

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2022

Metropolitan Sewer Subdistrict
dba MetroConnects
Greenville, SC

2022 Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



Metropolitan Sewer Subdistrict
dba MetroConnects

Greenville, South Carolina

Prepared by the Finance Department

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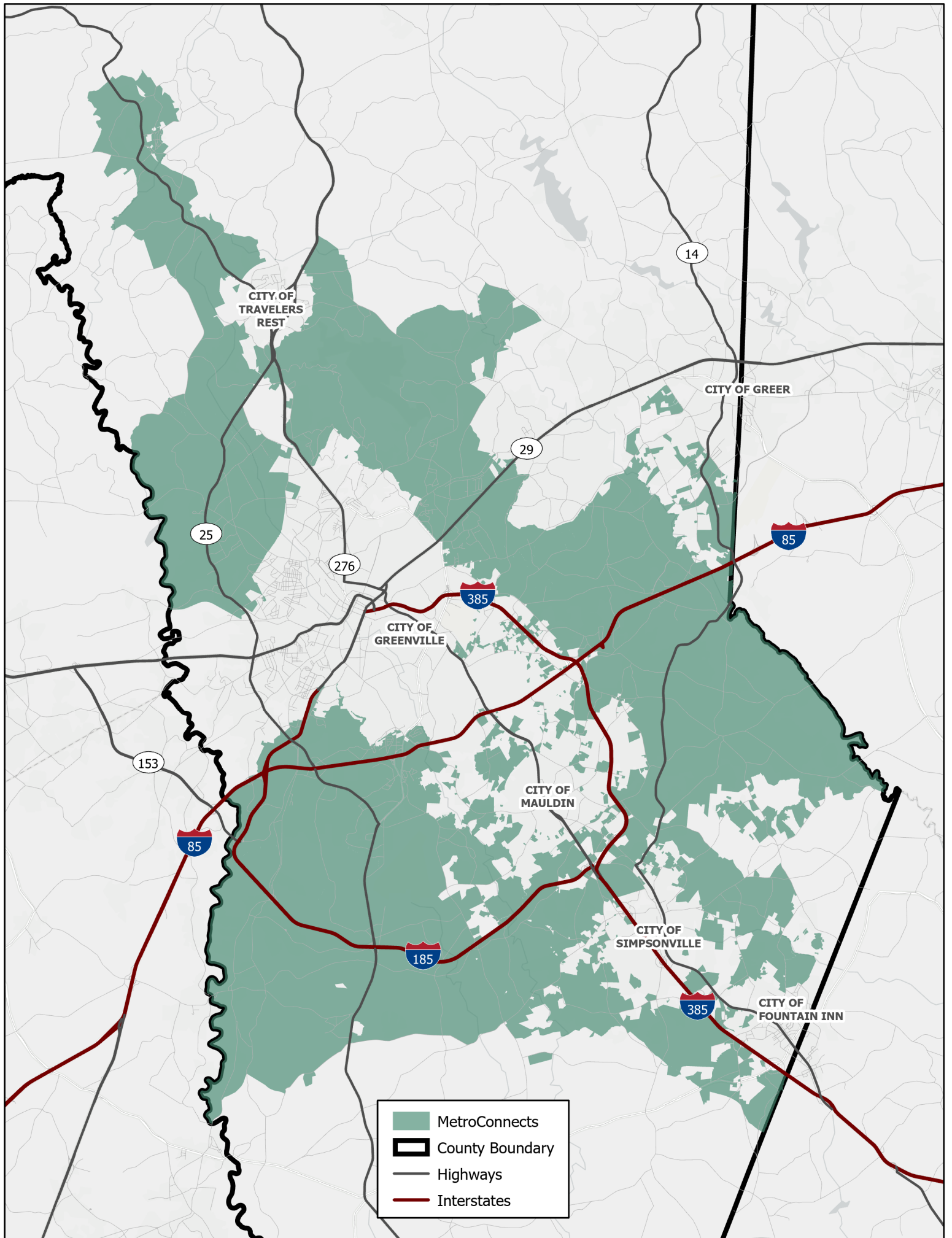
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Introductory Section





January 31, 2023

To Metropolitan Sewer Subdistrict Board of Commissioners and Customers:

The management and staff of Metropolitan Sewer Subdistrict (Metro), dba MetroConnects, are pleased to submit to you the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This financial report will be made available to the public via www.metroconnects.org and may also be viewed in person at our offices located at 120 Augusta Arbor Way, Greenville, SC, 29605.

Metro's management assumes responsibility for the completeness and reliability of the information contained in this financial report and that all information disclosed is accurate and reflects fairly the financial position and the operations of Metro. Metro'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 statements prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Metro is required by state law to publish an annual financial report audited by a certified public accountant, and this Annual Comprehensive Financial Report fulfills that requirement. Love Bailey and Associates, LLC, Certified Public Accountants, conducted the independent audit of Metro's *Financial Statements and Supplemental Information for Fiscal Year Ended June 30, 2022*, and are free of material misstatement. The audit was conducted in accordance with United States generally accepted auditing standards. Love Bailey and Associates, LLC, issued an unmodified opinion that Metro's financial statements are fairly presented in all material aspects and in conformity with U.S. GAAP. The auditor's financial report is included in the first component of the financial section of this financial report.

A Management Discussion and Analysis (MD&A) is provided in the financial section of this financial report. The MD&A serves as a narrative introduction, overview and analysis of Metro's financial statements. This letter of transmittal is meant to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE METROPOLITAN SEWER SUBDISTRICT

Metro was created as a special purpose district, by the General Assembly Act No. 687 on July 14, 1969, and amended in August 1972. Metro is a subdistrict within Greenville County Sewer Authority, now known as Renewable Water Resources (ReWa), and is empowered to acquire, construct, operate, maintain, improve, and extend facilities for the collection of sewage within the subdistrict and transmit the same to the trunk lines or sewage treatment and disposal facilities of ReWa for treatment and disposal.

Metro cooperates with the Environmental Protection Agency (EPA), South Carolina Department of Health and Environmental Control (SCDHEC), ReWa, all municipalities, and other special purpose districts in the provision of sewer facilities throughout Greenville County.

Metro serves approximately 68,115 customers with nearly 1,000 miles of collector lines. Metro's service area extends from northern Greenville County area to the southern portions of the county, and east and west to the Greenville County line.

A five-member Board of Commissioners governs the Metropolitan Sewer Subdistrict and meets the third Monday of each month. The day-to-day operations of Metro are the responsibility of the General Manager.

Metro strives to keep its system working properly and efficiently by supporting its Capacity Management Operations and Maintenance program (CMOM). Metro's well-trained personnel spend 98 percent of man-hours providing proactive maintenance to the system.

Through proactive planning and response, Metro's staff and managers are ensuring that Metro has the funding to maintain its system in good operating condition and extend its useful life. The collection of wastewater protects public health, the environment, and our greatest resource — water.

LOCAL ECONOMY

Metro is headquartered at the South Carolina Technology and Aviation Center (SCTAC) in Greenville, S.C. Greenville County is one of 10 counties that make up the area known as the Upstate. Nestled in the foothills of the Blue Ridge mountains, Greenville is situated along the growth corridor of Interstate 85, halfway between Charlotte, N.C., and Atlanta, Ga., and has become one of the fastest growing areas in the southeast, if not the country. Greenville County's estimated population of 533,834 grew by 1.6 percent this year, making it the largest county in South Carolina. Greenville County plays a significant role in the economy of the Upstate and Metro provides much of the sanitary sewer infrastructure in this growing metropolitan area.

Greenville County provides an exceptional business climate and opportunity for growth for both new and existing businesses. In 2021, the Greenville Area Development Corporation announced \$142.3 million in new investments and the creation of 1,836 new jobs. Greenville offers a growing workforce of well-educated and highly trained employees through a strong network of technical colleges, as well as colleges and universities known for research and industry innovation. Science, Technology, Engineering and Mathematics (STEM) education programs through Greenville County Schools (K-12) emphasize the importance of integrating the four disciplines as a cohesive learning paradigm based on real-world applications.

Greenville, most recently named as one of the "50 Best Places to Live in the U.S.," by *Money*, has become one of the premier destinations for diverse industries. The dynamic pro-business climate in Greenville is supported by tax incentives, workforce development programs, and entrepreneurial resources, which provide area businesses with a competitive advantage in the global marketplace. Greenville is home to Fortune 500 companies, manufacturing facilities, warehouse/distribution operations and more, and also benefits from foreign investment. More than 230 different international firms from 27 countries have a major presence in Greenville County including Samsung Networks America, Mitsubishi, Magna, Bosch Rexroth, and Michelin, to name a few.

According to the South Carolina Department of Employment and Workforce, Greenville County's unemployment rate on June 30, 2022, was 3 percent, which was below the state unemployment rate of 3.2 percent. According to the U.S. Department of Commerce, Bureau of Economic Analysis, the per capita personal income in Greenville County was \$55,442 for 2021, which was 5.9 percent higher than the state per capita income of \$52,467 and 18.2 percent less than the U.S. per capita income of \$64,143.

LONG-TERM PLANNING

A wastewater financial plan and rate study was conducted to explore Metro's revenue options while focusing on a sustainable and equitable rate structure, and a solvent financial plan, as well as the flexibility to meet the future needs of Greenville County. The study results and findings for the six-year rate forecast

period fiscal years 2020–2025 are consistent with industry standards and pricing practices designed to meet the forecast of annual revenue requirements.

On February 25, 2019, the Commission of Metro adopted a new user charge rate structure. Effective July 1, 2019, customers connected to Metro’s sanitary sewer system were charged a monthly fixed fee and a volume charge per 1,000 gallons through their monthly water bill, based on water consumption. Metro no longer charges a sewer tax and fee on the annual Greenville County real property tax bills.

Currently, all Metro customers are charged a base charge of \$11.45 and a volume charge of \$1.60 per 1,000 gallons. Increases occur July 1 of each fiscal year. By adopting the user charge rate structure resolution, Metro’s Board of Commissioners established billing rates for the next five years. See the chart below.

Sewer User Charge	FY 2020	FY2021	FY2022	FY2023	FY2024	FY 2025
Base Charge	\$11.00	\$11.25	\$11.45	\$11.72	\$12.00	\$12.25
% Change		2%	2%	2%	2%	2%
Volumetric Charge (/kgal)	\$1.54	\$1.57	\$1.60	\$1.65	\$1.68	\$1.72
% Change		2%	2%	2%	2%	2%

As a participating agency in the most recent Upstate Roundtable and Greenville County’s Comprehensive Plan, Metro uses a basin-approach when planning infrastructure investments, considering community needs for the provision of wastewater collection.

Each year, Metro updates the Sanitary Sewer Standards and Procedures Manual, as a guide for the planning, design, and construction of sanitary sewer collection systems in Metro’s district. Annual updates of Metro’s Capacity, Management, Operation, and Maintenance (CMOM) program, as required by the United States Environmental Protection Agency, serves as Metro’s guiding principles for providing a proactive approach to wastewater collection.

Following a push for sewer regionalization in Greenville County, Metro was instrumental in bringing together a team of industry experts to provide a high-level overview of the individual sewer system conditions and financial investment required for Greenville County to make an informed decision regarding the need for sanitary sewer collection regionalization.

In November 2020, Greenville County Council made a historic first step toward sewer consolidation in Greenville County, proposing an ordinance that would merge six of Greenville’s Special Purpose Districts providing sewer collection services with Metro. The ordinance was approved on December 14, 2020, after a public hearing and three readings of the ordinance.

Of the six districts, four districts – Marietta Water and Sewer, Berea Public Service District, Wade Hampton Fire and Sewer, and Gantt Police, Fire and Sewer – consented to signing transfer agreements to consolidate their sewer collection operations with Metro. Metro began operating these systems on July 1, 2021.

With the addition of the four sewer collection districts, Metro’s service area and customer base grew by nearly 40 percent. Metro’s gravity sewer system increased by 331 miles and added 20,200 new customers. This also meant growth for the Metro staff, which increased from 61 employees on June 30, 2021, to 90 employees by June 30, 2022.

In July 2021, Metro welcomed both new and existing staff to the new era at Metro, fostering a can-do attitude, a sense of connectivity and a willingness to continue an excellent level of service. It has been a year of continuous learning.

Metro staff worked together to identify what data existed, known conditions of sewer collection assets, problematic system areas and areas in the greatest need of repair.

Metro also began the tedious process of merging data from each of these districts to include asset information, sewer connection permits, equipment lists and other critical pieces of information. From software upgrades to equipment upgrades and from migrating boxes of paper data to creating electronic files, Metro staff diligently has worked to create a cohesive, data-centric environment that is utilized by both office staff and field personnel.

BUDGETARY CONTROLS

Metro management prepares an annual operating and capital budget that is presented to the Board of Commissioners for their review and approval. The budget allows management to control strategic and long-term planning throughout the year. The draft budget is prepared and presented to the Board of Commissioners for approval in mid-May at a Commission Workshop and becomes effective on July 1 of the corresponding fiscal year. The final budget for fiscal year 2021-2022 was approved by the Board of Commissioners on June 21, 2021. Once adopted, any revisions to the budget during the year are subject to Board of Commission approval and a public hearing. The approved budget was not revised in fiscal year 2022.

CORPORATE/SOCIAL RESPONSIBILITY

Metro manages operations, infrastructure, and investments to protect the public health, the environment, and support the local community and economy. This includes stakeholder's engagement on key issues and maintaining industry standards for operations and maintenance. Metro staff completed nearly 700 hours of training, which includes basic and job-specific skills, health and safety, as well as required continuing education to maintain certifications and to ensure Metro's collection system is in good operating condition.

In 2021-2022, Metro continued its branding campaign to create an identity and brand awareness with new customers in the four consolidated districts, utilizing social media posts, videos, and digital advertisements to provide a better understanding of the valuable service Metro provides. Metro also partnered with Roper Mountain Science Center, a special facility of Greenville County Schools, to install an exhibit at its newly designed Environmental Science and Sustainability building, which houses permanent exhibits: Our Water Story, Sustainable Future, and the Nature Exchange.

All public meetings and hearings are communicated to the public through the Metro website and local newspapers and are posted through Greenville County's Community Meetings site.

ACKNOWLEDGEMENTS

We appreciate the support of Metro's Board of Commissioners and the daily contributions of our dedicated employees, as Metro strives to be the innovative leader in wastewater collections services.

Respectfully Submitted,



Carol Elliott
General Manager



Christie Whitmire
Chief Financial Officer

BOARD OF COMMISSIONERS

Metro is governed by a five-member Board of Commissioners. Board members are individually recommended by Greenville County Council and are appointed by South Carolina's Governor for staggered four-year terms. Each member of the Commission is required to live in Metro's district.

The Commission normally meets on the third Monday of each month in the Training Room at 120 Augusta Arbor Way in Greenville, South Carolina. Public comment is welcome at all Commission meetings.

Commissioner	Appointment	Term Expires	Position
James R. "Jim" Freeland	12/1/2006	11/30/2022	Chairman
Jim Gregorie	11/30/2003	11/30/2022	Vice Chairman
Caleb Freeman	11/30/2016	11/30/2024	Secretary
Jondia Berry	11/30/2018	11/30/2022	Commissioner
Vacant	NA	NA	Commissioner

OFFICIALS

Carol Elliott - General Manager

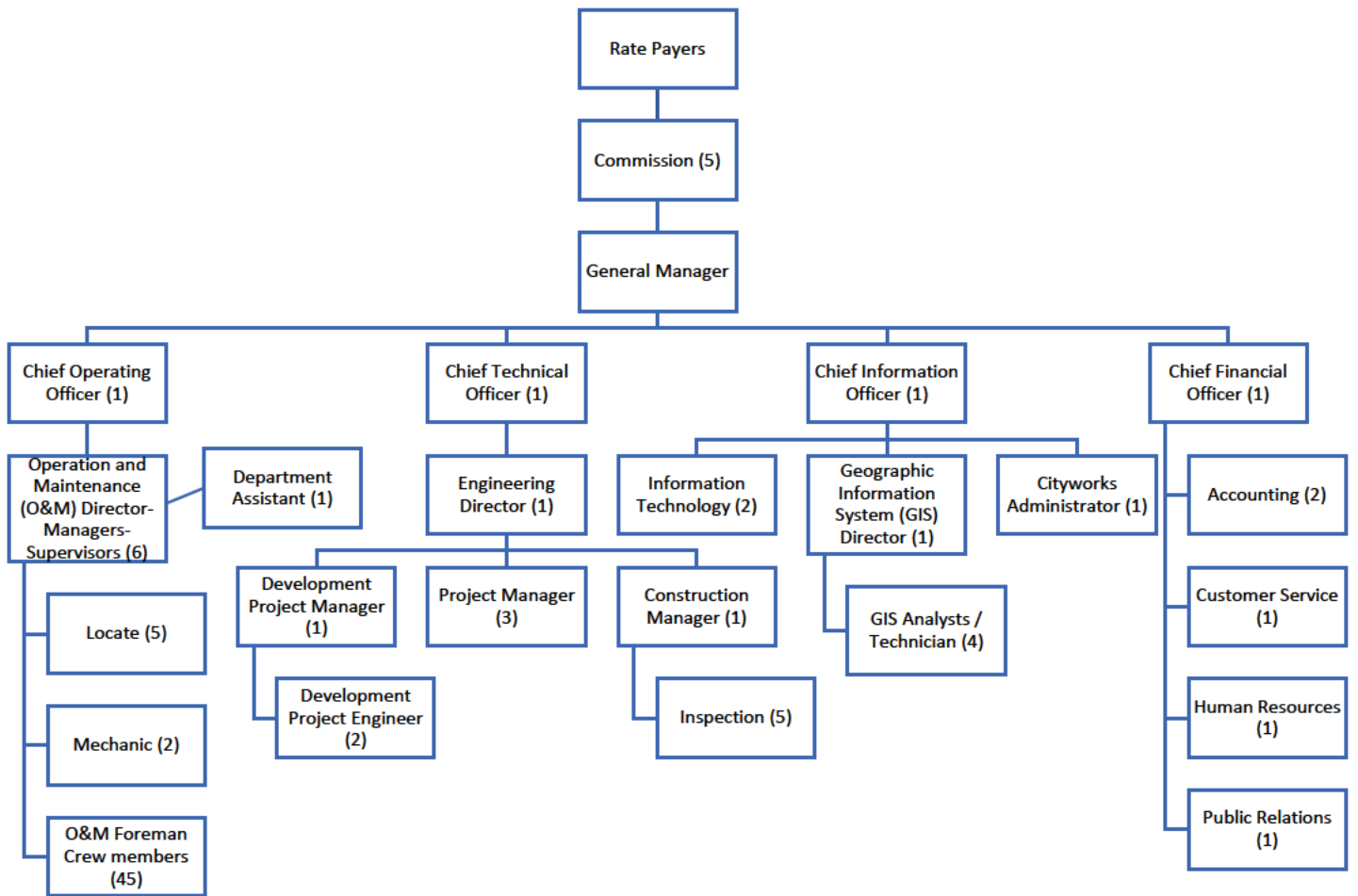
Jason Bagwell - Chief Operating Officer

Andrew Carpenter-Rice - Chief Information Officer

Josh Hawkins - Chief Technical Officer

Christie Whitmire - Chief Financial Officer

ORGANIZATIONAL CHART



Financial Section





CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Commissioners
Metropolitan Sewer Subdistrict
Greenville, South Carolina

Opinion

We have audited the accompanying financial statements of Metropolitan Sewer Subdistrict, as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Sewer Subdistrict, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metropolitan Sewer Subdistrict, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

As discussed in Note 15 to the financial statements, a prior period adjustment has been recorded that relates to accrued interest recorded in the previous year.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metropolitan Sewer Subdistrict's basic financial statements. The accompanying combining and individual nonmajor fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

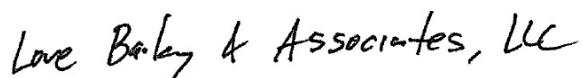
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of Metropolitan Sewer Subdistrict's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness Metropolitan Sewer Subdistrict's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Sewer Subdistrict's internal control over financial reporting and compliance.



Love Bailey & Associates, LLC
Laurens, South Carolina
December 20, 2022

MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Metropolitan Sewer Subdistrict

Management's Discussion and Analysis

June 30, 2022

As management of the Metropolitan Sewer Subdistrict ("Metro"), we offer readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the fiscal year ended June 30, 2022.

Financial Highlights

- Metro increased its net position by \$59,192,000 or 26.5%.
- Total operating revenue increased by \$5,620,000 or 42.1% and total expenses increased by \$8,907,000 or 71.6%.
- Capital contributions increased by \$2,187,000 or 29.1%.
- As of June 30, 2022, Metro customers paid an \$11.45 base charge and \$1.60 volumetric charge through their water bill.
- Metro merged in July 1, 2022 with four Greenville County special purpose districts (see Note 14).
- Metro received \$6,096,000 from the sewer district merger on July 1, 2021.
- Metro entered into a \$38,000,000 Sewer System Revenue Bond, Series 2022 that will combine the debts of two other sewer districts merged on July 1, 2022.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of Metro's financial condition and performance.

The financial statements report information about Metro using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The results from a financial rate study conducted and approved in February 2019, concluded Metro needed a rate structure similar to a business on a self-sustaining basis, billing customers based on water consumption and the use of the system, instead of a revenue stream based on customer's property value. The approved user charge rate structure allows Metro to use revenues for all requirements to include operating expenses, capital costs (including expansion), debt servicing, and reserve fund transfers to support growth in Greenville County. Metro implemented the sewer user charges on July 1, 2019.

Required Financial Statements

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

Metropolitan Sewer Subdistrict

Management's Discussion and Analysis

June 30, 2022

Required Financial Statements, Continued

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of Metro on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at fiscal year end. The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. This statement can be used to determine whether Metro has successfully recovered its annual costs through user charge rate collections, other charges, and credit worthiness.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Billed but uncollected user charge rates are accrued as receivables at year end and are reported as revenues of the enterprise funds. These funds account for activities of Metro similar to those found in the private sector, where recovery and the determination of net income cost is useful or necessary for sound fiscal management.

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

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes to the financial statements present detail information about Metro's accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Financial Analysis

Net position:

As shown in Table A, net position, the difference between assets, deferred outflows, liabilities and deferred inflows, may serve over time as a useful indicator of an entity's financial position.

Metropolitan Sewer Subdistrict
Management's Discussion and Analysis
June 30, 2022

Financial Analysis, Continued

Table A
Condensed Statement of Net Position

	FY 2022	FY 2021	Dollar Change	Percent Change
Current and other assets	\$ 24,773,000	\$ 29,181,000	\$ (4,408,000)	-15.1%
Restricted assets	45,295,000	15,657,000	29,638,000	189.3%
Capital assets	270,909,000	206,850,000	64,059,000	31.0%
Total assets	340,977,000	251,688,000	89,289,000	35.5%
Deferred outflows of resources	1,856,000	1,136,000	720,000	63.4%
Current liabilities	5,319,000	3,499,000	1,820,000	52.0%
Noncurrent liabilities	53,665,000	25,640,000	28,025,000	109.3%
Total liabilities	58,984,000	29,139,000	29,845,000	102.4%
Deferred inflows of resources	997,000	25,000	972,000	3888.0%
Invested in capital assets	262,217,000	202,294,000	59,923,000	29.6%
Restricted	6,689,000	651,000	6,038,000	927.5%
Unrestricted	13,946,000	20,715,000	(6,769,000)	-32.6%
Total net position	\$ 282,852,000	\$ 223,660,000	\$ 59,192,000	26.5%

Metro's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$282,852,000 at the close of the most recent fiscal year. This amount represents an increase in net position of \$59,192,000 from \$223,660,000 in FY 2021. The largest portion of Metro's net position for FY 2022 (95.8%) is due to the sewer districts merger of more than 306 miles of sewer lines. The remaining portion (4.2%) reflects its investment in capital assets (e.g. infrastructure, buildings, machinery, and equipment) and in current and other assets (e.g. cash, cash equivalents, investments, and receivables). These current and other assets will be used for the liabilities shown above and the unrestricted net position will be used to finance future projects.

Changes in net position:

While the statement of net position shows a snapshot of Metro's financial position at the end of the fiscal year, the statement of revenues, expenses, and changes in net position provides answers as to the nature and source of the changes in net position from the prior year, as can be seen in Table B.

Metropolitan Sewer Subdistrict
Management's Discussion and Analysis
June 30, 2022

Financial Analysis, Continued

Table B
Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	FY 2022	FY 2021	Dollar Change	Percent Change
User charge rate	\$ 16,720,000	\$ 11,776,000	\$ 4,944,000	42.0%
Property taxes	6,000	18,000	(12,000)	-66.7%
Sewer fees	-	1,000	(1,000)	-100.0%
Tap fees and other	2,255,000	1,566,000	689,000	44.0%
Total operating revenue	18,981,000	13,361,000	5,620,000	42.1%
Salaries, wages, and benefits	6,401,000	4,338,000	2,063,000	47.6%
Professional fees	758,000	1,069,000	(311,000)	-29.1%
Project costs	8,637,000	3,923,000	4,714,000	120.2%
Operations and maintenance	2,291,000	1,205,000	1,086,000	90.1%
Administration	2,362,000	1,325,000	1,037,000	78.3%
Depreciation	904,000	586,000	318,000	54.3%
Total operating expenses	21,353,000	12,446,000	8,907,000	71.6%
Grant revenue	440,000	90,000	350,000	388.9%
Capital grant revenue	-	558,000	(558,000)	-100.0%
Interest income	7,000	27,000	(20,000)	-74.1%
Other income	27,000	287,000	(260,000)	100.0%
Gain on disposal of capital assets	166,000	46,000	120,000	260.9%
GASB 68 - state retirement	47,000	(292,000)	339,000	-116.1%
GASB 75 - other post-employment benefits	(66,000)	29,000	(95,000)	-327.6%
Interest expense	(324,000)	(96,000)	(228,000)	237.5%
Loss on disposal of sewer lines	-	(5,880,000)	5,880,000	-100.0%
Total non-operating revenue (expenses)	297,000	(5,231,000)	5,528,000	-105.7%
Change in net position before capital contributions	(2,075,000)	(4,316,000)	2,281,000	-52.4%
Capital contributions	9,693,000	7,506,000	2,187,000	29.1%
Gain and loss on merger (see Note 14)	51,574,000	-	51,574,000	100.0%
Change in net position	59,192,000	3,190,000	56,002,000	1755.5%
Net position, beginning	223,660,000	220,470,000	3,190,000	1.4%
Net position, ending	282,852,000	223,660,000	59,192,000	26.5%

Metropolitan Sewer Subdistrict

Management's Discussion and Analysis

June 30, 2022

Financial Analysis, Continued

Total operating revenues increased by \$5,620,000 or 42.1%, to \$18,981,000 in FY 2022 from \$13,361,000 in FY 2021. The increase in revenue is due to the sewer districts merger, which added more than 18,500 customers who are charged through their water provider and tap fees and other from an increase in residential and commercial permits sold for sewer connection to Metro's sanitary sewer system.

Total operating expenses increased by \$8,907,000, or 71.6%, to \$21,353,000 in FY 2022 from \$12,446,000 in FY 2021. The increase in expenses is due to an increase in project costs, including rehabilitation projects and maintenance projects pertaining to the sewer districts merger. Operation and maintenance increased due to more outsourced contract work throughout the system which were under contract and constructions prior to the merger, more vehicle and equipment repair needs, and an increase in general operation and maintenance supplies, which was offset by a decrease in pump station expenses. Salaries, wages and benefits increased due to the onboarding of the employees that transferred in the sewer districts merger. The increase was offset by a decrease in professional fees, including legal expenses incurred during the sewer districts merger.

Total non-operating revenues/(expenses) increased by \$5,528,000 or 105.7% to \$297,000 in FY 2022 from a loss of \$5,231,000 in FY 2021. The increase in non-operating revenues/(expenses) is due to the transfer of sewer lines in Anderson County to Renewable Water Resources (ReWa) in FY 2021. The gain on sale of assets increased due to unneeded vehicles and equipment sold from the sewer districts merger.

Capital contributions, which represent the non-cash contribution of sewer systems constructed by third-party developers and then deeded to Metro at the completion of the development, increased \$2,187,000 or 29.1% in FY 2022 over FY 2021.

Net position increased due to the large impact in the Gain and loss on merger from the sewer districts merger with the addition of 306 miles of sewer lines, increasing Metro's sewer line infrastructure and vehicles and equipment to more than \$51,574,000.

Capital Assets and Debt Administration

Capital assets

As of June 30, 2022, Metro's capital assets amounted to \$270,908,915 (net of accumulated depreciation) including sewer lines, land, buildings, equipment, and vehicles, as shown in Table C.

Metropolitan Sewer Subdistrict

Management's Discussion and Analysis

June 30, 2022

Capital Assets and Debt Administration, Continued

Table C
Capital Assets

	FY 2022	FY 2021	Increase (Decrease) Over 2021	Percentage Increase (Decrease)
Vehicles	4,527,465	2,383,191	\$ 2,144,274	90.0%
Office equipment	71,765	93,685	(21,920)	-23.4%
Computer equipment	309,325	278,446	30,879	11.1%
Software	762,227	620,186	142,041	22.9%
Maintenance equipment	2,319,610	1,424,204	895,406	62.9%
Pump Station equipment	178,564	178,564	(0)	0.0%
Administrative building	868,115	918,644	(50,529)	-5.5%
Training facility	1,269,100	1,269,100	0	0.0%
O&M building	25,473	25,473	(0)	0.0%
Inspector/O&M building	1,471,225	443	1,470,782	100.0%
Shop equipment	20,309	20,309	(0)	0.0%
Maintenance shop buildings	329,750	333,722	(3,972)	-1.2%
Safety equipment	32,740	25,904	6,836	26.4%
Sewer lines	264,769,064	203,712,031	61,057,033	30.0%
Sub-total	276,954,732	211,283,902	65,670,830	31.1%
Less accumulated depreciation	6,045,817	4,433,499	1,612,318	36.4%
Net capital assets	270,908,915	206,850,403	64,058,512	31.0%

The increase in the capital asset accounts are the result of general purchases that were budgeted. The increase in sewer lines is due primarily to the sewer districts merger of \$49,778,674 in sewer line infrastructure, which was added to Metro's inventory, and approximately \$9,639,000 developer-installed sewer lines providing service to new commercial sites and residential subdivisions that were contributed to Metro.

Metro uses the modified approach to account for its infrastructure assets. Under this approach, Metro manages its eligible infrastructure by use of an asset management system that provides for current inventories, condition assessments, and annual estimates of maintenance and preservation costs. Metro has committed to documenting and preserving its eligible infrastructure assets at a predetermined condition level through continuous condition assessments. Additional information on capital assets can be found in Note 4 to the basic financial statements included in this report.

Capital Assets and Debt Administration, Continued

Debt administration:

The following table consists of Metro's long-term obligations at June 30, 2022:

Table D
Summary of Outstanding Long-Term Obligations

	<u>FY2022</u>
Series 2019 revenue bond	\$ 446,000
Series 2020 revenue bond	8,210,000
Series 2022 revenue bond	38,000,000
Compensated absences	336,000
Other post-employment benefits liability	770,000
Net pension liability	6,651,000
Less: current portion	<u>(748,000)</u>
Total long-term obligations	<u>53,665,000</u>

Additional information on long-term debt can be found in Note 5 to the basic financial statements included in this report.

Economic Factors and Rates

The following key economic factors were considered when Metro established next year's budget:

- The unemployment rate for Greenville County was 3% at June 30, 2022.¹
- The number of residential building permits issued in Greenville County was 8,788 during the year ended June 30, 2022.²
- The number of commercial and other plumbing permits issued in Greenville County was 2,326 during the year ended June 30, 2022.²
- A two percent increase per year is planned for the user charge rate over the next five years beginning July 1, 2020 as approved by the Commission on February 25, 2019.
- Effective July 1, 2022, Metro, by approval of Greenville County Council Ordinance Number 5249 on May 3, 2022, took ownership of and began operating the merged sewer systems in Parker Sewer and Fire District and Taylors Fire and Sewer District.

¹ Source: U.S. Bureau of Labor Statistics

² Source: Greenville County Codes Enforcement

Metropolitan Sewer Subdistrict

Management's Discussion and Analysis

June 30, 2022

Table E
Fiscal Year 2022-2023 Condensed Operating Budget

Revenues	
User rate charge	\$ 22,368,000
Grants	1,500,000
Tap fees and other	2,530,000
Interest income	4,000
Gain/(loss) on disposal of capital assets	500,000
Metro reserves	12,885,254
Total revenues	39,787,254
Expenditures	
Sewer lines	4,900,000
Other capital assets	2,383,800
Salaries, wages, and benefits	10,710,960
Professional fees	1,040,000
Project costs	12,763,700
Operations and maintenance	3,349,000
Administration	2,624,000
Debt Service	2,015,794
Total expenditures	39,787,254

Metro's revenues are derived primarily from user charge rates, which are measured based on customer water consumption data collected by area water providers. New construction, whether commercial or residential, will continue to have a major impact on revenues as well. Metro estimates that revenue will increase by 102% in FY 2023 due to the sewer districts merger and the steady commercial and residential growth in Greenville County.

Requests for Information

This financial report is designed to provide a general overview of Metro's finances for all those with an interest in Metro's finances and to demonstrate Metro's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed through Metro's website at www.metroconnects.org.

BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2022

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

CURRENT ASSETS

Cash and cash equivalents	\$ 21,306,026
Restricted cash	45,295,158
Investments	1,004,440
User charge rate receivable, net	2,290,334
Prepaid expenses	171,991
Total current assets	<u>70,067,949</u>

NONCURRENT ASSETS

Capital assets not being depreciated	264,769,064
Capital assets, net of accumulated depreciation	6,139,851
Total noncurrent assets	<u>270,908,915</u>
Total assets	<u>340,976,864</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows on net pension liability	<u>1,856,010</u>
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CURRENT LIABILITIES

Accounts payable and accrued expenses	4,220,579
Accrued salaries and wages	187,112
Interest payable	162,671
Current portion of compensated absences	99,808
Current portion of long-term liabilities	648,478
Total current liabilities	<u>5,318,648</u>

NONCURRENT LIABILITIES

Due in more than one year:	
Compensated absences	235,891
Long-term liabilities, net of current portion	46,007,398
Other post-employment benefits liability	770,548
Net pension liability	6,650,856
Total noncurrent liabilities	<u>53,664,693</u>
Total liabilities	<u>58,983,341</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on net pension liability	<u>997,009</u>
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NET POSITION

Net investment in capital assets	262,217,548
Restricted for capital activity	6,139,658
Restricted for debt service	548,866
Unrestricted	13,946,452
Total net position	<u>\$ 282,852,524</u>

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

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

User charge rate	\$ 16,720,192
Property taxes	6,134
Sewer fees	84
Tap fees and other	2,254,717
Total operating revenues	<u>18,981,127</u>

OPERATING EXPENSES

Salaries, wages, and benefits	6,401,543
Professional fees	757,969
Project costs	8,636,504
General and administration	2,291,350
Operations and maintenance	2,361,656
Operating expenses excluding depreciation	<u>20,449,022</u>
Depreciation	903,752
Total operating expenses	<u>21,352,774</u>
Operating loss	<u>(2,371,647)</u>

NON-OPERATING REVENUE (EXPENSES)

Interest income	7,128
Gain on sale of assets	166,176
Other revenue	25,736
Grant revenue	440,316
GASB 68 - state retirement	47,142
GASB 75 - other post-employment benefits	(65,820)
Interest expense	(323,898)
Total non-operating revenue (expense)	<u>296,780</u>
Change in net position before capital contributions	<u>(2,074,867)</u>

CAPITAL CONTRIBUTIONS AND ACQUISITIONS

Capital contributions	9,693,471
Gain and loss on merger (see Note 14)	51,573,553
Total capital contributions and acquisitions	<u>61,267,024</u>
Change in net position	59,192,157
Net position, beginning of year as restated (see Note 15)	<u>223,660,367</u>
Net position, end of year	<u><u>\$ 282,852,524</u></u>

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

METROPOLITAN SEWER SUBDISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 18,175,787
Payments for supplies for goods and services	(12,471,024)
Payments to or on behalf of employees	(6,240,571)
Net cash used in operating activities	<u>(535,808)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from non-operating grants	440,316
Gain and loss on acquisition	1,971,802
Net cash provided by noncapital and related financing activities	<u>2,412,118</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from notes payable	38,000,000
Payments on notes payable	(10,904,292)
Interest payments on note payables	(199,334)
Proceeds from sale of assets	177,713
Purchases of capital assets	(4,583,869)
Net cash provided by capital and related financing activities	<u>22,490,218</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	3,805
Proceeds from sale of investments	1,014,399
Net cash provided by investing activities	<u>1,018,204</u>
Net increase in cash	25,384,732

CASH

Beginning of year	41,216,452
End of year	<u>\$ 66,601,184</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (2,371,647)
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	903,752
Decrease (increase) in:	
Accounts receivable	(831,272)
Interest receivable	196
Prepays and other assets	(25,585)
Increase (decrease) in:	
Accounts payable	1,602,040
Accrued liabilities	185,957
Pension liability	(24,985)
Net cash use in operating activities	<u>\$ (561,544)</u>

**SCHEDULE OF NONCASH AND INVESTING, AND CAPITAL
AND RELATED FINANCING ACTIVITIES**

Contributed/donated sewer lines	\$ 9,693,471
Acquired assets	\$ 50,696,461
Loss on disposal of assets	-
	<u>\$ 60,389,932</u>

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

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Metropolitan Sewer Subdistrict ("Metro") was created in 1969 by the General Assembly of the State of South Carolina. The purpose of Metro's creation was to provide sewer collection service within the boundary area of Renewable Water Resources (ReWa) to those established areas of Greenville County which, because of the population density, were in need of such service but did not lie within the boundaries of an existing special purpose district or municipality. On July 1, 2021, four special purpose districts within Greenville County were merged into Metro. See Note 14 for further information regarding the merger.

The financial statements of Metro have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Metro also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of Metro's accounting policies are described below.

Basis of presentation

Beginning July 1, 2019, Metro's basic financial statements consist of enterprise fund financials, including a statement of net position, a statement of revenues, expenses and change in net position, and a statement of cash flows. Prior to July 1, 2019, Metro's basic financial statements consisted of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements.

The statement of net position and the statement of revenues, expenses and changes in net position display information of Metro as a whole. These statements include the financial activities of the primary government. The effect of inter-fund activity has been removed from the statements.

All activities of Metro are accounted for within a single proprietary (enterprise) fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund accounting

Metro maintains a single enterprise fund to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expense, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Metro's revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled sewer service receivables are recorded at year end. With this measurement focus, all assets and liabilities are included on the Statement of Net Position. Net position is segregated into invested in capital assets, restricted for capital activity, restricted for debt service and unrestricted.

Net position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets, net of related debt. Instead, that portion of the debt is included in the same net position components as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position which does not meet the previously mentioned criteria is considered unrestricted. Restricted net position for capital activity is comprised of a money market account that is for the sole use of maintaining a certain pump station and force mains. Restricted net position for debt service is comprised of a cash account that is for the sole use of making debt service payments once a year and maintaining a one year of debt payment reserve.

The statement of net position may report deferred outflows of resources following the assets section and deferred inflows of resources following the liabilities section. Deferred outflows of resources represents a consumption of net assets that applies to future periods and will not be recognized as an expenditure until then. Deferred inflows of resources represents an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time.

User charge rate

On February 25, 2019, the Commission of Metro adopted a new user charge rate structure. This new rate structure, effective July 1, 2019, is based on a connected sewer customer's water consumption. Only customers connected to the Metro sanitary sewer system are charged a monthly fixed fee of \$11.45 and volume charge of \$1.60 per 1,000 gallons through their monthly water bill, based on water consumption. This rate structure is uniform for all customer types for residential, commercial and industrial. With the adoption of the user charge rates, a forecasted rate adjustment schedule was included for five years. The base charge rate and volumetric charges (consumption) will both increase two percent each year over the next five years.

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

User charge rate

Metro no longer charges a sewer tax and fee on the annual Greenville County real property tax bills; however Metro continued to collect tax revenue during the fiscal year from delinquent taxes in prior tax years.

Cash and cash equivalents and investments

Metro considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Metro's investment policy is to maintain collateral for all certificates of deposits in their name. Metro obtains multiple quotes on matured certificates of deposits and places the funds where Metro can obtain the most favorable rate. Investment purchases and sales are recorded as of the trade date. Other investment income is recognized when earned. Investments are reported at fair value except as noted below. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to Metro's investment operations.

Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) with maturities at time of purchase of one year or less, are carried at amortized cost which approximates fair value.

Restricted Cash

Metro is required to maintain debt service funds under the terms of certain bonds (see Note 6). The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. These funds are shown as restricted cash on the Statement of Net Position because their use is limited.

Accounts Receivable

Metro outsources billing to residential, commercial, and industrial customers on billing cycles that end on various days throughout the month. The accounts receivable are financial instruments that potentially subject Metro to credit risk. Management has provided an allowance for uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding and deemed uncollectible after management has used reasonable collection efforts are written-off against the allowance for uncollectible accounts.

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital assets

Capital assets, which include property, plant, and equipment and eligible infrastructure assets, are reported in the statement of net position. Capital assets are defined by Metro as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets except infrastructure assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	39 years
Vehicles	5 years
Furniture, fixtures and equipment	7-10 years
Computer equipment	5 years
Software	3 years

Metro uses the modified approach to account for its infrastructure assets. Infrastructure assets include sewer lines and appurtenances. Under this approach, Metro manages its eligible infrastructure by use of an asset management system that provides for current inventories, condition assessments, and annual estimates of maintenance and preservation costs. Metro has committed to documenting and preserving its eligible infrastructure assets as a predetermined condition level by continuous condition assessments.

Budgets and budgetary accounting

Budgets are prepared using the accrual basis of accounting. Budgeted amounts are as originally adopted by the Board of Commissioners.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the period. Ultimate resolution of uncertainties could cause actual results to differ from these estimates.

Pensions

For purposes of measuring the net pension liability (NPL), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from the SCRS' fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated absences

The annual vacation leave policy of Metro provides for the accumulation of up to 5 weeks (188 hours for salary and 200 hours for hourly) earned annual leave with such leave being fully vested when earned. Employees may carry unused time forward to the next calendar year, up to the designated vacation accrual cap (200 hours for non-exempt employees and 188 hours for exempt employees). Employees may elect to sell back unused vacation time once per calendar year in December. The accumulated annual leave has been reported as a liability in the accompanying statement of net position.

The annual sick leave policy of Metro provides for an accumulation of up to 90 days of sick leave. Sick leave does not vest and Metro has no obligation for any sick leave until it is actually taken. Therefore, no accrual for sick leave has been made.

New Accounting Pronouncements

GASB Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement were effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Metro did not have any leases that were affected by GASB 87.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans, requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. The requirements of this statement were effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Metro's 457 deferred compensation plan was not affected by GASB 97.

In May 2019, the AICPA Auditing Standards Board (ASB) issued, Statement on Auditing Standards (SAS) No. 134, Auditor Reporting and Amendments, including amendments addressing disclosures in the audit of financial statements as a final standard. SAS 134 has enhanced the auditors reporting related to going concern, expanded the description of the auditor's responsibility, and put an emphasis on key audit matters (if applicable). The pronouncement amends AU-C section 570 and AU-C section 260 relating to the auditor's consideration of an entity's ability to continue as going concern and the auditors' communication with those charged with governance. SAS 134 is effective for engagements performed in accordance with SAS for period ending on or after December 15, 2021. Metro's adoption of this standard does not have a material impact on the financial statements.

Deferred outflows of resources and deferred inflows of resources

Changes in NPL not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the NPL are reported as deferred outflows of resources.

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2022, Metro had the following cash, cash equivalents and investments

Cash and cash equivalents	
Checking and other cash	\$ 60,461,526
Money market accounts	6,139,658
Total cash and cash equivalents	<u>\$ 66,601,184</u>
Investments	
SC Local Government Investment Pool	\$ 1,004,440
Total investments	<u>\$ 1,004,440</u>

Credit risk

State law limits investments to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance, and certificates of deposits where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest. Metro has no investment policy that would further limit its investment choices.

As of June 30, 2022, the underlying security ratings of Metro's investment in the South Carolina Local Government Investment Pool (SCLGIP or the Pool) may be obtained from the SCLGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by submitting a request to The State Treasurer's Office, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211.

Interest rate risk

Metro's policy is to invest primarily in certificates of deposit with maturity dates of three to twelve months as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity of Metro's position in the SCLGIP is based on the average maturity of the Pool's investments, without regard to Metro's ability to withdraw funds on demand. It is the policy of the State Treasurer's Office that the weighted average maturity of the SCLGIP portfolio not exceed sixty days.

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, Metro's deposits may not be returned. Metro has a policy that all deposits in financial institutions be collateralized. As of June 30, 2022, Metro's bank balance was \$67,599,747. All of Metro's deposits held at June 30, 2022 were insured or collateralized with securities held by Metro's agents in Metro's name as required by state law.

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

Fair value of investments

Metro categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

Metro has the following recurring fair value measurements as of June 30, 2022:

- SC Local Government Investment Pool (“the Pool”) funds of \$1,004,440 are measured at the Net Asset Value (NAV).

The Pool investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 “Accounting and Financial Reporting for Certain investments and for External Investment Pools”, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn through a website request. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950. Investments measured at the net asset value per share as described in GASB 72 are not subject to the fair value hierarchy reporting.

NOTE 3 – USER CHARGE RATE RECEIVABLE

Metro’s accounts receivable and allowance for doubtful accounts were as follows at June 30, 2022:

User charge rate receivable	\$ 2,662,142
Less allowance for doubtful accounts	<u>(371,808)</u>
	<u>\$ 2,290,334</u>

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions/ transfers	Retirements	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Infrastructure	\$ 203,712,031	\$ 61,057,033	\$ -	\$ 264,769,064
Total capital assets at historical cost not being depreciated	<u>203,712,031</u>	<u>61,057,033</u>	<u>-</u>	<u>264,769,064</u>
Capital assets being depreciated				
Building and improvements	2,547,382	1,484,720	(68,439)	3,963,663
Vehicles	2,383,194	2,202,714	(58,441)	4,527,467
Furniture, fixtures and equipment	1,742,664	938,751	(58,426)	2,622,989
Computer equipment	278,448	32,002	(1,125)	309,325
Software	620,186	142,040	-	762,226
Total capital assets at historical cost being depreciated	<u>7,571,874</u>	<u>4,800,227</u>	<u>(186,431)</u>	<u>12,185,670</u>
Less: accumulated depreciation				
Buildings and improvements	(950,954)	(76,168)	59,548	(967,574)
Vehicles	(1,561,422)	(1,220,676)	58,441	(2,723,657)
Furniture, fixtures and equipment	(1,200,806)	(417,778)	57,770	(1,562,814)
Computer equipment	(134,234)	(43,418)	1,125	(176,527)
Software	(586,086)	(29,161)	-	(615,247)
Total accumulated depreciation	<u>(4,433,502)</u>	<u>(1,787,201)</u>	<u>174,884</u>	<u>(6,045,819)</u>
Total capital assets being depreciated, net	<u>3,138,372</u>	<u>3,013,026</u>	<u>(11,547)</u>	<u>6,139,851</u>
Capital assets, net	<u>\$ 206,850,403</u>	<u>\$ 64,070,059</u>	<u>\$ (11,547)</u>	<u>\$ 270,908,915</u>

Depreciation expense for the year ended June 30, 2022 totaled \$903,752.

Donated assets for fiscal year 2022 consisted of infrastructure additions of \$9,693,471.

Acquired assets from the sewer district merger for fiscal year 2022 consisted of infrastructure additions of \$49,778,674, vehicle additions of \$1,459,697 and equipment of \$341,546. Accumulated depreciation for these assets totaled \$883,449.

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – LONG-TERM DEBT

Revenue bonds

On December 17, 2019, Metro issued its \$451,000 of Sewer System Revenue Bond, Series 2019. The bond is payable in annual installments of \$29,205 beginning January 5, 2021 through fiscal year 2060. The maturity date for the bond is December 17, 2059 and has an interest rate of 5.69 percent.

On August 6, 2020, Metro issued its \$8,847,000 of Sewer System Revenue Bond, Series 2020. The bond requires semiannual interest payments beginning January 5, 2021 and annual principal payments beginning July 5, 2021. The maturity date for the bond is June 30, 2036 and it has an interest rate of 1.18 percent.

On June 10, 2021, Metro was issued \$10,264,000 of Sewer System Revenue Bond, Series 2021. The bond was issued to combine the outstanding debts of other certain sewer collection systems to be merged with Metro in fiscal year 2022. The bond required an interest only payment on June 1, 2022. The bond was paid off in June 2022 with the below bond.

On June 9, 2022, Metro issued its \$38,000,000 of Sewer System Revenue Bond, Series 2022. The bond was issued to combine the outstanding debts of other certain sewer districts to be merged with Metro in fiscal year 2023 and pay off the Series 2021 bond. See Note 16 for more details on the merger. The bond requires semiannual interest payments beginning December 1, 2022 and annual principal payments beginning July 1, 2024. The maturity date for the bond is June 1, 2042 and it has an interest rate of 3.35 percent.

The following is a summary of changes in revenue bonds for the year ended June 30, 2022.

Revenue Bond	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds:					
Series 2019	\$ 449,168	\$ -	\$ (3,292)	\$ 445,876	\$ 3,478
Series 2020	8,847,000	-	(637,000)	8,210,000	645,000
Series 2021	10,264,000	-	(10,264,000)	-	-
Series 2022	-	38,000,000	-	38,000,000	-
Total Bonds	\$ 19,560,168	\$ 38,000,000	\$ (10,904,292)	\$ 46,655,876	\$ 648,478

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – LONG-TERM DEBT, Continued

Maturities of revenue bonds for the succeeding five years and thereafter at June 30, 2022, are as follows:

	Annual Interest	Annual Principal
2023	\$ 1,367,316	\$ 648,478
2024	1,387,793	2,118,678
2025	1,330,946	2,175,821
2026	1,272,217	2,235,111
2027	1,211,737	2,295,348
Thereafter	10,012,235	37,182,440
	<u>\$ 16,582,244</u>	<u>\$ 46,655,876</u>

Changes in other long-term liabilities

Other long-term liability activity for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Compensated absences	\$ 227,606	\$ 276,966	\$ (168,873)	\$ 335,699
Other postemployment benefits liability ¹	704,728	275,291	(209,471)	770,548
Net pension liability	5,879,604	771,252	-	6,650,856
Total	<u>\$ 6,811,938</u>	<u>\$ 1,323,509</u>	<u>\$ (378,344)</u>	<u>\$ 7,757,103</u>

At June 30, 2022, \$99,808 of the compensated absences balance is expected to be due within one year.

NOTE 6 – COMPLIANCE WITH BOND REQUIREMENTS – RESTRICTED CASH FOR DEBT

The amount of cash or cash equivalents restricted by the bond resolutions is summarized below.

	Restricted for debt payment	Restricted for improvements	Total
Existing debt of merged sewer systems	\$ 27,724,145	\$ -	\$ 27,724,145
Funds for future sewer system improvements	548,866	16,991,659	17,540,525
Other	-	30,488	30,488
Less: unspent debt proceeds	(27,724,145)	(10,882,489)	(38,606,634)
Total restricted	<u>\$ 548,866</u>	<u>\$ 6,139,658</u>	<u>\$ 6,688,524</u>

¹ See Note 9

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN

Employee Retirement Systems

Metro participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (PEBA).

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

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

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

Plan Descriptions

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

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

Membership

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

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

Benefits

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

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

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

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

Contributions

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

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

(Continued)

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021¹</u>
SCRS		
Employee Class Two	16.41%	15.41%
Employee Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%

Actuarial Assumptions and Methods

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

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

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

	SCRS
Actuarial Cost Method	Entry age normal
Investment Rate of Return ¹	7%
Projected Salary Increases	3.0% to 11.0% (varies by service) ¹
Benefit Adjustments	Lesser of 1% or \$500 annually

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

(Continued)

¹ Includes inflation at 2.25%

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

Assumptions used in the determination of the June 30, 2021, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL total, as of June 30, 2021, for SCRS are presented below.

System	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Metro's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 6,650,856	60.7%	.02512%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-Term Expected Rate of Return

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

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

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity¹	46.0%	6.87%	3.16%
Bonds	26.0%	.27%	0.07%
Private Equity^{1 2}	9.0%	9.68%	0.87%
Private Debt²	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate ²	9.0%	6.01%	0.54%
Infrastructure ²	3.0%	5.08%	0.15%
Total Expected Real Return³	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.43%

Pensions

At June 30, 2022, Metro reported a liability of \$6,650,856 for its proportionate share of the NPL. The NPL was measured as of June 30, 2021, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. Metro's proportion of the NPL was based on a projection of Metro's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

¹ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

² Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

³ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

For the year ended June 30, 2022, Metro recognized pension expense of \$600,530. At June 30, 2022 Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 533,389	\$ 9,175
Changes of assumptions:		
Investment experience changes	-	987,538
Changes in proportion and differences between:		
Metro's contributions and proportionate share of contributions	647,002	296
Metro's contributions subsequent to the measurement date	675,619	-
Total	\$ 1,856,010	\$ 997,009

An amount of \$675,619 reported as deferred outflows of resources related to pensions resulting from Metro's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2022.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS:

Measurement Period Ending June 30	
2022	\$ 491,814
2023	381,657
2024	128,826
2025	(818,915)
Net Balance of Deferred Outflow/(Inflow) of Resources	\$ 183,382

Discount Rate

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

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 8,580,806	\$ 6,550,856	\$ 4,863,548

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2021, and the accounting valuation report as of June 30, 2021. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' Comprehensive Annual Financial Report.

NOTE 8 – EMPLOYEE BENEFITS

Metro offers health, dental, and life insurance through Greenville County. Metro pays the entire cost of the employee portion of health and dental coverage, and will pay a portion of dependent health and dental coverage if elected by the employee. Metro pays for a \$50,000 life insurance policy through Reliastar Life Insurance contracted through Greenville County for each employee. Employees may elect additional employee, dependent, and/or child life insurance policies at the employee's expense. Medical and life insurance expense totaled \$1,058,388 for the fiscal year ended June 30, 2022.

Metro provides post-retirement health, dental and supplemental benefits for eligible retirees and their spouses under similar provisions provided to existing employees. See Note 9 for further information related to these benefits.

Metro offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k) plans. The plans, available to all Metro employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available (except through a retirement loan) to employees until termination, retirement, death, or unforeseeable emergency. Great West Retirement Services, 8515 East Orchard Road, Greenwood Village, CO 80111, (under state contract) is the program administrator of both the 457 and the 401(k) plans. The choice of deferred compensation options are selected by the participant.

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Metro administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides post-retirement health, dental, and supplemental insurance benefits for eligible retirees and their spouses under the same provisions provided to existing employees. Benefit provisions are established by the Board of Commissioners. The Retiree Health Plan does not issue a publically available financial report. Metro pays a portion of the monthly premiums for health, dental or supplemental insurance coverage for these eligible retired plan members and their spouses in the amount of \$75 per month, with the retiree plan members paying the remainder of the premiums. As of year end, four retiree and three spouses were receiving coverage benefits.

Funding Policy

Metro’s annual other post-employment benefits (OPEB) cost (expense) is a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

Health insurance continuation of coverage – As required by the Consolidated Omnibus Budget and Reconciliation Act (COBRA), Metro provides health and dental insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium is paid in full by the former employee on or before the tenth day of the month for the actual month covered. There is no associated cost to Metro.

Total OPEB liability – Metro’s total OPEB liability of \$770,548 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average Retirement Age	65
Plan Asset Return	0.00 percent
Bond Yield	3.54 percent
Discount Rate	3.54 percent
Salary Increases	5.00 percent
Percentage Participation	100 percent

The discount rate was based on the 20-Year Bond General Obligation Index.

Mortality rates were based on the July 1, 2020 SCRS valuation (see Note 7).

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study with a measurement date of June 30, 2022.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at June 30, 2021	\$ 704,728
Changes for the year:	
Service cost	87,854
Interest	17,062
Difference between expected/actual experience	(5,356)
Changes in assumptions	170,375
Employer contributions	(204,115)
Net changes	65,820
Balance at June 30, 2022	\$ 770,548

Post-Employment and Other Employee Benefits

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of Metro, as well as what Metro's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54)	Discount Rate (3.54)	1% Increase (4.54)
Total OPEB liability	\$ 910,632	\$ 770,548	\$ 662,368

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB - For the year ended June 30, 2022, Metro recognized an increase in OPEB liability in the amount of \$65,820. At June 30, 2022, Metro reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected/actual experience	\$ -	\$ -
Changes in assumptions	-	-
Total	\$ -	\$ -

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30</u>		
2023	\$	-
2024	\$	-
2025	\$	-
2026	\$	-
2027	\$	-

NOTE 10 – CONSTRUCTION CONTRACTS IN PROGRESS

At June 30, 2022, Metro had commitments for various capital and rehabilitation projects. The following summarizes the capital and rehabilitation contracts in progress at June 30, 2022 on which significant additional work is to be performed:

Project Name	Contract amount	Total contract incurred through June 30, 2022	Balance to be performed
<u>Design Phase:</u>			
Beattie Plant Sewer Extension	\$ 83,810	\$ 47,209	\$ 36,601
Parker Mill Village	568,342	78,298	1,109,235
Wade Hampton - Brushy Creek	58,800	10,000	48,800
	<u>\$ 710,952</u>	<u>\$ 515,956</u>	<u>\$ 194,996</u>
<u>Construction Phase:</u>			
Huff Creek (Antioch Branch)	\$ 1,664,409	\$ 1,297,726	\$ 36,601
Payne Branch Extension	1,187,533	78,298	1,109,235
Gantt - 2021 Sewer Rehab Project	2,349,844	1,376,898	972,946
Berea - Mauldin Basin Phase 2 Rehab Project	3,313,919	1,356,518	1,957,401
FM400B-343 Find & Fix CIPP Project	3,686,900	25,059	3,661,841
	<u>\$ 12,202,605</u>	<u>\$ 4,134,499</u>	<u>\$ 8,068,106</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Due to the nature of Metro's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result from litigation claims, audit disallowances, threatened property loss, or uncollectible receivables. Metro maintains insurance against certain loss contingencies with tort liability policies and physical damage coverage.

(Continued)

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – COMMITMENTS AND CONTINGENCIES, (Continued)

Metro has entered into agreements to contribute and receive funds for sewer line extensions and rehabilitation that would benefit future growth in these areas. Upon completion of these projects, the lines will be deeded to Metro.

Sewer Line	Details
Huff Creek Antioch Branch Sewer Extension	\$680,000 ReWa contribution to Metro
Beattie Plant Sewer Extension	\$200,000 ReWa contribution to Metro
Highland Colony Estates/Phillip McCall Rd	\$150,000 Metro contribution to ReWa
Reid School Rd Extension	\$500,000 Developer contribution
Pelham WRRF	\$500,000 RIA Grant awarded
FM400B-343 Basin Find and Fix	\$500,000 RIA Grant awarded
RMB 97	\$500,000 RIA Grant awarded
Parker Mill System Rehabilitation	\$75,000,000 ReWa contribution to Metro from 2023-2038 (offset by any grant funding awarded)

NOTE 12 – BILLING AGREEMENTS

Metro has contracted with four local water utilities which have common customers to provide billing and collection functions. The most significant is with Greenville Water located in Greenville, South Carolina. The cost to Metro for the year ended June 30, 2022 was \$944,533, which is included in general and administration expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Position. For the year ended June 30, 2023, Metro has budgeted \$1,340,000 for billing charges.

NOTE 13 – RISK MANAGEMENT

Metro is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job-related illnesses and accidents. Metro pays the State Fiscal Accountability Authority (Insurance Reserve Fund) for all other forms of coverage. Metro pays premiums to the State Accident Fund for workman's compensation insurance which is administered by a private insurance company.

The State Accident Fund and the State Fiscal Accountability Authority (Insurance Reserve Fund) promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 – SEWER SUBDISTRICT MERGER

Metro entered into a merger agreement on July 1, 2021 with Berea Public Service District, Gantt Fire Sewer and Police District, Marietta Water Fire Sanitation and Sewer District, and Wade Hampton Fire and Sewer District in which Metro acquired the sewer systems from these districts. All assets and liabilities associated with the sewer system operations were transferred over to Metro on July 1, 2021.

For the year ended June 30, 2022, Metro recorded a gain and loss on merger of \$51,573,553. A summary of the gain and loss on merger is as follows:

Gain on depreciable assets transfer	\$ 917,782
Gain on sewer systems transfer	49,778,674
Gain on cash transfer	6,095,964
Loss on debts transfer	(4,124,157)
Loss on pension liabilities transfer	(1,094,710)
	<u>\$ 51,573,553</u>

NOTE 15 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the financial statements for accrued interest that should have been excluded in fiscal year 2021. The adjustment is summarized as follows:

	<u>Net Position</u>
Beginning net position, as previously reported at June 30, 2021	<u>\$ 223,619,596</u>
Prior period adjustments:	
Overstated accrued interest during fiscal year 2021	<u>40,771</u>
Net position, as restated July 1, 2021	<u>\$ 223,660,367</u>

**METROPOLITAN SEWER SUBDISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, Metro has evaluated events and transactions for potential recognition or disclosure through December 20, 2022 the date the financial statements were available for issuance.

The following events occurred subsequent to June 30, 2022:

- Metro acquired the sewer systems of Parker Sewer and Fire District and Taylors Fire and Sewer District. All sewer system assets were transferred over to Metro as of July 1, 2022. On June 10, 2022, Metro issued its \$38,000,000 Sewer System Revenue Bond Series 2022 to satisfy the sewer related debt of these districts and to consolidate the Sewer System Revenue Bond Series 2021. All fire assets and liabilities will remain intact within the current special purpose district.
- The City of Travelers Rest approved a Transfer Agreement on Oct. 20, 2022 and passed an ordinance, with Metro to transfer the City's sewer collection system to Metro and for the provision of sewer service by Metro within the Travelers Rest City Limits. Metro is now petitioning Greenville County Council to expand Metro's boundaries to overlap the City of Travelers Rest's boundaries. On Nov. 1, 2022, Council's Public Works Infrastructure Committee approved a resolution for a Public Hearing on Dec. 6, an ordinance enlarging Metro's boundaries to overlap the City of Travelers Rest, and a petition from the City of Travelers Rest and Metro requesting the boundary enlargement. Greenville County Council is expected to have a first reading of the ordinance and the two petitions for boundary enlargement on Nov. 15, 2022.
- On March 15, 2022, Greenville County Council approved a resolution consenting to the enlargement of the Metro's Commission by two seats, as a result of two boundary expansions that have occurred from the sewer subdistrict consolidations that occurred on July 1, 2021 and July 1, 2022.
- Metro has received \$6,956,135 of cash from Parker Sewer and Fire District and \$1,621,320 of cash from Taylors Fire and Sewer District.

REQUIRED SUPPLEMENTAL INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2022

**METROPOLITAN SEWER SUBDISTRICT
SEWER LINE CONDITION ASSESSMENT
YEAR ENDED JUNE 30, 2022**

CONDITION ASSESSMENT OF GRAVITY SYSTEM INFRASTRUCTURE ASSETS

FY2022					
	Condition Score	Unique Gravity Main Assets	Linear Feet	Percent of Total	Miles
Best	1	19,175	3,479,263	66.5%	658.95
Good	2	4,851	914,724	17.5%	173.24
Acceptable	3	1,958	388,047	7.4%	73.49
Deficient	4	595	131,240	2.5%	24.86
Worst	5	1,528	319,575	6.1%	60.53
Total		28,107	5,232,849	100%	991.07

FY2021					
	Condition Score	Unique Gravity Main Assets	Linear Feet	Percent of Total	Miles
Best	1	17,651	3,209,656	90.5%	607.89
Good	2	1,504	260,102	7.3%	49.26
Acceptable	3	317	62,378	1.8%	11.81
Deficient	4	41	9,118	0.3%	1.73
Worst	5	20	4,697	0.1%	0.89
Total		19,533	3,545,951	100%	671.58

FY2020					
	Condition Score	Unique Gravity Main Assets	Linear Feet	Percent of Total	Miles
Best	1	18,005	3,257,353	92.1%	616.92
Good	2	613	127,203	3.6%	24.09
Acceptable	3	668	116,547	3.3%	22.07
Deficient	4	75	16,527	0.5%	3.13
Worst	5	84	18,527	0.5%	3.51
Total		19,445	3,536,157	100%	669.72

COMPARISON OF BUDGETED-TO-ACTUAL REHABILITATION PROJECTS AND MAINTENANCE PROJECTS CONTRACT

	FY2022	FY2021	FY2020	FY2019	FY2018
Budgeted	\$ 10,290,000	\$ 4,220,000	\$ 4,475,000	\$ 3,427,000	\$ 3,922,000
Actual	\$ 8,557,585	\$ 3,634,335	\$ 2,345,443	\$ 2,162,045	\$ 3,929,636

The condition assessment data of Metro's sewer system is recorded in the Cityworks/GIS network, an asset management system, which provides individual pipe segment information and is tied directly to a unique asset. Integrated application within the asset management system is then used to implement proactive inspection, repair, and rehabilitation workflows. Sewer pipeline assessments are revised annually to reflect any changes in condition of the system. It is Metro's policy to maintain its sewer system so that a condition rating of 5 is less than 5% of the system. During the year ended June 30, 2022, Metro merged with four other sewer districts causing an increase in the amount of worst lines compared to the year ending June 30, 2021. Metro will continue investing to make improvements in these lines to comply with Metro's policy.

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022

	SCRS								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Metro's proportion of the net pension liability	0.02512%	0.02301%	0.02257%	0.02151%	0.02157%	0.02162%	0.02226%	0.02050%	0.02050%
Metro's proportionate share of the net pension liability	<u>\$ 6,650,856</u>	<u>\$ 5,879,604</u>	<u>\$ 5,154,603</u>	<u>\$ 4,819,515</u>	<u>\$ 4,855,304</u>	<u>\$ 4,617,786</u>	<u>\$ 4,221,147</u>	<u>\$ 3,529,076</u>	<u>\$ 3,676,610</u>
Metro's covered payroll	<u>\$ 2,839,391</u>	<u>\$ 2,566,388</u>	<u>\$ 2,383,766</u>	<u>\$ 2,228,571</u>	<u>\$ 2,176,180</u>	<u>\$ 2,093,521</u>	<u>\$ 2,086,829</u>	<u>\$ 1,860,914</u>	<u>\$ 1,732,268</u>
Metro's proportionate share of the net pension liability as a percentage of its covered payroll	234.23530%	229.10035%	216.23779%	216.26033%	223.11132%	220.57510%	202.27565%	189.64208%	212.24256%
Plan fiduciary net position as a percentage of the total pension liability	60.70%	50.70%	54.40%	54.10%	53.30%	52.91%	56.99%	59.90%	56.39%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information presented is only for those years which are available.

**METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022**

	SCRS									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 675,619	\$ 441,814	\$ 399,330	\$ 347,076	\$ 302,194	\$ 251,566	\$ 231,543	\$ 227,464	\$ 197,257	\$ 183,620
Contributions in relation to the contractually required contribution	<u>675,619</u>	<u>441,814</u>	<u>399,330</u>	<u>347,076</u>	<u>302,194</u>	<u>251,566</u>	<u>231,543</u>	<u>227,464</u>	<u>197,257</u>	<u>183,620</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Metro's covered payroll	<u>\$ 4,079,823</u>	<u>\$ 2,839,391</u>	<u>\$ 2,566,388</u>	<u>\$ 2,383,766</u>	<u>\$ 2,228,571</u>	<u>\$ 2,176,180</u>	<u>\$ 2,093,521</u>	<u>\$ 2,086,829</u>	<u>\$ 1,860,914</u>	<u>\$ 1,732,268</u>
Contributions as a percentage of covered payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%	10.60%

METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF CHANGES IN METRO'S OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2022

	For the last fiscal year				
	2022	2021	2020	2019	2018
OPEB liability:					
Service cost	\$ 87,854	\$ 47,918	\$ 32,032	\$ 39,276	\$ 29,207
Interest	17,062	17,206	11,202	13,590	731
Employer contributions	(5,356)	(6,256)	(5,356)	(5,356)	(5,356)
Effect of economic/demographic gains or losses	170,375	(94,221)	212,527	-	-
Effect of assumptions	(204,115)	6,323	(8,290)	(123,239)	5,418
Net change in total OPEB liability	65,820	(29,030)	242,115	(75,729)	30,000
OPEB liability - beginning of year	704,728	733,758	491,643	567,372	537,372
OPEB liability - ending of year	<u>\$ 770,548</u>	<u>\$ 704,728</u>	<u>\$ 733,758</u>	<u>\$ 491,643</u>	<u>\$ 567,372</u>
Covered employee payroll	<u>\$ 4,079,823</u>	<u>\$ 2,839,391</u>	<u>\$ 2,566,388</u>	<u>\$ 2,383,766</u>	<u>\$ 2,228,571</u>
OPEB liability as a percentage of covered employee payroll	18.89%	24.82%	28.59%	20.62%	25.46%
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Notes

(1) Pursuant to GASB 75, a 10-year history of the information shown above is required. However, until a full 10-year history is compiled, information for those years which are available may be presented.

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

**OTHER SUPPLEMENTAL INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2022**

METROPOLITAN SEWER SUBDISTRICT
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

	Original and final budget	Actual	Variance	Percent change
OPERATING REVENUE				
User charge rate	\$ 16,440,000	\$ 16,720,192	\$ 280,192	1.7%
Property taxes	-	6,134	6,134	100.0%
Sewer fees	-	84	84	100.0%
Tap fees and other	1,180,000	2,254,717	1,074,717	47.7%
Total Revenues	17,620,000	18,981,127	1,361,127	7.2%
OPERATING EXPENSES				
Salaries, wages, and benefits	7,374,860	6,401,543	(973,317)	-15.2%
Professional fees	880,000	757,969	(122,031)	-16.1%
Project costs	10,690,000	8,636,504	(2,053,496)	-23.8%
General and administration	1,700,000	2,291,350	591,350	25.8%
Operations and maintenance	2,928,000	2,361,656	(566,344)	-24.0%
Operating expenses excluding depreciation	23,572,860	20,449,022	(3,123,838)	-15.3%
Depreciation	-	903,752	(903,752)	-100.0%
Total operating expenses	23,572,860	21,352,774	2,220,086	10.4%
Operating income	(5,952,860)	(2,371,647)	3,581,213	-151.0%
NON-OPERATING REVENUE (EXPENSES)				
Interest income	15,000	7,128	(7,872)	-110.4%
Gain on sale of assets	50,000	166,176	116,176	69.9%
Other revenue	495,000	25,736	(469,264)	-1823.4%
Grant revenue	500,000	440,316	(59,684)	-13.6%
GASB 68 - state retirement	-	47,142	47,142	100.0%
GASB 75 - other post-employment benefits	-	(65,820)	(65,820)	100.0%
Interest expense	-	(323,898)	(323,898)	100.0%
Total non-operating revenue (expense)	1,060,000	296,780	(763,220)	-257.2%
Change in net position before capital contributions	(4,892,860)	(2,074,867)	2,817,993	-135.8%
CAPITAL CONTRIBUTIONS AND ACQUISITIONS				
Capital contributions	-	9,693,471	9,693,471	100.0%
Gain and loss on merger	11,300,000	51,573,553	40,273,553	78.1%
	11,300,000	61,267,024	49,967,024	81.6%
Change in net position	(4,892,860)	59,192,157	64,085,017	108.3%
Net position, beginning of year as restated (see Note 15)	223,660,367	223,660,367	-	0.0%
Net position, end of year	\$ 218,767,507	\$ 282,852,524	\$ 64,085,017	22.7%

METROPOLITAN SEWER SUBDISTRICT
NOTES TO SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
JUNE 30, 2022

Budgetary to Actual Highlights

Total Operating Revenues: Actual fiscal year 2022 operating revenues are \$18,981,127 versus budgeted operating revenues of \$17,620,000 which results in a variance of \$1,361,127 or 7.2% above budget.

The following is a summary of the Operating Revenue categories:

- *User charge rate revenues* are above budget by \$280,192 or 1.7% due to projected user charge rate revenue for the addition of more than 18,500 customers through the sewer districts merger.
- *Property taxes and sewer fees* were not budgeted for due to the charge in customer billing from taxes and fees to charges based on water consumption. Tax money currently received is due to delinquent taxes being paid.
- *Tap fees and other* are above budget by \$1,074,717 or 47.7% due to the increase in residential and commercial development in Metro's service area.

Total Operating Expenses (excludes depreciation): Actual fiscal year 2022 operating expenses are \$20,449,022 versus budgeted operating expenses of \$23,572,860 which results in a variance of \$3,123,838 or 15.3% below budget.

The following is a summary of the Operating Expense categories:

- *Salaries, wages, and benefit expenses* are under budget by \$973,317 or 15.2%. This is primarily due to open positions being vacant longer than expected.
- *Professional fees* are under budget by \$122,031 or 16.1% due to lower than expected legal and professional services needed and fewer public relation projects completed throughout the year.
- *Project cost expenses* are under budget by \$2,053,496 or 23.8%. This is mainly related to the timing of project start up and completion throughout the year.
- *General and administrative expenses* are over budget by \$591,350 or 25.8%. This is related to the increase in fees charged by the water providers billing on Metro's behalf and charges associated with the sewer district merger for bond issuance.
- *Operations and maintenance expenses* are under budget by \$566,344 or 24% mainly due to fewer repairs needed for pump stations and less CCTV line cleaning work throughout the year.

Non-Operating Revenues (Expenses): Actual non-operating revenues are \$296,780 versus budgeted non-operating revenues of \$1,060,000, which results in a variance of \$763,220 or 257.2% below budget.

The following is a summary for the Non-Operating Revenue categories:

- *Interest income* is below budget by \$7,872 or 110.4%. This is due to low interest rates received on Metro's account balances. Metro did not invest in additional excess funds due to the low interest during the year.
- *Gain on sale of assets* were \$116,176 or 69.9% more than budgeted due to the sale of vehicles and equipment received from the sewer districts merger.
- *Other Revenue* is below budget by \$469,264 or 1,823.4%. This is due to less than anticipated revenues for project contributions from developers throughout the year.
- *Grant Revenue* of \$440,316 was received in fiscal year 2022 from FEMA for rehabilitation reimbursement projects.
- *GASB 68 and GASB 75 liability expenses* were booked to include the annual year-end non-cash adjustment of net pension contributions and liabilities in accordance with the South Carolina Retirement System's actuarial calculations.
- *Interest expense* was booked as the result of interest paid and accrued interest related to the debt issued.

Capital Contributions and Acquisitions: Actual capital contributions and acquisitions are \$61,267,024 versus budgeted capital contributions and acquisitions of \$11,300,000, which results in a variance of \$49,967,024 or 81.6% above budget.

- *Capital Contributions* are donated sewer lines that are a non-budgeted item totaling \$9,693,471 which represents sewer lines and pump stations contributed by private developers.
- *Gain and loss on merger* is the actual amount of vehicles, equipment, sewer lines, cash debt and pension liabilities Metro acquired through the sewer district's merger.

Net Pension: The change for fiscal year 2022 was an increase of \$59,192,157 versus the budgeted decrease of \$4,892,860, which is \$64,085,017 or 108.3% above budget. This increase in the budget is related to the sewer district's merger and the addition of more than 18,500 customers and over 300 miles of sewer lines.

Statistical Section



STATISTICAL CONTENTS

This part of Metro'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 Metro's overall financial health.

FINANCIAL TRENDS *(Tables 1-7)* 54-60

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

REVENUE CAPACITY *(Tables 8-11)* 61-64

These schedules contain information to help the reader assess the factors affecting Metro's ability to generate property and sales taxes.

DEBT CAPACITY *(Tables 12-13)* 65-66

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

DEMOGRAPHIC AND ECONOMIC INFORMATION *(Tables 14-15)* 67-68

These schedules offer demographic and economic indicators to help the reader understand the environment within which Metro's financial activities take place and to help make comparisons over time and with other governments.

OPERATING INFORMATION *(Tables 16-17)* 69-70

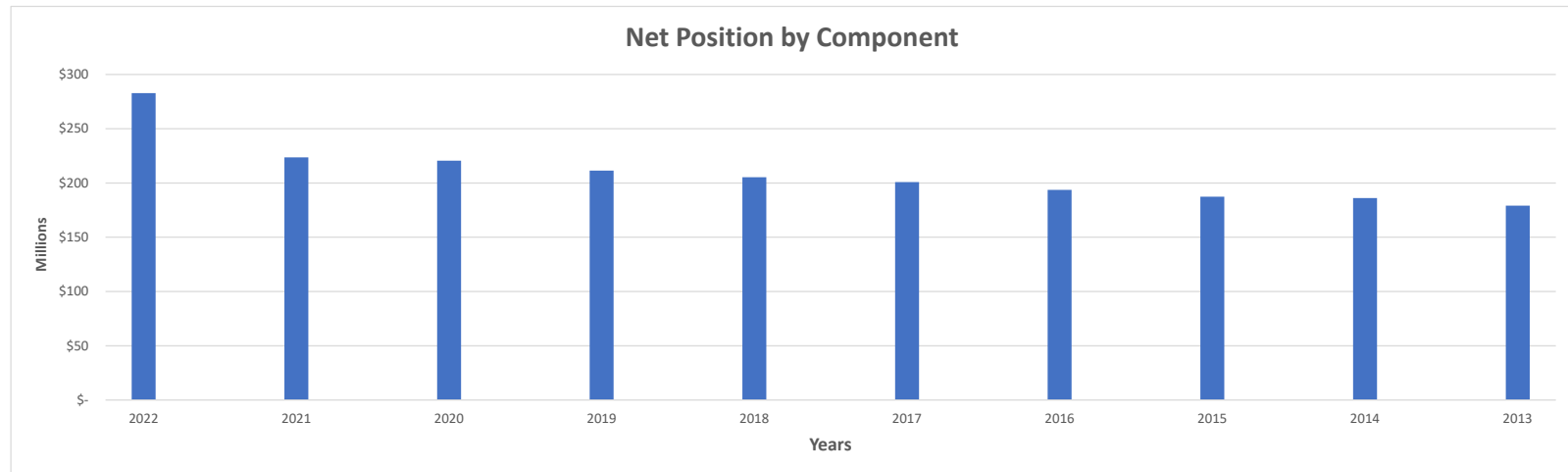
These schedules contain information about Metro's operations and resources to help the reader understand how Metro's financial information relates to the services Metro provides and the activities it performs.

FINANCIAL TRENDS
FOR FISCAL YEAR ENDED JUNE 30, 2022

METROPOLITAN SEWER SUBDISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
NET POSITION										
Net investment in capital assets	262,217,542	202,293,696	200,950,607	191,042,800	186,195,208	181,127,267	174,667,697	170,563,901	167,067,185	162,721,340
Restricted for capital activity	6,139,658	30,481	30,459	30,350	30,350	30,350	30,310	30,251	30,000	30,000
Restricted for debt service	548,866	620,789	43,813	-	-	-	-	-	-	-
Unrestricted	13,946,452	20,674,630	19,445,040	20,375,380	19,167,261	19,610,020	19,015,553	16,758,800	18,932,113	16,401,380
TOTAL NET POSITION	282,852,518	223,619,596	220,469,919	211,448,530	205,392,819	200,767,637	193,713,560	187,352,952	186,029,298	179,152,720



METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 2

	2022 ⁽¹⁾	2021	2020 ⁽³⁾	2019	2018	2017	2016	2015	2014	2013
OPERATING REVENUES										
User charge rate	16,720,192	11,775,748	11,510,041	-	-	-	-	-	-	-
Property taxes	6,134	17,364	281,134	5,586,169	5,341,214	5,099,938	5,101,598	4,902,401	4,682,984	4,538,342
Sewer fees	84	1,296	25,755	3,215,746	3,174,777	3,059,026	2,981,650	2,907,286	2,761,593	2,885,595
Tap fees and other	2,254,717	1,566,241	896,995	749,302	717,955	694,688	719,244	669,180	683,671	734,448
TOTAL OPERATING REVENUES	18,981,127	13,360,649	12,713,925	9,551,217	9,233,946	8,853,652	8,802,492	8,478,867	8,128,248	8,158,385
OPERATING EXPENSES										
Salaries, wages, and benefits	6,401,543	4,338,052	3,942,514	3,600,357	3,351,190	3,116,282	2,977,788	2,964,126	2,641,823	2,453,570
Professional fees	757,969	1,068,939	675,570	296,387	151,774	151,741	101,229	83,979	100,800	76,059
Project costs	8,636,504	3,923,547	3,895,718	2,371,670	3,929,636	2,607,157	1,604,731	1,885,547	1,261,948	2,261,820
General and administration	2,291,350	1,324,854	1,366,792	477,772	333,884	448,280	411,851	278,975	288,009	205,561
Operations and administration	2,361,656	1,204,608	979,255	859,741	845,366	515,340	407,148	510,117	476,650	568,004
OPERATING EXPENSES BEFORE DEPRECIATION	20,449,022	11,860,000	10,859,849	7,605,927	8,611,850	6,838,800	5,502,747	5,722,744	4,769,230	5,565,014
Depreciation	903,752	586,184	618,380	582,844	506,541	495,546	442,273	437,830	389,777	293,510
TOTAL OPERATING EXPENSES	21,352,774	12,446,184	11,478,229	8,188,771	9,118,391	7,334,346	5,945,020	6,160,574	5,159,007	5,858,524
Operating income	(2,371,647)	914,465	1,235,696	1,362,446	115,555	1,519,306	2,857,472	2,318,293	2,969,241	2,299,861
NON-OPERATING REVENUE (EXPENSE)										
Interest income	7,128	27,424	131,052	127,900	71,261	33,829	19,192	17,556	30,459	28,715
Gain (loss) on disposal of assets	166,176	45,820	40,021	104,000	24,500	24,721	17,075	(32,489)	22,295	99,171
Other revenue	25,736	287,116	375,131	-	-	-	-	-	-	-
Grant revenue	440,316	89,609	-	-	-	-	-	-	-	-
GASB implementations	(18,678)	(263,377)	(471,243)	(124,472)	(273,963)	(235,669)	(199,785)	(278,850)	(63,254)	(27,992)
Interest expense	(323,898)	(135,736)	(13,722)	-	-	-	-	-	-	-
Loss on disposal of sewer lines	-	(5,879,734)	-	-	-	-	-	-	-	-
NET NON-OPERATING REVENUE (EXPENSE)	296,780	(5,828,878)	61,239	107,428	(178,202)	(177,119)	(163,518)	(293,783)	(10,500)	99,894
CAPITAL CONTRIBUTIONS AND ACQUISITIONS										
Capital grant revenue	-	558,166	-	-	-	667,535	240,305	342,463	1,916,940	3,824,031
Capital contributions	9,693,471	7,505,724	7,724,454	4,585,837	5,006,887	5,044,355	3,426,348	2,172,748	1,927,161	1,211,596
Gain and loss on merger	51,573,553	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL CONTRIBUTIONS AND ACQUISITIONS	61,267,024	8,063,890	7,724,454	4,585,837	5,006,887	5,711,890	3,666,653	2,515,211	3,844,101	5,035,627
PRIOR PERIOD ADJUSTMENT	40,771 ⁽²⁾	-	-	-	(319,058) ⁽⁴⁾	-	-	(3,479,256) ⁽⁵⁾	-	-
CHANGE IN NET POSITION	59,232,928	3,149,477	9,021,389	6,055,711	4,625,182	7,054,077	6,360,607	1,060,465	6,802,842	7,435,382

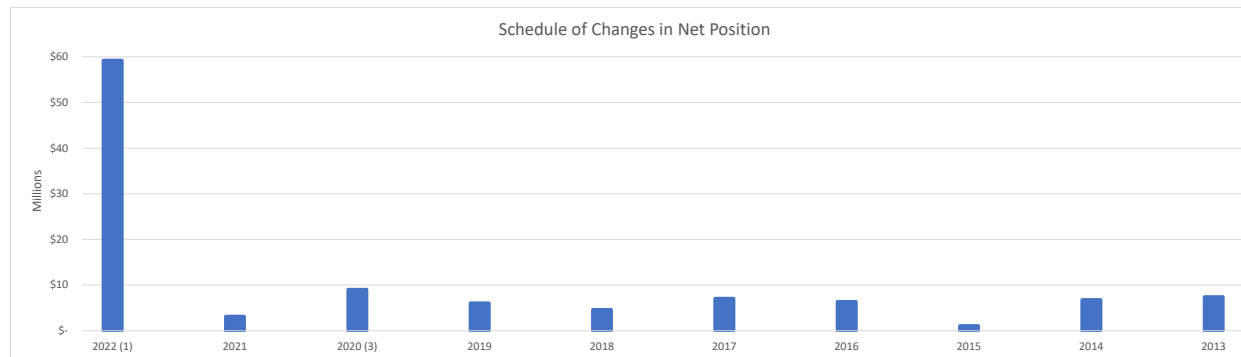
(1) In fiscal year 2022 Metro consolidated with four Greenville County sewer special purpose districts.

(2) In fiscal year 2022, Metro recorded a prior period adjustment related to accrued interest that was overstated and should have been included in fiscal year 2021.

(3) In fiscal year 2020, Metro changed to Enterprise Fund Accounting.

(4) In fiscal year 2018, Metro recorded a prior period adjustment related to GASB 75 and for expenses related to fiscal year 2017.

(5) In fiscal year 2015, Metro recorded a restatement for change in accounting principal due to the implementation of GASB 68.



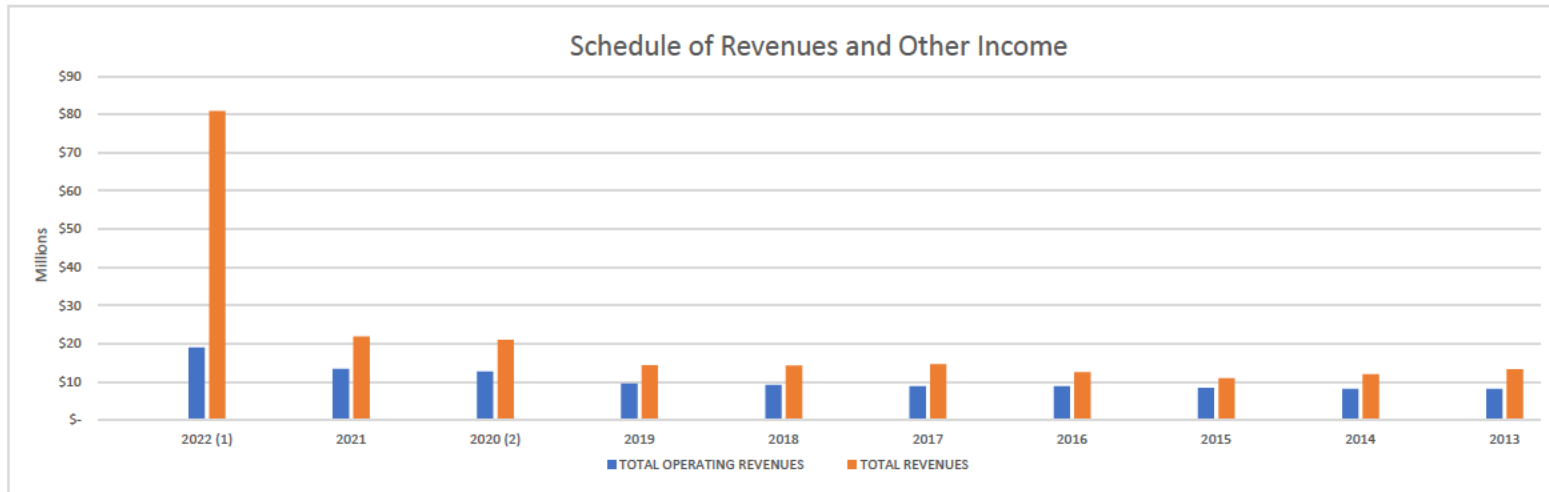
**METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF REVENUES AND OTHER INCOME
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 3

	2022 (1)	2021	2020 (2)	2019	2018	2017	2016	2015	2014	2013
OPERATING REVENUES										
User charge rate	16,720,192	11,775,748	11,510,041	-	-	-	-	-	-	-
Property taxes	6,134	17,364	281,134	5,586,169	5,341,214	5,099,938	5,101,598	4,902,401	4,682,984	4,538,342
Sewer fee	84	1,296	25,755	3,215,746	3,174,777	3,059,026	2,981,650	2,907,286	2,761,593	2,885,595
Tap fees and other	2,254,717	1,566,241	896,995	749,302	717,955	694,688	719,244	669,180	683,671	734,448
TOTAL OPERATING REVENUES	18,981,127	13,360,649	12,713,925	9,551,217	9,233,946	8,853,652	8,802,492	8,478,867	8,128,248	8,158,385
NON-OPERATING REVENUES										
Interest income	7,128	27,424	131,052	127,900	71,261	33,829	19,192	17,556	30,459	28,715
Gain (loss) on disposal of assets	166,176	45,820	40,021	104,000	24,500	24,721	17,075	(32,489)	22,295	99,171
Other revenue	25,736	287,116	375,131	-	-	-	-	-	-	-
Grant revenue	440,316	89,609	-	-	-	-	-	-	-	-
TOTAL NON-OPERATING REVENUES	639,356	449,969	546,204	231,900	95,761	58,550	36,267	(14,933)	52,754	127,886
CAPITAL CONTRIBUTIONS AND ACQUISITIONS										
Capital grant revenue	-	558,166	-	-	-	667,535	240,305	342,463	1,916,940	3,824,031
Capital contributions	9,693,471	7,505,924	7,724,454	4,585,837	5,006,887	5,044,355	3,426,348	2,172,748	1,927,161	1,211,596
Gain and loss on merger	51,573,553	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL CONTRIBUTIONS AND ACQUISITIONS	61,267,024	8,064,090	7,724,454	4,585,837	5,006,887	5,711,890	3,666,653	2,515,211	3,844,101	5,035,627
TOTAL REVENUES	80,887,507	21,874,708	20,984,583	14,368,954	14,336,594	14,624,092	12,505,412	10,979,145	12,025,103	13,321,898

(1) In fiscal year 2022, Metro consolidated with four Greenville County sewer special purpose districts.

(2) In fiscal year 2020, Metro changed to Enterprise Fund Accounting.



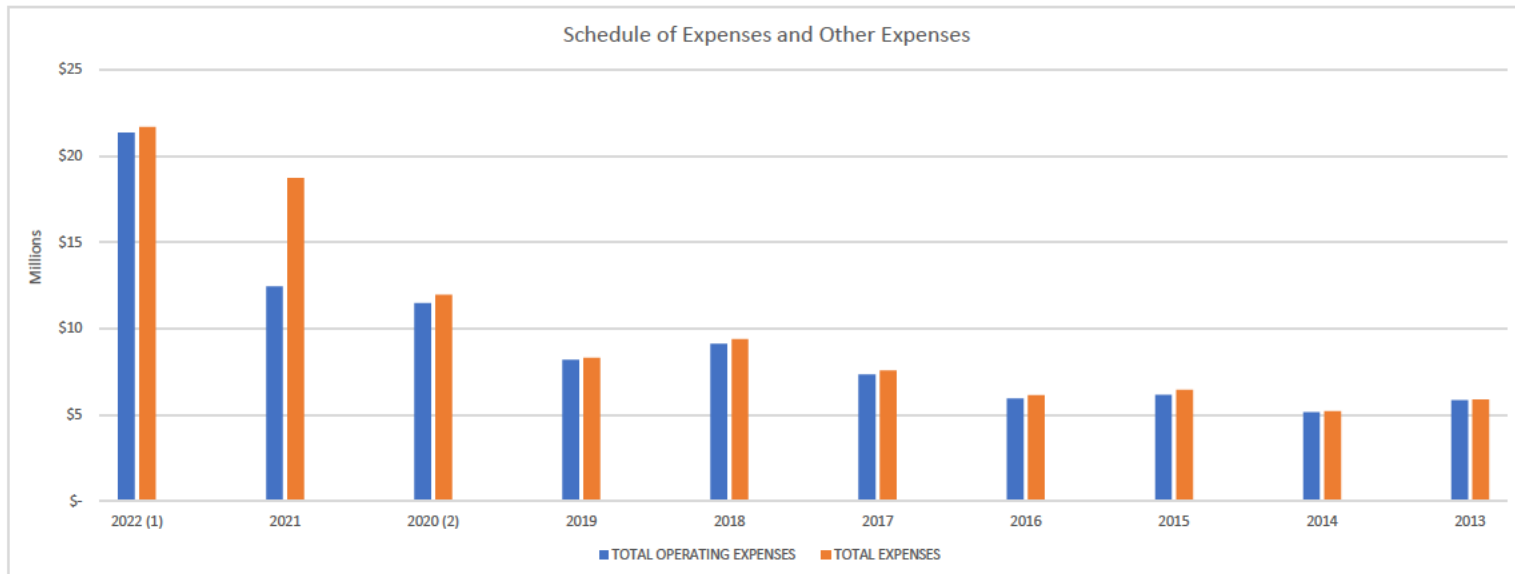
**METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF EXPENSES AND OTHER EXPENSES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 4

	2022 (1)	2021	2020 (2)	2019	2018	2017	2016	2015	2014	2013
OPERATING EXPENSES										
Salaries, wages and benefits	6,401,543	4,338,052	3,942,514	3,600,357	3,351,190	3,116,282	2,977,788	2,964,126	2,641,823	2,453,570
Professional fees	757,969	1,068,939	675,570	296,387	151,774	151,741	101,229	83,979	100,800	76,059
Project costs	8,636,504	3,923,547	3,895,718	2,371,670	3,929,636	2,607,157	1,604,731	1,885,547	1,261,948	2,261,820
General and administration	2,291,350	1,324,854	1,366,792	477,772	333,884	448,280	411,851	278,975	288,009	205,561
Operations and maintenance	2,361,656	1,204,608	979,255	859,741	845,366	515,340	407,148	510,117	476,650	568,004
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	20,449,022	11,860,000	10,859,849	7,605,927	8,611,850	6,838,800	5,502,747	5,722,744	4,769,230	5,565,014
Depreciation	903,752	586,184	618,380	582,844	506,541	495,546	442,273	437,830	389,777	293,510
TOTAL OPERATING EXPENSES	21,352,774	12,446,184	11,478,229	8,188,771	9,118,391	7,334,346	5,945,020	6,160,574	5,159,007	5,858,524
NON-OPERATING EXPENSES										
GASB implementations	18,678	263,377	471,243	124,472	273,963	235,669	199,785	278,850	63,254	27,992
Interest expense	323,898	135,736	13,722	-	-	-	-	-	-	-
Loss on disposal of sewer lines	-	5,879,734	-	-	-	-	-	-	-	-
TOTAL NON-OPERATING EXPENSES	342,576	6,278,847	484,965	124,472	273,963	235,669	199,785	278,850	63,254	27,992
TOTAL EXPENSES	21,695,350	18,725,031	11,963,194	8,313,243	9,392,354	7,570,015	6,144,805	6,439,424	5,222,261	5,886,516

(1) Metro consolidated with four Greenville County sewer special purpose districts.

(2) Metro changed to Enterprise Fund Accounting.



**METROPOLITAN SEWER SUBDISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 5

	2022	2021	2020 (1)	2019	2018	2017	2016	2015	2014	2013
GENERAL FUND										
Restricted for future capital expenditures	-	-	-	30,350	30,350	30,350	30,310	30,251	30,000	30,000
Assigned for subsequent year's expenditures	-	-	-	-	-	2,935,560	2,730,150	1,651,585	2,155,690	1,887,690
Unassigned	-	-	-	25,304,695	23,961,360	20,913,644	20,288,332	18,598,651	16,335,310	13,498,042
TOTAL GENERAL FUND	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,335,045</u>	<u>23,991,710</u>	<u>23,879,554</u>	<u>23,048,792</u>	<u>20,280,487</u>	<u>18,521,000</u>	<u>15,415,732</u>

(1) In fiscal year 2020, Metro changed to Enterprise Fund Accounting.

METROPOLITAN SEWER SUBDISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 6

	2022	2021	2020 (1)	2019	2018	2017	2016	2015	2014	2013
REVENUES										
Property taxes	-	-	-	5,597,021	5,355,362	5,100,524	5,102,136	4,870,765	4,699,774	4,561,739
Sewer fees	-	-	-	3,215,746	3,174,777	3,059,026	2,981,650	2,907,286	2,761,593	2,885,595
Interest income	-	-	-	127,900	71,261	33,829	19,192	17,556	30,459	28,715
Tap fees and other	-	-	-	749,302	717,955	694,688	719,244	669,180	683,671	734,448
TOTAL REVENUES	-	-	-	9,689,969	9,319,355	8,888,067	8,822,222	8,464,787	8,175,497	8,210,497
EXPENDITURES										
Salaries, wages and benefits	-	-	-	3,600,357	3,351,190	3,116,282	2,977,788	2,964,127	2,641,823	2,453,570
Professional fees	-	-	-	296,387	151,774	151,741	101,229	83,979	100,800	76,059
Project costs	-	-	-	2,371,670	3,929,636	2,607,157	1,604,731	1,885,547	1,261,948	2,261,820
General and administration	-	-	-	477,772	333,884	448,280	411,851	278,975	288,009	205,561
Operations and maintenance	-	-	-	859,741	845,366	515,340	407,148	510,117	476,650	568,004
Debt service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	7,605,927	8,611,850	6,838,800	5,502,747	5,722,745	4,769,230	5,565,014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	2,084,042	707,505	2,049,267	3,319,475	2,742,042	3,406,267	2,645,483
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	-	-	-	(844,707)	(565,299)	(1,250,105)	(568,245)	(1,048,207)	(323,294)	(334,436)
Proceeds from bonds	-	-	-	-	-	-	-	-	-	-
Proceeds from disposal of capital assets	-	-	-	104,000	29,651	31,600	17,075	65,651	22,295	124,969
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(740,707)	(535,648)	(1,218,505)	(551,170)	(982,556)	(300,999)	(209,467)
NET CHANGE IN FUND BALANCES	-	-	-	1,343,335	171,857	830,762	2,768,305	1,759,486	3,105,268	2,436,016

(1) In fiscal year 2020, Metro changed to Enterprise Fund Accounting.

METROPOLITAN SEWER SUBDISTRICT
CHANGES IN FUND BALANCES OF CAPITAL PROJECTS FUND
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 7

	2022	2021	2020 (1)	2019	2018	2017	2016	2015	2014	2013
REVENUES										
Capital grant revenue	-	-	-	-	-	667,535	551,475	776,006	2,411,431	4,443,808
Grant revenue	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,535</u>	<u>551,475</u>	<u>776,006</u>	<u>2,411,431</u>	<u>4,443,808</u>
EXPENDITURES										
Capital outlay	-	-	-	844,707	565,299	1,917,640	1,119,720	1,824,213	2,734,725	4,778,244
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,707</u>	<u>565,299</u>	<u>1,917,640</u>	<u>1,119,720</u>	<u>1,824,213</u>	<u>2,734,725</u>	<u>4,778,244</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(844,707)</u>	<u>(565,299)</u>	<u>(1,250,105)</u>	<u>(568,245)</u>	<u>(1,048,207)</u>	<u>(323,294)</u>	<u>(334,436)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	-	-	-	844,707	565,299	1,250,105	568,245	1,048,207	323,294	334,436
Proceeds from disposal of capital assets	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,707</u>	<u>565,299</u>	<u>1,250,105</u>	<u>568,245</u>	<u>1,048,207</u>	<u>323,294</u>	<u>334,436</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(1) In fiscal year 2020, Metro changed to Enterprise Fund Accounting.

REVENUE CAPACITY
FOR FISCAL YEAR ENDED JUNE 30, 2022

**METROPOLITAN SEWER SUBDISTRICT
HISTORICAL CUSTOMER CHARGES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 8

	2022	2021	2020 (1)	2019	2018	2017	2016	2015	2014	2013
SEWER USER CHARGE										
Base charge	\$ 11.45	\$ 11.25	\$ 11.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a
User volume charge (per 1,000 gallons)	1.60	1.57	1.54	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PROPERTY TAXES										
Millage rate	n/a	n/a	n/a	5.7	5.7	5.7	5.7	5.7	5.7	5.7
SEWER FEE BY PROPERTY VALUE										
Residential (Tax Mkt. Value < \$100,000)	n/a	n/a	n/a	\$ 38.00	\$ 38.00	\$ 38.00	\$ 38.00	\$ 38.00	\$ 38.00	\$ 38.00
Residential (Tax Mkt. Value \$100,000 to \$199,000)	n/a	n/a	n/a	45.60	45.60	45.60	45.60	45.60	45.60	45.60
Residential (Tax Mkt. Value \$200,000 to \$299,000)	n/a	n/a	n/a	53.00	53.00	53.00	53.00	53.00	53.00	53.00
Residential (Tax Mkt. Value \$300,000 to \$499,000)	n/a	n/a	n/a	60.80	60.80	60.80	60.80	60.80	60.80	60.80
Residential (Tax Mkt. Value > \$500,000)	n/a	n/a	n/a	64.60	64.60	64.60	64.60	64.60	64.60	64.60
Residential multi-fam 1	n/a	n/a	n/a	38.00	38.00	38.00	38.00	38.00	38.00	38.00
Residential multi-fam 2	n/a	n/a	n/a	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Commercial 1	n/a	n/a	n/a	750.00	750.00	750.00	750.00	750.00	750.00	750.00
Commercial 2	n/a	n/a	n/a	625.00	625.00	625.00	625.00	625.00	625.00	625.00
Commercial 3	n/a	n/a	n/a	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Industrial	n/a	n/a	n/a	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00

(1) On February 25, 2019 Metro adopted a new User Charge Rate Structure. The new rate structure, which went into effective July 1, 2019 is based on a connected sewer customers' water consumption.

**METROPOLITAN SEWER SUBDISTRICT
SCHEDULE BY CUSTOMER TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

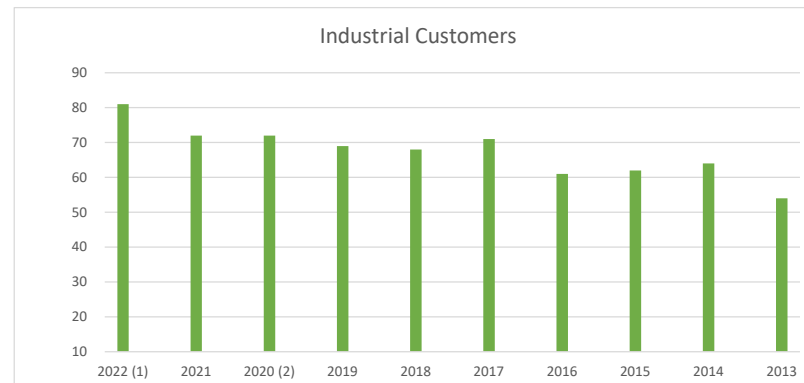
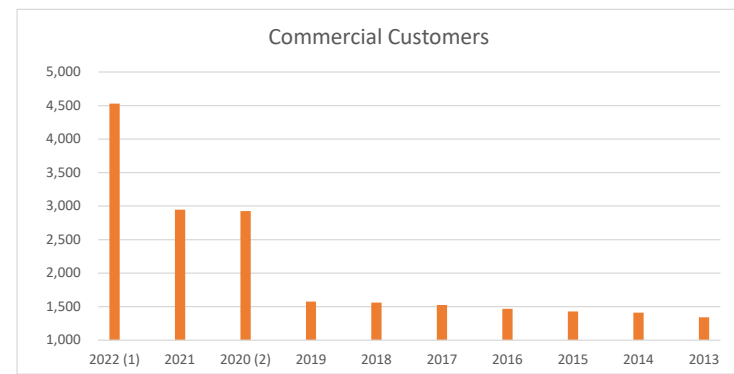
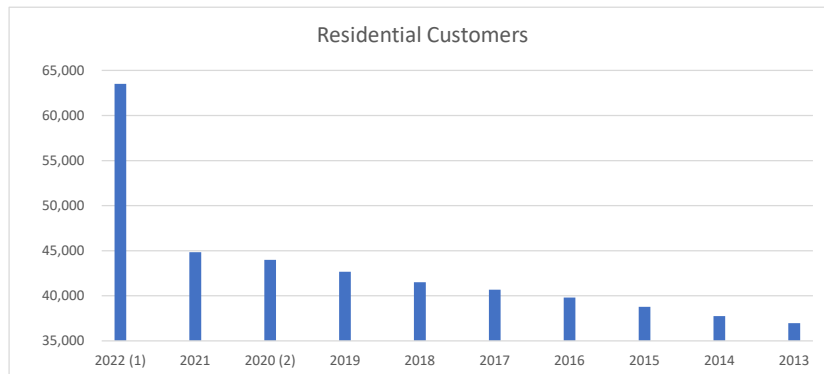
Table 9

	2022 (1)	2021	2020 (2)	2019	2018	2017	2016	2015	2014	2013
NUMBER OF CUSTOMERS:										
Residential	63,504	44,838	43,985	42,670	41,511	40,683	39,812	38,788	37,743	36,961
Commercial	4,530	2,947	2,927	1,575	1,562	1,525	1,467	1,428	1,410	1,340
Industrial	81	72	72	69	68	71	61	62	64	54
TOTAL NUMBER OF CUSTOMERS	68,115	47,857	46,984	44,314	43,141	42,279	41,340	40,278	39,217	38,355

Source: Information provided by Metro's GIS Department.

(1) In fiscal year 2022, Metro consolidated four Greenville County sewer special purpose districts.

(2) On February 25, 2019 Metro adopted a new User Charge Rate Structure. The new rate structure, which went into effect July 1, 2019 is based on a connected sewer customers' water consumption.

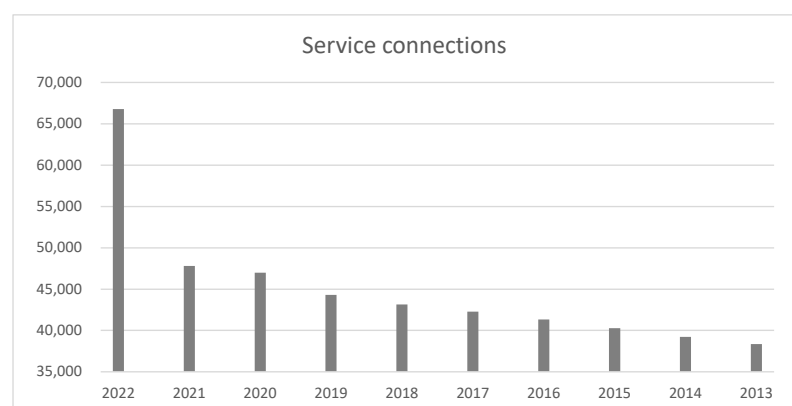
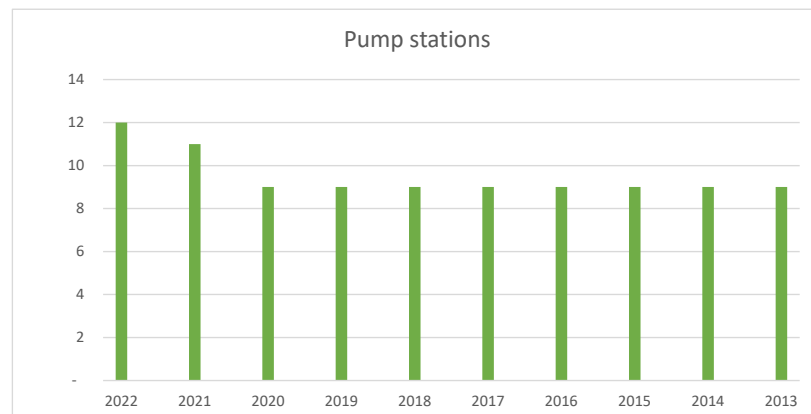
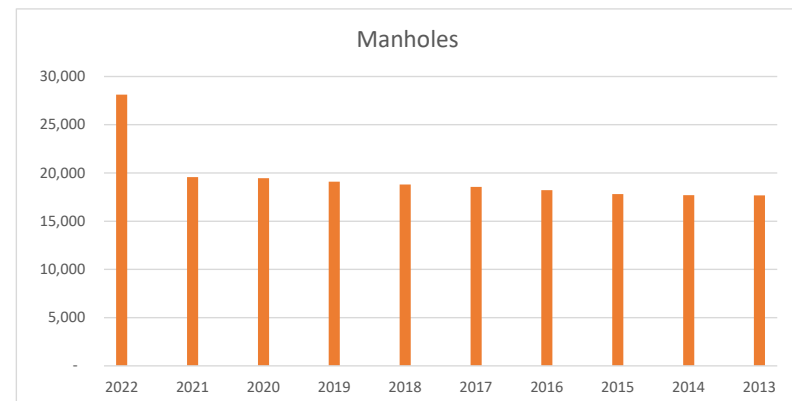
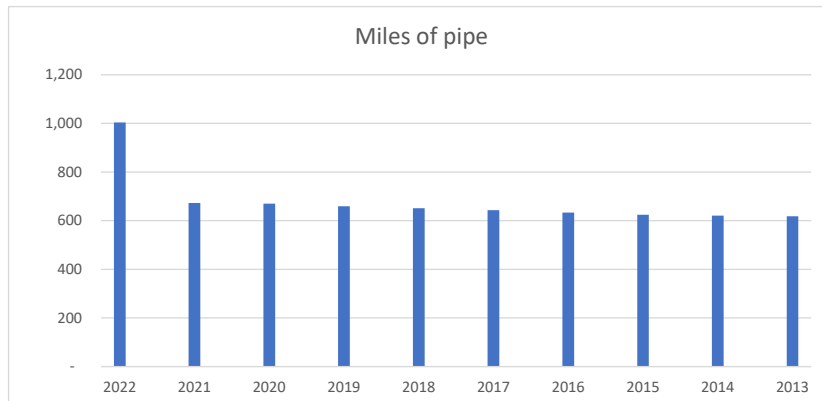


**METROPOLITAN SEWER SUBDISTRICT
OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 10

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
DIVISIONS										
Miles of pipe	991	672	670	659	651	643	633	624	621	618
Manholes	28,119	19,569	19,449	19,097	18,804	18,561	18,216	17,808	17,691	17,667
Pump stations	12	11	9	9	9	9	9	9	9	9
Service connections	66,778	47,793	46,984	44,314	43,141	42,279	41,340	40,278	39,217	38,355

Source: Information provided by Metro's GIS Department.



**METROPOLITAN SEWER SUBDISTRICT
TEN LARGEST CUSTOMERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

Table 11

Customer	Type of Business	2022 ⁽¹⁾			2013 ⁽²⁾		
		Total Amount Billed	Percent of Operating Revenue	Ranking	Total Amount Billed	Percent of Operating Revenue	Ranking ⁽³⁾
Cryovac Sealed Air Corporation	Food packaging	73,323	0.39%	1	41,441	0.50%	6
Bosch Rexroth Corporation	Pharmaceutical	69,771	0.37%	2	-	0.00%	-
Michelin North America Inc	Automotive	63,247	0.33%	3	86,624	1.06%	1
Cytec Carbon Fibers LLC	Chemical manufacturer	61,530	0.32%	4	-	-	-
General Electric Gas Turbine	Gas turbine manufacturing	34,202	0.18%	5	63,926	0.78%	2
Ethox Chemicals	Chemical manufacturer	22,644	0.12%	6	-	-	-
MARC	Research	21,109	0.11%	7	-	-	-
Greenville Parkway Hotel LLC	Real estate	20,955	0.11%	8	-	-	-
Meadows Greenville MHP LLC	Real estate	17,759	0.09%	9	-	-	-
Diversified Coating System	Automotive manufacturer	15,268	0.08%	10	-	-	-
3M Company	Technology	-	-	-	57,378	0.70%	3
BMW Manufacturing Co LLC	Automotive manufacturer	-	-	-	23,265	0.28%	8
Drive Automotive	Automotive manufacturer	-	-	-	25,419	0.31%	7
Verizon Wireless	Telecommunication	-	-	-	55,817	0.68%	4
Duke Energy Corporation	Electric and gas utility	-	-	-	45,485	0.55%	5
Bellsouth Telecomm Inc	Telecommunication	-	-	-	20,741	0.25%	9
Piedmont Natural Gas Company	Gas utility	-	-	-	20,070	0.24%	10

Source: Information provided by Metro's GIS Department.

(1) Based on billing for water consumption.

(2) Based on 5.7 mills tax on assessed property value.

(3) Ranking based on total taxes paid not taxable asses value - source Greenville County Tax Collector.

DEBT CAPACITY
FOR FISCAL YEAR ENDED JUNE 30, 2022

METROPOLITAN SEWER SUBDISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 12

Fiscal Year	Revenue Bonds	General Obligation Bonds	Notes Payable	Total Outstanding Debt	Total Debt Per Customer
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	\$ 449,168.00	\$ -	\$ -	\$ 449,168.00	\$ 9.56
2021	19,560,168	-	-	19,560,168	408.72
2022	46,655,876	-	-	46,655,876	716.52

**METROPOLITAN SEWER SUBDISTRICT
SCHEDULE OF REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 13

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
GROSS REVENUES	18,981,127	13,360,649	12,713,925	14,137,054	14,240,833	14,565,542	12,469,145	10,994,078	11,972,349	13,194,012
LESS: OPERATING EXPENSES (1)	<u>11,812,518</u>	<u>7,936,453</u>	<u>6,964,131</u>	<u>5,234,257</u>	<u>4,619,214</u>	<u>4,231,643</u>	<u>3,898,015</u>	<u>3,574,009</u>	<u>3,473,703</u>	<u>3,611,482</u>
AVAILABLE FOR DEBT SERVICE	<u>7,168,609</u>	<u>5,424,196</u>	<u>5,749,794</u>	<u>6,763,027</u>	<u>5,724,744</u>	<u>7,785,292</u>	<u>7,785,292</u>	<u>5,552,079</u>	<u>7,329,609</u>	<u>7,756,884</u>
Annual debt service revenue bond payments	866,670	72,412	-	-	-	-	-	-	-	-
Metro's debt coverage ratio	1.20	1.20	1.20	-	-	-	-	-	-	-
Debt coverage ratio	8.27	74.91	-	-	-	-	-	-	-	-

(1) Does not include depreciation nor any amounts expended for extraordinary repairs (Project Costs)
and capital improvements to the system per Metro's Master Bond Resolution

DEMOGRAPHIC AND ECONOMIC STATISTIC
FOR FISCAL YEAR ENDED JUNE 30, 2022

**METROPOLITAN SEWER SUBDISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 14

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Population size (1)	533,834	525,534	529,307	522,611	512,572	509,600	495,777	481,317	485,319	480,288
Population growth	1.6%	-0.7%	1.3%	2.0%	0.6%	2.8%	3.0%	-0.8%	1.0%	#DIV/0!
Personal income	29,536,501	27,633,103	26,888,796	25,003,801	23,901,232	23,678,564	21,058,128	20,126,270	19,810,722	18,835,935
Per capita personal income (2)	55,442	52,581	50,800	47,844	46,630	46,465	42,475	41,815	40,820	39,218
Median household income (3)	62,475	60,351	57,082	56,277	53,739	51,595	50,540	48,180	44,835	45,640
Median age (4)	38.3	38.2	38.4	38.2	37.9	37.8	38.1	37.9	34.6	34.6
School enrollment (5)	74,094	73,448	76,629	75,577	74,991	76,951	72,855	72,712	71,639	71,249
Unemployment rate (6)	3.0%	4.1%	8.4%	3.3%	3.3%	3.7%	4.6%	5.6%	4.8%	7.1%

Data is from Greenville County Statistics

- (1) Population estimates for two most recent years are based on historical data. Other years are revised estimates provided by the US Department of Commerce, Bureau of Economic Analysis.
- (2) Per Capita Personal Income for the two most recent fiscal years are estimates based on historical data. The actual figures have not yet been released. All remaining years are revised estimates provided by the U.S. Department of Commerce, Bureau of Economic Analysis.
- (3) Estimates based on historical information provided by the US Census Bureau.
- (4) Estimates based on historical information provided by the US Census Bureau.
- (5) The School District of Greenville County - Finance Department
- (6) US Bureau of Labor Statistics. 2020 had an abnormally high unemployment rate as a result of the coronavirus pandemic.

**METROPOLITAN SEWER SUBDISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

Table 15

Employer	2022 ⁽¹⁾			2013 ⁽¹⁾		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Prisma Health	10,328	1	4.18%	10,925	1	4.85%
School District of Greenville County	10,242	2	4.15%	10,850	2	4.82%
Michelin North America	4,030	3	1.63%	4,000	4	1.78%
Bon Secours St. Francis Health	3,800	4	1.54%	4,500	3	2.00%
SC State Government	3,357	5	1.36%	3,036	6	1.35%
Spectrum Communication	3,000	6	1.22%	-	-	-
GE Power	2,500	7	1.01%	3,200	5	1.42%
Greenville County Government	2,402	8	0.97%	1,944	9	0.86%
TD Bank	2,261	9	0.92%	-	-	-
Fluor Corporation	1,600	10	0.65%	2,500	7	1.11%
Bi-Lo Supermarkets	-	-	-	2,089	8	0.93%
US Government	-	-	-	1,835	10	0.82%
	<u>43,520</u>		<u>17.63%</u>	<u>44,879</u>		<u>19.94%</u>

¹⁾ Appalachian Council of Governments

OPERATING INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2022

**METROPOLITAN SEWER SUBDISTRICT
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 16

YEAR	ADMINISTRATION STAFF	FINANCE STAFF	INFORMATION TECHNOLOGY STAFF	ENGINEERING STAFF	MAINTENANCE STAFF	TOTAL
2022	5	5	8	13	59	90
2021	5	5	4	14	33	61
2020	2	4	2	12	27	47
2019	3	3	4	10	29	49
2018	3	3	4	8	27	45
2017	3	2	3	6	26	40
2016	3	2	3	8	24	40
2015	3	2	3	7	26	41
2014	3	2	3	7	26	41
2013	2	2	3	8	21	36

Source: Information provided by Metro's Finance Department.

**METROPOLITAN SEWER SUBDISTRICT
SEWER LINE CONDITION ASSESSMENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 17

	BEST - CONDITION SCORE 1									
	2022 (1)	2021	2020	2019	2018 (2)	2017	2016	2015	2014	2013
Unique gravity main sssets	19,175	17,651	18,005	17,611	17,333	-	-	-	-	-
Linear feet	3,479,263	3,209,656	3,257,353	3,195,099	3,151,381	-	-	-	-	-
Percent of total	66.5%	90.5%	92.1%	91.8%	91.6%	-	-	-	-	-
Miles	658.95	607.89	616.92	605.13	596.85	-	-	-	-	-
	GOOD - CONDITION SCORE 2									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Unique gravity main sssets	4,851	1,504	613	782	788	-	-	-	-	-
Linear feet	914,724	260,102	127,203	135,674	137,466	3,255,271	3,162,843	3,017,675	2,922,850	2,897,563
Percent of total	17.5%	7.3%	3.6%	3.9%	4.0%	96.2%	95.0%	91.7%	88.8%	88.7%
Miles	173.24	49.26	24.09	25.70	26.04	-	-	-	-	-
	ACCEPTABLE - CONDITION SCORE 3									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Unique gravity main sssets	1,958	317	668	59	56	-	-	-	-	-
Linear feet	388,047	62,378	116,547	10,077	9,912	103,438	103,438	209,551	281,270	281,270
Percent of total	7.4%	1.8%	3.3%	0.3%	0.3%	3.1%	3.1%	6.4%	8.6%	8.6%
Miles	73.49	11.81	22.07	1.91	1.88	-	-	-	-	-
	DEFICIENT - CONDITION SCORE 4									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Unique gravity main sssets	595	41	75	575	568	-	-	-	-	-
Linear feet	131,240	9,118	16,527	118,473	116,723	21,010	21,010	21,010	17,695	17,695
Percent of total	2.5%	0.3%	0.5%	3.4%	3.4%	0.6%	0.6%	0.6%	0.5%	0.6%
Miles	24.86	1.73	3.13	22.44	22.11	-	-	-	-	-
	WORST - CONDITION SCORE 5									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Unique gravity main sssets	1,528	20	84	93	98	-	-	-	-	-
Linear feet	319,575	4,697	18,527	21,419	22,918	5,387	42,414	42,414	69,754	69,754
Percent of total	6.1%	0.1%	0.5%	0.6%	0.7%	0.2%	1.3%	1.3%	2.1%	2.1%
Miles	60.53	0.89	3.51	4.06	4.35	-	-	-	-	-
	TOTAL									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Unique gravity main sssets	28,107	19,533	19,445	19,120	18,843	-	-	-	-	-
Linear feet	5,232,849	3,545,951	3,536,157	3,480,742	3,438,400	3,385,106	3,329,705	3,290,650	3,291,569	3,266,282
Percent of total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Miles	991.07	671.58	669.72	659.24	651.23	-	-	-	-	-

Source: Information provided by Metro's GIS Department.

(1) In fiscal year 2022, Metro consolidated four Greenville County sewer special purpose districts.

(2) Beginning fiscal year 2018, the condition assessment data of Metro's sewer system is recorded in Cityworks/GIS network, an asset management system, which provides individual pipe segment information and tied directly to a unique asset. Integrated application within the asset management system is then used to implement proactive inspection, repair and rehabilitation workflows. Sewer pipeline assessments are revised annually to reflect any changes in condition of the system. It is Metro's policy to maintain its sewer system so that a condition score of 5 is less than 5% of the system.

Compliance Section





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

To the Honorable Board of Commissioners
Metropolitan Sewer Subdistrict
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Metropolitan Sewer Subdistrict, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Metropolitan Sewer Subdistrict's basic financial statements, and have issued our report thereon dated December 20, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Sewer Subdistrict's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
December 20, 2022

