville Water's customer base is primarily residential and is not overly concentrated in one or two customers or one business sector. No single customer accounts more than 1.82% of Greenville Water's annual revenue from water sales.

In 2021, there were 1,835 new jobs announced in the County and \$142.3 million in new capital investment (2).

The 2021 unemployment rate for the Greenville County area was 3.9%, compared to the State unemployment rate of 4.5% and the US unemployment rate of 5.9% (1).

Assessed value in the County increased 4.1% to \$2,642,159,318 from \$2,539,093,472 in 2021 compared to 2020. The estimated market value of taxable property increased 1.9% to \$50,953,847,046 from \$49,986,262,794 in 2021 compared to 2020 (1).

New residential permits issued in the County decreased by 3.6 % from 4,004 to 3,860 in 2021 compared to 2020. New commercial permits decreased 20.4% from 1,364 to 1,086 (3).

Retail sales in the County increased by 5.8% to \$20.0B in 2021 (2).

Current economic conditions, including but not limited to the ones listed above are taken into consideration during planning and budgeting.

Fiscal Year 2021 Operating Budget

The 2022 budget for Greenville Water was prepared as part of the biennium budget process. The budgeted revenues for 2022 are projected to increase by approximately 2.1% and expenses are projected to increase by 7.2%.

Request for Information

This financial report is provided as an overview of Greenville Water's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Greenville Water, Finance Department, 407 West Broad Street, Greenville, South Carolina 29601.

Sources:

- 1) 2021 Greenville County Annual Comprehensive Financial Report
- 2) Greenville Area Development Corporation
- 3) Greenville County Official Statement

**GREENVILLE WATER
GREENVILLE, SOUTH CAROLINA**

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

| ASSETS | |
|---|---------------------|
| Current Assets: | |
| Unrestricted Cash | \$ 122,911,063 |
| Unrestricted Investments | 144,010 |
| Restricted Investments | 4,470,682 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 4,726,622 |
| Current Portion of Note Receivable | 82,498 |
| Inventory and Supplies | 866,294 |
| Prepaid Expenses | 241,161 |
| Total Current Assets | 133,442,330 |
| Noncurrent Assets: | |
| Capital Assets: | |
| Land and Rights of Way | 11,895,038 |
| Construction in Progress | 19,264,291 |
| Water Supply and Distribution Systems | 462,631,262 |
| Buildings | 251,654,632 |
| Equipment | 30,077,767 |
| Accumulated Depreciation | (273,289,918) |
| Total Capital Assets | 502,233,072 |
| Long-term Unrestricted Investments | 9,895,140 |
| Long-term Restricted Investments | 1,632,512 |
| Notes Receivable, Less Current Portion | 181,426 |
| Total Noncurrent Assets | 513,942,150 |
| TOTAL ASSETS | 647,384,480 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Pension Charges | 4,535,904 |
| Deferred Other Postemployment Benefit (OPEB) Charges | 51,246 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 4,587,150 |

The notes to the financial statements are an integral part of this statement.

| LIABILITIES | |
|---|-----------------------|
| Current Liabilities: | |
| Accounts Payable - Trade | \$ 8,048,119 |
| Accounts Payable - Other | 153,959 |
| Accrued Expenses | 500,890 |
| Accrued Interest | 291,373 |
| Customer Deposits | 5,882,068 |
| Compensated Absences | 2,129,938 |
| Current Portion of Bonds Payable | 11,115,000 |
| Total Current Liabilities | <u>28,121,347</u> |
| Noncurrent Liabilities: | |
| Bonds Payable, Less Current Portion, including Premiums | 7,999,463 |
| Net Pension Liability | 27,656,122 |
| Total OPEB Liability | 1,731,568 |
| Total Noncurrent Liabilities | <u>37,387,153</u> |
| TOTAL LIABILITIES | <u>65,508,500</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Pension Credits | 4,438,372 |
| Deferred OPEB Credits | 2,063,814 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>6,502,186</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 482,964,650 |
| Restricted for Debt Service | 5,811,821 |
| Unrestricted | 91,184,473 |
| TOTAL NET POSITION | <u>\$ 579,960,944</u> |

**GREENVILLE WATER
GREENVILLE, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

OPERATING REVENUES

Water Supply and Distribution:

| | |
|---|---------------|
| Water Sales | \$ 54,825,808 |
| Tapping, Installation, and Service Fees | 2,738,535 |
| Private Fire Protection Charges | 714,355 |
| Sewer Handling Charges | 3,235,320 |
| Other Operating Revenues | 13,139,310 |
| Total Operating Revenues | 74,653,328 |

OPERATING EXPENSES

| | |
|-------------------------------------|------------|
| Salaries and Wages | 14,068,418 |
| Personal Benefits | 6,671,567 |
| Utilities | 2,744,649 |
| Professional Services | 800,241 |
| Chemicals | 1,219,221 |
| Supplies | 3,317,869 |
| Repair and Maintenance | 3,315,351 |
| General and Administrative Expenses | 2,859,426 |
| Depreciation | 12,555,414 |
| Total Operating Expenses | 47,552,156 |

OPERATING INCOME

27,101,172

NON-OPERATING REVENUES (EXPENSES)

| | |
|------------------------------------|-----------|
| Interest Income | 342,147 |
| Interest Expense on Revenue Bonds | (894,321) |
| Bond Premium Amortization | 907,936 |
| Intergovernmental Grants - State | 500,000 |
| Loss on Disposal of Capital Assets | (24,433) |
| Total Non-operating Revenues, Net | 831,329 |

INCOME BEFORE CONTRIBUTIONS

27,932,501

Capital Contributions

193,279

CHANGE IN NET POSITION

28,125,780

NET POSITION, Beginning of Year

551,835,164

NET POSITION, End of Year

\$ 579,960,944

The notes to the financial statements are an integral part of this statement.

**GREENVILLE WATER
GREENVILLE, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------------|
| Cash Received from Customers | \$ 74,380,482 |
| Cash Payments to Suppliers for Goods and Services | (13,683,171) |
| Cash Payments for Personal Services | <u>(21,877,202)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>38,820,109</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|----------------------------|
| Acquisition and Construction of Capital Assets | (19,466,306) |
| Principal Payments on Bonds | (11,570,000) |
| Interest Paid on Bonds | (876,493) |
| Intergovernmental Grants Received | 500,000 |
| Proceeds on Disposal of Capital Assets | <u>41,278</u> |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(31,371,521)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|---------------------------|
| Purchases of Investments | (10,056,943) |
| Investment Income | <u>447,007</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(9,609,936)</u> |

NET DECREASE IN CASH AND INVESTMENTS

(2,161,348)

CASH AND CASH EQUIVALENTS, Beginning of Year

125,072,411

CASH AND CASH EQUIVALENTS, End of Year

\$ 122,911,063

The notes to the financial statements are an integral part of this statement.

| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
|---|----------------------|
| Operating Income | \$ 27,101,172 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities | |
| Depreciation Expense | 12,555,414 |
| Change in Accounts Representing Operating Activities: | |
| Accounts Receivable | (368,635) |
| Notes Receivable | 79,655 |
| Inventories | 5,552 |
| Prepaid Expenses | 169,080 |
| Deferred Pension Charges | (667,692) |
| Deferred OPEB Charges | (36,352) |
| Accounts Payable | 398,954 |
| Other Accrued Liabilities | (397,245) |
| Customer Deposits | 14,723 |
| Compensated Absences | (177,454) |
| Total OPEB Liability | (70,809) |
| Net Pension Liability | (3,124,055) |
| Deferred Pension Credits | 3,566,325 |
| Deferred OPEB Credits | (228,524) |
| Net Cash Provided by Operating Activities | <u>\$ 38,820,109</u> |
| Non-cash Investing, Capital and Related Financing Activities: | |
| Amortization of Bond Premium | \$ 907,936 |
| Amortization of Deferred Refunding Charges | 165,493 |
| Contributed/Donated Capital Assets | 193,279 |
| Decrease in Fair Value of Investments | 104,860 |
| Net Non-cash Investing, Capital and Financing Activities | <u>\$ 1,371,568</u> |

**GREENVILLE WATER
GREENVILLE, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Greenville Water was established in 1918 when the original nucleus of the present system was purchased from the Paris Mountain Water Company. The acquisition was authorized by a City of Greenville Referendum that also approved the issuance of general obligation bonds and the establishment of a Board of Commissioners of Public Works (the "Commission"). Greenville Water is governed by the Commission, which is composed of five members, three elected for staggered six-year terms and two ex-officio Commissioners, consisting of the Mayor and one City Council Member.

Greenville Water is a water utility that serves customers in the upstate region of South Carolina. Substantially all of Greenville Water's accounts receivable are unsecured and are due from residential and commercial customers in that area. Credit losses have consistently been within management's expectations.

Greenville Water's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Greenville Water's accounting policies are described below.

As required by GAAP, the financial statements must present Greenville Water's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if Greenville Water both appoints a voting majority of the entity's governing body, and either 1) Greenville Water is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to or impose specific financial burdens on Greenville Water. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on Greenville Water and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on Greenville Water.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without Greenville Water having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by Greenville Water; and (c) issue bonded debt without approval by Greenville Water. An entity has a financial benefit or burden relationship with Greenville Water if, for example, any one of the following conditions exists: (a) Greenville Water is legally entitled to or can otherwise access the entity's resources, (b) Greenville Water is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) Greenville Water is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause Greenville Water's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize they are legally separate from Greenville Water. Based on the criteria above, Greenville Water does not have any component units.

Greenville Water was established by a separate act of the South Carolina General Assembly to own and operate the utility system in the City of Greenville, South Carolina (the "City") subject only to the City's approval of Greenville Water's Revenue Bonded indebtedness issuance. The City is in no way liable for the debt. There is therefore no financial burden, only a formal approval which is required by the separate act.

Measurement Focus, Basis of Accounting, and Basis of Presentation

All activities of Greenville Water are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accounting and financial reporting treatment applied to Greenville Water is determined by its measurement focus. The transactions of Greenville Water are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position is segregated into net investment in capital assets; restricted for debt service, capital activity and other purposes, and unrestricted components.

Proprietary fund types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. Greenville Water has one enterprise fund; it does not have any internal service funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is Greenville Water's practice to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Cash, Cash Equivalents, and Investments

Greenville Water considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. For purposes of reporting changes in cash flows, Greenville Water also considers all liquid non-equity investments with an original maturity of three months or less to be cash and cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Cash, Cash Equivalents, and Investments (Continued)

Greenville Water's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize Greenville Water to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Cash, Cash Equivalents, and Investments (Continued)

- (g) No-load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

Greenville Water's cash and investment objectives are preservation of capital, liquidity, and yield. Greenville Water's guaranteed investment contract is reported at contract value. All of the rest of Greenville Water's cash and investments are reported at fair value, which is generally determined by quoted market prices.

Greenville Water currently or in the past year has primarily used the following investments in its operating activities:

- South Carolina Local Government Investment Pool (LGIP or the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. 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 a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Cash, Cash Equivalents, and Investments (Continued)

- Guaranteed investment contracts (GIC) are investments, secured by a contract with a financial institution, that guarantees a fixed rate of return in exchange for keeping a deposit for a fixed period of time.
- Money market mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.
- U.S. Government Agency Bonds are securities that are generally backed by mortgage loans, and due to their creation from particular corporations that are sponsored by the U.S. government, they enjoy credit protection based on either an implicit or explicit guarantee from the U.S. government.

Restricted Assets

Greenville Water is required to maintain debt service funds under the terms of its bonds payable. The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. Greenville Water also established an account for capacity fees that is intended to be used for construction purposes. These funds are shown as restricted investments on the Statements of Net Position because their use is limited by the applicable bond or loan covenants.

Inventories and Prepaid Items

Greenville Water accounts for inventories and prepaid items under the consumption method as they are expensed when consumed. Inventories are stated at the lower of cost, determined on the first-in, first-out basis, or market.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Accounts Receivable and Credit Risk

Greenville Water renders bills to residential, commercial, and industrial customers on billing cycles that end on various days throughout the month. Greenville Water grants credit to its customers, and accounts receivable are financial instruments that potentially subject Greenville Water to credit risk. If accounts have not been collected within the designated time, the service is disconnected and a penalty is required to be paid before the service is reconnected. Accounts which are not considered collectible are written off as bad debts at various times during the year. Greenville Water requires customer deposits, approximately \$5,882,000 at December 31, 2021, based on the type of customer, type of service, and other factors. Deposits from residential customers may be returned after one year of timely payments. Greenville Water also participates in the State of South Carolina debt collection program, whereby delinquent customer balances may be withheld from customers' state income tax refunds.

At December 31, 2021, accounts receivable was approximately \$4,727,000, which includes approximately \$2,485,000 of unbilled revenue. Unbilled revenue represents the portion of bills rendered to customers during the month of January for services that were provided in December.

An allowance for doubtful accounts is recorded and reduces the carrying value of receivables to its estimated net realizable value. The amount of the allowance is based upon management's estimates of currently uncollectible accounts, historical trends, current economic trends and other factors. Changes to the allowance are charged to operations. Accounts receivable is reported net of an allowance for doubtful accounts of approximately \$250,000 at December 31, 2021.

Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value (as estimated by Greenville Water) at the date of donation. Greenville Water maintains a capitalization threshold of \$2,500 with an estimated useful life of at least five years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Capital Assets (Continued)

All reported capital assets, except land and construction in progress, are depreciated. Construction projects begin being depreciated once they are completed and are placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Depreciation is recognized using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Useful Life</u> |
|--------------------------------------|--------------------|
| Buildings | 40 - 50 years |
| Water Supply and Distribution System | 25 - 100 years |
| Equipment and Furnishings | 5 - 20 years |

Compensated Absences

Greenville Water has a general leave program which provides employees with annual paid general leave days that can be used for vacation, holidays, illness of employee, or employee's family personal business. The number of days that an employee is entitled to each year is determined by the employee's length of service. General leave days are earned each month (the number of days depends on the length of service) beginning on the first day of the month following their employment date. Employees can carry a maximum of ninety days. A liability for compensated absences is reported on the Statement of Net Position.

Long-term Obligations

If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on debt refundings are deferred and amortized over the life of the new debt or the remaining life of the refunded debt, whichever is shorter, using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Gains or losses on debt refundings are treated as deferred inflows of resources and deferred outflows of resources, respectively. Issuance costs are expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a 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. Greenville Water currently has two (2) types of deferred outflows of resources: (1) Greenville Water reports deferred pension charges in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. (2) Greenville Water reports deferred other postemployment benefit (OPEB) charges in its Statement of Net Position in connection with the postemployment healthcare benefit plan. The deferred pension and OPEB charges are either (a) recognized in the subsequent period as a reduction of the net pension/total OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Greenville Water currently has two (2) types of deferred inflows of resources: (1) Greenville Water reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. (2) Greenville Water also reports deferred OPEB credits in its Statement of Net Position in connection with the postemployment healthcare benefit plan. The deferred pension and OPEB credits are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Pensions and Other Postemployment Benefits

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Greenville Water can access at the measurement date.
- Level 2 Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
- Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology that are unobservable for an asset or liability and include:
- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. Greenville Water believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires Greenville Water's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and Investments

As of December 31, 2021, Greenville Water had the following deposits and investments:

As reported in the *Statements of Net Position*:

Cash and cash equivalents:

| | |
|--|---------------|
| Deposits with financial institutions | \$ 23,434,374 |
| Deposits with the State Treasurer (LGIP) | 99,471,539 |
| Petty cash | 5,150 |

Investments:

| | |
|--------------------|-----------------------|
| Less than one year | 4,614,692 |
| One to five years | 11,527,652 |
| | <u>\$ 139,053,407</u> |

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, Greenville Water's deposits might not be recovered. Greenville Water does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of December 31, 2021, none of Greenville Water's bank balances of approximately \$23,429,000 (with a carrying value of approximately \$23,434,000) were exposed to custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of December 31, 2021, Greenville Water had the following investments subject to credit risk:

| Investment | Fair Value | Percentage of Portfolio | Credit Rating |
|--------------------------------|----------------|----------------------------|---------------|
| Federal Home Loan Bank | \$ 9,895,140 | 7.12% | Aaa/AA+ |
| Money Market Mutual Funds | 264,914 | 0.19% | AAA-mf/AAAm |
| Guaranteed Investment Contract | 1,632,512 | 1.17% | A1/A+ |
| Guaranteed Investment Contract | 2,969,474 | 2.14% | Aa1/AA+ |
| Guaranteed Investment Contract | 1,380,304 | 0.99% | Baa1/BBB+ |
| Total investments | 16,142,344 | | |
| Cash and Cash Equivalents | 122,911,063 | 88.39% | |
| | \$ 139,053,407 | | |

Interest Rate Risk: Greenville Water does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Greenville Water does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of December 31, 2021, none of Greenville Water's investments were exposed to custodial credit risk.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Greenville Water does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: Greenville Water places no limit on the amount Greenville Water may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Greenville Water has the following recurring fair value measurements as of December 31, 2021:

| <u>Investment</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|---------------------------------|----------------|---------------------|----------------|----------------------|
| U.S. Agencies: | | | | |
| Federal Home Loan Banks | \$ - | \$ 9,895,140 | \$ - | \$ 9,895,140 |
| Total investments | | | | |
| measured at fair value | <u>\$ -</u> | <u>\$ 9,895,140</u> | <u>\$ -</u> | 9,895,140 |
| Investments not subject | | | | |
| to level disclosure | | | | |
| Money Market Mutual Funds | | | | 264,914 |
| Guaranteed Investment Contracts | | | | <u>5,982,290</u> |
| Total investments | | | | <u>\$ 16,142,344</u> |

The U.S. Agencies investments classified in Level 2 of the fair value hierarchy are valued using pricing matrix technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Greenville Water has no investments classified in Level 1 or Level 3 of the fair value hierarchy. Greenville Water's investments in money market mutual funds and guaranteed investment contracts are reported at amortized cost which approximates fair value.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. NOTES RECEIVABLE

During 2015, Greenville Water entered into supply agreements with two municipalities whereby Greenville Water provides capacity rights to these municipalities from February 2015 through February 2025. Each municipality has agreed to pay Greenville Water a fixed payment over the term of the agreement in exchange for the capacity rights. In total, Greenville Water receives monthly payments of \$7,535, which includes a fixed interest rate of 3.5%. The municipalities may pay off the notes before maturity.

Greenville Water recognized revenue for the amount of the principal portion of the payments to be received through maturity, as well as interest revenue on the payments received during the year ended December 31, 2021, which is included in non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Future maturities of notes receivable are as follows at December 31, 2021:

| <u>December 31,</u> | <u>Fair Value</u> |
|--|-------------------|
| 2022 | \$ 82,498 |
| 2023 | 85,421 |
| 2024 | 88,514 |
| 2025 | 7,491 |
| | <u>263,924</u> |
| Less: Current Portion | <u>(82,498)</u> |
| Notes Receivable, Net of Current Portion | <u>\$ 181,426</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|-----------------------|---------------------|--------------------|---------------------|-----------------------|
| Capital assets, not being depreciated: | | | | | |
| Land and Rights of Way | \$ 11,353,019 | \$ 542,019 | \$ - | \$ - | \$ 11,895,038 |
| Construction in Progress | 16,681,962 | 16,799,745 | - | (14,217,416) | 19,264,291 |
| Total | <u>28,034,981</u> | <u>17,341,764</u> | <u>-</u> | <u>(14,217,416)</u> | <u>31,159,329</u> |
| Capital assets, being depreciated: | | | | | |
| Water Supply and Distribution Systems | 450,788,213 | 1,532,199 | (61,307) | 10,372,157 | 462,631,262 |
| Buildings | 247,647,774 | 161,599 | - | 3,845,259 | 251,654,632 |
| Equipment and Furnishings | 29,811,522 | 624,023 | (357,778) | - | 30,077,767 |
| Total | <u>728,247,509</u> | <u>2,317,821</u> | <u>(419,085)</u> | <u>14,217,416</u> | <u>744,363,661</u> |
| Less accumulated depreciation for: | | | | | |
| Water Supply and Distribution Systems | (124,258,135) | (6,559,152) | 40,839 | - | (130,776,448) |
| Buildings | (115,004,015) | (4,615,049) | - | - | (119,619,064) |
| Equipment and Furnishings | (21,825,728) | (1,381,213) | 312,535 | - | (22,894,406) |
| Total | <u>(261,087,878)</u> | <u>(12,555,414)</u> | <u>353,374</u> | <u>-</u> | <u>(273,289,918)</u> |
| Total capital assets, being depreciated, net | <u>467,159,631</u> | <u>(10,237,593)</u> | <u>(65,711)</u> | <u>14,217,416</u> | <u>471,073,743</u> |
| Total capital assets, net | <u>\$ 495,194,612</u> | <u>\$ 7,104,171</u> | <u>\$ (65,711)</u> | <u>\$ -</u> | <u>\$ 502,233,072</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. LONG-TERM OBLIGATIONS

Revenue Bonds

In July 2010, Greenville Water issued Refunding Revenue Bonds, Series 2010 (publicly traded debt), in the principal amount of \$40,485,000 to currently refund the outstanding Revenue Bonds, Series 2002 and Series 2003 in the amounts of \$22,725,000 and \$19,280,000, respectively. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$1,558,000 and \$1,986,000, respectively. This is reflected as a deferred outflow of resources and is being amortized over the life of the new debt, which has the same life as the old debt. The Series 2010 Bonds are due in annual installments ranging from \$50,000 to \$4,960,000 through February 1, 2023, with interest between 2.00% and 5.00%. The outstanding principal balance was \$7,215,000 at December 31, 2021.

In April 2012, Greenville Water issued Refunding Revenue Bonds, Series 2012 (publicly traded debt), in the principal amount of \$15,500,000 to currently refund the outstanding Revenue Bonds, Series 2005 in the amounts of \$15,275,000. The Series 2012 Bonds are due in annual installments ranging from \$60,000 to \$1,800,000 through February 1, 2025, with interest between 3.00% and 5.00%. The outstanding principal balance was \$6,740,000 at December 31, 2021.

In November 2014, Greenville Water issued Refunding Revenue Bonds, Series 2014 (direct placement debt), in the principal amount of \$36,365,000 to currently refund the outstanding Revenue Bonds, Series 2013 in the amounts of \$36,365,000. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$867,000. This is reflected as a deferred outflow of resources and is being amortized over the life of the new debt, which has the same life as the old debt. The Series 2014 Bonds are due in annual installments ranging from \$3,735,000 to \$5,645,000 through February 1, 2022, with interest at 1.40%. The outstanding principal balance was \$3,375,000 at December 31, 2021.

In January 2015, Greenville Water issued Revenue Bonds, Series 2015 (direct placement debt), in the principal amount of \$5,500,000 to provide resources for system upgrades. The Series 2015 Bonds are due in annual installments ranging from \$740,000 to \$835,000 through February 1, 2022, with interest at 1.58%. The outstanding principal balance was \$835,000 at December 31, 2021.

Greenville Water's obligations through direct placements are generally secured by the underlying capital assets and are subject to acceleration clauses in case of an event of default (i.e. nonpayment, etc.).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

There are numerous limitations, restrictions, and covenants contained in the revenue bonds and the bond ordinance. As of December 31, 2021, Greenville Water is in compliance with all significant restrictions and covenants, including its debt service coverage ratios.

The following is a summary of changes in long-term obligations for the year ended December 31, 2021:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|--|------------------------------|---------------------|------------------------|---------------------------|--------------------------------|
| Revenue Bonds Payable: | | | | | |
| Publicly Traded Debt: | | | | | |
| Series 2010 | \$ 11,730,000 | \$ - | \$ (4,515,000) | \$ 7,215,000 | \$ 4,960,000 |
| Series 2012 | 8,275,000 | - | (1,535,000) | 6,740,000 | 1,585,000 |
| Total Publicly Traded Debt: | <u>20,005,000</u> | <u>-</u> | <u>(6,050,000)</u> | <u>13,955,000</u> | <u>6,545,000</u> |
| Direct Placement Debt: | | | | | |
| Series 2014 | 8,435,000 | - | (4,700,000) | 3,735,000 | 3,735,000 |
| Series 2015 | 1,655,000 | - | (820,000) | 835,000 | 835,000 |
| Total Direct Placement Debt: | <u>10,090,000</u> | <u>-</u> | <u>(5,520,000)</u> | <u>4,570,000</u> | <u>4,570,000</u> |
| Plus Deferred Amounts for Issuance Premiums | 1,497,399 | - | (907,936) | 589,463 | - |
| Total Revenue Bonds, net | <u>31,592,399</u> | <u>-</u> | <u>(12,477,936)</u> | <u>19,114,463</u> | <u>11,115,000</u> |
| Net pension liability | 30,780,177 | 5,405,279 | (8,529,334) | 27,656,122 | - |
| Total OPEB liability | 1,802,377 | 90,079 | (160,888) | 1,731,568 | - |
| Compensated absences | 2,307,392 | 54,422 | (231,876) | 2,129,938 | 2,129,938 |
| Total long-term liabilities | <u>\$ 66,482,345</u> | <u>\$ 5,549,780</u> | <u>\$ (21,400,034)</u> | <u>\$ 50,632,091</u> | <u>\$ 13,244,938</u> |

Annual debt service requirements to maturity for all long-term debt as of December 31, 2021, are as follows:

| <u>Year ending December 31,</u> | <u>Publicly Traded Debt</u> | | <u>Direct Placement Debt</u> | | <u>Total</u> |
|---|-----------------------------|-------------------|------------------------------|------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2022 | \$ 6,545,000 | \$ 444,056 | \$ 4,570,000 | \$ 32,742 | \$ 11,591,798 |
| 2023 | 3,895,000 | 269,025 | - | - | 4,164,025 |
| 2024 | 1,715,000 | 132,875 | - | - | 1,847,875 |
| 2025 | 1,800,000 | 45,000 | - | - | 1,845,000 |
| Plus deferred amounts for issuance premium | 589,463 | - | - | - | 589,463 |
| Total | <u>\$ 14,544,463</u> | <u>\$ 890,956</u> | <u>\$ 4,570,000</u> | <u>\$ 32,742</u> | <u>\$ 20,038,161</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, 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.

Plan Membership

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

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

Plan Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

Plan Benefits (Continued)

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the Board, effective on the following July 1, 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 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

Plan Contributions

As noted earlier, both employees and Greenville Water are required to contribute to the Plan at rates established and as amended by the PEBA. Greenville Water's contributions are actuarially determined but are communicated to and paid by Greenville Water as a percentage of the employees' annual eligible compensation.

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

| | SCRS | | | | | |
|------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2019 | | 2020 | | 2021 | |
| | 1/1 - 6/30 | 7/1 - 12/31 | 1/1 - 6/30 | 7/1 - 12/31 | 1/1 - 6/30 | 7/1 - 12/31 |
| Employer Rate: | | | | | | |
| Retirement | 14.41% | 15.41% | 15.41% | 15.41% | 15.41% | 16.41% |
| Incidental Death | 0.15% | 0.15% | 0.15% | 0.15% | 0.15% | 0.15% |
| | <u>14.56%</u> | <u>15.56%</u> | <u>15.56%</u> | <u>15.56%</u> | <u>15.56%</u> | <u>16.56%</u> |
| Employee Rate | <u>9.00%</u> | <u>9.00%</u> | <u>9.00%</u> | <u>9.00%</u> | <u>9.00%</u> | <u>9.00%</u> |

Greenville Water's employer contributions to the SCRS plan during 2021 amounted to \$2,311,026.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2021, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions and Methods

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021.

| Actuarial cost method | SCRS |
|----------------------------|-----------------------------------|
| | Entry Age Normal |
| Actuarial assumptions: | |
| Investment rate of return | 7.00% |
| Projected salary increases | 3.0% to 11.0% (varies by service) |
| Includes inflation at | 2.25% |
| Benefit adjustments | lesser of 1% or \$500 annually |

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

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

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

| <u>Allocation / Exposure</u> | <u>Policy Target</u> | <u>Expected Arithmetic Real Rate of Return</u> | <u>Long-term Expected Portfolio Real Rate of Return</u> |
|----------------------------------|----------------------|--|---|
| Public Equity | 46.0% | 6.87% | 3.16% |
| Bonds | 26.0% | 0.27% | 0.07% |
| Private Equity | 9.0% | 9.68% | 0.87% |
| Private Debt | 7.0% | 5.47% | 0.39% |
| Real Assets | 12.0% | | |
| Real Estate | 9.0% | 6.01% | 0.54% |
| Infrastructure | 3.0% | 5.08% | 0.15% |
| | <u>100.0%</u> | | |
| Total expected return | | | 5.18% |
| Inflation for actuarial purposes | | | <u>2.25%</u> |
| | | | <u><u>7.43%</u></u> |

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2021 measurement date, for the SCRS, are presented in the following table:

| | |
|--|---------------------------------|
| Total pension liability | \$ 55,131,579,363 |
| Plan fiduciary net position | <u>33,490,305,970</u> |
| Employers' net pension liability | <u><u>\$ 21,641,273,393</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 60.7% |
| Greenville Water's proportionate share of the collective net pension liability | 0.127793% |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

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

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

At December 31, 2021, Greenville Water reported a liability of approximately \$27,656,000 for its proportionate share of the NPL for the SCRS. The NPL was measured as of June 30, 2021, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report of July 1, 2020, that was projected forward to the measurement date. Greenville Water's proportion of the NPL was based on a projection of Greenville Water's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, Greenville Water's SCRS proportion was 0.127793 percent, which was an increase of 0.007331 from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, Greenville Water recognized pension expense of approximately \$2,086,000 for the SCRS plan. At December 31, 2021, Greenville Water reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 471,090 | \$ 37,326 |
| Changes of assumptions | 1,513,805 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 4,017,417 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,276,160 | 383,629 |
| Employer contributions subsequent to the measurement date | 1,274,849 | - |
| Total | <u>\$ 4,535,904</u> | <u>\$ 4,438,372</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

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

\$1,274,849 is reported as deferred outflows of resources related to Greenville Water's contributions subsequent to the measurement date to the SCRS plan and will be recognized as a reduction of the NPL in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

| Year ended December 31: | |
|--------------------------------|-----------------------|
| 2022 | \$ 6,511 |
| 2023 | 268,080 |
| 2024 | 51,358 |
| 2025 | (1,503,266) |
| | <u>\$ (1,177,317)</u> |

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

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

| Sensitivity of the Net Position Liability to Changes in the Discount Rate | | |
|---|-------------------------------------|------------------------|
| 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| \$ 36,226,076 | \$ 27,656,122 | \$ 20,532,717 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (CONTINUED)

Additional Financial and Actuarial Information

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

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

Greenville Water administers a defined benefit postemployment healthcare benefit plan (the "OPEB Plan"). This plan provides healthcare insurance for eligible retirees and their spouses under the Medicare eligible age through Greenville Water's group health insurance plan which covers both active and retired members. The OPEB Plan is approved by Greenville Water's Board (the "Board"). The benefit and contribution requirements of Greenville Water and plan members are established and amended by the Board. These contributions are neither guaranteed nor mandatory. The Board has retained the right to unilaterally modify its payments toward retiree health care benefits at any time. No assets are accumulated in a trust as defined by GAAP. The OPEB Plan does not issue a stand-alone financial report.

Plan Membership

As of December 31, 2021, the date of the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

| | |
|---|------------|
| Active participants | 232 |
| Retirees and beneficiaries currently receiving benefits | 49 |
| Total | <u>281</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Plan Benefits and Contributions

Benefit terms are established and amended by the Commission and are based on years of service. To qualify, the retiree must have had at least 30 years of continuous service with Greenville Water, or the retiree is a minimum of sixty years of age and has a minimum of twenty years of continuous service with Greenville Water at the time of retirement. If the retiree wishes to participate in the plan but is not eligible for Medicare, Greenville Water will subsidize a portion of the premium. The subsidized contribution is determined each year by Greenville Water during the plan year renewal. The retiree will pay the difference in the cost of the plan the retiree has elected and the subsidized contribution until the time he/she meets Medicare eligibility. The retiree is allowed to continue dependent coverage at the retiree's sole cost, at the group rate for dependents covered at the time of retirement. When the retiree's dependents meet Medicare qualifications they will no longer remain in the Plan. When a retiree reaches age 65 or becomes eligible for Medicare, they will have the option to immediately transition to Greenville Water's Medicare Advantage Plan. In doing so, the retiree will pay the difference in the cost of the plan and the subsidized contribution. Greenville Water reserves the right to amend, change, or discontinue the benefit at any time.

Actuarial Assumptions and Methods

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The following table provides a summary of the significant actuarial assumptions and methods used in the December 31, 2021 actuarial valuation for the OPEB Plan.

| | |
|-----------------------------|---|
| Discount rate | 2.06% |
| Healthcare cost trend rate: | 6.00% - 4.00%, Ultimate Trend in 2037 (Pre-Medicare) |
| | 5.00% - 4.00%, Ultimate Trend in 2031 (Medicare) |
| Inflation rate | 2.25% |
| Salary increase: | 3.00% |
| Participation rate: | 5.00% for eligible retirees 2.50% for spouses |

Mortality rates were determined for pre-retirement members, the RP-2014 Mortality Table for Employees with a 95% multiplier for both males and females was assumed. For post-retirement members, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females, projected using the AA projection table from the year 2016 and with a 100% multiplier for males and a 111% multiplier for females was assumed. These are the same rates used for the June 30, 2021 State of South Carolina PEBA Retiree Health Care Plan Actuarial Valuation.

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

Greenville Water's total OPEB liability was measured as of December 31, 2021 and was determined by an actuarial valuation as of the same date.

| | Total OPEB Liability |
|--|---------------------------------|
| Balances, beginning of year | <u>\$ 1,802,377</u> |
| Changes for the year: | |
| Service cost | 10,802 |
| Interest | 37,072 |
| Difference between expected and actual experience | (53,475) |
| Assumption changes | 42,205 |
| Benefit payments | (107,413) |
| Net changes | <u>(70,809)</u> |
| Balances, end of year | <u>\$ 1,731,568</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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

For the year ended December 31, 2021, Greenville Water recognized OPEB expense of approximately (\$228,000). At December 31, 2021, Greenville Water reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,957,195 |
| Changes of assumptions | 51,246 | 106,619 |
| Total | \$ 51,246 | \$ 2,063,814 |

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

Year ended December 31:

| | |
|------------|----------------|
| 2022 | \$ (276,146) |
| 2023 | (276,146) |
| 2024 | (276,146) |
| 2025 | (276,146) |
| 2026 | (276,146) |
| Thereafter | (631,838) |
| | \$ (2,012,568) |

Discount Rate

Pursuant to GASB 75, for unfunded plans the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark. That index was 2.06% on December 31, 2021, and was used to measure the total OPEB liability as of the December 31, 2021 measurement date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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

The following table presents the sensitivity of Greenville Water's total OPEB liability to changes in the discount rate, calculated using the discount rate of 2.06%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (1.06%) or 1% point higher (3.06%) than the current rate:

| Sensitivity of the Net OPEB Liability to Changes in the Discount Rate | | |
|--|--------------------------|------------------------|
| 1% Decrease (1.06%) | Discount Rate (2.06%) | 1% Increase (3.06%) |
| \$ 1,909,256 | \$ 1,731,568 | \$ 1,579,180 |

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

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

| Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates | | |
|--|---|--------------|
| 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
| \$ 1,611,920 | \$ 1,731,568 | \$ 1,869,345 |

NOTE 8. RISK MANAGEMENT

Greenville Water is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. For all of these risks, Greenville Water continues to carry commercial insurance for these risk of loss, including employee health and accidental insurance. Greenville Water has not significantly reduced insurance coverage from the previous year and settled claims have not exceeded insurance coverage for the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

GREENVILLE WATER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN GREENVILLE WATER'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31,

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 10,802 | \$ 18,063 | \$ 14,890 | \$ 26,563 |
| Interest | 37,072 | 50,812 | 170,203 | 193,132 |
| Difference Between Expected and Actual Experience | (53,475) | - | (2,693,326) | - |
| Changes of Assumptions and Other Inputs | 42,205 | (53,093) | 18,484 | (104,692) |
| Benefit Payments | (78,240) | (106,297) | (322,163) | (312,268) |
| Implicit Rate Subsidy Fulfillment | (29,173) | (29,449) | (29,034) | (47,757) |
| Net change in total OPEB liability | <u>(70,809)</u> | <u>(119,964)</u> | <u>(2,840,946)</u> | <u>(245,022)</u> |
| Total OPEB liability - beginning | 1,802,377 | 1,922,341 | 4,763,287 | 5,008,309 |
| Total OPEB liability - ending | <u>\$ 1,731,568</u> | <u>\$ 1,802,377</u> | <u>\$ 1,922,341</u> | <u>\$ 4,763,287</u> |
| Covered payroll | \$ 11,666,636 | \$ 12,461,060 | \$ 12,461,060 | \$ 10,473,686 |
| Total OPEB liability as a percentage of covered payroll | 14.84% | 14.46% | 15.43% | 45.48% |
| Discount Rate | 2.06% | 2.12% | 2.74% | 3.71% |

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

Greenville Water is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

GREENVILLE WATER

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

| South Carolina Retirement System | | | | | |
|----------------------------------|---|--|--|---|--|
| Plan Year Ended June 30, | Greenville Water's proportion of the net pension liability | Greenville Water's proportionate share of the net pension liability | Greenville Water's covered payroll | Greenville Water's share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
| 2021 | 0.127793% | \$ 27,656,122 | \$ 14,443,290 | 191.5% | 60.7% |
| 2020 | 0.124620% | 30,780,177 | 13,434,366 | 229.1% | 50.7% |
| 2019 | 0.122177% | 27,898,098 | 12,901,570 | 216.2% | 54.4% |
| 2018 | 0.125585% | 28,139,561 | 13,014,079 | 216.2% | 54.1% |
| 2017 | 0.127483% | 28,698,474 | 12,862,603 | 223.1% | 53.3% |
| 2016 | 0.127488% | 27,231,249 | 12,345,488 | 220.6% | 52.9% |
| 2015 | 0.130714% | 24,790,540 | 12,333,222 | 201.0% | 57.0% |
| 2014 | 0.131556% | 22,649,582 | 11,941,876 | 189.7% | 59.9% |

The above schedule will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedule are disclosed in Note 6 to the financial statements.

GREENVILLE WATER

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS SOUTH CAROLINA RETIREMENT SYSTEM FOR THE YEARS ENDED DECEMBER 31,

South Carolina Retirement System

| Year Ended December 31, | Actuarially required contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Greenville Water's covered payroll | Contributions as a percentage of covered payroll |
|----------------------------|---|--|--|--|---|
| 2021 | \$ 2,311,026 | \$ 2,311,026 | \$ - | \$ 14,357,597 | 16.10% |
| 2020 | 2,303,706 | 2,303,706 | - | 14,805,309 | 15.56% |
| 2019 | 1,937,650 | 1,937,650 | - | 12,867,574 | 15.06% |
| 2018 | 1,812,496 | 1,812,496 | - | 12,891,037 | 14.06% |
| 2017 | 1,636,559 | 1,636,559 | - | 13,020,380 | 12.57% |
| 2016 | 1,432,544 | 1,432,544 | - | 12,662,588 | 11.31% |
| 2015 | 1,354,000 | 1,354,000 | - | 12,333,222 | 10.98% |
| 2014* | 545,000 | 545,000 | - | 5,071,551 | 10.75% |

The above schedules will present 10 years of information once it is accumulated. The assumptions used in the preparation of the above schedule are as follows:

| | |
|------------------------|---|
| System | SCRS |
| Calculation date | July 1, 2019 |
| Actuarial cost method | Entry Age Normal |
| Asset valuation method | 5-year Smoothed |
| Amortization method | Level % of pay |
| Amortization period | 28 years maximum, closed period |
| Investment return | 7.25% |
| Inflation | 2.25% |
| Salary increases | 3.00% plus step-rate increases for members with less than 21 years of service. |
| Mortality | 2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators. |
| * | Effective August 1, 2014, Greenville Water changed year-ends from July 31 to December 31. Therefore, fiscal year-end 2014 only reflects five months of data. |

Statistical



STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

This schedule contains information to help the reader assess Greenville Water's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of Greenville Water's current levels of outstanding debt and the ability to manage debt in the future.

Demographic and Economic Information

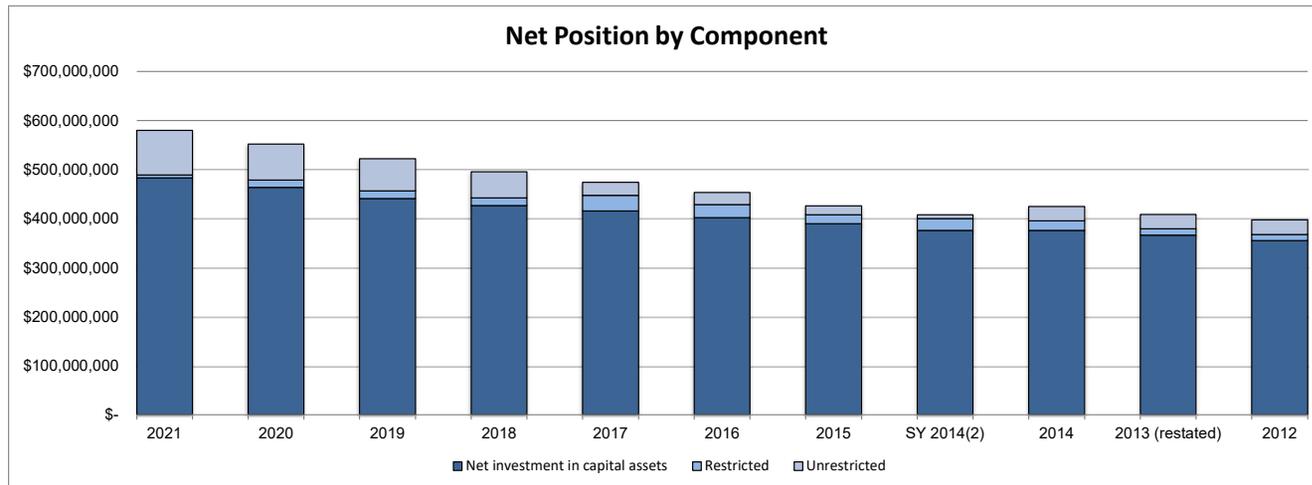
These schedules offer demographic and economic indicators to help the reader understand the environment in which Greenville Water operates.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the financial report relates to the services Greenville Water provides.

**Greenville Water
Schedule of Net Position
Last Ten Fiscal Years⁽¹⁾**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 (restated) | 2012 |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Net investment in capital assets | \$ 482,964,650 | \$ 463,241,158 | \$ 440,937,556 | \$ 426,659,292 | \$ 415,264,161 | \$ 401,753,828 | \$ 389,153,715 | \$ 375,851,166 | \$ 375,759,837 | \$ 365,807,704 | \$ 355,170,511 |
| Restricted | 5,811,821 | 15,235,558 | 15,692,322 | 15,172,795 | 31,747,420 | 26,750,038 | 18,574,814 | 23,894,707 | 19,281,647 | 12,947,615 | 12,122,673 |
| Unrestricted | 91,184,473 | 73,358,448 | 65,361,993 | 53,440,714 | 26,878,917 | 24,270,326 | 18,012,114 | 7,927,859 | 29,504,517 | 29,353,140 | 30,026,601 |
| Total net position | \$ 579,960,944 | \$ 551,835,164 | \$ 521,991,871 | \$ 495,272,801 | \$ 473,890,498 | \$ 452,774,192 | \$ 425,740,643 | \$ 407,673,732 | \$ 424,546,001 | \$ 408,108,459 | \$ 397,319,785 |



(1) 2012 - 2014 Fiscal year ended July 31
Short-year ("SY 2014") - current ended December 31
(2) SY 2014 is a 5 month period

Greenville Water
Schedule of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years⁽¹⁾

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 (restated) | 2012 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Revenues | | | | | | | | | | | |
| Operating Revenues | | | | | | | | | | | |
| Net Water Sales ⁽³⁾ | \$ 54,825,808 | \$ 52,238,492 | \$ 54,759,303 | \$ 50,934,174 | \$ 51,387,114 | \$ 54,447,129 | \$ 48,042,029 | \$ 19,255,276 | \$ 44,325,790 | \$ 41,834,426 | \$ 50,481,244 |
| Tapping, Installation, and Service Fees | 2,738,535 | 2,045,854 | 2,188,980 | 2,054,640 | 1,906,921 | 1,882,489 | 1,367,661 | 480,622 | 962,340 | 718,104 | 610,069 |
| Private Fire Protection Charges | 714,355 | 721,232 | 723,521 | 638,523 | 583,569 | 540,408 | 504,432 | 205,840 | 454,114 | 428,363 | 379,999 |
| Sewer Handling Charges | 3,235,320 | 3,101,046 | 2,757,520 | 2,485,259 | 2,391,963 | 2,376,390 | 2,321,968 | 913,850 | 2,145,004 | 1,979,588 | 2,126,880 |
| Other Operating Revenues | 13,139,310 | 18,969,684 | 10,056,982 | 8,036,950 | 6,886,000 | 6,785,526 | 6,899,226 | 2,201,781 | 9,454,262 | 5,520,186 | 4,472,626 |
| | <u>74,653,328</u> | <u>77,076,308</u> | <u>70,486,306</u> | <u>64,149,546</u> | <u>63,155,567</u> | <u>66,031,942</u> | <u>59,135,316</u> | <u>23,057,369</u> | <u>57,341,510</u> | <u>50,480,667</u> | <u>58,070,818</u> |
| Non-operating Revenues | | | | | | | | | | | |
| Interest Income | 342,146 | 1,189,855 | 2,647,403 | 1,666,194 | 938,740 | 880,942 | 552,635 | 217,035 | 591,234 | 798,165 | 776,116 |
| Other Non-operating Revenues | 489,182 | (953,618) | (1,320,155) | (1,941,338) | (2,281,924) | (2,784,905) | (2,830,001) | (735,312) | (3,741,984) | (3,717,214) | (4,382,466) |
| | <u>831,328</u> | <u>236,237</u> | <u>1,327,248</u> | <u>(275,144)</u> | <u>(1,343,184)</u> | <u>(1,903,963)</u> | <u>(2,277,366)</u> | <u>(518,277)</u> | <u>(3,150,750)</u> | <u>(2,919,049)</u> | <u>(3,606,350)</u> |
| Total Revenues | <u>75,484,656</u> | <u>77,312,545</u> | <u>71,813,554</u> | <u>63,874,402</u> | <u>61,812,383</u> | <u>64,127,979</u> | <u>56,857,950</u> | <u>22,539,092</u> | <u>54,190,760</u> | <u>47,561,618</u> | <u>54,464,468</u> |
| Expenses | | | | | | | | | | | |
| Operating Expenses, Excluding Depreciation | 34,996,741 | 34,493,428 | 33,531,198 | 31,992,121 | 31,771,175 | 31,622,932 | 28,859,730 | 12,236,864 | 28,645,804 | 25,603,961 | 24,791,361 |
| Depreciation Expense | 12,555,414 | 13,495,440 | 13,378,276 | 13,316,165 | 12,791,092 | 12,351,718 | 11,599,573 | 5,504,538 | 11,679,858 | 11,619,480 | 11,632,018 |
| Total Expenses | <u>47,552,155</u> | <u>47,988,868</u> | <u>46,909,474</u> | <u>45,308,286</u> | <u>44,562,267</u> | <u>43,974,650</u> | <u>40,459,303</u> | <u>17,741,402</u> | <u>40,325,662</u> | <u>37,223,441</u> | <u>36,423,379</u> |
| Excess, before Capital Contributions | 27,932,501 | 29,323,677 | 24,904,080 | 18,566,116 | 17,250,116 | 20,153,329 | 16,398,647 | 4,797,690 | 13,865,098 | 10,338,177 | 18,041,089 |
| Capital Contributions | 193,279 | 519,616 | 1,814,990 | 1,929,963 | 3,866,190 | 1,225,434 | 1,668,264 | 1,483,012 | 2,572,444 | 1,063,855 | 190,579 |
| Change in Net Position | 28,125,780 | 29,843,293 | 26,719,070 | 20,496,079 | 21,116,306 | 21,378,763 | 18,066,911 | 6,280,702 | 16,437,542 | 11,402,032 | 18,231,668 |
| Net Position, Beginning of Year | 551,835,164 | 521,991,871 | 495,272,801 | 473,890,498 | 452,774,192 | 425,740,643 | 407,673,732 | 424,546,001 | 408,108,459 | 397,319,785 | 379,088,117 |
| Change in Accounting Principle | - | - | - | 886,224 | - | - | - | (23,152,971) | - | (613,358) | - |
| Prior Period Adjustment | - | - | - | - | - | 5,654,786 | - | - | - | - | - |
| Net Position, End of Year | <u>\$ 579,960,944</u> | <u>\$ 551,835,164</u> | <u>\$ 521,991,871</u> | <u>\$ 495,272,801</u> | <u>\$ 473,890,498</u> | <u>\$ 452,774,192</u> | <u>\$ 425,740,643</u> | <u>\$ 407,673,732</u> | <u>\$ 424,546,001</u> | <u>\$ 408,108,459</u> | <u>\$ 397,319,785</u> |

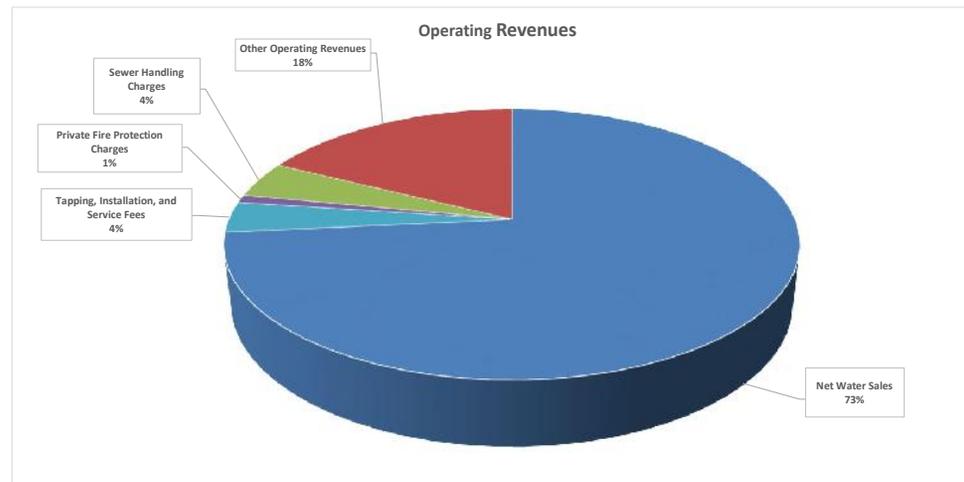
(1) 2012 - 2014 Fiscal year ended July 31
 SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

(3) 2016 change water sales presentation to reflect uncollectible amounts offset

**Greenville Water
Schedule of Operating Revenues
Last Ten Fiscal Years⁽¹⁾**

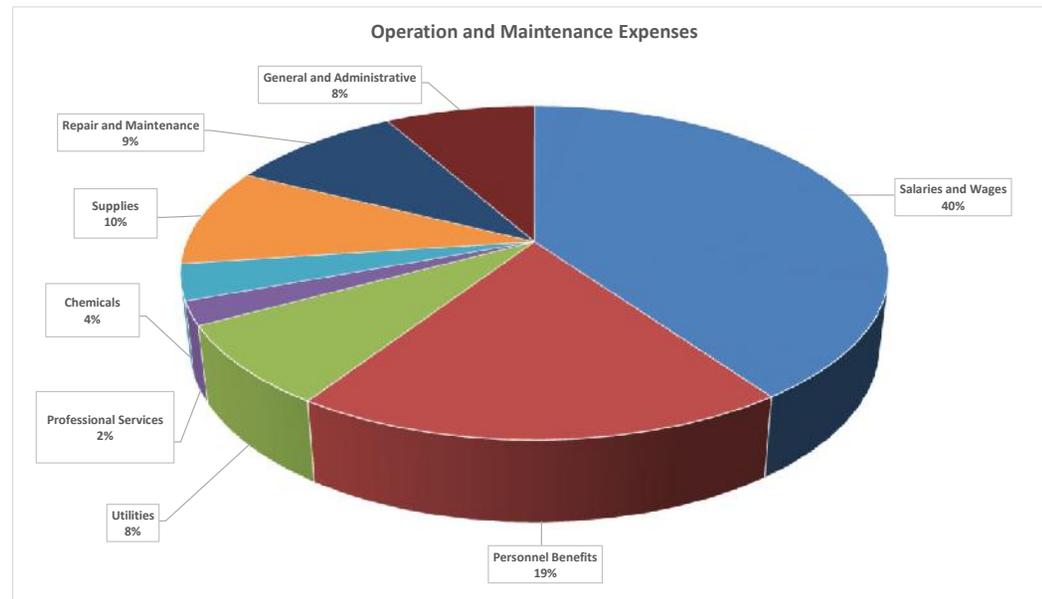
| | 2021 | % of Total | 2020 | % of Total | 2019 | % of Total | 2018 | % of Total | 2017 | % of Total | 2016 | % of Total | 2015 | % of Total | SY 2014 ⁽²⁾ | % of Total | 2014 | % of Total | 2013 (Restated) | % of Total | 2012 | % of Total |
|---|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|------------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|
| Operating Revenues | | | | | | | | | | | | | | | | | | | | | | |
| Net Water Sales | \$ 54,825,808 | 73.4% | \$ 52,238,492 | 67.8% | \$ 54,759,303 | 71.0% | \$ 50,934,174 | 79.4% | \$ 51,387,114 | 77.8% | \$ 54,447,129 | 82.5% | \$ 48,042,029 | 81.4% | \$ 19,255,276 | 83.6% | \$ 44,325,790 | 77.3% | \$ 41,834,426 | 82.9% | \$ 50,481,244 | 86.9% |
| Tapping, Installation, and Service Fees | 2,738,535 | 3.7% | 2,045,854 | 2.7% | 2,188,980 | 2.8% | 2,054,640 | 3.2% | 1,906,921 | 2.9% | 1,882,489 | 2.9% | 1,367,661 | 2.3% | 480,622 | 2.1% | 962,340 | 1.7% | 718,104 | 1.4% | 610,069 | 1.1% |
| Private Fire Protection Charges | 714,355 | 1.0% | 721,232 | 0.9% | 723,521 | 0.9% | 638,523 | 1.0% | 583,569 | 0.9% | 540,408 | 0.8% | 504,432 | 0.9% | 205,840 | 0.9% | 454,114 | 0.8% | 428,363 | 0.8% | 379,999 | 0.7% |
| Sewer Handling Charges | 3,235,320 | 4.3% | 3,101,046 | 4.0% | 2,757,520 | 3.6% | 2,485,259 | 3.9% | 2,391,963 | 3.6% | 2,376,390 | 3.6% | 2,321,968 | 3.9% | 913,850 | 4.0% | 2,145,004 | 3.7% | 1,979,588 | 3.9% | 2,126,880 | 3.7% |
| Other Operating Revenues | 13,139,310 | 17.6% | 18,969,684 | 24.6% | 10,056,982 | 13.0% | 8,036,950 | 12.5% | 6,886,000 | 10.4% | 6,785,526 | 10.3% | 6,899,226 | 11.7% | 2,201,781 | 9.5% | 9,454,262 | 16.5% | 5,520,186 | 10.9% | 4,472,626 | 7.7% |
| Total Operating Revenues | \$ 74,653,328 | | \$ 77,076,308 | | \$ 70,486,306 | | \$ 64,149,546 | | \$ 63,155,567 | | \$ 66,031,942 | | \$ 59,135,316 | | \$ 23,057,369 | | \$ 57,341,510 | | \$ 50,480,667 | | \$ 58,070,818 | |



(1) 2012 - 2014 Fiscal year ended July 31
 SY 2014 - current ended December 31
 (2) SY 2014 is a 5 month period
 (3) 2016 change water sales presentation to reflect uncollectible amounts offset

**Greenville Water
Schedule of Operation and Maintenance Expenses
Last Ten Fiscal Years⁽¹⁾**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 ⁽³⁾ | 2015 ⁽⁴⁾ | SY 2014 ⁽²⁾ | 2014 | 2013 (Restated) | 2012 ⁽³⁾ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|----------------------|----------------------|----------------------|
| Salaries and Wages | \$ 14,068,418 | \$ 14,366,011 | \$ 12,793,220 | \$ 12,698,306 | \$ 12,664,428 | \$ 12,120,412 | \$ 11,608,759 | \$ 5,063,630 | \$ 12,326,214 | \$ 10,471,493 | \$ 13,311,334 |
| Personnel Benefits | 6,671,567 | 6,765,812 | 6,474,801 | 6,023,821 | 6,323,399 | 5,757,269 | 4,885,188 | 1,991,793 | 4,440,193 | 3,983,100 | 14,881 |
| Utilities | 2,744,649 | 2,630,456 | 2,639,315 | 2,348,633 | 2,669,950 | 2,770,468 | 2,497,940 | 924,162 | 2,263,601 | 2,262,006 | 2,548,617 |
| Professional Services | 800,241 | 998,868 | 871,200 | 630,800 | 544,326 | 272,610 | 452,482 | 190,482 | 496,210 | 1,148,936 | 1,362,135 |
| Chemicals | 1,219,221 | 1,021,767 | 1,248,126 | 1,200,576 | 997,956 | 1,178,421 | 1,061,919 | 489,965 | 1,143,700 | 1,218,474 | 1,315,835 |
| Supplies | 3,317,869 | 2,760,842 | 3,631,330 | 3,234,654 | 2,804,825 | 2,904,006 | 990,613 | 439,935 | 1,006,660 | 916,194 | 833,641 |
| Repair and Maintenance | 3,315,351 | 3,508,634 | 2,754,087 | 2,528,208 | 2,730,359 | 3,013,223 | 4,238,337 | 1,700,025 | 3,434,317 | 3,216,933 | 3,198,424 |
| General and Administrative | 2,859,426 | 2,441,038 | 3,119,119 | 3,327,123 | 3,035,932 | 3,606,523 | 3,124,492 | 1,436,872 | 3,534,909 | 2,386,825 | 2,206,494 |
| Total Operating Expenses | \$ 34,996,742 | \$ 34,493,428 | \$ 33,531,198 | \$ 31,992,121 | \$ 31,771,175 | \$ 31,622,932 | \$ 28,859,730 | \$ 12,236,864 | \$ 28,645,804 | \$ 25,603,961 | \$ 24,791,361 |
| Percentage Increase (Decrease) over Prior Year | 1.5% | 2.9% | 4.8% | 0.7% | 0.5% | 9.6% | 135.8% | -57.3% | 11.9% | 3.3% | -9.2% |



n/a - not available

(1) 2012 - 2014 Fiscal year ended July 31
SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

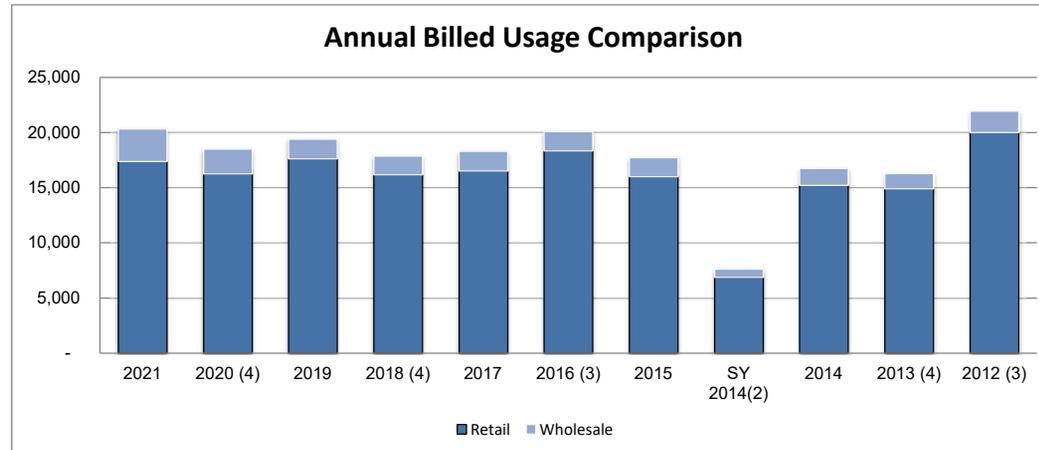
(3) Change in classification of operating expenses

(4) Change in allocation of PR expenses

**Greenville Water
Annual Billed Usage
Current Year and Last Ten Fiscal Years ⁽¹⁾**

Million Gallons

| | 2021 | 2020 ⁽⁴⁾ | 2019 | 2018 ⁽⁴⁾ | 2017 | 2016 ⁽³⁾ | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 ⁽⁴⁾ | 2012 ⁽³⁾ |
|-----------|--------|---------------------|--------|---------------------|--------|---------------------|--------|------------------------|--------|---------------------|---------------------|
| Retail | 17,377 | 16,236 | 17,610 | 16,169 | 16,503 | 18,325 | 15,976 | 6,856 | 15,208 | 14,889 | 20,001 |
| Wholesale | 2,945 | 2,267 | 1,794 | 1,693 | 1,795 | 1,761 | 1,744 | 746 | 1,539 | 1,381 | 1,933 |
| Total | 20,321 | 18,503 | 19,404 | 17,862 | 18,298 | 20,086 | 17,720 | 7,602 | 16,747 | 16,270 | 21,934 |



(1) 2012 - 2014 Fiscal year ended July 31
SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

(3) Below average rainfall

(4) Above average rainfall

**Greenville Water
Historical Water Rate Information
Last Ten Fiscal Years⁽¹⁾**

Effective March 1, unless noted ⁽²⁾

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽³⁾ | 2014 | 2013 ⁽⁴⁾ | 2012 ⁽⁵⁾ |
|---|------|------|------|------|------|------|------|------------------------|------|---------------------|---------------------|
| Schedule 1- Inside the City of Greenville | | | | | | | | | | | |
| Base | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 | 4.52 | 4.39 | 4.26 | 4.26 | 4.13 | 4.13 |
| Monthly Volume charge per \$/thousand gallons | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.47 | 1.43 | 1.39 | 1.39 | 1.35 | |
| First 500,000 gallons | | | | | | | | | | | 1.35 |
| Over 500,000 gallons | | | | | | | | | | | 1.18 |
| Schedule 2- Outside the City of Greenville | | | | | | | | | | | |
| Base | 6.78 | 6.78 | 6.78 | 6.78 | 6.78 | 6.78 | 6.58 | 6.39 | 6.39 | 6.20 | 6.20 |
| Monthly Volume charge per \$/thousand gallons | | | | | | | | | | | |
| First 500,000 gallons | 2.22 | 2.22 | 2.22 | 2.22 | 2.22 | 2.22 | 2.16 | 2.10 | 2.10 | 2.03 | 2.03 |
| Over 500,000 gallons | 2.22 | 2.22 | 2.22 | 2.22 | 2.22 | 2.22 | 2.16 | 2.10 | 2.10 | 2.03 | 1.77 |

(1) 2012 - 2014 Fiscal year ended July 31
SY 2014 - current ended December 31

(2) Years prior to 2014, effective February 1

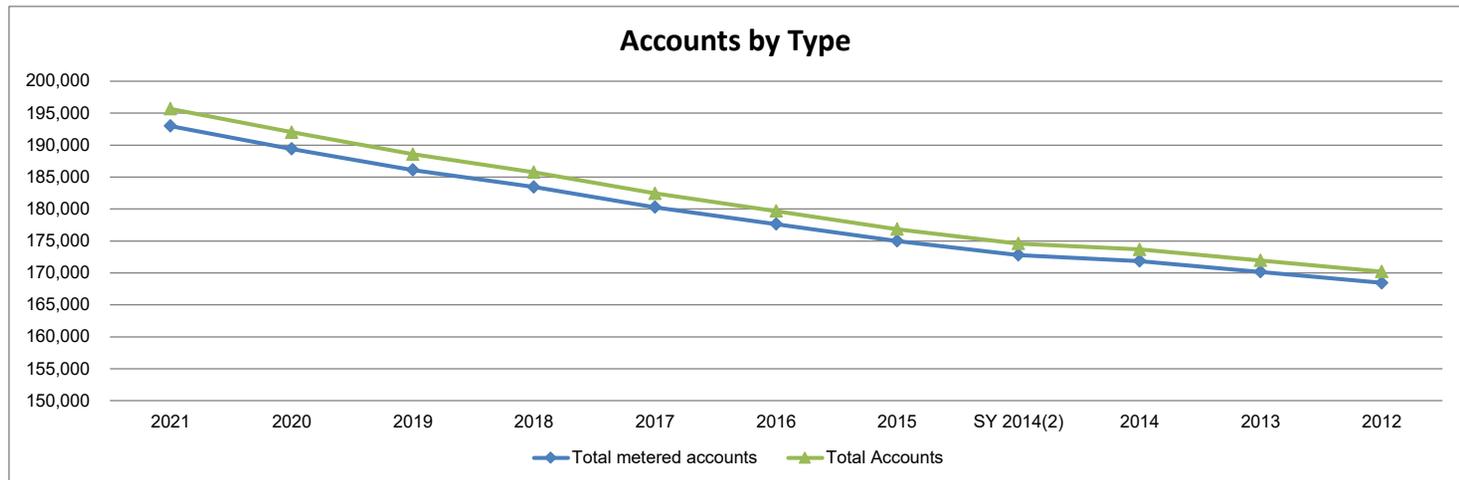
(3) SY 2014 is a 5 month period

(4) Eliminated second rate block February 1, 2013

(5) Changed from quarterly to monthly billing January 1, 2012

**Greenville Water
Number of Accounts by Type
Last Ten Fiscal Years⁽¹⁾**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 | 2012 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|
| Residential | 171,005 | 167,439 | 164,473 | 162,167 | 159,370 | 157,039 | 154,782 | 152,817 | 151,992 | 150,500 | 150,321 |
| Commercial | 21,510 | 21,497 | 21,158 | 20,793 | 20,443 | 20,139 | 19,776 | 19,527 | 19,404 | 19,213 | 17,696 |
| Industrial | 148 | 148 | 139 | 136 | 137 | 138 | 138 | 138 | 138 | 138 | 126 |
| City-owned facilities | 298 | 298 | 298 | 313 | 314 | 296 | 288 | 288 | 296 | 292 | 267 |
| Wholesale | 20 | 20 | 20 | 19 | 19 | 19 | 18 | 17 | 16 | 16 | 15 |
| Total metered accounts | 192,981 | 189,402 | 186,088 | 183,428 | 180,283 | 177,631 | 175,002 | 172,787 | 171,846 | 170,159 | 168,425 |
| Private fire protection | 2,690 | 2,609 | 2,484 | 2,330 | 2,161 | 2,034 | 1,841 | 1,818 | 1,815 | 1,798 | 1,778 |
| Total Accounts | 195,671 | 192,011 | 188,572 | 185,758 | 182,444 | 179,665 | 176,843 | 174,605 | 173,661 | 171,957 | 170,203 |



(1) 2012 - 2014 Fiscal year ended July 31
SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

**Greenville Water
Ten Largest Retail Customers
Current Year and Ten Years Ago**

| CUSTOMER | 2021 | | | 2010 ⁽¹⁾ | | |
|-----------------------------------|----------------------|--------------------------------|---------|----------------------|--------------------------------|---------|
| | TOTAL ANNUAL REVENUE | PERCENT OF WATER SALES REVENUE | RANKING | TOTAL ANNUAL REVENUE | PERCENT OF WATER SALES REVENUE | RANKING |
| Columbia Farms Inc | \$ 513,418 | 0.94% | 1 | \$ 407,912 | 0.96% | 2 |
| Greenville County School District | 424,914 | 0.78% | 2 | 418,220 | 0.99% | 1 |
| Greenville Memorial Hospital | 360,463 | 0.66% | 3 | 228,579 | 0.54% | 4 |
| Milliken Service Corp. | 280,268 | 0.51% | 4 | 254,815 | 0.60% | 3 |
| Sage Automotive Interiors | 268,487 | 0.49% | 5 | 173,355 | 0.41% | 5 |
| Cryovac Sealed Air Corp | 196,913 | 0.36% | 6 | 121,060 | 0.29% | 8 |
| Kemet Electronics Corp | 178,029 | 0.32% | 7 | | | |
| Furman University | 147,263 | 0.27% | 8 | 147,347 | 0.35% | 6 |
| Michelin Tire Corp | 133,902 | 0.24% | 9 | 124,565 | 0.29% | 7 |
| Cytec Carbon Fibers LLC | 130,501 | 0.24% | 10 | 109,379 | 0.26% | 10 |
| 3M | | | | 111,826 | 0.26% | 9 |
| Totals | <u>\$ 2,634,158</u> | <u>4.80%</u> | | <u>\$ 2,097,058</u> | <u>4.94%</u> | |

(1) 2012 Data Not Available

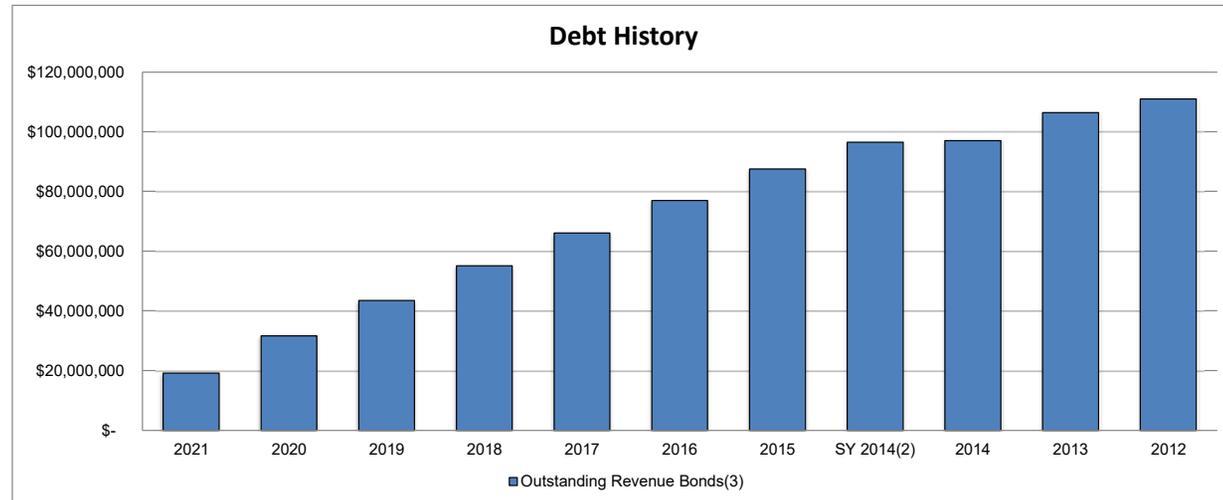
**Greenville Water
Ten Largest Wholesale Customers
Current Year and Ten Years Ago**

| CUSTOMER | 2021 | | | 2010 ⁽¹⁾ | | |
|--|--|--------------|---------|--|--------------|---------|
| | PERCENT OF TOTAL ANNUAL WATER SALES | | | PERCENT OF TOTAL ANNUAL WATER SALES | | |
| | REVENUE | REVENUE | RANKING | REVENUE | REVENUE | RANKING |
| Powersville Water Co Inc | \$ 998,910 | 1.82% | 1 | \$ 361,421 | 0.85% | 3 |
| Six Mile Rural Community Water Dist | 861,013 | 1.57% | 2 | 366,453 | 0.86% | 2 |
| Laurens County Water & Sewer | 672,519 | 1.23% | 3 | 864,484 | 2.04% | 1 |
| Blue Ridge Water Co | 449,827 | 0.82% | 4 | 297,568 | 0.70% | 5 |
| Pickens County Water Authority | 400,016 | 0.73% | 5 | 322,125 | 0.76% | 4 |
| Bethlehem Roanoke Rural Community Water Dist | 278,051 | 0.51% | 6 | | | |
| Marietta Water Dist | 181,500 | 0.33% | 7 | 121,946 | 0.29% | 7 |
| Dacusville Cedar Rock Water | 137,496 | 0.25% | 8 | 125,477 | 0.30% | 6 |
| Town of Pelzer SC | 98,927 | 0.18% | 9 | 113,842 | 0.27% | 8 |
| Town of West Pelzer SC | 96,468 | 0.18% | 10 | 72,743 | 0.17% | 10 |
| City of Pickens | | | | 91,404 | 0.22% | 9 |
| Totals | <u>\$ 4,174,726</u> | <u>7.61%</u> | | <u>\$ 2,737,463</u> | <u>6.45%</u> | |

(1) 2012 Data Not Available

**Greenville Water
Debt History
Last Ten Fiscal Years⁽¹⁾**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 | 2012 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|----------------|----------------|
| Outstanding Revenue Bonds ⁽³⁾ | \$ 19,114,463 | \$ 31,592,399 | \$ 43,412,334 | \$ 55,013,914 | \$ 66,076,057 | \$ 76,937,139 | \$ 87,483,221 | \$ 96,474,303 | \$ 97,045,385 | \$ 106,376,008 | \$ 110,937,635 |
| Percentage change in debt | -39.5% | -27.2% | -21.1% | -16.7% | -14.1% | -12.1% | -9.3% | -0.6% | -8.8% | -4.1% | -6.5% |
| Debt to revenue | 25% | 41% | 60% | 86% | 103% | 120% | 154% | 428% | 179% | 224% | 204% |
| Debt per metered account, excluding private fire protection accounts | \$ 99 | \$ 167 | \$ 233 | \$ 305 | \$ 367 | \$ 433 | \$ 500 | \$ 558 | \$ 565 | \$ 625 | \$ 659 |
| Debt as a % of personal income | 0.28% | 0.16% | 0.11% | 0.23% | 0.28% | 0.37% | 0.43% | 0.49% | 0.49% | 0.56% | 0.61% |
| Debt per customer ⁽⁴⁾ | \$ 107 | \$ 181 | \$ 230 | \$ 330 | \$ 400 | \$ 475 | \$ 555 | \$ 619 | \$ 614 | \$ 679 | \$ 711 |



(1) 2012 - 2014 Fiscal year ended July 31
SY 2014 -current ended December 31

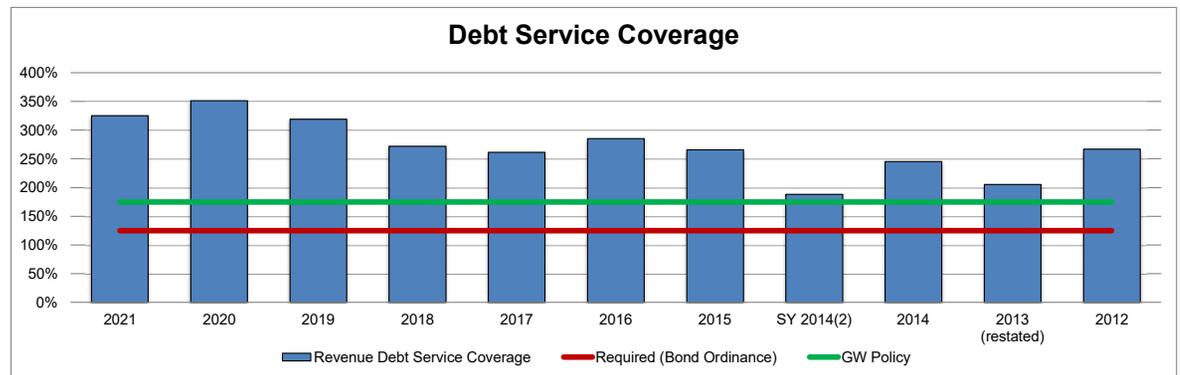
(2) SY 2014 is a 5 month period

(3) Revenue Bonds Payable plus Bond Premiums

(4) Customer population includes metered accounts excluding irrigation.

**Greenville Water
Debt Service Coverage
Last Ten Fiscal Years⁽¹⁾**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 (restated) | 2012 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|-----------------|---------------|
| Change in net position | \$ 28,125,780 | \$ 29,843,293 | \$ 26,719,070 | \$ 20,496,079 | \$ 21,116,306 | \$ 21,378,763 | \$ 18,066,911 | \$ 18,005,158 | \$ 16,437,542 | \$ 11,402,032 | \$ 18,231,668 |
| Less: | | | | | | | | | | | |
| Capital Contributions | 193,279 | 519,616 | 1,814,990 | 1,929,963 | 3,866,190 | 1,225,434 | 1,668,264 | 1,483,012 | 2,572,444 | 1,063,855 | 190,579 |
| Amortization of bond premium | 907,936 | 554,935 | 554,935 | 538,788 | 571,082 | 571,082 | 571,082 | 571,082 | 575,623 | 720,890 | 1,130,181 |
| Gain (Loss) on disposal of capital assets | (24,433) | (14,539) | (108,747) | (390,645) | (483,039) | 392,541 | 120,197 | (220,719) | (52,526) | (115,400) | 17,277 |
| Add: | | | | | | | | | | | |
| Depreciation expense | 12,555,414 | 13,495,440 | 13,378,276 | 13,316,165 | 12,791,092 | 12,351,718 | 11,599,573 | 5,504,538 | 11,679,858 | 11,619,480 | 11,632,018 |
| Interest expense, net of capitalized | 894,321 | 1,494,014 | 1,766,343 | 2,089,481 | 2,369,967 | 3,748,528 | 3,521,280 | 1,085,675 | 4,265,082 | 3,998,314 | 5,430,189 |
| Amortization of bond expense | | | | | | | | | | | 99,735 |
| Debt Service Coverage | | | | | | | | | | | |
| Net earnings (Bond Ordinance) | \$ 40,498,733 | \$ 43,772,735 | \$ 39,602,511 | \$ 33,823,619 | \$ 32,323,132 | \$ 35,289,952 | \$ 30,828,221 | \$ 22,761,996 | \$ 29,286,941 | \$ 25,350,481 | \$ 34,055,573 |
| Revenue Bond Debt Service | \$ 12,446,493 | \$ 12,452,354 | \$ 12,409,681 | \$ 12,431,895 | \$ 12,374,283 | \$ 12,370,849 | \$ 11,592,054 | \$ 12,103,452 | \$ 11,952,628 | \$ 12,351,095 | \$ 12,769,925 |
| Revenue Debt Service Coverage | 3.25 | 3.52 | 3.19 | 2.72 | 2.61 | 2.85 | 2.66 | 1.88 | 2.45 | 2.05 | 2.67 |
| GW Policy | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| Required (Bond Ordinance) | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |



(1) 2012- 2014 Fiscal year ended July 31
SY 2014 - current ended December 31
(2) SY 2014 is a 5 month period

**Greenville Water
Principal Employers
Current Year and Ten Years Ago**

| Employer | 2021 | | | 2012 | | |
|--|---------------|------|---------------------------------------|---------------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Prisma Health/Greenville Health System | 14,087 | 1 | 5.59 % | 9,778 | 1 | 4.36 % |
| School District of Greenville County | 10,000 | 2 | 3.97 % | 8,700 | 2 | 3.88 % |
| Michelin North America | 4,710 | 3 | 1.87 % | 4,000 | 3 | 1.78 % |
| Bon Secours St. Francis Health System | 3,800 | 4 | 1.51 % | 3,500 | 4 | 1.56 |
| Greenville County Government | 2,735 | 5 | 1.09 % | 1,672 | 9 | 0.74 % |
| SC State Government | 2,552 | 6 | 1.01 % | 3,238 | 5 | 1.44 |
| Duke Energy Corporation | 2,000 | 7 | 0.79 % | | | |
| Food Lion (Formerly Bi-Lo) | 1,625 | 8 | 0.64 % | | | |
| Fluor Corporation | 1,600 | 9 | 0.63 % | 2,100 | 7 | 0.94 % |
| Sealed Air Corporation | 1,300 | 10 | 0.52 | | | |
| Bob Jones University | | | | 1,650 | 10 | 0.74 % |
| GE Engineering | | | | 3,200 | 6 | 1.43 % |
| US Government | | | | 1,857 | 8 | 0.83 % |
| | <u>44,409</u> | | <u>17.62 %</u> | <u>39,695</u> | | <u>17.70 %</u> |

Source: Greenville Area Development Corporation

Greenville County Workforce (Employment) 252,060

**Greenville Water
Summary of Demographic and Economic Statistics
Last Ten Fiscal Years⁽¹⁾**

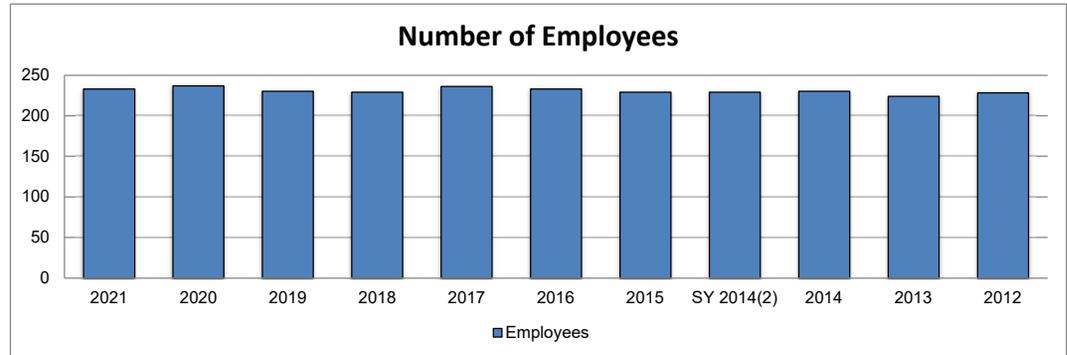
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 | 2012 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|---------------|---------------|
| Population ⁽¹⁾ | 525,534 | 529,307 | 522,611 | 512,572 | 509,600 | 495,777 | 481,317 | 485,319 | 485,319 | 480,288 | 470,794 |
| Personal income (in 1000's) ⁽¹⁾ | \$ 27,633,103 | \$ 26,888,795 | \$ 25,003,800 | \$ 23,901,232 | \$ 23,678,564 | \$ 21,058,128 | \$ 20,126,270 | \$ 19,810,721 | \$ 19,810,721 | \$ 18,835,934 | \$ 18,103,442 |
| Per capita personal income ⁽¹⁾ | \$ 52,581 | \$ 50,800 | \$ 47,844 | \$ 46,630 | \$ 46,465 | \$ 42,475 | \$ 41,815 | \$ 40,820 | \$ 40,820 | \$ 39,218 | \$ 38,453 |
| Median Household Income ⁽²⁾ | \$ 62,422 | \$ 62,475 | \$ 56,227 | \$ 53,739 | \$ 51,595 | \$ 50,540 | \$ 48,180 | \$ 44,835 | \$ 44,835 | \$ 45,640 | \$ 45,137 |
| Median age ⁽¹⁾ | 38.2 | 38.4 | 38.2 | 37.9 | 37.8 | 38.1 | 37.9 | 34.6 | 34.6 | 34.6 | 37.0 |
| School enrollment ⁽¹⁾ | 73,448 | 76,629 | 75,577 | 74,991 | 76,951 | 72,855 | 72,712 | 71,639 | 71,639 | 71,249 | 70,023 |
| Unemployment Rate ⁽¹⁾ | 3.9 | 8.4 | 3.3 | 3.3 | 3.7 | 4.6 | 5.6 | 4.8 | 4.8 | 7.1 | 8.2 |

(1) Greenville County Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2021

(2) Source: Greenville Area Development Corporation 2021 Data is Unavailable, 5-Year Estimate from U.S. Census Bureau 2016-2020 American Community Survey was used.

**Greenville Water
Number of Employees
Last Ten Fiscal Years⁽¹⁾**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 | 2012 |
|-----------|------|------|------|------|------|------|------|------------------------|------|------|------|
| Employees | 233 | 237 | 230 | 229 | 236 | 233 | 229 | 229 | 230 | 224 | 228 |



(1) 2011 - 2014 Fiscal year ended July 31
 SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

**Greenville Water
Supply and Usage Data
Last Ten Fiscal Years⁽¹⁾**

Million Gallons per Day

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 ⁽³⁾ | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------|-----------|---------------------|-----------|
| State Permitted Capacity | | | | | | | | | | | |
| Table Rock | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | n/a |
| North Saluda | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | n/a |
| Keowee | <u>90</u> | <u>90</u> | <u>90</u> | n/a |
| Total Permitted Capacity | 217 | 217 | 217 | 217 | 217 | 217 | 217 | 217 | 217 | 217 | n/a |
| Combined Transmission Capacity, Gravity | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 46 | 46 |
| Combined Transmission Capacity, Pumping | 135 | 135 | 135 | 135 | 135 | 135 | 135 | 135 | 135 | 135 | 135 |
| Average Water Treatment: | | | | | | | | | | | |
| Table Rock/North Saluda Plant | 40 | 41 | 42 | 40 | 33 | 39 | 37 | 39 | 36 | 29 | 31 |
| Keowee | <u>24</u> | <u>20</u> | <u>21</u> | <u>18</u> | <u>25</u> | <u>24</u> | <u>22</u> | <u>17</u> | <u>19</u> | <u>25</u> | <u>27</u> |
| Total System, Average Daily Produced | 64 | 61 | 63 | 58 | 58 | 63 | 59 | 56 | 55 | 54 | 58 |

n/a - not available

(1) 2011 - 2014 Fiscal year ended July 31
SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

(3) Permits were secured in 2013, prior year information is not available

Greenville Water
Miscellaneous General Statistics
Last Ten Fiscal Years⁽¹⁾

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | SY 2014 ⁽²⁾ | 2014 | 2013 | 2012 ⁽³⁾ |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------|-----------|-----------|---------------------|
| Miles of Pipe (2" - 72") | 3,028 | 2,996 | 2,808 | 2,784 | 2,765 | 2,735 | 2,694 | 2,670 | 2,666 | 2,645 | 2,626 |
| No. of Public Hydrants | 12,040 | 11,977 | 11,795 | 11,661 | 11,493 | 11,210 | 11,028 | 10,833 | 10,583 | 10,192 | 10,107 |
| Total Annual Sales (Million Gallons) | 20,321 | 18,503 | 19,404 | 17,862 | 18,298 | 20,086 | 17,720 | 7,602 | 16,747 | 16,270 | 21,934 |
| Total Water Sales (Thousand Dollars) | \$ 54,825 | \$ 52,238 | \$ 54,759 | \$ 50,934 | \$ 51,387 | \$ 54,447 | \$ 48,274 | \$ 19,467 | \$ 44,669 | \$ 42,375 | \$ 50,783 |
| Other Operating Revenues | 19,828 | 24,838 | 15,727 | 13,215 | 11,768 | 11,585 | 11,093 | 3,802 | 13,016 | 8,646 | 7,590 |
| Total Annual Billing (Thousand Dollars) | \$ 74,653 | \$ 77,076 | \$ 70,486 | \$ 64,150 | \$ 63,156 | \$ 66,032 | \$ 59,367 | \$ 23,269 | \$ 57,685 | \$ 51,021 | \$ 58,373 |
| Average # of Accounts Billed: | | | | | | | | | | | |
| Residential | 159,175 | 155,995 | 153,048 | 150,173 | 147,267 | 144,731 | 142,297 | 141,239 | 139,551 | 137,678 | 136,438 |
| Others | 18,746 | 18,413 | 18,152 | 17,900 | 17,614 | 17,247 | 16,918 | 18,525 | 18,331 | 18,174 | 18,105 |
| | 177,921 | 174,408 | 171,200 | 168,073 | 164,881 | 161,978 | 159,215 | 159,764 | 157,882 | 155,852 | 154,543 |
| Avg. Gallons per Account | 9,518 | 8,841 | 9,445 | 8,856 | 9,253 | 10,334 | 9,275 | 9,517 | 8,839 | 8,700 | 9,120 |
| Average Bills per Account (\$) | | | | | | | | | | | |
| Residential | 17.24 | 17.16 | 17.99 | 16.84 | 17.34 | 19.10 | 16.86 | 16.63 | 15.76 | 15.43 | 15.89 |
| All | 26.33 | 25.55 | 26.85 | 25.57 | 26.27 | 28.33 | 25.35 | 25.13 | 23.55 | 22.94 | 23.74 |
| Residential Bill as a Percent of MHI ⁽⁴⁾ | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.04% | 0.03% | 0.04% | 0.04% | 0.03% | 0.04% |
| Average Daily Water Finished combined quantities (MGD) | 64.20 | 60.87 | 62.92 | 58.53 | 57.65 | 62.68 | 56.40 | 54.51 | 53.00 | 52.54 | 56.42 |

(1) 2012 - 2014 Fiscal year ended July 31
SY 2014 - current ended December 31

(2) SY 2014 is a 5 month period

(3) 2012 - current represent monthly billing information, prior years represent quarterly billing.

(4) Based on 2020 Median Household Income 5-Year Estimate. 2021 not available

COMPLIANCE SECTION



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

**To the Commissioners of Public Works
of the City of Greenville
Greenville, South Carolina**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Commissioners of Public Works of the City of Greenville** ("Greenville Water") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Greenville Water's basic financial statements, and have issued our report thereon dated April 29, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Columbia, South Carolina
April 29, 2022

GREENVILLE WATER

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEARS ENDED DECEMBER 31, 2021

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

There was not an audit of major federal award programs as of December 31, 2021, due to the total amount expended being less than \$750,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.