



**SPARTANBURG WATER SYSTEM
SPARTANBURG, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDING JUNE 30, 2020 AND 2019**

I. INTRODUCTORY SECTION

SPARTANBURG WATER SYSTEM
SPARTANBURG, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

SUBMITTED BY:
FINANCE DEPARTMENT

SPARTANBURG WATER SYSTEM
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

I. Introductory Section		<u>Page</u>
Title Page		i
Table of Contents		ii
List of Commissioners and Senior Management Staff		iii
Organization Chart		iv
Letter of Transmittal		v-viii
Certificate of Achievement for Excellence in Financial Reporting		ix
 II. Financial Section		
	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-12
Basic Financial Statements		
Statements of Net Position	A	13-14
Statements of Revenues, Expenses and Changes in Net Position	B	15
Statements of Cash Flows	C	16-18
Notes to Financial Statements		19-40
Required Supplementary Information		
Schedule of the System's Proportionate Share of the Collective Net Pension Liability		42
Schedule of the System's Contributions		43
Schedule of Changes in the System's Net OPEB Liability and Related Ratios		44
Schedule of the System's Contributions		45
Supplementary Information		
Schedules of Operating Expenses		47
 III. Statistical Section		
	<u>Table</u>	<u>Page</u>
Contents		48
Financial Trends		
Net Position by Component	1	50
Changes in Net Position	2	51
Revenues by Source	3	52
Operating Expenses	4	53
Revenue Capacity		
Annual Billed Usage	5	55
Historical Volume Rate Information	6	56
Number of System Customers	7	57
Ten Largest Retail Customers	8	58
Wholesale Water Customers in Charge and Volume Order	9	59
Debt Capacity		
Debt Outstanding	10	61
Historical Statements of Revenues, Expenses, Debt Service and Debt Service Coverage	11	62
Demographic and Economic Information		
Spartanburg County Demographic Statistics	12	64
Spartanburg County, South Carolina Major Employers and Changes	13	65
Operating Information		
Schedule of Capacity Fees and User Charges	14	67
Monthly Billed Flows	15	68
Miles of Pipe	16	69
Number of Employees	17	70
Annual Rainfall	18	71

Spartanburg Water System Officials

List of Commissioners and Senior Management Staff

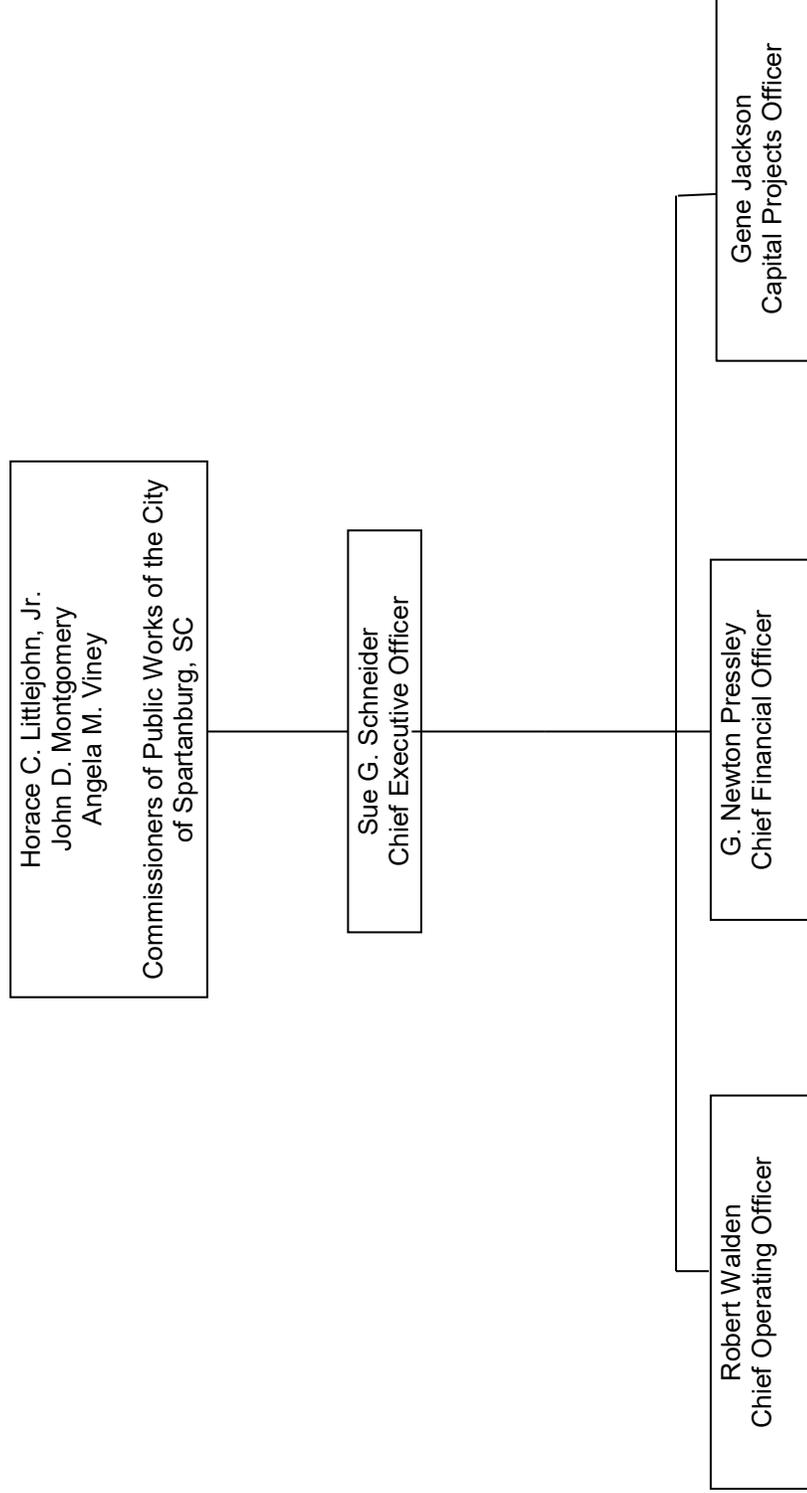
Commissioners

John D. Montgomery Chair
Horace C. Littlejohn, Jr. Commissioner
Angela M. Viney Commissioner

Senior Management Staff

Sue G. Schneider Chief Executive Officer
G. Newton Pressley..... Chief Financial Officer
Robert Walden Chief Operating Officer
Gene Jackson..... Chief Projects Officer

Spartanburg Water System Organization Chart





Letter of Transmittal
November 30, 2020

To the Commissioners and Customers
of the Spartanburg Water System

We are pleased to submit to you the Comprehensive Annual Financial Report (“CAFR”) for the Spartanburg Water System (the “System”) for the fiscal year ended June 30, 2020. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System’s management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System’s financial activities have been included.

The System’s management has established a system of internal accounting controls designed to provide reasonable, but not absolute, assurance for the safeguarding of assets and financial statement preparation in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits.

The System is required by state law to publish an annual financial report audited by a certified public accountant and this CAFR fulfills that requirement. Halliday, Schwartz & Co., Certified Public Accountants, conducted the independent audit of the System’s financial statements. The objective was to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was conducted in accordance with U.S. generally accepted auditing standards. Halliday, Schwartz & Co., issued an unmodified opinion that the System’s financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The independent auditor’s report is presented as the first component of the financial section of this report.

A Management’s Discussion and Analysis (“MD&A”) is provided in the financial section of this report. The MD&A serves as a narrative introduction, overview and analysis of the System’s financial statements. This Letter of Transmittal is intended to compliment the MD&A and should be read in conjunction with it.

PROFILE OF THE SYSTEM

The System is a Commission of Public Works created in 1908 by the General Assembly of the State of South Carolina to provide public water utility services to Spartanburg, South Carolina and surrounding communities.

The System is located in Spartanburg County, which is located in the northwest Piedmont section of South Carolina on the I-85 corridor between Atlanta, Georgia and Charlotte, North Carolina. The System serves retail customers located inside and outside the city limits of the City and the Towns of Cowpens, Pacolet and Landrum. Additionally, the System provides water on a wholesale basis through master meters to two water districts, two water companies, and one town. These wholesale customers are located primarily inside Spartanburg County and, to a lesser extent, Cherokee County and Union County.

The System is governed by a three member Commission elected from the residents of the City of Spartanburg. The Commissioners serve staggered six-year terms, with elections held every two years.

The Spartanburg Water System has three water filtration plants. Raw water supply for the R.B. Simms Water Filtration Plant is obtained from Lake Bowen and Municipal Reservoir #1. Both lakes are located on the South Pacolet River system. The raw water flows by gravity to the Simms Plant, which is located near the confluence of the South and North Pacolet Rivers at a point approximately 12 miles northeast of the City of Spartanburg. Raw water for the Myles W. Whitlock, Jr. Water Treatment Facility is obtained from Lake Blalock. This lake is located on the Pacolet River system. The raw water is pumped to the Whitlock Plant, which is located off Highway 221 approximately 10 miles east northeast of the City of Spartanburg. The Landrum Water Filtration Plant uses surface water from Hogback Creek, located near the top of Hogback Mountain, as well as Vaughn's Creek, located near Lake Lanier. The source water is located in Spartanburg County within the Broad River Basin.

LOCAL ECONOMY

Spartanburg County possesses a diversified business and industry base. The following types of industry represent major employers in Spartanburg County: automotive, research and development on yarns/chemicals, flexible plastic packaging materials, radial truck tires, china plumbing fixtures, catalog printing and binding, non woven materials and consumer specialty bags. Spartanburg County has the highest per capita international investment in the nation. The County has an available, skilled labor force and has taken advantage of the State's excellent worker training programs. Other major employers in the area include public schools, state and local governments, and health care providers.

The city serves as the national headquarters for Denny's, QS/1, and Advance America. The Chapman Cultural Center serves Spartanburg's cultural community for visual and performing arts, science and history. The 86,000-square-foot center is in downtown Spartanburg, adjacent to Barnet Park. The USC Upstate George Dean Johnson, Jr. College of Business and Economics is located in the heart of downtown Spartanburg.

Spartanburg County's unemployment rate in June 2020 was 10.1%, as compared with the state rate of 8.7% and the national rate of 11.1%.

FINANCIAL MANAGEMENT

The System adopts an annual operating budget for management and financial planning purposes. The System's computerized financial planning and rate-setting model is updated annually to provide for a five-year financial plan. Capital improvement plans, and applicable debt service projections for future bond issues, are incorporated in the financial planning process. The five-year plan is reviewed with the Commission, which adopts the budget and rates for the upcoming year only. The overall objective of the financial planning process is to minimize the impact of customer rate increases, while maintaining required debt service coverage. Other considerations of the financial planning process include: volume trends by customer class; maintaining sufficient fund balances to meet the System's operations, maintenance, and capital improvement needs; growth trends for various expenditure categories; and the comparison of customer rates to other utilities in the region.

During the fiscal year, financial management tracking includes the following: monthly preparation and analytical review of departmental and company-wide financial reports; significant expenditure variances require follow-up with the responsible budget manager; the company-wide financial report is presented at the monthly Commission meeting; utility user charges are monitored monthly in relation to the approved budget and historical results; the tracking of utility user charges is performed for revenues and flows by customer class.

The Red Flags Rule is federal legislation that requires government agencies, including utilities, to develop written, board-approved programs designed to detect, prevent, and mitigate identity theft. A written Red Flags Identity Theft Prevention Program was approved by the Commissioners on April 28, 2009; the program details the procedures implemented to verify the identity of applicants opening new accounts and to protect sensitive customer information such as social security numbers, bank account information, and credit card numbers. The Red Flags Rule program is monitored on an ongoing basis to ensure compliance with procedures and to provide training. The annual Red Flags Program report was updated on June 23, 2020 and provided to the Commission on October 27, 2020. Management concluded that the program is effective, the policies and procedures have been followed, and that the internal controls and electronic security measures are protecting sensitive customer data.

The System's cash management policy provides that available funds are invested overnight and longer-term in accordance with state law, which permits the following types of investments: obligations of the United States and its agencies, general obligations of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool. For more information regarding the June 30, 2020 investment distribution, see Note 2 to the Financial Statements.

The System is a member of the South Carolina Retirement System, one of four defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board of South Carolina. For information regarding the System's retirement plan, see Note 8 to the Financial Statements.

For information regarding the System's risk management function, see Note 11 to the Financial Statements.

FINANCIAL CONDITION

The increase in net position for fiscal year 2020 was \$6,954,066, a 9.8% increase for the fiscal year. The customer base increased by 1,215 accounts, or 1.9%, for fiscal year 2020. The average annual growth rate over the past five years was 1.5%. The System's revenue bond covenants require debt service coverage of 110% for Revenue Bonds. The debt service coverage ratio was 191% for fiscal year 2020. A recent rate survey of comparable utilities in the region indicated that the System's customer rates compared favorably with the majority of the agencies in the survey.

Various funds are maintained to meet the operational, maintenance, and capital improvement needs of the system. The Depreciation Fund provides for the renovation and replacement of operational equipment and system facilities and has been adequately funded in recent years; this fund had a June 30, 2020 balance of \$9,416,147.

AWARDS

Utility of the Future Today

Spartanburg Water (Spartanburg Water System and Spartanburg Sanitary Sewer District) was recently awarded as one of about 65 utilities worldwide recognized for exceptional performance by a partnership of water sector organizations—the National Association of Clean Water Agencies (NACWA), the Water Environment Federation (WEF), the Water Environment & Reuse Foundation (WE&RF) and the WaterReuse Association—with input from the U.S. Environmental Protection Agency (EPA). Spartanburg Water was one of 61 utilities first recognized by the program in 2016 in a three-year designation. This award is given to member agencies that demonstrate bold, transformational leadership in managing resources, partnering effectively in local economic development, and engaging stakeholders – resulting in environmental, economic, and social benefits. Spartanburg Water was recognized for its innovative programs to engage its customers, including Choose Tap, Water Matter and events like Paddle Fest and Lake Sweep. *The Public Information & Education Awards* honor agencies for their inventive efforts to educate the public on the effects of wastewater treatment and pollution control on the environment.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Spartanburg Water System for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the seventeenth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

ACKNOWLEDGEMENTS

We appreciate the support of the Commissioners and the dedication of all our System employees.

Respectfully Submitted,



Sue G. Schneider
Chief Executive Officer



G. Newton Pressley
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Spartanburg Water System
South Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

II. FINANCIAL SECTION

To the Commissioners and Officers of
Spartanburg Water System
200 Commerce Street
Spartanburg, South Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Spartanburg Water System, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Spartanburg Water System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Spartanburg Water System as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Spartanburg Water System's basic financial statements. The schedules of operating expenses and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
November 30, 2020

Spartanburg Water System Management's Discussion and Analysis

This Management Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and provides a narrative overview and analysis of the System's financial condition and performance for the fiscal year ended June 30, 2020. This information should be read in conjunction with the transmittal letter and the System's financial statements, as listed in the table of contents included in this report.

Financial Highlights

As of June 30, 2020, total assets of \$269,669,651 and deferred outflows of resources of \$14,607,234 exceeded total liabilities of \$205,779,817 and deferred inflows of resources of \$267,980 by \$78,229,088. For the fiscal year 2019, total assets of \$269,533,668 and deferred outflows of resources of \$9,745,929 exceeded total liabilities of \$207,716,869 and deferred inflows of resources of \$287,706 by \$71,275,022.

For the fiscal year ended June 30, 2020, the increase in net position, before capital contributions, was \$6,368,993. The System's increase in net position, after capital contributions of \$585,073, was \$6,954,066. For the fiscal year 2019, the increase in net position, before capital contributions, was \$6,788,203. The System's increase in net position, after capital contributions of \$1,190,543, was \$7,978,746.

For fiscal year 2020, operating revenues increased by \$1,690,778 to \$43,962,808 or 4.0%, nonoperating revenues decreased by \$41,353 to \$6,218,299 or .7%, and total expenses increased by \$2,068,635 to \$43,812,114 or 5.0%. For fiscal year 2019, operating revenues increased by \$1,416,679 to \$42,272,030 or 3.5%. Nonoperating revenues increased by \$1,278,591 to \$6,259,652 or 25.7%. Total expenses increased by \$1,209,688 to \$41,743,479 or 3.0%.

The System's revenue bond covenants require debt service coverage of 110% for all revenue bonds. The fiscal year 2020 total system revenue bond debt service coverage ratio was 191%. The fiscal year 2019 total system revenue bond debt service coverage ratio was 182%.

Overview of the Financial Statements

The financial statements of the System report information about the System using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the System's overall financial status.

The Statements of Net Position present the System's financial position and reports information on all of the assets (resources owned by the System), deferred outflows of resources, liabilities (obligations of the System), and deferred inflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows is reported as net position.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. Revenue is reported when earned, and expenses are reported when incurred. This statement measures the success of the System's operations over the past year and serves as the basis for determining the System's actual Debt Service Coverage Ratio, as required by the System's revenue bond covenant.

The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. The statements provide information as to where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the System

The Condensed Statements of Net Position are provided below as a summary of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position for the years ended June 30, 2020, 2019 and 2018. The largest portion of the System's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

Condensed Statements of Net Position

	2020	2019	2018 Restated
Assets			
Current and Noncurrent Assets	\$ 70,306,871	\$ 73,026,989	\$ 70,577,100
Capital Assets	199,362,780	196,506,679	197,666,984
Total Assets	269,669,651	269,533,668	268,244,084
Deferred Outflows of Resources			
Deferred loss on refundings	9,121,640	5,290,010	5,733,143
Deferred amounts related to Pension	3,239,729	3,143,789	3,797,289
Deferred amounts related to OPEB	2,245,865	1,312,130	1,253,177
Total Deferred Outflows of Resources	14,607,234	9,745,929	10,783,609
Liabilities			
Current Liabilities	14,393,127	13,312,095	14,173,232
Noncurrent Liabilities	191,386,690	194,404,774	201,432,075
Total Liabilities	205,779,817	207,716,869	215,605,307
Deferred Inflows of Resources			
Deferred amounts related to Pension	265,079	284,356	126,110
Deferred amounts related to OPEB	2,901	3,350	-
	267,980	287,706	126,110
Net Position			
Net Investment in Capital Assets	68,426,697	75,359,394	71,738,818
Unrestricted	9,802,391	(4,084,372)	(8,442,542)
Total Net Position	\$ 78,229,088	\$ 71,275,022	\$ 63,296,276

In fiscal year 2020, current and noncurrent assets decreased by \$2,720,118 to \$70,306,871, due mostly from the use of cash and investments to help advance refund outstanding debt. In fiscal year 2019, current and noncurrent assets increased by \$2,449,889 to \$73,026,989, due to an increase in unrestricted investments.

Capital assets increased by \$2,856,101 to \$199,362,780 in fiscal year 2020 and decreased by \$1,160,305 to \$196,506,679 in fiscal year 2019. See Capital Assets section on page 9 for further explanation.

Current and noncurrent assets included cash and investments of \$62,414,095. The distribution by fund of the year-end balances for fiscal years 2020 and 2019 are provided below:

Fund	2020	2019
Operating	\$ 7,615,768	\$ 7,343,158
Debt Service Trust Account	5,547,618	8,041,492
Rate Stabilization	5,596,786	3,226,134
Depreciation	9,416,147	9,894,943
Capital Project Funds		
Capital	18,135,152	3,908,286
Water Line Repair/Replacement	3,966,935	3,373,417
Bond Funds	12,135,689	29,509,058
Total Cash and Investments	\$ 62,414,095	\$ 65,296,487

Current and noncurrent assets also included receivables of \$6,183,977 with the substantial portion associated with customer accounts receivable, net of allowance for doubtful accounts, of \$4,834,104 and the intercompany receivable from Spartanburg Sanitary Sewer District of \$1,328,822. This is compared to the fiscal year 2019 receivables of \$6,117,930 with the substantial portion associated with customer accounts receivable, net of allowance for doubtful accounts, of \$5,158,710, and the intercompany receivable from Spartanburg Sanitary Sewer District of \$943,839.

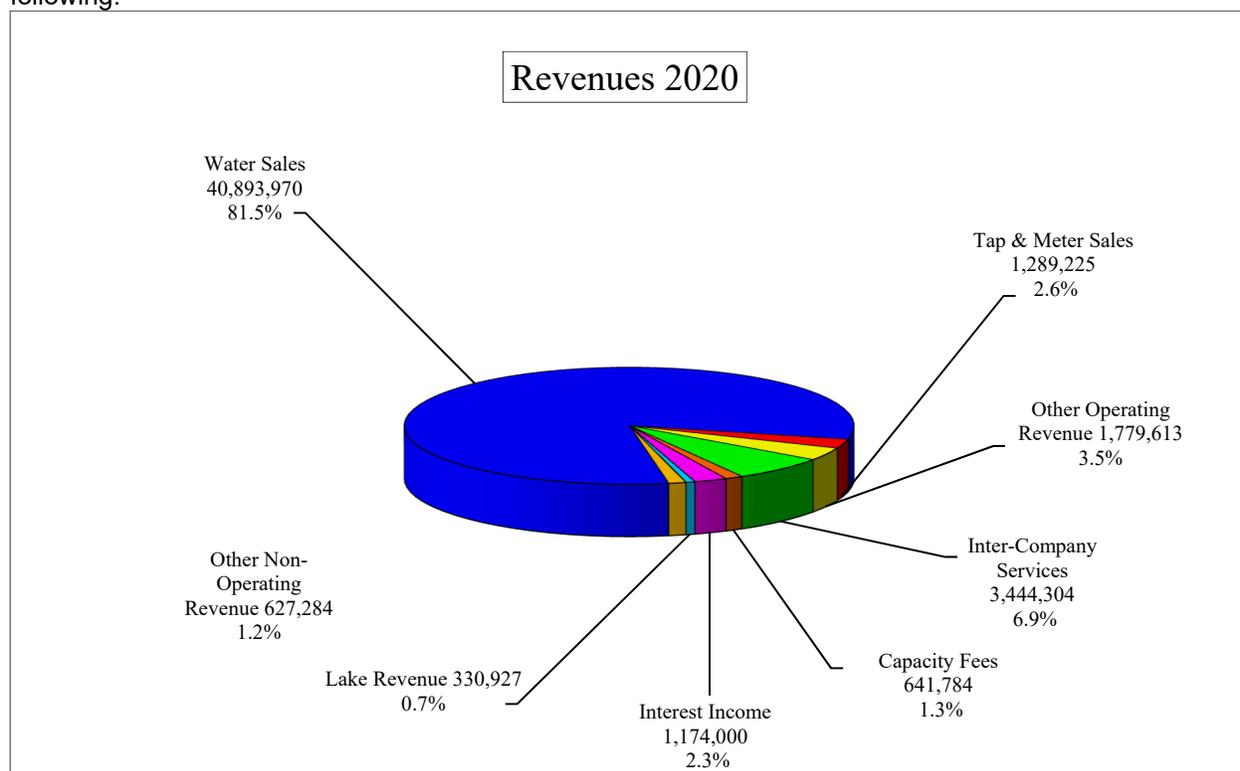
Current liabilities as of June 30, 2020 included accounts payable from operating funds of \$611,495, accounts payable from capital funds of \$990,039, and retainage payable of \$259,834. Current liabilities as of June 30, 2019 included accounts payable from operating funds of \$626,753, accounts payable from capital funds of \$577,755, and retainage payable of \$29,670. The current portion of long-term debt totaled \$6,590,000 and \$6,250,000 at June 30, 2020 and 2019, respectively.

The Condensed Statements of Revenues, Expenses and Changes in Net Position are provided below as a summary for the fiscal years ended June 30, 2020, 2019 and 2018.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018 Restated
Revenues			
Operating Revenues			
Water Sales	\$ 40,893,970	\$ 39,662,643	\$ 38,622,915
Tap & Meter Sales	1,289,225	999,085	715,805
Other Operating Revenues	1,779,613	1,610,302	1,516,631
	<u>43,962,808</u>	<u>42,272,030</u>	<u>40,855,351</u>
Nonoperating Revenues			
Intercompany Services	3,444,304	3,475,522	3,189,295
Other Nonoperating Revenues	2,773,995	2,784,130	1,791,766
	<u>6,218,299</u>	<u>6,259,652</u>	<u>4,981,061</u>
Total Revenues	<u>50,181,107</u>	<u>48,531,682</u>	<u>45,836,412</u>
Expenses			
Operating Expenses, Before Depreciation	29,137,620	26,494,111	25,633,608
Depreciation Expense	8,220,726	8,333,554	7,915,554
Nonoperating Expenses	6,453,768	6,915,814	6,984,629
Total Expenses	<u>43,812,114</u>	<u>41,743,479</u>	<u>40,533,791</u>
Excess, Before Capital Contributions	6,368,993	6,788,203	5,302,621
Capital Contributions	<u>585,073</u>	<u>1,190,543</u>	<u>676,992</u>
Change in Net Position	6,954,066	7,978,746	5,979,613
Net Position, Beginning of Year-Restated (2018)	<u>71,275,022</u>	<u>63,296,276</u>	<u>57,316,663</u>
Net Position, End of Year	<u>\$ 78,229,088</u>	<u>\$ 71,275,022</u>	<u>\$ 63,296,276</u>

Revenues (excluding capital contributions) for the fiscal year ended June 30, 2020 were comprised of the following:



Water sales were comprised of metered volume charges of \$32,090,519, base charges of \$8,614,125, and other miscellaneous billings of \$189,326. Water sales increased by \$1,231,327 or 3.1%. Volume charges increased by 3.4%, which reflected the increase in billed volume as follows:

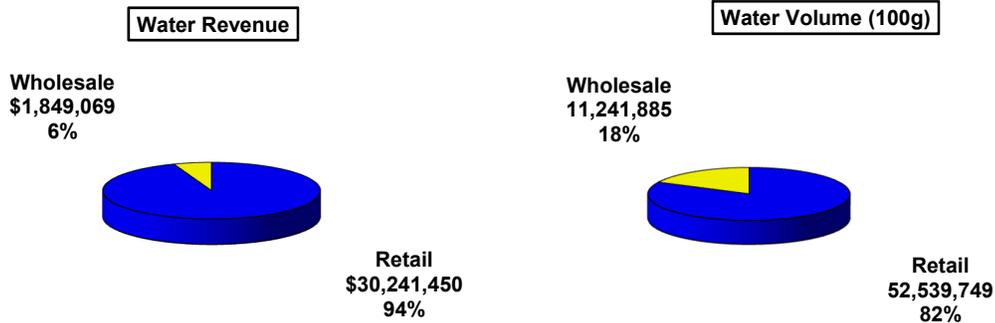
- The billed volume for fiscal year 2020 was 63,781,634 (100 gallons), an increase of 662,188 or 1.1%, from fiscal year 2019. Residential usage increased due to more people being home due to COVID-19 pandemic. The increase was offset by a volume reduction in Commercial and Industrial customers due to temporary closings caused by the pandemic. The billed volume for fiscal year 2019 was 63,119,446 (100 gallons), a decrease of 2,015,702 or 3.1%, over fiscal year 2018, as a result of decreased irrigation use due to increased rainfall. The change in billed volume for fiscal years 2020 and 2019 was distributed among the following customer classes:

	FY19 to FY20 Incr./Decr. (100g)	% of Incr./Decr.	FY18 to FY19 Incr./Decr. (100g)	% of Incr./Decr.
Retail				
Residential	937,896	3.1%	(623,466)	-2.0%
Commercial	(687,813)	-4.6%	(135,586)	-1.1%
Industrial	(174,746)	-2.2%	(364,929)	-4.4%
Total Retail	75,337	-3.7%	(1,123,981)	-7.5%
Wholesale	586,851	5.5%	(891,721)	-7.7%
System Total	662,188	1.1%	(2,015,702)	-3.1%

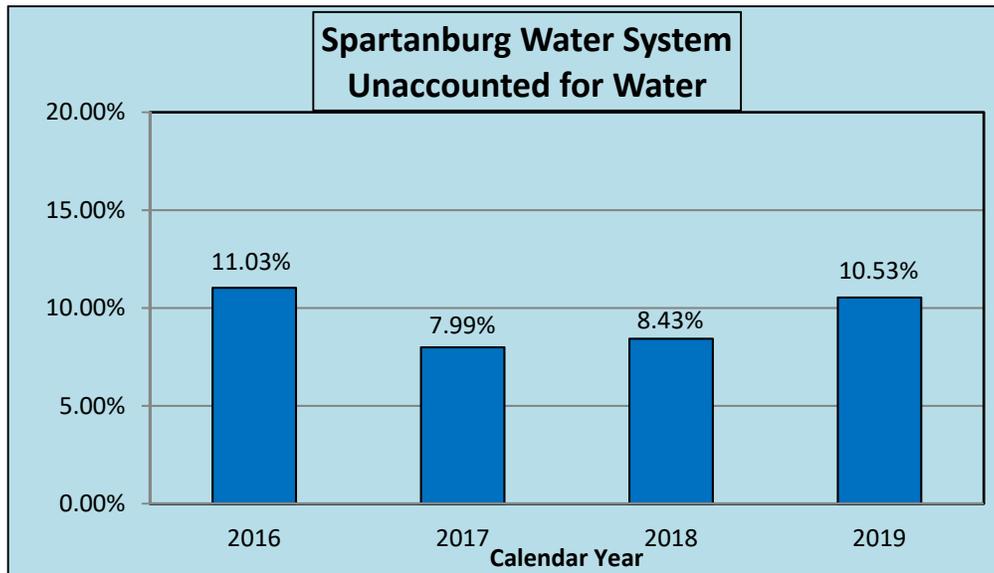
Base charge revenue for fiscal year 2020 increased by \$153,369 over fiscal year 2019, resulting from the growth in the residential customer base. The increase from fiscal year 2019 over fiscal year 2018 was \$117,352.

Fiscal year 2020 volume charges are further analyzed by the following charts:

Fiscal Year 20 Metered Volume Charges – Revenue vs. Volume



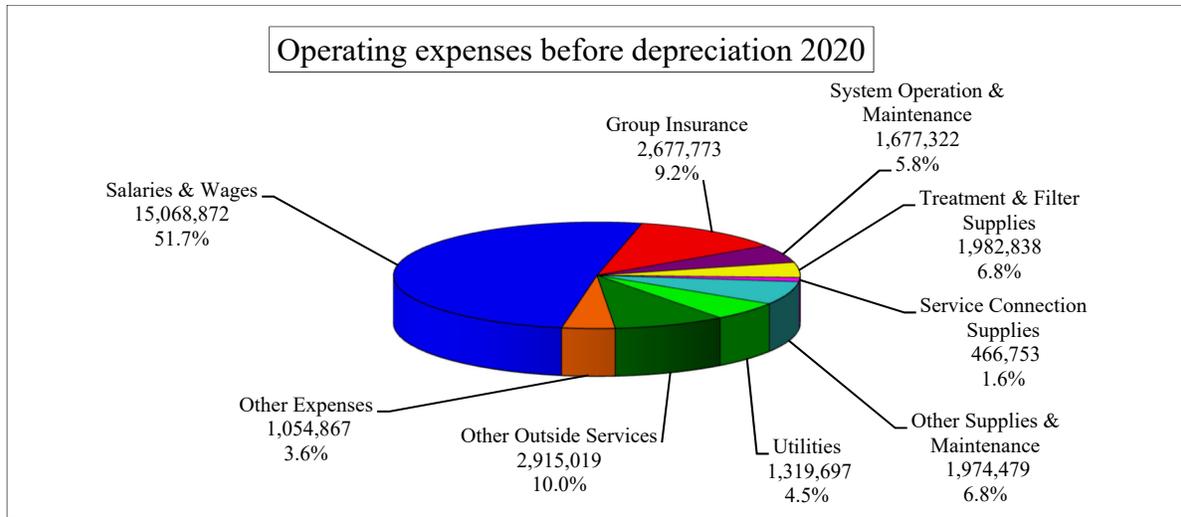
The System maintains a comprehensive tracking program to monitor Unaccounted for Water, as reflected graphically, by calendar year.



In fiscal year 2020, other nonoperating revenue decreased by \$10,135, due to a decrease in interest income of \$318,558, lake revenue of \$52,556, and miscellaneous income of \$14,807, offset by an increase in capacity fees of \$328,438, administrative income of \$6,009 and gain on sale of capital assets of \$41,339. In fiscal year 2019, other nonoperating revenue increased by \$992,364, due to an increase in capacity fees of \$18,571, interest income of \$961,795, miscellaneous income of \$49,743, and administrative income of \$35,928, offset by a decrease in lake revenue of \$26,895 and gain on sale of capital assets of \$46,778.

The intercompany reimbursement from Spartanburg Sanitary Sewer District was comprised of the following types of intercompany services: billing and collection, administrative and financial, engineering, fleet maintenance, field maintenance, and facility allocations for maintenance and the lab. The decrease in 2020 was primarily due to a decrease in SSSD Operations Fee and Engineering Fee.

Operating expenses before depreciation were comprised of the following:



The following table provides a comparison of 2020, 2019 and 2018 operating expenses before depreciation for major expense categories.

Comparison of operating expenses before depreciation

Expense Category			Increase / (Decrease)	
	2020	2019	Amount	% of Change
Salaries and wages	\$15,068,872	\$13,551,060	\$1,517,812	11.2%
Group insurance	2,677,773	2,689,901	(12,128)	-0.5%
System operation and maint.	1,677,322	1,416,394	260,928	18.4%
Treatment and filter supplies	1,982,838	1,581,406	401,432	25.4%
Service connection supplies	466,753	222,893	243,860	109.4%
Other supplies and maintenance	1,974,479	1,707,318	267,161	15.6%
Utilities	1,319,697	1,291,032	28,665	2.2%
Other outside services	2,915,019	2,769,943	145,076	5.2%
Other expenses	1,054,867	1,264,164	(209,297)	-16.6%
Total operating expenses before depreciation	\$29,137,620	\$26,494,111	\$2,643,509	10%

Expense Category			Increase / (Decrease)	
	2019	2018	Amount	% of Change
Salaries and wages	\$13,551,060	\$13,214,304	\$225,756	1.7%
Group insurance	2,689,901	2,942,182	(252,281)	-8.6%
System operation and maint.	1,416,394	1,245,874	170,520	13.7%
Treatment and filter supplies	1,581,406	1,908,252	(326,846)	-17.1%
Service connection supplies	222,893	271,847	(48,954)	-18.0%
Other supplies and maintenance	1,707,318	1,512,231	195,087	12.9%
Utilities	1,291,032	1,238,852	52,180	4.2%
Other outside services	2,769,943	2,098,291	671,652	32%
Other expenses	1,264,164	1,090,775	173,389	15.9%
Total operating expenses before depreciation	\$26,494,111	\$25,633,608	\$860,503	3.4%

Operating expenses before depreciation increased by \$2,643,509 or 10.0% from fiscal year 2020 to 2019. The increase was \$860,503 or 3.4%, from fiscal year 2019 to fiscal year 2018, primarily due to an increase in salaries and wages, system operation and maintenance, treatment and filter supplies, service connection supplies, and other supplies and maintenance offset by the decrease in other expenses. Highlights of the 2020 – 2019 expense comparison are provided below:

- The Salaries and Wages increase resulted from merit pay increases, an increase in retirement contributions, and a decrease in vacancies for exempt positions.
- The System Operations and Maintenance line item includes supply cost and contracted maintenance applicable to the water filtration plants and distribution system. The increase is primarily the result of costs associated with line breaks and repairs during fiscal year 2020.
- The Treatment and Filter Supplies increase was due to increased demand for water quality requirements.
- The increase in Service Connection Supplies is due to the increase in tap and meter installations for the system during fiscal year 2020.
- The variance in Other Supplies and Maintenance is primarily the result of an increase in Building & Grounds Maintenance offset by a decrease in fuel and lab supplies.
- The decrease in Other Expenses is associated with the decrease in Worker's Comp Insurance, Conference and Education, and Public Relations and Information.
- The other line items reflected no significant change in the comparison of fiscal year 2020 to fiscal year 2019.

Nonoperating expenses decreased by \$462,046 or 6.70%, due to the decrease in interest expense of \$843,998 offset by an increase in bond issuance costs of \$362,553 and intercompany services of \$19,399.

Capital Contributions:

The System receives contributions from developers in the form of cash payments and donated lines; and occasionally, contributions from federal/state agencies in the form of grants for capital projects. Accounting principles generally accepted by the United States of America require that these contributions be reflected as a revenue source on the Statements of Revenues, Expenses and Changes in Net Position. Capital contributions for fiscal year 2020 totaled \$585,073 and were comprised of donated lines of \$312,527 and cash payments of \$272,546. Capital contributions for fiscal year 2019 totaled \$1,190,543 and were comprised of donated lines of \$805,620 and cash payments of \$384,923. The capital contributions received in cash were comprised of participation fees and miscellaneous project contributions.

Capital Assets

At June 30, 2020, the System had \$199,362,780 invested in capital assets, as provided in the following schedule:

Capital Assets at Year-End

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Transmission, Distribution and Treatment Facilities	\$ 181,413,175	\$ 177,908,923	\$ 180,354,520
Other Facilities & Property	5,753,772	5,685,113	5,157,501
Vehicles, Office & Maintenance Equipment	5,156,341	5,237,025	6,581,129
Construction in Progress	<u>7,039,492</u>	<u>7,675,618</u>	<u>5,573,834</u>
Capital Assets - Net of Accumulated Depreciation	<u>\$ 199,362,780</u>	<u>\$ 196,506,679</u>	<u>\$ 197,666,984</u>

Significant changes for Capital Assets during fiscal year 2020 included a net increase in Transmission, Distribution and Treatment Facilities. The additions of \$312,527 in donated lines, various waterline extensions and rehab of \$987,750 and R.B. Simms Facilities Improvement of \$3,858,512, capitalized labor, storage tank rehab and various distribution system improvements.

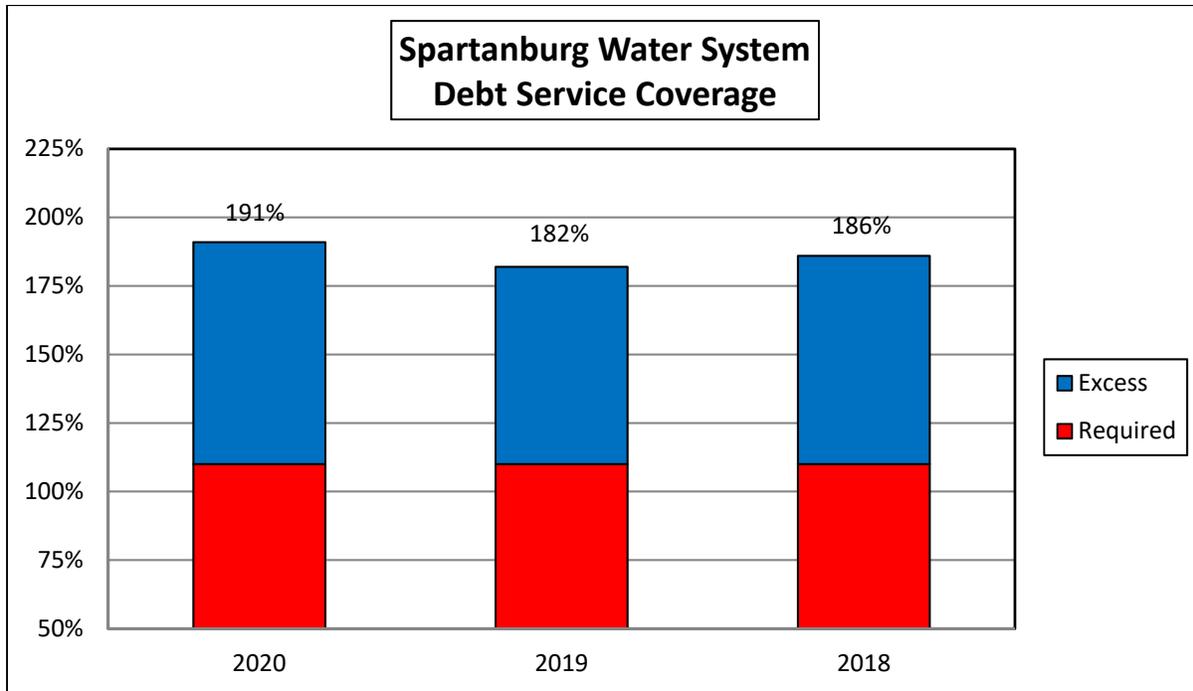
Significant changes during fiscal year 2019 included a net decrease in Transmission, Distribution, and Treatment Facilities. The additions of \$805,620 in donated lines, various waterline extensions and rehab of \$764,096, and R.B. Simms Continuous Sludge Removal of \$433,564, capitalized labor, storage tank rehab and various distribution system improvements were offset by an increase in current year depreciation expense.

Debt Administration

Debt Service Coverage

In the System's revenue bond resolution, the System covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual net earnings in the current fiscal year equal to at least 110% of the annual principal and interest requirements for all revenue bonds outstanding in such fiscal year. The computation of net earnings is presented in the Historical Statements of Revenues, Expenses, Debt Service and Debt Service Coverage, which is provided in the statistical section of this report. The System's historical debt service coverage is summarized by the following table:

Debt Service Coverage	<u>2020</u>	<u>2019</u>	<u>2018 Restated</u>
Net Earnings per Revenue Bond Covenant	\$ 21,716,261	\$ 21,806,853	\$ 20,651,829
Revenue Bond Debt Service	11,347,771	11,990,692	11,118,019
Revenue Bond Debt Service Coverage	1.91	1.82	1.86



Current Year Transactions

2020 Refunding Revenue Bonds

The System issued the Series 2020 Refunding Revenue Bonds to provide for a taxable advance refunding of the Series 2013 Revenue Bonds. The refunding, dated May 28, 2020, resulted in Net Present Value savings of \$2,843,522 or 10.43%.

Outstanding Debt at Year-End

The System had \$152,960,000 in long-term revenue bond debt outstanding at year-end, as scheduled below:

	Average Yield	Outstanding Debt		
		2020	2019	2018
Long-term Debt				
2012 Water System Revenue Bond	2.23%	\$ 4,165,000	\$ 4,695,000	\$ 5,205,000
2013 Water System Revenue Bond	4.62%	-	27,255,000	27,255,000
2015A Water System Refunding Revenue Bond	3.40%	26,085,000	26,085,000	26,085,000
2015B Water System Refunding Revenue Bond	3.40%	3,840,000	4,470,000	5,090,000
2017A Water System Refunding Revenue Bond	1.75%	44,065,000	49,155,000	54,160,000
2017B Water System Refunding Revenue Bond	2.90%	45,930,000	45,930,000	45,930,000
2020 Water System Refunding Revenue Bond	2.77%	28,875,000	-	-
Total Debt Outstanding		\$ 152,960,000	\$ 157,590,000	\$ 163,725,000

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

Bond Ratings

The System continued trend of strong financial performance, and maintained the following ratings during fiscal year 2020:

Agency	Revenue
Standard & Poor's	AA
Moody's	Aa2

Financial Planning

Although the System does not have a legally adopted budget, an annual operating budget is adopted for management and financial planning purposes. The System conducts an update of the financial planning process as follows: departmental staffing plans, detailed budget requests, and depreciation schedules are prepared; System-wide budget information, including revenues, flow estimates, debt service, cost allocations, etc., are completed; capital improvement plans and applicable debt service projections are utilized for long-term financial planning; the computerized financial planning and rate-setting model is updated to provide for a five-year financial projection; the annual operating budget is presented to the Commission; and a public hearing is advertised and held prior to final approval of the budget and water rates.

The System Commission approved a balanced Annual Operating Budget for fiscal year 2021 in the total amount of \$48,306,721, which represents a 2.0% increase over the previous year's budgeted revenues and expenditures. The approved budget included funding of reserves for the Depreciation Fund - \$1,900,000, Capital Fund - \$1,000,000, Meter/Endpoint Fund - \$700,000 and the Distribution System Rehab Fund - \$1,000,000.

Other Significant Matters

- **Replacement of Aging Infrastructure**
The System has enhanced efforts to address aging water mains. Various water main replacement projects were completed by the Maintenance Department and outside contractors during fiscal year 2020, with ongoing projects captured in the Construction in Progress.
- **2020 Revenue Bond Refunding**
In Fiscal Year 2020, the Spartanburg Water System closed on a taxable advance refunding of its outstanding Water System Revenue Bonds, Series 2013. The refunding resulted in Net Present Value Savings of \$2,843,522 (10.43%) and total Cash Flow Savings of \$7,102,886 (including a \$2,396,207 Debt Service Reserve Fund release).
- **COVID-19**
In March 2020, the South Carolina Governor issued a State of Emergency for the ongoing COVID-19 pandemic. Also in March, the Governor requested that utilities suspend service disconnections for non-payment, which Spartanburg Water implemented effective March 16. The Governor lifted the utility service disconnect directive in May, and Spartanburg Water resumed disconnects in July. Due to the economic impact associated with the pandemic, Spartanburg Water experienced a reduction in commercial and industrial customer flows during the fourth quarter of fiscal year 2020.

Requests for Information

This financial report is intended to provide a general overview of the System's finances. For questions concerning this report or other requests for financial information, please contact:

Chief Financial Officer
Spartanburg Water System
P.O. Box 251
Spartanburg, SC 29304
(864) 583-7361

SPARTANBURG WATER SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
Assets		
Current assets		
Cash	\$ 6,157,798	\$ 1,746,979
Investments	37,222,356	24,472,868
Accounts receivable - net of allowance for doubtful accounts of \$163,773 and \$200,099 as of 2020 and 2019, respectively	4,834,104	5,158,710
Loans receivable	21,051	15,381
Other receivables	1,328,822	943,839
Inventories	1,708,799	1,612,572
Total current assets	51,272,930	33,950,349
Noncurrent assets		
Restricted cash	1,433,145	1,727,742
Restricted investments	17,600,796	37,348,898
Capital assets - nondepreciable	8,994,481	9,630,607
Capital assets - net of accumulated depreciation	190,368,299	186,876,072
Total noncurrent assets	218,396,721	235,583,319
Total Assets	269,669,651	269,533,668
Deferred Outflows of Resources		
Deferred loss on refundings	9,121,640	5,290,010
Deferred amounts related to pensions	3,239,729	3,143,789
Deferred amounts related to OPEB	2,245,865	1,312,130
Total Deferred Outflows of Resources	14,607,234	9,745,929

SPARTANBURG WATER SYSTEM
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
Liabilities		
Current liabilities		
Accounts payable	1,861,368	1,234,178
Payable from restricted assets - customer deposits	1,350,634	1,526,091
Accrued salaries and wages	1,482,618	1,212,581
Accrued employee benefits	80,150	407,769
Accrued interest expense	355,618	466,084
Other payables	457,371	406,748
Sewer and water collections payable to others	2,215,368	1,808,644
Long-term debt - current portion	6,590,000	6,250,000
Total current liabilities	14,393,127	13,312,095
Noncurrent liabilities		
Net pension liability	24,427,088	23,065,802
Net other post-employment benefit liability	12,169,601	11,183,581
Long-term debt - net of current portion	154,790,001	160,155,391
Total noncurrent liabilities	191,386,690	194,404,774
Total Liabilities	205,779,817	207,716,869
Deferred Inflows of Resources		
Deferred amounts related to pensions	265,079	284,356
Deferred amounts related to OPEB	2,901	3,350
	267,980	287,706
Net Position		
Net investment in capital assets	68,426,697	75,359,394
Unrestricted	9,802,391	(4,084,372)
Total Net Position	\$ 78,229,088	\$ 71,275,022

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

SPARTANBURG WATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues		
Water sales	\$ 40,893,970	\$ 39,662,643
Private fire service rates	372,674	367,241
Cut-off service charges	293,964	419,314
Tap and meter sales	1,289,225	999,085
New account fees	195,540	191,640
Ice machine sales	421,871	410,229
Miscellaneous	495,564	221,878
	<u>43,962,808</u>	<u>42,272,030</u>
Operating Expenses		
Personnel costs	17,817,338	16,429,863
Supplies and maintenance	6,101,392	4,928,011
Outside services	4,234,716	4,060,975
Educational and training expenses	326,976	458,070
Company expenses	657,198	617,192
Depreciation	8,220,726	8,333,554
	<u>37,358,346</u>	<u>34,827,665</u>
Operating Income	<u>6,604,462</u>	<u>7,444,365</u>
Nonoperating Revenues (Expenses)		
Capacity fees	641,784	313,346
Fishing and boating permits	330,927	383,483
Interest income	1,174,000	1,492,558
Miscellaneous	196,740	211,547
Intercompany services	3,444,304	3,475,522
Administrative income	327,742	321,733
Payments to other governmental units	(1,040,399)	(1,021,000)
Gain on sale of capital assets	102,802	61,463
Bond issuance costs	(362,553)	-
Interest and paying agent fees	(5,050,816)	(5,894,814)
	<u>(235,469)</u>	<u>(656,162)</u>
Increase in Net Position Before Capital Contributions	6,368,993	6,788,203
Capital Contributions	<u>585,073</u>	<u>1,190,543</u>
Increase in Net Position	6,954,066	7,978,746
Net Position - Beginning of Year	<u>71,275,022</u>	<u>63,296,276</u>
Net Position - End of Year	<u>\$ 78,229,088</u>	<u>\$ 71,275,022</u>

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

SPARTANBURG WATER SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows Provided (Used) by Operating Activities		
Cash received from customers	\$ 44,983,436	\$ 43,278,075
Cash paid to suppliers for goods and services	(10,849,161)	(10,916,463)
Cash paid to or for the benefit of employees	(16,577,015)	(15,929,506)
	<u>17,557,260</u>	<u>16,432,106</u>
Cash Flows Provided (Used) by Noncapital Financing Activities		
Intercompany services	3,444,304	3,475,522
Payments to other governmental units	(1,040,399)	(1,021,000)
	<u>2,403,905</u>	<u>2,454,522</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Capital contributions	272,546	384,923
Capacity fees	641,784	313,346
Acquisition and construction of capital assets	(10,765,203)	(6,380,329)
Proceeds from sale of capital assets	103,705	74,163
Proceeds from issuance of revenue bonds	246,382	-
Payments to advanced refundings escrow	(3,041,564)	-
Bond issuance costs	(237,679)	-
Repayments of bonds payable - revenue bonds	(6,250,000)	(6,135,000)
Interest and paying agent fees	(4,987,528)	(5,847,071)
	<u>(24,017,557)</u>	<u>(17,589,968)</u>
Cash Flows Provided (Used) by Investing Activities		
Interest income	1,174,000	1,492,558
Net Increase (Decrease) in Cash and Cash Equivalents	(2,882,392)	2,789,218
Cash and Cash Equivalents - Beginning of Year	<u>65,296,487</u>	<u>62,507,269</u>
Cash and Cash Equivalents - End of Year	<u>\$ 62,414,095</u>	<u>\$ 65,296,487</u>

SPARTANBURG WATER SYSTEM
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ 6,604,462	\$ 7,444,365
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	8,220,726	8,333,554
Pension expense	3,094,020	2,155,703
OPEB expense	959,109	877,783
Nonoperating income	855,409	916,763
(Increase) decrease in assets:		
Accounts receivable	324,606	424,489
Loans receivable	(5,670)	166
Other receivables	(384,983)	(47,987)
Inventories	(96,227)	(37,339)
Deferred outflows related to pensions	(1,847,951)	(1,644,754)
Deferred outflows related to OPEB	(907,273)	(1,014,500)
Increase (decrease) in liabilities:		
Accounts payable	627,190	(720,733)
Customer deposits	(175,457)	(194,454)
Accrued salaries and wages	270,037	(21,794)
Accrued employee benefits	(327,619)	45,520
Accrued interest expense	(110,466)	(8,621)
Other payables	50,623	(85,522)
Sewer and water collections payable to others	406,724	9,467
Net Cash Provided (Used) by Operating Activities	\$ 17,557,260	\$ 16,432,106
Noncash Investing, Capital and Financing Activities		
Contribution of capital assets	\$ 312,527	\$ 805,620
Amortization included in interest expense	\$ 63,288	\$ 47,743
Advanced refunding		
Proceeds from revenue bond issue	\$ 28,628,618	\$ -
Defeased revenue bonds	\$ (27,255,000)	\$ -
Deferred loss on refunding	\$ (4,290,308)	\$ -
Bond issuance costs	\$ (124,874)	\$ -

SPARTANBURG WATER SYSTEM
 STATEMENTS OF CASH FLOWS - CONTINUED
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Reconciliation of Cash and Investments as Shown on the Statements of Net Position and Cash Flows		
Statement of net position classifications		
Current assets		
Cash	\$ 6,157,798	\$ 1,746,979
Investments	37,222,356	24,472,868
	43,380,154	26,219,847
Noncurrent assets		
Restricted cash	1,433,145	1,727,742
Restricted investments	17,600,796	37,348,898
	19,033,941	39,076,640
	\$ 62,414,095	\$ 65,296,487
Cash flow classifications		
Petty cash	\$ 5,867	\$ 5,717
Cash on hand	661,284	546,117
Cash deposits	21,157,867	2,922,887
Investments - cash equivalents	40,589,077	61,821,766
Total cash and cash equivalents	\$ 62,414,095	\$ 65,296,487

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

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Spartanburg Water System (the System) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the System's management, which are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Reporting Entity

The System provides public water utility services to the residents and businesses of Spartanburg, South Carolina and surrounding communities. The System is a special purpose district created in the year 1908 by the General Assembly of the State of South Carolina. The System is a primary government with no component units. The System is governed by three elected commissioners of the Commission of Public Works of the City of Spartanburg.

Basis of Accounting

Under US GAAP, the System is considered to be a self-supporting enterprise, and these financial statements are presented accordingly. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The basis of accounting employed is the accrual method whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles.

Use of Restricted Resources

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

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the System. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions and ancillary activities.

Cash and Cash Equivalents

For purposes of reporting cash flows, all investments with a maturity of three months or less at the time of purchase are considered to be cash equivalents.

Investments

Investments are stated at fair value.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Accounts receivable include fees for charges earned but not yet collected. Unbilled (i.e. cycle billings) receivables at year end are estimated to record revenues earned through year end. Receivables are reported net of applicable allowances for uncollectible accounts, which management determines based on historical collection trends and other factors.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption.

Capital Assets

Capital assets are stated at cost. Donated capital assets are recorded at estimated acquisition value on the date donated. Assets are recorded as capital assets when valued at \$1,000 or more.

Prior to fiscal year 2019, major outlays for capital assets and improvements were capitalized as projects were constructed. These costs primarily included construction costs, engineering fees, legal fees and settlements related to acquisition. Effective for fiscal year 2019, the District discontinued capitalized interest on a prospective basis per GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*.

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

	Years
Motor vehicles	5 - 10
Service and maintenance equipment	10
Office furniture and fixtures	3 - 10
Buildings and improvements	20 - 33
System infrastructure	10 - 40

Compensated Absences

The System provides eligible employees annual leave for each full calendar month of service. When an employee separates from employment, he is compensated for any unused annual leave.

Employees also accumulate sick leave based upon months of service. Sick leave does not vest and is lost upon termination of employment and thus is not accrued. A portion of accumulated sick leave, not to exceed forty-five days, may be redeemed for cash upon retirement. This redemption liability is not reasonably estimable in aggregate, nor accrued for financial statement purposes.

Long-Term Liabilities

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

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows and Inflows of Resources

In the Statements of Net Position, in addition to assets and liabilities, separate sections for deferred outflows and deferred inflows of resources are reported. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an expense until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. The System's deferred outflows of resources are deferred amounts arising from debt refunding and amounts related to the System's defined benefit pension and OPEB plans. The System's deferred inflows of resources are amounts related to the System's defined benefit pension and OPEB plans.

Capital Contributions

The System frequently has contributions from developers and contractors. In addition, the System receives grant monies for construction of improvements or extensions to its system at various times. The contributions are recognized in the Statements of Revenues, Expenses and Changes in Net Position when earned.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Custodial credit risk - deposits - the risk that in the event of a bank failure, the deposits may not be returned to the System. The System's policy is to secure funds in accordance with Section 6-5-15 of the S.C. Code of Laws, and will include collateralization of deposits through appropriately pledged securities or other investments. As of June 30, 2020 and 2019, the System was not exposed to custodial credit risk.

Statutes authorized the System to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collateralized, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool (SC Pool). The SC Pool, established pursuant to Section 6-6-10 of the South Carolina Code, is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any governing body of a political subdivision of the State, may be deposited.

In addition to the state laws governing allowable investment instruments, the System adopted a formal deposit and investment policy in 2019. The System is to invest its funds based on the following objectives, in priority order: safety, liquidity, and yield.

Credit risk - The System's policy to minimize the risk of loss due to the failure of the security issuer or backer is to limit investments to the safest type of securities; pre-qualify the financial institutions; and diversify the investment portfolio so that potential losses on individual securities will be minimized.

Interest rate risk - the System's policy to minimize the risk that the fair value of securities in the portfolio will fall due to changes in general interest rates is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS - CONTINUED

Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets.

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include markets that are not considered active.

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as a particular investment's risk. Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

The SC Pool is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC), but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. In accordance with governmental accounting statements, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the SC Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by SC Pool participants at any time and may be withdrawn up to 24 hours' notice. Financial statements for the SC Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

The System had the following investments, which are not applicable to the fair value hierarchy, as of June 30, 2020 and 2019:

Investment Type	Maturity	Value		Rating
		2020	2019	
State treasurer's investment pool	<60 days	\$ 35,041,458	\$ 53,780,274	Not rated
Dreyfus Government Prime	<90 days	5,547,619	8,041,492	Aaa-mf
		<u>\$ 40,589,077</u>	<u>\$ 61,821,766</u>	

The Spartanburg Water System is required under bond indenture agreements in connection with the issuance of bonds, to segregate certain assets. The following assets have been segregated and are restricted in use for the acquisition and construction of capital assets and debt service/debt service reserve funds.

Assets restricted in use to fulfill customer deposits have also been segregated. The following assets listed are shown in their respective categories in the accompanying statements of net position.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS - CONTINUED

	2020	2019
Restricted Assets for Customer Deposits		
Cash	\$ 1,350,634	\$ 1,526,091
Restricted assets for the Acquisition and Construction of Capital assets		
Cash	82,511	201,652
Investments	12,053,177	29,307,405
	12,135,688	29,509,057
Restricted Assets for Debt Service Reserve and Debt Service Funds		
Investments	5,547,619	8,041,492
	\$ 19,033,941	\$ 39,076,640

NOTE 3 - LOANS RECEIVABLE

The System provides a program whereby it finances participation and capacity fees for new customers. The loan terms are bi-monthly payments of one to ten years at interest rates of nine to twelve percent. These loans are secured by a recorded lien against the homeowner's real property. The balance of loans receivable from customers was \$21,051 and \$15,381 at June 30, 2020 and 2019, respectively.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	2020			Balance June 30, 2020
	Balance June 30, 2019	Additions	Removals/ Disposals	
Capital Assets				
Nondepreciable				
Land	\$ 1,954,989	\$ -	\$ -	\$ 1,954,989
Construction in progress	7,675,618	9,094,261	9,730,387	7,039,492
Total nondepreciable	<u>9,630,607</u>	<u>9,094,261</u>	<u>9,730,387</u>	<u>8,994,481</u>
Depreciable				
Motor vehicles	4,970,574	692,492	232,002	5,431,064
Service and maintenance equipment	12,066,247	762,887	107,151	12,721,983
Office furniture and fixtures	5,071,154	296,767	152,540	5,215,381
Computer software	2,021,923	1,607	-	2,023,530
Office buildings	6,070,555	386,341	-	6,456,896
Transmission, distribution and treatment facilities	275,651,030	9,261,234	-	284,912,264
Joint maintenance facility	1,669,438	-	-	1,669,438
Joint lab building	882,354	-	-	882,354
Donated system facilities	15,662,842	312,527	-	15,975,369
Total depreciable	<u>324,066,117</u>	<u>11,713,855</u>	<u>491,693</u>	<u>335,288,279</u>
Total Capital Assets	<u>333,696,724</u>	<u>20,808,116</u>	<u>10,222,080</u>	<u>344,282,760</u>
Accumulated Depreciation				
Motor vehicles	3,897,138	632,963	232,002	4,298,099
Service maintenance and equipment	9,762,941	786,044	107,090	10,441,895
Office furniture and fixtures	4,447,056	236,227	151,699	4,531,584
Computer software	785,738	178,301	-	964,039
Office buildings	3,269,696	223,636	-	3,493,332
Transmission, distribution and treatment facilities	108,051,156	5,685,834	-	113,736,990
Joint maintenance facility	1,239,060	68,219	-	1,307,279
Joint lab building	383,467	25,827	-	409,294
Donated system facilities	5,353,793	383,675	-	5,737,468
	<u>137,190,045</u>	<u>8,220,726</u>	<u>490,791</u>	<u>144,919,980</u>
Capital Assets - Net of Accumulated Depreciation	<u>\$ 196,506,679</u>			<u>\$ 199,362,780</u>

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 4 - CAPITAL ASSETS - CONTINUED

	2019			
	Balance June 30, 2018	Additions	Removals/ Disposals	Balance June 30, 2019
Capital Assets				
Nondepreciable				
Land	\$ 1,120,734	\$ 834,255	\$ -	\$ 1,954,989
Construction in progress	5,573,834	4,745,168	2,643,384	7,675,618
Total nondepreciable	<u>6,694,568</u>	<u>5,579,423</u>	<u>2,643,384</u>	<u>9,630,607</u>
Depreciable				
Motor vehicles	4,880,496	225,193	135,115	4,970,574
Service and maintenance equipment	11,893,242	230,026	57,021	12,066,247
Office furniture and fixtures	5,033,848	161,011	123,705	5,071,154
Computer software	1,979,251	42,672	-	2,021,923
Office buildings	6,070,555	-	-	6,070,555
Transmission, distribution and treatment facilities	272,877,961	2,773,069	-	275,651,030
Joint maintenance facility	1,657,119	12,319	-	1,669,438
Joint lab building	882,354	-	-	882,354
Donated system facilities	14,857,222	805,620	-	15,662,842
Total depreciable	<u>320,132,048</u>	<u>4,249,910</u>	<u>315,841</u>	<u>324,066,117</u>
Total Capital Assets	<u>326,826,616</u>	<u>9,829,333</u>	<u>2,959,225</u>	<u>333,696,724</u>
Accumulated Depreciation				
Motor vehicles	3,387,977	644,276	135,115	3,897,138
Service maintenance and equipment	8,902,192	906,080	45,331	9,762,941
Office furniture and fixtures	4,302,732	267,019	122,695	4,447,056
Computer software	612,807	172,931	-	785,738
Office buildings	3,045,132	224,564	-	3,269,696
Transmission, distribution and treatment facilities	102,391,339	5,659,817	-	108,051,156
Joint maintenance facility	1,170,489	68,571	-	1,239,060
Joint lab building	357,640	25,827	-	383,467
Donated system facilities	4,989,324	364,469	-	5,353,793
	<u>129,159,632</u>	<u>8,333,554</u>	<u>303,141</u>	<u>137,190,045</u>
Capital Assets - Net of Accumulated Depreciation	<u>\$ 197,666,984</u>			<u>\$ 196,506,679</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$8,220,726 and \$8,333,554, respectively.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 5 - LONG-TERM DEBT

	2020				Balance June 30, 2020	Due Within One Year
	Balance June 30, 2019	Additions	Reductions	Defeased		
Bonds and Other Noncurrent						
Liabilities Payable						
Revenue bonds	\$ 157,590,000	\$ 28,875,000	\$ (6,250,000)	\$ (27,255,000)	\$ 152,960,000	\$ 6,590,000
Bond premium	8,815,391	-	(395,390)	-	8,420,001	-
	<u>\$ 166,405,391</u>	<u>\$ 28,875,000</u>	<u>\$ (6,645,390)</u>	<u>\$ (27,255,000)</u>	<u>\$ 161,380,001</u>	<u>\$ 6,590,000</u>
	2019				Balance June 30, 2019	Due Within One Year
	Balance June 30, 2018	Additions	Reductions	Defeased		
Bonds and Other Noncurrent						
Liabilities Payable						
Revenue bonds	\$ 163,725,000	\$ -	\$ (6,135,000)	\$ -	\$ 157,590,000	\$ 6,250,000
Bond premium	9,210,781	-	(395,390)	-	8,815,391	-
	<u>\$ 172,935,781</u>	<u>\$ -</u>	<u>\$ (6,530,390)</u>	<u>\$ -</u>	<u>\$ 166,405,391</u>	<u>\$ 6,250,000</u>

Revenue Bonds

Bonds payable at June 30, 2020 and 2019 were comprised of the following issues:

	<u>2020</u>	<u>2019</u>
\$8,000,000 City of Spartanburg, South Carolina Water System Junior Lien Revenue Bonds, Series 2012, dated July 13, 2012. Annual maturities beginning in 2013 of \$450,000 to \$650,000 maturing in 2027 with semi-annual interest of 2.23%. Bonds issued to fund improvements to the System.	\$ 4,165,000	\$ 4,695,000
\$27,255,000 City of Spartanburg, South Carolina Water System Revenue Bonds, Series 2013, dated October 29, 2013. Annual maturities beginning in 2026 of \$380,000 to \$2,265,000 maturing in 2043 with semi-annual interest of 3.63% to 5.00%. Bonds issued to fund improvements to the System.	-	27,255,000
\$26,085,000 City of Spartanburg, South Carolina Water System Revenue Refunding Bonds, Series 2015A, dated June 23, 2015. Annual maturities beginning in 2028 of \$1,000,000 to \$3,860,000 maturing in 2035 with semi-annual interest of 4.63% to 5.00%. Bonds issued to refund the Series 2007B bonds.	26,085,000	26,085,000
\$6,255,000 City of Spartanburg, South Carolina Water System Revenue Refunding Bonds, Taxable Series 2015B, dated June 23, 2015. Annual maturities beginning in 2016 of \$375,000 to \$740,000 maturing in 2027 with semi-annual interest of 1.22% to 3.68%. Bonds issued to refund the Series 2010 bonds.	3,840,000	4,470,000

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 5 - LONG-TERM DEBT - CONTINUED

Revenue Bonds - Continued

	<u>2020</u>	<u>2019</u>
\$59,080,000 City of Spartanburg, South Carolina Water System Refunding Revenue Bonds, Series 2017A, dated June 1, 2017. Annual maturities beginning in 2018 of \$4,920,000 to \$5,850,000 maturing in 2028 with semi-annual interest of 1.75%. Bonds issued to refund the Series 2007A bonds.	44,065,000	49,155,000
\$45,930,000 City of Spartanburg, South Carolina Water System Refunding and Improvement Revenue Bonds, Series 2017B, dated August 24, 2017. Annual maturities beginning in 2022 of \$25,000 to \$7,425,000 maturing in 2047 with semi-annual interest of 3.25% to 5.00%. Bonds issued to refund the Series 2007B and 2009 bonds, fund improvements to the distribution and treatment facilities, and fund capitalized interest.	45,930,000	45,930,000
\$28,875,000 City of Spartanburg, South Carolina Taxable Water System Refunding Revenue Bonds, Series 2020, dated April 23, 2020. Annual maturities beginning June 1, 2021 of \$215,000 to \$2,000,000 maturing in 2043 with semi-annual interest of 1.31% to 3.03%. Bonds issued to refund the outstanding Series 2013 Revenue Bonds.	<u>28,875,000</u>	<u>-</u>
	152,960,000	157,590,000
Less: current portion	<u>(6,590,000)</u>	<u>(6,250,000)</u>
Total long-term revenue bonds payable	<u>\$ 146,370,000</u>	<u>\$ 151,340,000</u>

Debt service requirements to maturity including interest on all outstanding bonds as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 6,590,000	\$ 5,103,094	\$ 11,693,094
2022	6,745,000	4,971,354	11,716,354
2023	7,195,000	4,840,579	12,035,579
2024	7,345,000	4,692,773	12,037,773
2025	7,500,000	4,540,286	12,040,286
2026-2030	35,150,000	20,255,670	55,405,670
2031-2035	35,170,000	13,894,616	49,064,616
2036-2040	35,885,000	6,017,767	41,902,767
2041-2045	9,660,000	1,041,181	10,701,181
2046-2047	1,720,000	87,581	1,807,581
	<u>\$ 152,960,000</u>	<u>\$ 65,444,901</u>	<u>\$ 218,404,901</u>

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

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 6 - DEFEASANCE OF DEBT AND ADVANCED REFUNDINGS

On April 23, 2020, the System issued \$28,875,000 of Taxable Water System Refunding Revenue Bonds, Series 2020. These proceeds were used to advance refund \$27,255,000 of outstanding Water System Revenue Bonds, Series 2013. The net proceeds of \$28,503,744 along with System funds of \$3,041,563 were used to advance refund and defease the outstanding 2013 debt.

The advanced refunding resulted in a gross cash flow gain of \$7,102,886 and an economic cash flow gain of \$2,843,522.

The proceeds from current and previous bonds issued that defeased certain revenue bonds in current and prior years were placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust accounts' assets and the liability for the defeased bonds are not included in the System's financial statements. At June 30, 2020 and 2019, \$27,255,000 and \$0 of bonds outstanding are considered defeased from current and prior years.

In current and prior years, advanced refundings resulted in book losses that are being amortized over the original remaining life of the old bonds that were defeased or the life of the new debt, whichever is less. The unamortized losses at June 30, 2020 and 2019 are shown on the Statements of Net Position as deferred loss on refundings under deferred outflows of resources. Amortization has been included in interest expense and was \$458,678 and \$443,133 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 - CAPITAL CONTRIBUTIONS

Donated assets and/or grants provided to finance capital expenditures are accounted for as capital contributions. During the years ended June 30, 2020 and 2019, the System received the following as donated assets or to partially finance plant extensions or additions:

	2020	2019
Donated assets	\$ 312,527	\$ 805,620
Private industry and developers	-	2,500
Participation fees	272,546	382,423
	\$ 585,073	\$ 1,190,543

NOTE 8 - PENSION PLAN

Plan Description - The System, as the employer, participates in the South Carolina Retirement System (SCRS/system) Plan - a cost-sharing multiple-employer defined benefit pension plan administered and managed by the South Carolina Public Employee Benefit Authority (PEBA), a state agency. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Benefits Provided/Membership - SCRS provides retirement and other benefits for teachers and employees of the state, its public school districts, and political subdivisions. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLAN - CONTINUED

Benefits Provided/Membership - Continued - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

This plan covers general employees 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. 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.

An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 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.

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

Contributions - Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contributions 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 employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contributions rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in the state statute, the system shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the system is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 8%. If the most recent actuarial valuation of the system for funding purposes shows a ratio of the actuarial value of the system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the system, effective on the following July 1st, 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%. 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%, then effective on the following July 1st, an annually thereafter as necessary, the system shall increase the then contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLAN - CONTINUED

Contributions - continued - Required employee (both Class II and III) contribution rates for the years ended June 30, 2020 and 2019 was 9%. The required employer contribution rate for the years ended June 30, 2020 and 2019 was 15.41% and 14.41%, respectively. Both required employee and employer contribution rates are calculated on earnable compensation as defined by Title 9 of the South Carolina Code of Laws. Employers also contribute an additional .15% of earnable compensation, if participating in the death benefit program.

Contributions to the Plan from the System were \$1,847,951 and \$1,644,754, for the years ended June 30, 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the System reported a net pension liability of \$24,427,088 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end June 30, 2019, using generally accepted actuarial procedures. The allocation of the District's proportionate shares of the collective net pension liability and pension expense were calculated on the basis of the District's contributions actually remitted to the plan relative to the total contributions remitted to the plan for all participating employers, less employer contributions that are not a representative of future contributions efforts, as of June 30, 2019. Based upon this information, the System's proportion of the collective net pension liability at June 30, 2020 and 2019 was .106976% and .102940%, respectively, an increase of .00404% since June 30, 2018, the prior measurement date.

For the years ended June 30, 2020 and 2019, the System recognized pension expense of \$3,094,020 and \$2,155,703, respectively. At June 30, 2020 and 2019, the System reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 683,276	\$ 265,079
Changes in assumptions	492,241	-
Net difference between projected and actual earnings on pension plan investments	216,261	-
System contributions subsequent to the measurement date	1,847,951	-
Total	\$ 3,239,729	\$ 265,079
2019		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217,512	\$ 284,356
Changes in assumptions	915,122	-
Net difference between projected and actual earnings on pension plan investments	366,401	-
System contributions subsequent to the measurement date	1,644,754	-
Total	\$ 3,143,789	\$ 284,356

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLAN - CONTINUED

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

\$1,847,951 reported as deferred outflows of resources related to pensions in 2020 resulted from System contributions subsequent to the measurement date and will be recognized as a reduction of the net collective pension liability in the year ended June 30, 2021. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2020	\$ 852,532
2021	(40,605)
2022	226,244
2023	88,528
	<u>\$ 1,126,699</u>

Actuarial Assumptions - Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued for the period ending July 1, 2015.

The June 30, 2019 total pension liability, net pension liability, and sensitivity information determined by the July 1, 2018 valuation, used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
Salary increases	3.0% to 12.5% (varies by service and includes 2.25% inflation)
Benefit adjustments	lesser of 1% or \$500 annually
Investment rate of return	7.25% (includes 2.25% inflation)

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

The long-term expected rate of return on pension plan investments is based upon the 20 year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. Expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation, and is summarized in the following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes 5.00% real rate of return and a 2.25% inflation component.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	51%	3.61%
Real Assets	12%	0.69%
Opportunistic	8%	0.26%
Credit	15%	0.64%
Rate Sensitive	14%	0.21%
Total Expected Return	<u>100%</u>	<u>5.41%</u>
Inflation for Actuarial Purposes		<u>2.25%</u>
		<u>7.66%</u>

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the System's proportionate share of the collective net pension liability calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
System's proportionate share of the collective net pension liability	\$ 30,773,018	\$ 24,427,088	\$ 19,131,040

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan, administered by PEBA, is available in the systems' audited financial statements for the fiscal year ended June 30, 2019 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the system and additions to/deductions from the system's fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2019. The additional information is publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov.

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description

The System, through its substantive commitment to provide other post-employment benefits (OPEB), maintains an agent employer defined benefit plan to provide certain postretirement health care benefits. The plan provides health care and prescription drug coverage in the Group insurance plan; and upon becoming eligible for Medicare coverage, retirees are provided with Medicare supplement insurance which includes health care and prescription drug coverage. Participants must be eligible to retire under the SCRS with a minimum of 12 years of service to receive benefits.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Plan Description - Continued

The System explicitly provides a portion of the cost of coverage for retirees and the retirees are required to pay a portion of the premiums which is determined each year. Retirees may continue dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. Spouses age 65 or older may continue coverage by paying the total cost of coverage. Spouses are not covered for pre or post-65 retirees.

The System, upon majority vote of the three member Commission, has the authority to establish and amend benefit provisions.

The Plan's assets are held in an irrevocable trust for the exclusive benefit of the Plan participants and are administered by the South Carolina Other Retirement Benefits Employer Trust (SCORBET). Each member shares in the SCORBET's administrative and investment related expenses. The SCORBET issues a publically available Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by submitting a request to Risk Management Services, Municipal Association of South Carolina, Post Office Box 12109, Columbia, SC 29211.

Plan Membership

Membership in the plan as of December 31, 2018, the date of the last actuarial valuation was :

Inactive plan members of beneficiaries receiving benefits	59
Active plan members	212
Total plan members	271

Contributions

The Plan is financed on a pay-as-you-go basis and through separate contributions to SCORBET based on the actuarially determined employer contribution. The SCORBET allows each member to choose a contribution amount into the trust based on the actuarially determined employer contribution. The System paid \$1,244,371 and \$1,195,060 in pay-as-you-go and SCORBET contributions for the years ended June 30, 2020 and 2019.

Net OPEB Liability

The System's net OPEB liability June 30, 2020 and 2019 of \$12,169,601 and \$11,183,581, respectively was measured as of December 31, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability as of June 30, 2020 and 2019 was determined by an actuarial valuation date of December 31, 2018.

Actuarial assumptions and other inputs - the Total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability - Continued

Actuarial assumptions and other inputs - continued

Inflation	2.25%
Salary increases	3.00%-7.00%, including wage inflation of 3.00%
Investment rate of return	4.75%, net of OPEB plan investment expense, including price inflation
Municipal bond index rate	2.74%
Single equivalent interest rate	4.75%
Health care cost rates	
Pre-medicare	7.25% for 2019 decreasing to an ultimate rate of 4.75% by 2029
Medicare	5.38% for 2019 decreasing to an ultimate rate of 4.75% by 2023
Discount rate	Based upon the long-term expected rate of return

Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the December 31, 2018 valuation were based on the 2016 experience study adopted by the SCRS pension plan. The experience report on the SCRS was most recently issued as of July 1, 2015, and are required to be completed at least once in each five-year period by S.C. state statute. The remaining actuarial assumptions (e.g., initial per capita costs, health care costs trends, rate of plan participation, rates of plan election, etc.) used in the December 31, 2018 valuation were based on a review of recent plan experience done concurrently with the December 31, 2018 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) and developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation adjustment, or a fundamental change in the market that alters expected returns in future years. The target asset allocation for each major asset class, as provided by the plan, are summarized in the following table:

Fixed income	94.00%
Cash and cash equivalents	6.00%
	<u>100.00%</u>

Discount rate - the discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions; active employees do not explicitly contribute to the plan; the System continues to contribute the full actuarially determined employer contribution through deposit to the SCORBET and direct payment of benefits to the plan members as the benefits come due; projected assets do not include employer contributions that fund estimated service costs of future employees; and cash flows occur mid-year. Based on those assumptions, the plan's fiduciary net position was projected to not be depleted.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability

The total OPEB liability (TOL) is based upon the actuarial valuation performed as of the December 31, 2018 valuation date. An expected TOL is determined as of December 31, 2019, the measurement date, using standard roll forward techniques. An expected TOL is determined as of December 31, 2018 for the year ending 2019 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of the prior measurement date, December 31, 2018, subtracts the expected benefit payments for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the service cost). The procedure used to determine the TOL, as of December 31, 2019 and 2018, is shown in the following table:

2020			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balance as of December 31, 2018	\$ 16,584,931	\$ 5,401,350	\$ 11,183,581
Changes for the Year			
Service cost	557,966	-	557,966
Interest	774,447	-	774,447
Difference between expected and actual experience	940,629	-	940,629
Changes in assumptions or other inputs	333,757	-	333,757
Contributions - employer	-	1,324,176	(1,324,176)
Net investment income	-	296,603	(296,603)
Benefit payments	(568,176)	(568,176)	-
Net Changes	2,038,623	1,052,603	986,020
Balance as of December 31, 2019	<u>\$ 18,623,554</u>	<u>\$ 6,453,953</u>	<u>\$ 12,169,601</u>
2019			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balance as of December 31, 2017	\$ 15,718,563	\$ 4,453,868	\$ 11,264,695
Changes for the Year			
Service cost	541,715	-	541,715
Interest	737,040	-	737,040
Difference between expected and actual experience	(3,799)	-	(3,799)
Contributions - employer	-	1,295,588	(1,295,588)
Net investment income	-	60,482	(60,482)
Benefit payments	(408,588)	(408,588)	-
Net Changes	866,368	947,482	(81,114)
Balance as of December 31, 2018	<u>\$ 16,584,931</u>	<u>\$ 5,401,350</u>	<u>\$ 11,183,581</u>

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability - Continued

Sensitivity of the net OPEB liability to changes in the discount rate - the following presents the net OPEB liability of the System's plan, calculated using the discount rate of 4.75%, as well as what the System's plan's net OPEB liability would be if it were calculated using a discount rate 1.0% lower or 1.0% higher than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease	Discount Rate	1% Increase
	3.75%	4.75%	5.75%
Net OPEB Liability	\$ 15,383,446	\$ 12,169,601	\$ 9,591,963

Sensitivity of the net OPEB liability to changes in the health care cost trend rates - the following presents the net OPEB liability of the System's plan, calculated using current health care cost trend rates, as well as what the System's plan's net OPEB liability would be if it were calculated using health care cost trend rates that are 1.0% lower or 1.0% higher than the current health care cost trend rates:

	Health Care Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Current	Increase
Net OPEB Liability	\$ 9,134,273	\$ 12,169,601	\$ 16,102,502

OPEB plan fiduciary net position - detailed information about the OPEB plan's fiduciary net position is available in a separately issued SCORBET financial report prepared using the economic resources measurement focus and the accrual basis of accounting. The report may be obtained in writing to Risk Management Services, Municipal Association of South Carolina, Post Office Box 12109, Columbia, South Carolina 29211.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the System recognized OPEB expense of \$959,109 and \$877,783, respectively. At June 30, 2020 and 2019, the System reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 924,148	\$ 2,901
Changes in assumptions or other inputs	295,172	
Net difference between projected and actual earnings on plan investments	119,272	-
District contributions subsequent to the measurement date	907,273	-
	\$ 2,245,865	\$ 2,901

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

	2019	
	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,160	\$ 3,350
Net difference between projected and actual earnings on plan investments	188,470	-
District contributions subsequent to the measurement date	1,014,500	-
	\$ 1,312,130	\$ 3,350

\$907,273 reported as deferred outflows of resources related to OPEB in 2020, resulted from System contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Meaurement Period Ended December 31:	
2020	\$ 210,683
2021	210,682
2022	193,698
2023	159,317
2024	163,777
Thereafter	397,534
	\$ 1,335,691

NOTE 10 - DEFERRED COMPENSATION PLANS

Two deferred compensation plans are available to System employees. The multiple-employer plans, created under Internal Revenue Code Sections 401(k) and 457 are administered and accounted for by the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate employment. With approval of the State's Deferred Compensation Commission, employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. These requirements differ between the two plans. The plans, available to all System employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional and participants elect how their salary deferrals are invested.

Compensation deferred under the Section 401(k) and 457 plans is placed in trust for the contributing employees. Neither the State nor the System has any liability for losses under the plan.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 11 - RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The System is insured under policies through the South Carolina Office of Insurance Services, South Carolina Reserve Fund (IRF), a public entity risk pool, which issues policies to assume those risks of loss, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses the System is exposed to, related to the following assets, activities, and/or events:

1. Real property, its contents, and other equipment.
2. Motor vehicles.
3. General tort claims.

The IRF purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. The IRF's rates are determined actuarially.

The System did not have settled claims that exceeded the System's insurance coverage in any of the past three years.

The System provides employee health care under a self-funded insurance program. Under this program, specific stop loss coverage for each claim in excess of \$105,000 and aggregate stop loss coverage, including Spartanburg Sanitary Sewer District, for claims in excess of \$4,360,618 is provided by a commercial insurance company. The following represents the change in unfilled, unpaid claims from July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019:

	2020	2019
Beginning of the year liability	\$ 209,390	\$ 179,811
Claims	1,163,102	1,579,983
Claims payments	(1,289,014)	(1,550,404)
End of the year liability	\$ 83,478	\$ 209,390

The liability is included in accrued employee benefits on the Statements of Net Position.

NOTE 12 - PAYMENTS TO OTHER GOVERNMENTAL UNITS

On June 11, 1991, the System adopted a resolution to transfer a percentage of actual gross water revenue to the City of Spartanburg for services and return on investment beginning July 1, 1991. A new transfer agreement was adopted on June 10, 2013, providing that the System pay a flat fee of \$1,200,000 in 2014; \$1,100,000 in 2015; and \$1,000,000 each year from 2016 through 2018. Transfer amounts will henceforward increase for the years 2019 through 2028 by the Consumer Price Index of the preceding year. As part of the amended agreement, the System paid the City \$1,040,399 and \$1,021,000 for the years ended June 30, 2020 and 2019, as reported in the Statements of Revenues, Expenses and Changes in Net Position.

SPARTANBURG WATER SYSTEM
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2020 AND 2019

NOTE 13 - RELATED PARTY TRANSACTIONS

The System provides billing, collection and engineering services as well as other administrative functions for the Spartanburg Sanitary Sewer District. The System receives a fee for these services. These fees are presented on the Statements of Revenues, Expenses and Changes in Net Position as intercompany services.

The fees were as follows:

	2020	2019
Billing and collection fees	\$ 616,320	\$ 611,460
Administrative fees	1,096,452	1,019,832
Labor reimbursements	743,848	599,870
Water quality and maintenance fee	153,837	220,428
Fleet services fee	179,311	131,968
Engineering	642,576	755,413
Operations fee	11,960	136,551
	<u>\$ 3,444,304</u>	<u>\$ 3,475,522</u>

The following amounts were due from (to) the Spartanburg Sanitary Sewer District at June 30, 2020 and 2019 and included in other payables, sewer and water collections payable to others, and other receivables on the Statements of Net Position:

	2020	2019
User charges collected	\$ (2,198,869)	\$ (1,789,503)
Other payables	(457,371)	(406,748)
Miscellaneous receipts	1,328,822	943,839
	<u>\$ (1,327,418)</u>	<u>\$ (1,252,412)</u>

The System with the Spartanburg Sanitary Sewer District jointly owns an office building on North Liberty Street in downtown Spartanburg, South Carolina. The facility provides offices for the engineering and other support service departments that serve both organizations. The System owns an undivided interest of the office building. At June 30, 2020 and 2019, the System's share is included in capital assets with a cost of \$705,660 and \$572,381 and accumulated depreciation of \$477,805 and \$458,657, respectively.

The System also jointly owns with the Spartanburg Sanitary Sewer District approximately 42 acres on Highway 295 By-Pass in Spartanburg County for future additional space requirements and facilities to accommodate a maintenance shop and personnel involved in maintenance activities. At June 30, 2020 and 2019, the System's share is included in capital assets with a cost of \$1,669,438 and accumulated depreciation of \$1,307,279 and \$1,239,060, respectively.

The System additionally with the Spartanburg Sanitary Sewer District jointly owns a laboratory building on Highway 295 By-pass in Spartanburg County. The facility provides office and laboratories for the industrial wastewater, backflow prevention and water quality services. At June 30, 2020 and 2019, the System's share is included in capital assets with a cost of \$882,354 and accumulated depreciation of \$409,294 and \$383,467, respectively.

NOTE 14 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Sick Pay

As described more fully in Note 1, no estimate of any potential liability has been made.

SPARTANBURG WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020 AND 2019

NOTE 14 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS - CONTINUED

Unemployment Compensation

The System is required to pay unemployment compensation on covered employees. It has chosen the alternative of paying claims as billed by the South Carolina Employment Security Commission. However, under this method of funding, no accurate estimate of any potential liability has been made.

Underground Storage Tanks

The System has underground storage tanks that are subject to federal and state regulations concerning cleanup costs and third party liability claims. The System has 24 hour a day monitoring systems installed on all storage tanks. However, the System is not insured in the event that a leak should occur, and no estimate of potential liability, if any, has been made in the accompanying financial statements.

Construction Commitments

Outstanding commitments on construction contracts totaled \$29,756,574 and \$1,603,788 at June 30, 2020 and 2019, respectively.

Arbitrage Rebate Liabilities

Arbitrage represents the difference or "spread" between lower interest rates on tax-exempt government securities and the higher interest on taxable investment securities. The Internal Revenue Code requires local governments to rebate arbitrage earnings to the federal government every five years for as long as the local government has tax-exempt bonds outstanding. The System does not believe an estimate of potential liability, if any, is required in the accompanying financial statements.

NOTE 15 - RECLASSIFICATIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

SPARTANBURG WATER SYSTEM
 SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF
 THE COLLECTIVE NET PENSION LIABILITY
 SOUTH CAROLINA RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
System's Proportion of the Collective Net Pension Liability	0.106976%	0.102940%	0.103798%	0.100366%	0.100390%	0.102614%
System's Proportionate Share of the Collective Net Pension Liability	\$ 24,427,088	\$ 23,065,802	\$ 23,366,599	\$ 22,142,905	\$ 19,039,448	\$ 17,666,729
System's Covered Payroll	\$ 11,296,390	\$ 10,669,170	\$ 10,472,856	\$ 10,038,663	\$ 9,412,769	\$ 9,316,040
System's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	216.24%	216.19%	223.12%	220.58%	202.27%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

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

Notes to Schedule:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

SPARTANBURG WATER SYSTEM
 SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS
 SOUTH CAROLINA RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015
Statutorially Required Contributions	\$ 1,847,951	\$ 1,644,754	\$ 1,344,341	\$ 1,210,662	\$ 1,110,276	\$ 1,011,873
Contributions in Relation to the Statutorially Required Contributions	1,847,951	1,644,754	1,344,341	1,210,662	1,110,276	1,011,873
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's Covered Payroll	\$ 11,876,293	\$ 11,296,390	\$ 10,669,170	\$ 10,472,856	\$ 10,038,663	\$ 9,412,769
Contributions as a Percentage of Covered Payroll	15.56%	14.56%	12.60%	11.56%	11.06%	10.75%

Notes to Schedule:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

SPARTANBURG WATER SYSTEM
SCHEDULE OF CHANGES IN THE SYSTEM'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ENDING JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 557,966	\$ 541,715	\$ 525,937
Interest on total OPEB liability	774,447	737,040	693,898
Difference between expected and actual experience	940,629	(3,799)	142,956
Changes of assumptions or other inputs	333,757	-	-
Benefit payments	<u>(568,176)</u>	<u>(408,588)</u>	<u>(499,407)</u>
Net Change in Total OPEB Liability	2,038,623	866,368	863,384
Total OPEB Liability - Beginning of Year	<u>16,584,931</u>	<u>15,718,563</u>	<u>14,855,179</u>
Total OPEB Liability - End of Year (a)	<u>\$ 18,623,554</u>	<u>\$ 16,584,931</u>	<u>\$ 15,718,563</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,324,176	\$ 1,295,588	\$ 669,407
Net investment income	296,603	60,482	117,441
Benefit payments	(568,176)	(408,588)	(499,407)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(19,310)</u>
Net Change in Plan Fiduciary Net Position	1,052,603	947,482	268,131
Plan Fiduciary Net Position - Beginning of Year	<u>5,401,350</u>	<u>4,453,868</u>	<u>4,185,737</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 6,453,953</u>	<u>\$ 5,401,350</u>	<u>\$ 4,453,868</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 12,169,601</u>	<u>\$ 11,183,581</u>	<u>\$ 11,264,695</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	34.65%	32.57%	28.34%
Covered Payroll	\$ 10,789,990	\$ 9,953,096	\$ 9,953,096
Net OPEB Liability as a Percentage of Covered Payroll	112.79%	112.36%	113.18%

Notes to Schedule:

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

For 2020, changes in the medical trend and retiree contribution trends have been made resulting in changes in assumptions and other inputs.

SUPPLEMENTARY INFORMATION

SPARTANBURG WATER SYSTEM
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Personnel Costs		
Salaries and wages	\$ 11,348,498	\$ 10,694,740
State retirement	2,926,819	2,104,021
Employer's social security taxes	793,555	752,299
Group insurance	2,677,773	2,689,901
Worker's compensation	70,372	188,902
Other	321	-
	<u>17,817,338</u>	<u>16,429,863</u>
Supplies and Maintenance		
Printing and office supplies	180,859	140,411
Safety equipment and supplies	115,847	75,883
Equipment maintenance	320,430	301,247
Vehicle operation and maintenance	159,426	151,765
Construction equipment operations and maintenance	203,352	237,048
Systems operation and maintenance	1,677,322	1,416,394
Tap and meter supplies	466,753	222,893
Building and grounds maintenance	806,854	590,670
Treatment and filter supplies	1,982,838	1,581,406
Laboratory supplies	187,711	210,294
	<u>6,101,392</u>	<u>4,928,011</u>
Outside Services		
Utilities	1,080,247	1,022,986
Telephone	239,450	268,046
Uniform rentals	105,934	123,633
Legal fees	224,253	235,569
Consulting services	414,767	363,814
Audit	15,432	15,055
Other management services	146,176	21,514
Postage and delivery	171,427	232,862
Other	1,837,030	1,655,221
Permits	-	122,275
	<u>4,234,716</u>	<u>4,060,975</u>
Educational and Training Expenses		
Conferences and education	111,390	164,798
Professional dues and memberships	92,641	131,795
Employment expenses	29,990	66,209
Safety and employee programs	92,955	95,268
	<u>326,976</u>	<u>458,070</u>
Company Expenses		
Property and liability insurance	343,331	291,157
Bad debt expense	143,535	142,994
Public relations and information	122,836	164,441
Miscellaneous expense	47,496	18,600
	<u>657,198</u>	<u>617,192</u>
Total Operating Expenses	<u>\$ 29,137,620</u>	<u>\$ 26,494,111</u>

**III. STATISTICAL SECTION
(UNAUDITED)**

Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the System's most significant revenue source, user charges.

Debt Capacity

These schedules present information to help the reader assess the affordability of the System's current levels of outstanding debt and the System's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the System's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the System's financial report relates to the services the System provides and the activities it performs.

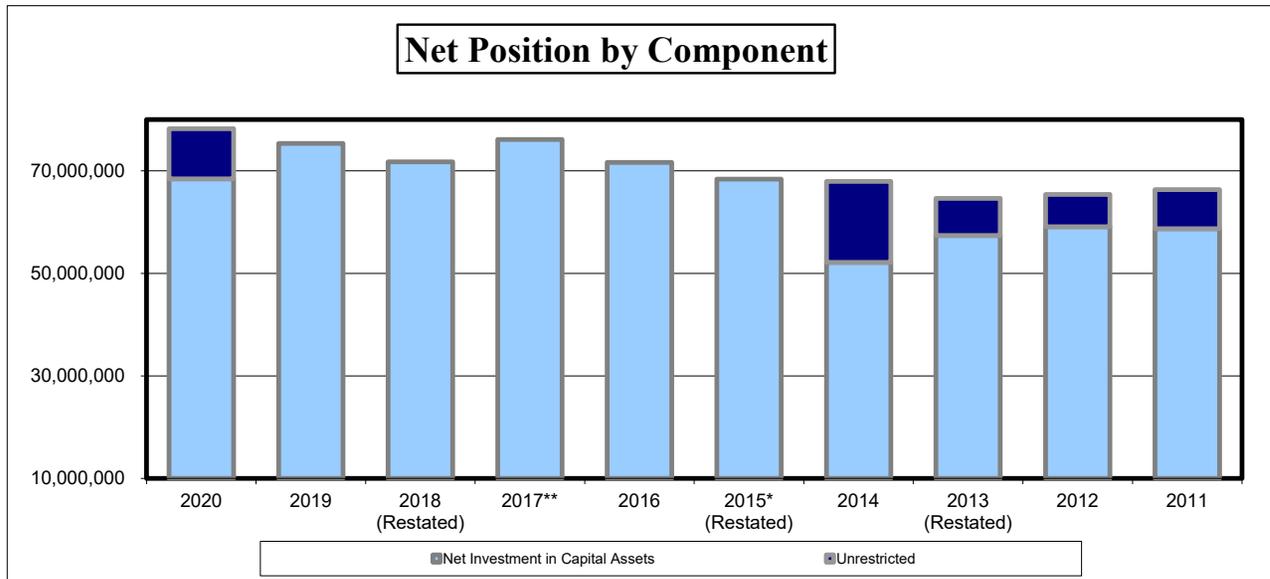
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Financial Trends

Net Position by Component

FY 2011 to FY 2020

Fiscal Year	Net Investment in Capital Assets		Total Net Position
	Unrestricted	Restricted	
2020	\$ 68,426,697	\$ 9,802,391	\$ 78,229,088
2019	75,359,394	(4,084,372)	71,275,022
2018 (Restated)	71,738,818	(8,442,542)	63,296,276
2017**	76,099,078	(18,782,415)	57,316,663
2016	71,655,431	(11,500,866)	60,154,565
2015* (Restated)	68,397,749	(13,985,914)	54,411,835
2014	52,165,078	15,793,683	67,958,761
2013 (Restated)	57,405,217	7,245,318	64,650,535
2012	59,081,079	6,299,720	65,380,799
2011	58,738,554	7,612,986	66,351,540



** The Fiscal Year 2017 unrestricted net position was restated and reduced by \$10,029,943 due to the implementation of GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

* The significant decrease in unrestricted net position in Fiscal Year 2015 was due to the implementation of GASB 68 - *Accounting and Financial Reporting for Pensions*.

Changes in Net Position

FY 2011 to FY 2020

	FY 2020	FY 2019	FY 2018 (Restated)	FY 2017	FY 2016	FY 2015 (Restated)	FY 2014	FY 2013 (Restated)	FY 2012	FY 2011
Revenues										
Operating Revenues										
Water Sales	\$ 40,893,970	\$ 39,662,643	\$ 38,622,915	\$ 40,183,098	\$ 37,898,737	\$ 35,785,630	\$ 32,429,507	\$ 30,250,185	\$ 29,881,758	\$ 28,683,192
Tap & Meter Sales	1,289,225	999,085	715,805	603,515	588,520	471,340	383,845	327,320	347,942	309,252
Other Operating Revenues	1,779,613	1,610,302	1,516,631	1,434,856	1,353,879	1,286,424	1,356,221	1,214,146	1,049,149	997,868
	43,962,808	42,272,030	40,855,351	42,221,469	39,841,136	37,543,394	34,169,573	31,791,651	31,278,849	29,990,312
Nonoperating Revenues										
Intercompany Services	3,444,304	3,475,522	3,189,295	3,011,119	3,145,181	2,977,887	2,961,169	2,556,100	2,360,476	2,518,702
Other Nonoperating Revenues	2,773,995	2,784,130	1,791,766	1,222,673	1,137,436	1,083,115	1,046,052	917,530	925,005	795,806
	6,218,299	6,259,652	4,981,061	4,233,792	4,282,617	4,061,002	4,007,221	3,473,630	3,285,481	3,314,508
Total Revenues	50,181,107	48,531,682	45,836,412	46,455,261	44,123,753	41,604,396	38,176,794	35,265,281	34,564,330	33,304,820
Expenses										
Operating Expenses, Excluding Depreciation	29,137,620	26,494,111	25,633,608	23,516,057	23,292,434	21,508,056	20,746,447	20,963,353	20,834,329	19,662,618
Depreciation Expense	8,220,726	8,333,554	7,915,554	7,872,092	7,244,640	6,936,967	6,527,267	6,040,620	5,834,829	5,615,089
Nonoperating Expenses	6,453,768	6,915,814	6,984,629	8,798,600	9,087,263	9,666,764	8,041,001	7,641,109	9,087,122	9,240,098
Total Expenses	43,812,114	41,743,479	40,533,791	40,186,749	39,634,337	38,111,787	35,314,715	34,645,082	35,756,280	34,517,805
Excess (Deficiency), Before Capital Contributions	6,368,993	6,788,203	5,302,621	6,268,512	4,489,416	3,492,609	2,862,079	620,199	(1,191,950)	(1,212,985)
Capital Contributions	585,073	1,190,543	676,992	923,529	1,253,314	378,256	446,147	649,697	221,209	533,419
Increase (Decrease) in Net Assets	6,954,066	7,978,746	5,979,613	7,192,041	5,742,730	3,870,865	3,308,226	1,269,896	(970,741)	(679,566)
Net Position, Beginning of Year, Restated (2018)	71,275,022	63,296,276	57,316,663	60,154,565	54,411,835	50,540,970	64,650,535	65,380,799	66,351,540	67,031,106
Change in Accounting Principle	-	-	-	-	-	-	-	(2,000,160)	-	-
Net Position at Beginning of Year, Restated	-	-	-	-	-	-	-	63,380,639	-	-
Net Position, End of Year	\$ 78,229,088	\$ 71,275,022	\$ 63,296,276	\$ 67,346,606	\$ 60,154,565	\$ 54,411,835	\$ 67,958,761	\$ 64,650,535	\$ 65,380,799	\$ 66,351,540

Revenues By Source

FY 2011 to FY 2020

Fiscal Year	Operating Revenues							Non-Operating Revenues						Total Revenues
	Water Sales	Private Fire Service Rates	Cut-off Service Charges	Tap & Meter Sales	New Account Fees	Miscellaneous	Capacity Fees	Fishing and Boating Permits	Interest Income	Intercompany Services	Administrative Income	Miscellaneous Non-Oper. Revenue		
2020	\$ 40,893,970	\$ 372,674	\$ 293,964	\$ 1,289,225	\$ 195,540	\$ 917,435	\$ 641,784	\$ 330,927	\$ 1,174,000	\$ 3,444,304	\$ 327,742	\$ 299,542	\$ 50,181,107	
2019	39,662,643	367,241	419,314	999,085	191,640	632,107	313,346	383,483	1,492,558	3,475,522	321,733	273,010	48,531,682	
2018	38,622,915	356,078	360,354	715,805	191,040	609,159	294,775	410,378	530,763	3,189,295	285,805	270,045	45,836,412	
2017	40,183,098	324,644	311,134	603,515	224,503	574,575	273,765	363,134	82,325	3,011,119	241,176	262,273	46,455,261	
2016	37,898,737	285,324	361,531	588,520	157,350	549,674	230,890	373,508	6,488	3,145,181	229,517	297,033	44,123,753	
2015 (Restated)	35,785,630	281,788	393,266	471,340	187,124	424,246	189,404	362,734	14,350	2,977,887	245,655	270,972	41,604,396	
2014	32,429,507	279,379	397,832	383,845	193,333	485,677	143,421	322,194	2,946	2,961,169	230,444	347,047	38,176,794	
2013	30,250,185	277,574	406,718	327,320	167,293	362,561	123,013	320,324	30,103	2,556,100	233,053	211,037	35,265,281	
2012	29,881,758	273,261	289,627	347,942	119,855	366,406	137,191	334,992	72,478	2,360,476	202,409	177,935	34,564,330	
2011	28,683,192	271,226	281,063	309,252	109,530	336,049	87,983	333,741	127,275	2,518,702	180,273	66,534	33,304,820	

Operating Expenses **FY 2011 to FY 2020**

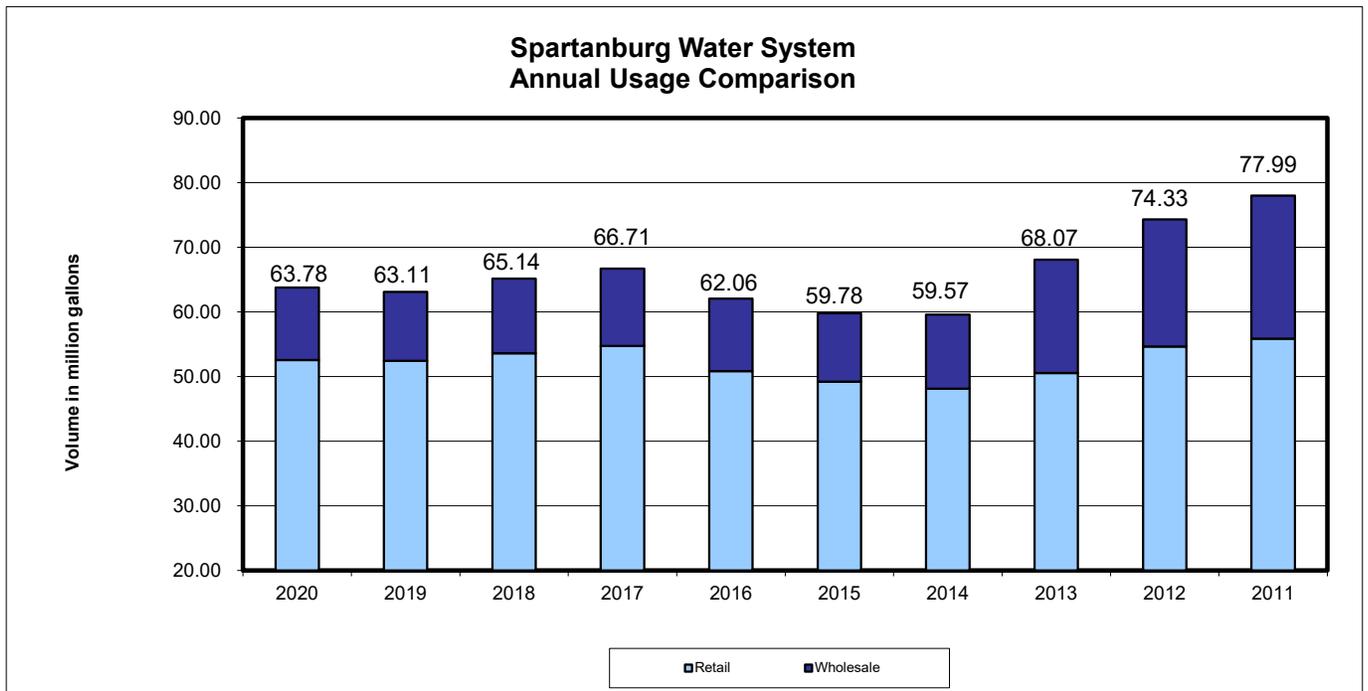
Fiscal Year	Personnel Cost	Supplies and Maintenance	Outside Services	Educational and Training	Company Expenses	Depreciation Expense	Total Expenses
2020	\$ 17,817,338	\$ 6,101,392	\$ 4,234,716	\$ 326,976	\$ 657,198	\$ 8,220,726	\$ 37,358,346
2019	16,429,863	4,928,011	4,060,975	458,070	617,192	8,333,554	34,827,665
2018 (Restated)	16,398,870	4,938,204	3,337,143	443,323	516,068	7,915,554	33,549,162
2017	15,265,270	3,787,586	3,385,823	469,201	608,177	7,872,092	31,388,149
2016	14,013,276	4,828,118	3,539,437	413,442	498,161	7,244,640	30,537,074
2015 (Restated)	13,868,014	3,853,896	3,026,101	360,093	399,952	6,936,967	28,445,023
2014	13,192,296	3,804,410	3,030,565	338,007	381,169	6,527,267	27,273,714
2013 (Restated)	12,989,385	3,844,526	3,502,959	369,864	256,619	6,040,620	27,003,973
2012	12,600,577	3,992,350	3,576,263	334,541	330,598	5,834,829	26,669,158
2011	12,064,622	3,680,314	3,120,689	296,297	500,696	5,615,089	25,277,707

Revenue Capacity

Annual Billed Usage

FY 2011 to FY 2020

Fiscal Year	Volume in Million Gallons		
	Wholesale	Retail	Total
2020	11.24	52.54	63.78
2019	10.66	52.45	63.11
2018	11.55	53.59	65.14
2017	11.98	54.73	66.71
2016	11.20	50.86	62.06
2015	10.58	49.20	59.78
2014	11.47	48.10	59.57
2013	17.54	50.53	68.07
2012	19.70	54.63	74.33
2011	22.13	55.86	77.99



Historical Volume Rate Information

FY 2011 to FY 2020

Fiscal Year	Retail		Wholesale
	Inside City	Outside City	
	Block 1	Block 1	
2020	\$ 0.3840	\$ 0.6720	\$ 0.1631
2019	0.3840	0.6720	0.1631
2018	0.3720	0.6510	0.1591
2017	0.3720	0.6510	0.1591
2016	0.3650	0.6390	0.1511
2015	0.3650	0.6390	0.1511
2014	0.3570	0.6248	0.1511
2013	0.3182	0.5570	0.1511
2012	0.2848	0.4984	0.1484
2011	0.2607	0.4561	0.1457

Number of System Customers**FY 2011 to FY 2020**

Fiscal Year	Retail			Wholesale	Number of Customers
	Residential	Commercial	Industrial		
2020	57,944	6,570	54	5	64,573
2019	56,814	6,485	54	5	63,358
2018	55,862	6,457	51	5	62,375
2017	54,997	6,366	54	5	61,422
2016	54,357	6,299	55	5	60,716
2015	53,725	6,222	54	5	60,006
2014	53,277	6,168	54	5	59,504
2013	52,908	6,128	54	6	59,096
2012	52,586	6,033	82	6	58,707
2011	52,574	5,657	86	6	58,323

Ten Largest Retail Customers

FY 2011 & FY 2020

Customer	2011				2020			
	Consumption (100g)	Total Annual Revenue	Percent of 2011 Water Sales Revenue	2010 Ranking	Consumption (100g)	Total Annual Revenue	Percent of 2020 Water Sales Revenue	2019 Ranking
Auriga Polymers, Inc. (Invista)	3,931,821	\$ 1,278,633	4.46%	1	3,076,470	\$ 1,546,912	3.78%	1
Spartanburg Regional (SRHS)	955,129	254,930	0.89%	6	814,052	332,627	0.81%	2
Milliken & Company	1,166,330	539,637	1.88%	2	768,952	536,563	1.31%	3
Wofford College	756,235	208,470	0.73%	9	764,397	336,096	0.82%	4
Michelin North America	615,469	282,803	0.99%	4	656,591	447,614	1.09%	5
Pet Inc. Dairy Division	747,282	343,041	1.20%	3	602,670	416,571	1.02%	6
Spartanburg Sanitary Sewer District	-	-	-	-	534,360	375,302	0.92%	7
BASF Corporation	483,904	222,793	0.78%	7	495,810	339,977	0.83%	8
R R Donnelley & Sons	571,891	263,839	0.92%	5	488,308	337,932	0.83%	9
Spartanburg Housing Authority	707,578	212,184	0.74%	8	346,575	159,683	0.39%	10
Kohler Company	411,250	189,422	0.66%	10				
TOTALS	10,346,889	\$ 3,795,751	13.24%		8,548,185	\$ 4,829,277	11.81%	

Wholesale Water Customers in Charge and Volume Order

FY 2020

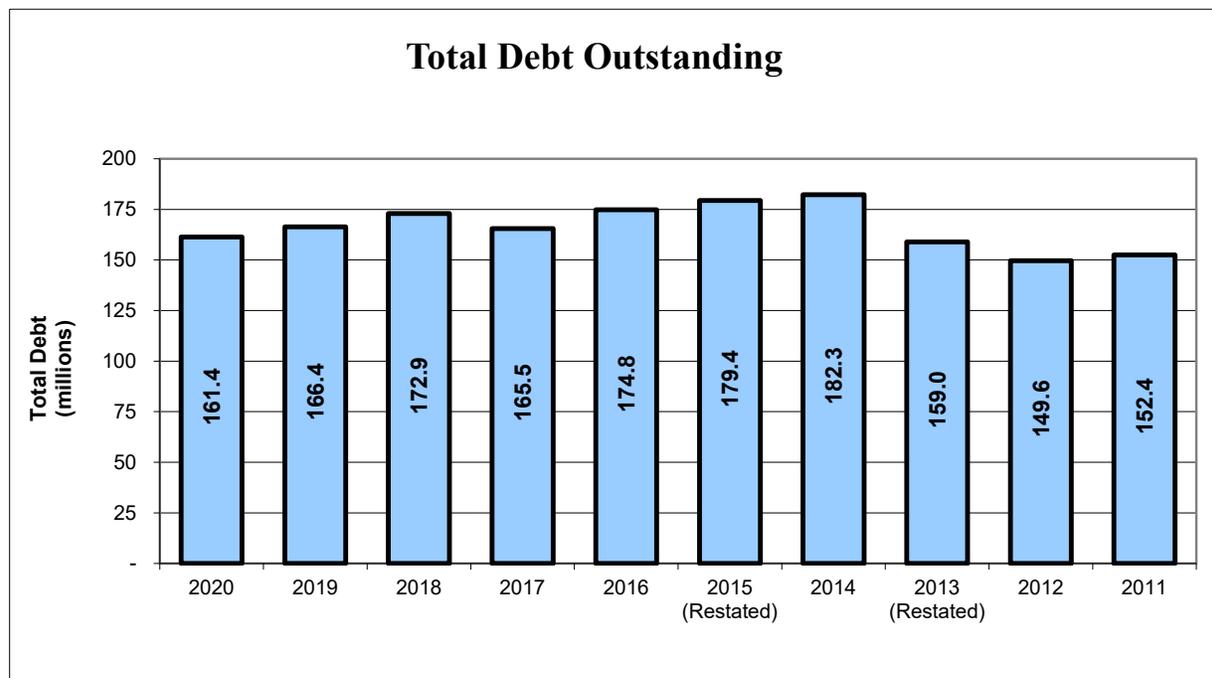
CUSTOMER	Billable Consumption (100g)	Percent to Total Consumption	Billable Charges	Base Charges	Total Charges	Percent to Total Water Sales Revenue
Liberty-Chesnee-Fingerville Water District	5,223,180	6.68%	\$ 851,901	\$ 6,442	\$ 858,343	2.10%
Metropolitan Sub-District "B"	2,047,050	2.62%	333,874	3,178	337,052	0.82%
Goucher Water Company	2,084,541	2.66%	339,989	1,872	341,861	0.84%
Meansville-Riley Water Company	1,212,439	1.55%	197,749	2,436	200,185	0.49%
Town of Jonesville	674,675	0.86%	110,039	1,589	111,628	0.27%
	11,241,885	14.38%	\$ 1,833,552	\$ 15,518	\$ 1,849,069	4.52%

Debt Capacity

Debt Outstanding

FY 2011 to FY 2020

Fiscal Year	Revenue Bonds	Note Payable	Total Outstanding Debt	Per Capita*	As Share of Personal Income
2020	\$ 161,380,001	\$ -	\$ 161,380,001	\$ 526	1.36%
2019	166,405,391	-	166,405,391	552	1.64%
2018	172,935,781	-	172,935,781	574	1.71%
2017	165,548,614	-	165,548,614	557	1.59%
2016	174,780,524	-	174,780,524	595	1.70%
2015 (Restated)	179,365,605	-	179,365,605	611	1.75%
2014	182,275,761	-	182,275,761	626	1.79%
2013 (Restated)	158,965,621	12,500	158,978,121	551	1.64%
2012	149,528,318	62,500	149,590,818	523	1.64%
2011	152,334,685	112,500	152,447,185	536	1.70%



* Per Capita number is based on the Spartanburg County population. Spartanburg Water System serves 62,370 retail customers inside and outside the City of Spartanburg. Additionally, 5 wholesale customers and served by the System, including 3 in Spartanburg County and 2 in adjoining counties.

Historical Statements of Revenues, Expenses, Debt Service and Debt Service Coverage FY 2011 to FY 2020

	2020	2019	2018 (Restated)	2017	2016	2015 (Restated)	2014	2013 (Restated)	2012	2011
Net Income	\$ 43,962,808	\$ 42,272,030	\$ 40,855,351	\$ 42,221,469	\$ 39,841,136	\$ 37,543,394	\$ 34,169,573	\$ 31,791,651	\$ 31,278,849	\$ 29,990,312
Operating revenues	(29,137,620)	(26,494,111)	(25,633,608)	(23,516,057)	(23,292,434)	(21,508,056)	(20,746,447)	(20,963,363)	(20,834,329)	(19,662,618)
Operating expenses before depreciation and amortization	14,825,188	15,777,919	15,221,743	18,705,412	16,548,702	16,035,338	13,423,126	10,828,298	10,444,520	10,327,694
Depreciation	(8,220,726)	(8,333,554)	(7,915,554)	(7,872,092)	(7,244,640)	(6,936,967)	(6,527,267)	(6,040,620)	(5,834,829)	(5,615,089)
Amortization of bond cost	-	-	-	-	-	-	(176,290)	-	(110,011)	(148,785)
Operating Income	6,604,462	7,444,365	7,306,189	10,833,320	9,304,062	9,096,371	6,719,569	4,787,678	4,499,680	4,563,820
Nonoperating Revenues	6,218,299	6,259,652	4,981,061	4,233,792	4,282,617	4,061,002	4,007,220	3,473,630	3,285,481	3,314,508
Nonoperating Expenses	(5,413,369)	(5,894,814)	(5,984,629)	(7,798,600)	(8,097,263)	(8,566,764)	(6,664,711)	(6,241,109)	(7,577,111)	(7,691,313)
Payments to Other Governments	(1,040,399)	(1,021,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,100,000)	(1,200,000)	(1,400,000)	(1,400,000)	(1,400,000)
Capital Contributions	585,073	1,190,543	676,992	923,529	1,253,314	378,256	446,147	649,667	221,209	533,419
Net Income (Loss) Per Financial Statements	\$ 6,954,066	\$ 7,978,746	\$ 5,979,613	\$ 7,192,041	\$ 5,742,730	\$ 3,870,865	\$ 3,308,225	\$ 1,269,896	\$ (970,741)	\$ (679,566)
Income Available for Debt Service	\$ 6,954,066	\$ 7,978,746	\$ 5,979,613	\$ 7,192,041	\$ 5,742,730	\$ 3,870,865	\$ 3,308,225	\$ 1,269,896	\$ (970,741)	\$ (679,566)
Net Income (Loss) Per Financial Statements	(102,802)	(61,463)	(108,241)	(137,449)	(80,853)	(76,468)	(63,650)	(65,388)	(25,597)	(5,728)
Less: (Gain)/loss on sale of fixed assets	(522,329)	(957,202)	(469,651)	(78,853)	(2,853)	(672)	(1,894)	(7,552)	(32,845)	(79,324)
Less: Restricted investment income	51,836	(136,717)	(52,709)	(923,529)	(1,253,314)	(378,256)	(446,147)	(649,667)	(221,209)	(533,419)
Less: OPEB Adjustment	(585,073)	(1,190,543)	(676,992)	(1,000,000)	(200,000)	(400,000)	-	-	(600,000)	(500,000)
Less: Capital contributions	(3,973,902)	(66,285)	(1,029,849)	-	-	-	290,000	-	-	-
Less: Transfers into rate stabilization fund	1,603,250	500,000	-	-	-	-	-	700,000	-	-
Plus: Transfers out of rate stabilization fund	2,370,652	-	1,029,849	1,000,000	200,000	400,000	-	-	600,000	500,000
Plus: Excess transfers in over out	8,220,726	8,333,554	7,915,554	7,872,092	7,244,640	6,936,967	6,527,267	6,040,620	5,834,829	5,615,089
Plus: Depreciation	-	-	-	-	-	-	-	-	-	-
Plus: Tap and meter purchase	-	-	-	-	-	-	-	-	-	-
Plus: Interest expense	5,050,816	5,894,814	5,516,898	7,677,708	8,097,263	8,178,983	6,638,374	6,182,991	7,557,925	7,670,534
Plus: Payments to other governments	1,040,399	1,021,000	1,000,000	1,000,000	1,000,000	1,100,000	1,200,000	1,400,000	1,400,000	1,400,000
Plus: Pension Adjustment	1,246,069	510,949	1,079,626	810,690	161,415	225,898	-	-	-	-
Plus: Amortization of Bond Costs	-	-	-	-	-	-	-	-	-	-
Plus: Bond Issuance Costs	362,553	-	467,731	120,892	-	387,781	-	-	110,011	148,785
Net Earnings per Revenue Bond Covenant	\$ 21,716,261	\$ 21,806,853	\$ 20,651,829	\$ 23,533,592	\$ 20,909,028	\$ 20,245,098	\$ 17,462,175	\$ 14,870,870	\$ 13,652,373	\$ 13,536,371
Revenue Bond Debt Service	\$ 11,347,771	\$ 11,990,692	\$ 11,118,019	\$ 12,997,256	\$ 12,151,334	\$ 12,896,810	\$ 10,999,790	\$ 11,578,355	\$ 9,533,853	\$ 8,723,418
Revenue Bond Debt Service Coverage	1.91	1.82	1.86	1.81	1.72	1.57	1.59	1.28	1.43	1.55

Demographic and Economic Information

Spartanburg County Demographic Statistics**CY 2010 to CY 2019**

Calendar Year	(1)	Personal Income (1)		(1)	(2)	(3)
	July 1 Population	Total	Per Capita	Median Age	School Enrollment	Unemployment Rate
2019	319,785	\$ 14,124,521,000	\$ 44,169	38.2	49,078	2.1%
2018	313,888	13,543,549,000	43,148	37.8	50,706	3.1%
2017	306,854	12,798,599,000	41,709	38.2	48,659	3.7%
2016	301,463	11,501,469,000	38,686	38.5	47,825	3.4%
2015	297,302	10,738,530,000	33,600	38.4	47,298	5.8%
2014	293,542	10,252,621,000	34,946	38.5	47,306	6.4%
2013	290,969	10,033,000,000	35,040	38.5	46,846	7.3%
2012	288,745	9,819,000,000	33,518	35.5	44,174	8.8%
2011	286,236	9,241,000,000	31,873	38.1	42,552	9.5%
2010	284,307	8,959,000,000	31,512	37.7	44,398	11.7%

Data Sources:

(1) U.S. Census Bureau of Economic Analysis

(2) Local School Districts

(3) SC Works Online

Spartanburg County, South Carolina Major Employers and Changes **FY 2020 & FY 2010**

Company Name	Business/Product	Employees and % of Workforce			
		2020	%	2010	%
BMW Manufacturing Corporation	Automotive manufacturer	11,000	7.4%	6,200	5.2%
Spartanburg Regional Medical Center	Hospital	9,000	6.0%	5,600	4.7%
Spartanburg County Schools	Public school system	7,441	5.0%	6,643	5.5%
State of South Carolina	State government	2,174	1.5%	2,312	1.9%
Adidas	Sporting and recreational goods and supplies	2,000	1.3%	N/A*	
Spartanburg County	County government, courts, law enforcement	1,543	1.0%	1,411	1.2%
Draexlmaier Automotive of America LLC	Automotive component supplier	1,225	0.8%	N/A*	
Michelin Tire Company	Radial truck tire manufacturer	1,165	0.8%	965	0.8%
Benore Logistics Systems	Logistics	1,100	0.7%	N/A*	
AFL Corporation	Nonferrous wiredrawing and insulating	977	0.7%	N/A*	
Site1	Customer service call center	968	0.6%	N/A*	
Milliken & Company	Research & development on yarns, chemicals	903	0.6%	1300	1.1%
Inman Mills	Man made woven fabric	700	0.5%	675	0.6%
DISH Network	Satellite television provider	660	0.4%	N/A*	
Spartanburg Steel	Fabricate structural metal products	650	0.4%	520	0.4%

Data Source:

Spartanburg Area Chamber of Commerce & individual employers

(N/A*) Data unavailable

Operating Information

Schedule of Capacity Fees and User Charges

FY 2020

A. Capacity Fees

Meter Size	Capacity Fee
5/8"	\$ 500
1"	\$ 1,250
1 1/2"	\$ 2,500
2"	\$ 4,000
3"	*
4"	*
6" and up	*

* Negotiated by the System on an individual basis.

B. Volume Charge Schedule

FY 2020 (per 100g)		FY 2019 (per 100g)		FY 2018 (per 100g)	
Inside City	Outside City	Inside City	Outside City	Inside City	Outside City
\$ 0.3840	\$ 0.6720	\$ 0.3840	\$ 0.6720	\$ 0.3720	\$ 0.6510

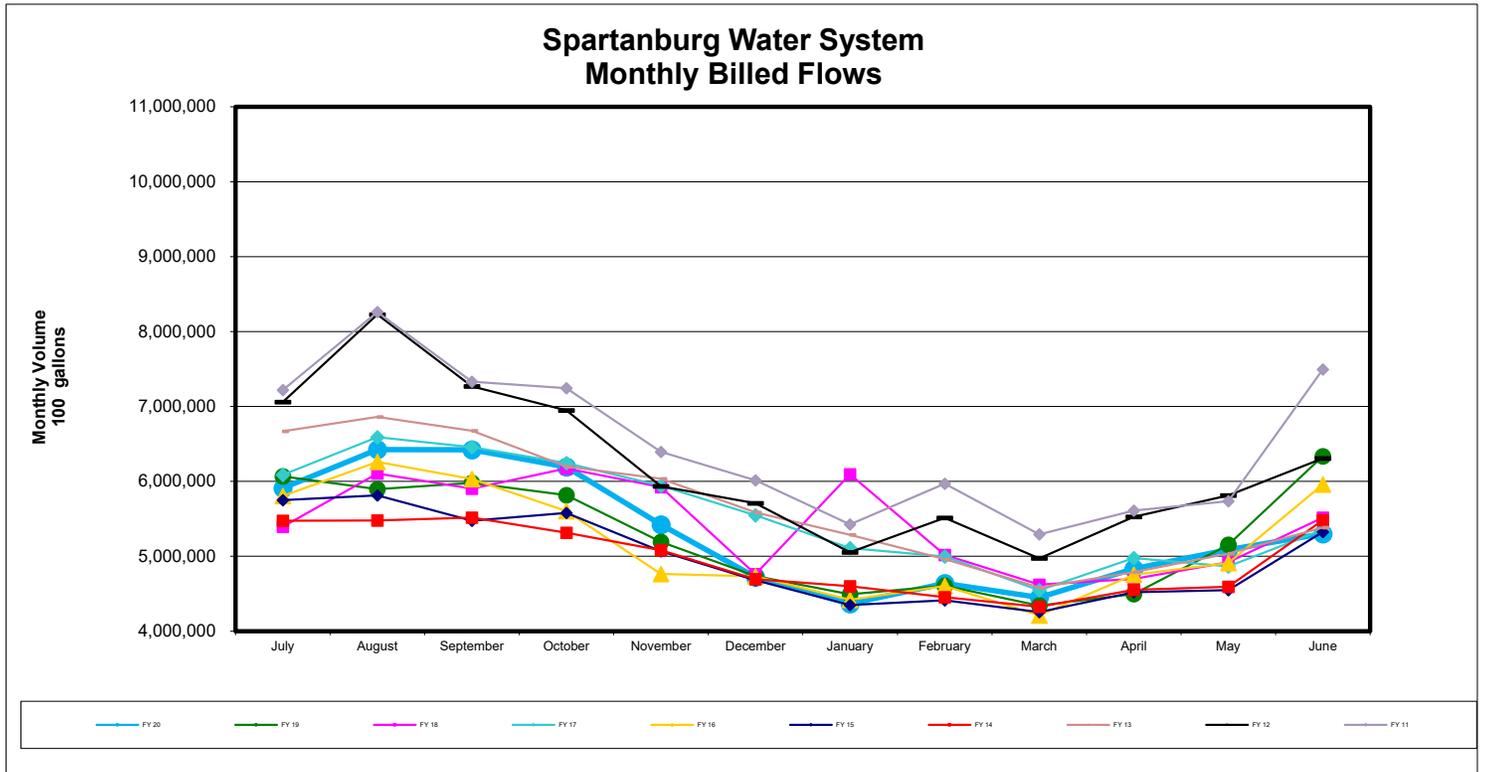
C. Base Charge Schedule

Meter Size	Meter Master Code	Monthly	
		Inside	Outside
5/8	1	\$ 7.50	\$ 11.25
1	2	\$ 17.11	\$ 25.67
1 1/2	3	\$ 33.13	\$ 49.71
2	4	\$ 52.36	\$ 78.55
3	5	\$ 97.23	\$ 145.86
4	6	\$ 161.33	\$ 242.01
6	7	\$ 321.58	\$ 482.38
8	8	\$ 526.70	\$ 790.06
10	9	\$ 789.51	\$ 1,184.28

Monthly Billed Flows

FY 2011 to FY 2020

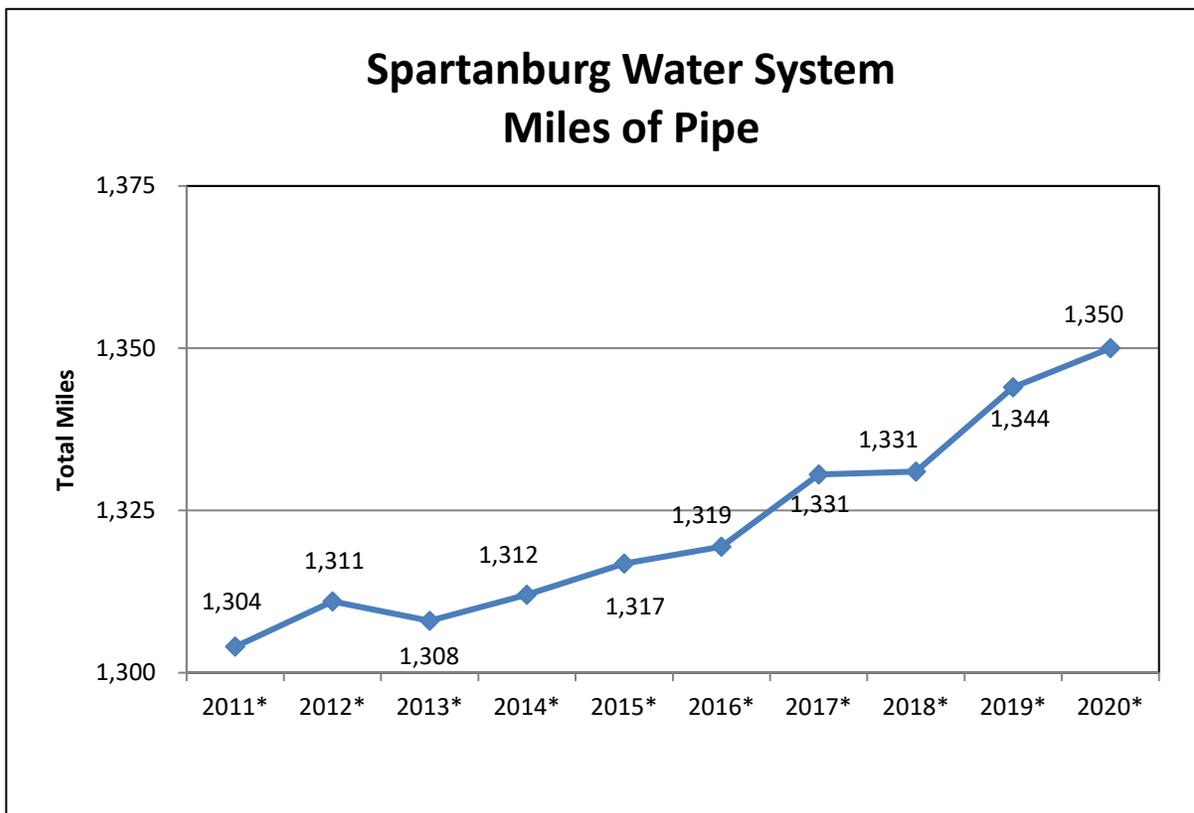
	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15	FY 14	FY 13	FY 12	FY 11
July	5,909,177	6,067,793	5,395,706	6,088,214	5,807,015	5,749,777	5,475,433	6,670,367	7,058,343	7,220,466
August	6,424,677	5,896,026	6,104,241	6,590,613	6,260,429	5,813,737	5,477,610	6,861,036	8,227,872	8,260,630
September	6,421,700	5,981,533	5,903,860	6,456,245	6,032,274	5,476,039	5,517,310	6,675,780	7,269,053	7,332,856
October	6,192,980	5,816,235	6,173,076	6,244,105	5,605,127	5,579,288	5,313,389	6,198,231	6,948,143	7,243,836
November	5,424,476	5,193,096	5,923,349	5,941,578	4,763,743	5,066,774	5,080,431	6,035,792	5,935,765	6,392,802
December	4,724,155	4,735,642	4,760,858	5,546,630	4,734,020	4,682,253	4,693,878	5,585,786	5,707,798	6,013,301
January	4,367,010	4,491,522	6,096,227	5,108,333	4,418,270	4,349,883	4,601,511	5,286,420	5,053,001	5,425,080
February	4,640,334	4,608,557	5,019,571	4,998,154	4,605,049	4,412,636	4,453,878	4,964,144	5,514,223	5,968,194
March	4,451,973	4,342,226	4,622,697	4,547,215	4,212,417	4,255,821	4,326,777	4,584,177	4,971,912	5,293,037
April	4,835,496	4,496,731	4,697,325	4,975,455	4,754,348	4,520,737	4,551,407	4,788,188	5,527,412	5,612,120
May	5,087,731	5,153,610	4,920,063	4,865,612	4,911,028	4,549,681	4,592,912	5,036,109	5,812,840	5,734,609
June	5,301,925	6,336,475	5,518,175	5,351,709	5,958,364	5,325,321	5,481,856	5,383,932	6,306,474	7,493,189
	63,781,634	63,119,446	65,135,148	66,713,863	62,062,084	59,781,947	59,566,392	68,069,962	74,332,836	77,990,120



Miles of Pipe

FY 2011 to FY 2020

Fiscal Year	Miles of Pipe
2020*	1,350
2019*	1,344
2018*	1,331
2017*	1,331
2016*	1,319
2015*	1,317
2014*	1,312
2013*	1,308
2012*	1,311
2011*	1,304

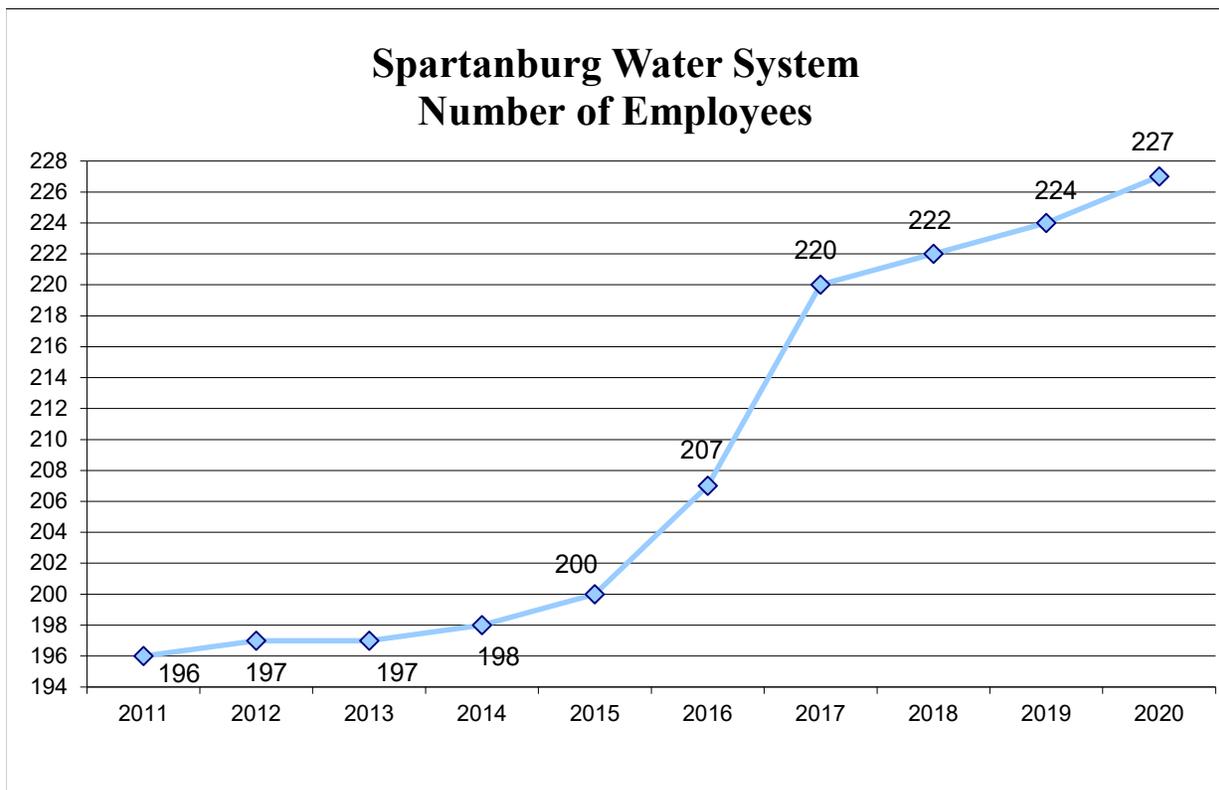


* The change in the miles of pipe graph is due to the net effect of additional miles, less updates for abandonment and deletion in the GIS Infrastructure total.

Number of Employees

FY 2011 to FY 2020

Fiscal Year	Number of Employees
2020	227
2019	224
2018	222
2017	220
2016	207
2015	200
2014	198
2013	197
2012	197
2011	196



* Numbers based on Operating Budget Employee Count.

Annual Rainfall

FY 2011 to FY 2020

