



GRAND STRAND  
WATER & SEWER  
AUTHORITY

COMPREHENSIVE  
**ANNUAL  
FINANCIAL  
REPORT**

FOR THE FISCAL YEARS ENDED  
JUNE 30, 2020 & 2019

CONWAY, SOUTH CAROLINA





**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

For the Fiscal Years Ended June 30, 2020 and 2019

Prepared by Accounting & Finance Division  
| Keri Squires | Chief of Accounting & Finance  
166 Jackson Bluff Road | Conway, South Carolina

# GRAND STRAND WATER AND SEWER AUTHORITY

Appointed Officials

June 30, 2020

## BOARD OF DIRECTORS

Sidney F. Thompson | Chairman

Benjy Hardee | Vice-Chairman

Arnold Johnson | Secretary

Richard Singleton, II | Member

Robert Rabon | Member

Wilbur M. James | Member

J. Liston Wells | Member

Mark K. Lazarus | Member



## STAFF

Fred R. Richardson | Chief Executive Officer

# GRAND STRAND WATER AND SEWER AUTHORITY

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

### TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	iii - vii
Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
List of Principal Officials	x
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 16
Basic Financial Statements:	
Statements of Net Position	17 - 18
Statements of Revenues, Expenses and Changes in Fund Net Position	19
Statements of Cash Flows	20 - 21
Statement of Fiduciary Net Position - OPEB Pension Trust Fund	22
Statement of Changes in Fiduciary Net Position - OPEB Pension Trust Fund	23
Notes to Basic Financial Statements	24 - 69
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability	70
Schedule of Contributions - South Carolina Retirement System	71
Schedule of Changes in Net OPEB Liability and Related Ratios	72
Schedule of Plan Contributions - Retiree Healthcare Benefit Plan	73
Other Supplementary Information:	
Schedule of Cash Receipts and Disbursements for Restricted Accounts Required	
By Revenue Bond and State Revolving Loan Provisions	74 - 75
Schedule of Operating Expenses by Department	76 - 77
STATISTICAL SECTION (Unaudited)	
Financial Trends:	
Net Position by Component	78
Changes in Net Position	79
Operating Revenues by Source	80
Operating Expenses	81
Nonoperating Revenues and Expenses	82
Annual Capital Contributions by Source	83

# GRAND STRAND WATER AND SEWER AUTHORITY

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020

### TABLE OF CONTENTS

	Page
Revenue Capacity:	
Water Produced and Consumed and Wastewater Treated	84
Annual Taps Sold	85
Number of Water and Sewer Customers by Type	86
Water and Sewer Rates	87
Ten Largest Customers	88
Debt Capacity:	
Ratios of Outstanding Debt by Type	89
Revenue Bond Coverage	90
Demographic and Economic Information:	
Demographic and Economic Statistics	91
Ten Largest Employers	92
Operating Information:	
Number of Employees by Identifiable Activity	93
Miscellaneous Statistical Data	94 – 95
INDEPENDENT AUDITOR'S OTHER REPORTS 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	96 – 97

# INTRODUCTION

*This page is intentionally blank.*

September 11, 2020

Mr. Sidney F. Thompson, Chairman  
Board of Directors  
Mr. Fred R. Richardson, Chief Executive Officer  
Grand Strand Water and Sewer Authority  
Conway, South Carolina

Gentlemen:

The Comprehensive Annual Financial Report of Grand Strand Water and Sewer Authority (GSWSA) for the fiscal year ended June 30, 2020 is submitted for your review. This report was prepared by GSWSA's financial staff, and conforms to the guidelines of the Government Finance Officers Association and Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). State Statutes require an annual audit of the financial records, transactions, and an internal control evaluation by independent certified public accountants. The GSWSA's independent Certified Public Accountants, Smith Sapp P.A., audited the accompanying financial statements. Their unmodified report on the financial statements is included in the financial section of this report.

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

Smith Sapp P.A. has audited the accompanying financial statements, and their unmodified opinion resulting from their audit is included in this Comprehensive Annual Financial Report. As part of their audit, Smith Sapp P.A. examined on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; and evaluated the overall financial statement presentation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. GSWSA's MD&A can be found in the Financial Section of the audit immediately following the report of the independent auditors.

This Comprehensive Annual Financial Report is reflective of GSWSA's continued emphasis on professional financial planning and management.



## PROFILE OF GRAND STRAND WATER AND SEWER AUTHORITY

GSWSA is a Special Purpose District. It was created pursuant to provisions of Act 337 enacted during the 1971 Session of the General Assembly of the State of South Carolina as a body politic and corporate. The principal functions of GSWSA are to acquire supplies of fresh water capable of being used for industrial and domestic purposes, to distribute such water for industrial and domestic use within its service area and to build, acquire, construct, operate and maintain such sewerage treatment and collection facilities as GSWSA deems necessary. The direct service area of GSWSA is presently defined to include all of the geographic areas of Horry County except for those areas included within an incorporated municipality which owns and operates a water and/or sewer system, within the service area of Little River Water and Sewerage Company, Inc. and within the areas immediately adjacent to the Bucksport Water System, Inc. water service area. It is located in the northeastern portion of the State of South Carolina.

Currently the City of Conway, City of Myrtle Beach, City of North Myrtle Beach (supplemental wastewater), and the City of Loris are wholesale customers of GSWSA for water and wastewater services. GSWSA also provides wholesale water and wastewater services to Little River and supplements water and wastewater to Georgetown County Water and Sewer District. Pursuant to agreements with the City of Marion, City of Mullins, Town of Aynor, Town of Lake View, Town of Nichols, and Town of Surfside Beach the Authority now directly provides water and wastewater services to retail customers within those municipalities. GSWSA provides retail wastewater services to Centenary and Town of Sellers and back up wholesale water to Bucksport Water System.

In North Carolina, GSWSA serves Tabor City back up wholesale water along with limited retail wastewater and Columbus County limited retail wastewater through contractual agreements.

The annual budget serves as the foundation for GSWSA's financial planning and control. The Board of Directors is required to hold a public hearing on the proposed budget and adopt a final budget no later than June 30 of each year. GSWSA implements a rolling two-year budget.

### LOCAL ECONOMY

Horry County's economy has shown continued growth in the real estate development and health care industries. The county continues to be a major retirement area with more recent growth in real estate values and sales. This increase in retiree population has resulted in the health care industry being 3 of the top 10 employers in the metro area. The demand for housing in the greater Grand Strand area has been reflected in the year over year average sales price of single-family homes increase of 6.3% and the average supply of homes decreasing 24.1%. While the effects of the Novel Coronavirus have impacted the supported areas, the county continues to lead all 46 counties in the state in tourism, having the highest amount of visitor spending, lodging rentals and tourism related taxes and employment.

The local economy served by GSWSA has continued to see increased growth during fiscal year 2020, with the addition of 3,888 customers. The monthly average of submittals for new developer projects requiring water and sewer service remained consistent with 11 projects for fiscal year 2019 and 13 projects for fiscal year 2020. The monthly average Residential Equivalent Units (REUs) submitted saw an increase of 23% with 386 REUs submitted for fiscal year 2019 and 474 REUs in fiscal year 2020. The number of new developer project submittals and REUs continue to see a significant increase from recent years due to economic development. Assets contributed to GSWSA by developers during 2020 were \$19.5 million.

GSWSA's growth has continued to improve, with economic indicators reinforcing continued residential and commercial development. The GSWSA service area remains strong in part due to its diversity, led by residential development. The latest data released by the U.S. Census Bureau continues to show the Myrtle Beach area as the second-fastest growing metro area in the country. In summary, GSWSA's financial stability is a direct reflection of the continued economic growth of the area and the Board of Director's commitment to provide quality service at the most affordable rates.

#### MAJOR INITIATIVES FOR THE YEAR

GSWSA spent approximately \$14 million on the Rural Water and Sewer program to extend water and sewer lines to the rural communities of Horry County. In addition, approximately \$4.5 million was spent to build a pump station and divert alum sludge to the Bucksport WWTP, \$5.2 million was spent to relocate existing water and sewer lines along Glenn's Bay Road, \$1.1 million was also spent on ASR improvements and an additional \$1.1 million on Transmission improvements.

#### LONG-TERM FINANCIAL PLANNING

The cooperation of surrounding governmental jurisdictions has enabled Grand Strand Water and Sewer Authority to continue its efforts as a regional provider of water and sewer services. GSWSA purchased the City of Myrtle Beach Water and Wastewater Treatment Plants, the City of Marion Water and Wastewater Systems, the Town of Nichols Water and Wastewater Systems, the City of Mullins Water and Wastewater Systems and the Town of Lake View Water and Wastewater Systems. GSWSA continues to look at various options to upgrade existing water and wastewater facilities over the next few years to meet growing customer needs.

GSWSA updated its 2035 Capital Improvement Plan in 2016 and plans to update it every 5 years. Also, it annually performs a comprehensive review of its rates, fees and charges to maintain a sufficient and equitable cost recovery system. GSWSA has a policy of rate stability with gradual adjustments over time.

GSWSA also continued several policies aimed at reducing and/or maintaining expenses at the same level as 2019. Departments were required to monitor expenses over time and reduce costs as appropriate. Chemical usage for water and wastewater departments were also closely monitored and rebid to reduce cost. Overall, expenses were up due to an increase in GSWSA's proportionate share of net pension expense and postemployment benefit expense, as well as increased costs for water and wastewater facilities maintenance.

As a matter of organizational philosophy, GSWSA will continue to explore and implement innovative programs which will allow it to meet the area's water and wastewater needs in an efficient and environmentally safe manner. The challenge of meeting the utility needs of a 1,169 square mile service area of which only approximately 65% is developed requires continued pursuit of these objectives.

#### INTERNAL CONTROL STRUCTURE

Management of GSWSA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of GSWSA are protected from loss, theft, or misuses. It must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should ordinarily not exceed the benefits to be derived and (2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, GSWSA maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by GSWSA's Board of Directors. GSWSA prepares a 2-year Operating & Capital Annual Budget document. The Operating Budget is adopted on a basis that approximates generally accepted accounting principles except for debt service payments and capital expenses that are budgeted on a cash basis and the recognition of contributed capital as operating revenues or capital budget funding sources depending on their nature. The budgets are managed by each Division Chief with overall control and management being exercised by the Chief Executive Officer (CEO). The Chief of Accounting and Finance and staff monitor line item accounts within each department so that departments do not overspend.

The Capital Budget is prepared on the cash basis. Capital projects for water and wastewater plants and systems, general, engineering and other support capital assets construction and improvements are funded from contributed capital (i.e. federal grants, developer system contributions, and certain impact fees), revenue bonds, state revolving loan and other debt proceeds, special fees, investment income, and depreciation and replacement reserve accounts funded via operating revenues. Capital projects are budgeted over the projected term of construction or improvement; thus, such terms may exceed the budget period presented in the budget document.

The GSWSA also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end and are reinstated against the following year's appropriation.

The major budget policies of GSWSA are as follows:

- GSWSA will have a balanced budget.
- The CEO is authorized to transfer budgeted funds between departments and divisions in the current Operating Budget.
- The Board of Directors may authorize transfers of budgeted funds between capital projects in the Capital Budget by resolution.
- All unexpended and uncommitted budgeted funds in the current Operating Budget remaining at the end of the fiscal year lapse. No budgeted funds for a capital project in the Capital Budget may lapse until the project scope has been accomplished or abandoned.

#### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to GSWSA for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the 31<sup>st</sup> year that GSWSA applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, GSWSA had to publish an easily readable and efficiently organized comprehensive annual financial report. The report had to satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. It is believed that GSWSA's current comprehensive annual financial report, which is being submitted again for consideration, should continue to meet the Certificate of Achievement Program requirements.

Preparation of this report on a timely basis was accomplished through the dedicated efforts of the Accounting and Finance employees. I would like to express my appreciation to all members of the Accounting and Finance Division, Division Chiefs, and other GSWSA employees. I would also like to express my appreciation to the Board Members and you two gentlemen for assistance through the year in matters pertaining to financial affairs of GSWSA.

Respectfully submitted,



Keri Squires  
Chief of Accounting and Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Grand Strand Water and Sewer  
Authority, South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

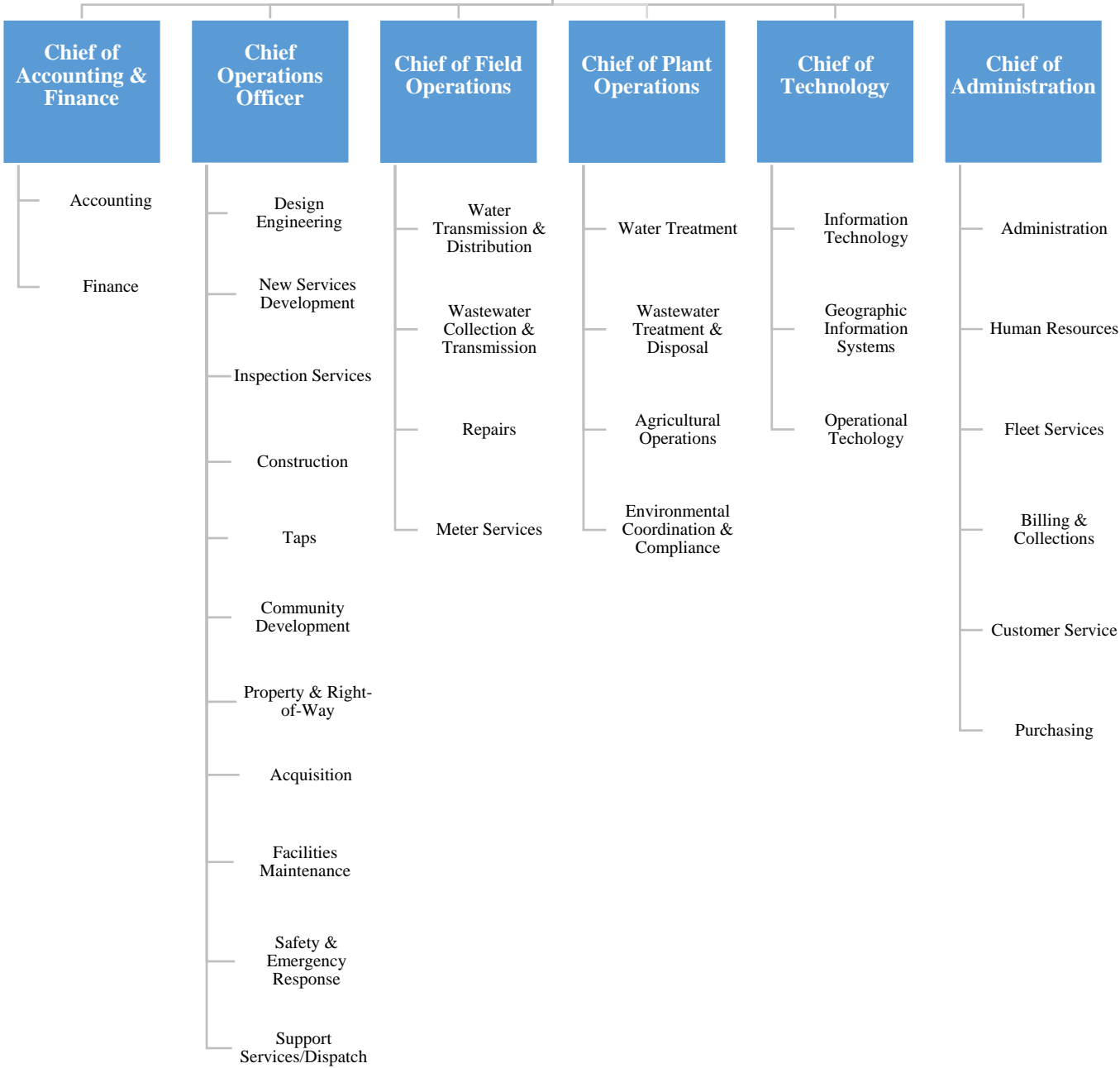
**June 30, 2019**

*Christopher P. Morrill*

Executive Director/CEO

**BOARD OF DIRECTORS**

**Chief Executive Officer**



# GRAND STRAND WATER AND SEWER AUTHORITY



Sidney F. Thompson  
Chairman  
Term Expires: 8-15-2023



Benjy A. Hardee  
Vice-Chairman  
Term Expires: 8-15-2021



Arnold T. Johnson  
Secretary  
Term Expires: 8-15-2021

2020 | **Board of Directors**



Richard G. Singleton, II  
Member  
Term Expires: 8-15-2025



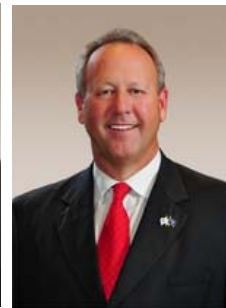
Robert L. Rabon  
Member  
Term Expires: 8-15-2023



Wilbur M. James  
Member  
Term Expires: 8-15-2025



J. Liston Wells  
Member  
Term Expires: 8-15-2023



Mark K. Lazarus  
Member  
Term Expires: 8-15-2021

## Officers

Fred R. Richardson, Chief Executive Officer  
Keri T. Squires, Chief of Accounting and Finance  
Christy S. Everett, Chief Operations Officer  
Tim D. Brown, Chief of Plant Operations  
Chrystal J. Skipper, Chief of Administration  
Neeraj C. Patel, Chief of Field Operations  
Charles C. Hucks, Chief of Technology

# FINANCIAL SECTION



*This page is intentionally blank.*



**SMITH  
SAPP**

Certified Public Accountants & Consultants

MYRTLE BEACH

4728 Jenn Drive  
Suite 100  
Myrtle Beach, SC 29577

Phone (843) 448-8334  
Fax (843) 626-7363  
www.sccpa.com

CONWAY

1109 Main Street  
Suite A  
Conway, SC 29526

Phone (843) 248-5284  
Fax (843) 381-0027  
www.sccpa.com

PAWLEYS ISLAND

245 Business Center Drive  
Suite 4A  
Pawleys Island, SC 29585

Phone (843) 237-3453  
Fax (843) 237-4809  
www.sccpa.com

## Independent Auditors' Report

To the Board of Directors  
Grand Strand Water and Sewer Authority  
Conway, South Carolina

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Grand Strand Water and Sewer Authority (the "Authority") as of and for the years ended June 30, 2020 and June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Authority as of June 30, 2020 and June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 16, schedule of proportionate share of net pension liability on page 70, schedule of contributions – South Carolina Retirement System on page 71, schedule of changes in net OPEB liability on page 72, and schedule of plan contributions on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, statistical section, supplementary schedule of cash receipts and disbursements for restricted accounts and supplementary schedule of operating expenses by department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of cash receipts and disbursements for restricted accounts and the supplementary schedule of operating expenses by department are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplementary schedule of cash receipts and disbursements for restricted accounts and the supplementary schedule of operating expenses by department are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2020, on our consideration of the Authority'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 to disclose 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



SMITH SAPP PROFESSIONAL ASSOCIATION  
*Certified Public Accountants and Consultants*

Myrtle Beach, South Carolina  
September 15, 2020

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

*This page is intentionally blank.*

# GRAND STRAND WATER AND SEWER AUTHORITY

## Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2020

---

The Management's Discussion and Analysis (MD&A) of Grand Strand Water and Sewer Authority (GSWSA) provides an overview and analysis of the financial activities for the fiscal years ended June 30, 2020 and 2019. This information serves as an introduction to the accompanying financial statements. The MD&A should be read in conjunction with the audited financial statements.

### Financial Highlights

GSWSA's financial condition continued to improve during fiscal year 2020. GSWSA is within debt covenants and the more stringent financial policies and guidelines set by the Board. The following are the financial highlights for the fiscal year.

- Total assets and deferred outflows at June 30, 2019 were \$873 million and exceeded liabilities and deferred inflows by \$592 million (i.e. net position). Of total net position, approximately \$106 million was unrestricted. Total assets and deferred outflows increased from fiscal year 2019 to 2020 by \$45 million and total liabilities and deferred inflows increased by \$5 million.
- Total deferred outflows are up \$2.5 million from 2019. This change is due to the net of an increase in the fair value of the interest rate swap. Deferred inflows of resources decreased \$505,271 from 2019 due to the decrease in other postemployment benefits and pensions.
- Operating revenues were approximately \$99 million in 2020, an increase of approximately \$4 million from 2019, or 4.26%. During 2020, the increase in revenues was primarily due to the increase in water and wastewater volume and availability charges, as well as other revenue.
- In 2020, operating expenses before depreciation increased by \$5.9 million or 11%. The total operating expenses, including depreciation, increased \$7.7 million or 9%. The increase in operating expenses in 2020 was mainly attributed to an increase in contractual services, depreciation, and personnel costs.
- Operating income for fiscal year 2020 was \$6.8 million, a 34.6% decrease from the previous fiscal year as a result of an increase operating expense. The decrease is mostly due to the increase in costs associated with the increase in water and wastewater maintenance costs.
- Income before capital contributions increased \$9.7 million and \$40.4 million after capital contributions.
- The ratio of total operating revenues to total operating expenses was 1.07 for 2020 and 1.13 for 2019.

## **Financial Highlights, Continued**

- Debt service coverage for 2020 increased to 282% as compared to 249% in 2019. The increase is mainly due to the increase in operating and non-operating revenues. Debt service coverage required by the bond covenants is 110%, which is within our current coverage.
- In 2020, capital contributions from customer impact fees were \$9.5 million, a decrease of 0.6% compared to fiscal year 2019. Developer contributions of facilities were \$19.5 million, an increase of 82% from 2019.
- GSWSA treated and distributed over 15.79 billion gallons of water and collected and sold over 12.22 billion gallons of wastewater, an increase from fiscal year 2019 of 0.4% for water and wastewater remained the same. Water consumption was up in all customer classes with the exception of wholesale customers. Wastewater consumption was up for retail customers but down for bulk during 2020.
- In fiscal year 2020, GSWSA added 3,656 water and 3,432 wastewater customers which resulted in a net of 4,235 water and 3,894 wastewater residential equivalent units. The net new customers and residential equivalent units added were a result of an improvement in the economy.

## **Overview of the Financial Statements**

Management's Discussion and Analysis (MD&A) serves as an introduction to and should be read in conjunction with the basic financial statements and supplementary information. The financial statements and supplementary information can be found on pages 17 to 77 of this report.

The financial statements report information about GSWSA using full accrual accounting methods; similar to those used by private sector utilities. However, GSWSA does not use rate-regulated accounting principles applicable to private sector utilities since it is a governmental utility. All activities of GSWSA are accounted for in a single proprietary (enterprise) fund. The financial statements include a statement of net position, a statement of activities, a statement of cash flows, and notes to the financial statements.

The *Statement of Net Position* presents the financial position of GSWSA on the accrual basis. It presents information about GSWSA's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources, with the difference being reported as net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

## **Overview of the Financial Statements, *Continued***

The Statement of Net Position provides information about GSWSA at year-end, while the *Statement of Activities* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed. This statement also provides certain information about GSWSA's recovery of its costs. GSWSA's rates are based on a cost of service rate study that was completed in 2020 and is updated annually. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The main objectives of the rate model are to provide equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for itself.

The *Statement of Cash Flows* provides information about cash receipts, cash payments and changes in cash resulting from operations, investments, and noncapital financing activities, as well as capital and related financing activities. From the statement of cash flows, the reader can obtain comparative information on the source and use of cash, and the change in cash balance for each of the last two fiscal years.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about GSWSA's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. *Supplementary information* such as important debt coverage data is also provided.



## Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning.

<b>Grand Strand Water and Sewer Authority</b>					
<b>Condensed Statements of Activities</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Change 2019-2020</b>	<b>% Change 2019-2020</b>
<b>Operating revenues</b>					
Water and sewer volume & availability fees	\$ 71,943,440	\$ 70,593,262	\$ 66,900,002	\$ 1,350,178	1.9%
Customer charges	9,720,404	9,008,279	8,873,960	712,125	7.9%
Surface water charges	8,116,895	7,879,489	7,631,477	237,406	3.0%
Surface water treatment plant contract revenue	4,926,094	4,813,619	4,285,037	112,475	2.3%
Other revenue	4,167,678	2,542,313	2,568,357	1,625,365	63.9%
<b>Total operating revenues</b>	<b>98,874,511</b>	<b>94,836,962</b>	<b>90,258,833</b>	<b>4,037,549</b>	<b>4.3%</b>
<b>Operating expenses</b>					
Operating expenses before depreciation	62,382,721	56,420,726	55,776,586	5,961,995	10.6%
Depreciation	29,681,913	27,993,822	27,776,741	1,688,091	6.0%
<b>Total operating expenses</b>	<b>92,064,634</b>	<b>84,414,548</b>	<b>83,553,327</b>	<b>7,650,086</b>	<b>9.1%</b>
<b>Operating income</b>	<b>6,809,877</b>	<b>10,422,414</b>	<b>6,705,506</b>	<b>(3,612,537)</b>	<b>-34.7%</b>
<b>Nonoperating revenues (expenses)</b>					
Investment income (loss)	6,773,671	6,416,886	589,074	356,785	-5.6%
Miscellaneous Income	1,636,509	271,273	-	1,365,236	-503.3%
Loss on disposal of capital assets	2,206	263,117	19,708	(260,911)	99.2%
Interest expense	(5,513,986)	(6,465,801)	(6,447,544)	951,815	14.7%
<b>Total nonoperating expense</b>	<b>2,898,400</b>	<b>485,475</b>	<b>(5,838,762)</b>	<b>2,412,925</b>	<b>-497.0%</b>
<b>Income (loss) before capital contributions</b>	<b>9,708,277</b>	<b>10,907,889</b>	<b>866,744</b>	<b>(1,199,612)</b>	<b>11.0%</b>
<b>Capital contributions</b>	<b>30,722,350</b>	<b>23,147,653</b>	<b>25,229,405</b>	<b>7,574,697</b>	<b>32.7%</b>
<b>Change in net position</b>	<b>40,430,627</b>	<b>34,055,542</b>	<b>26,096,149</b>	<b>6,375,085</b>	<b>18.7%</b>
<b>Beginning net position</b>	<b>551,283,229</b>	<b>517,227,687</b>	<b>505,818,456</b>	<b>34,055,542</b>	<b>6.6%</b>
Restatement	-	-	(14,686,918)	-	0.0%
<b>Beginning net position, as restated</b>	<b>551,283,229</b>	<b>517,227,687</b>	<b>491,131,538</b>	<b>34,055,542</b>	<b>6.6%</b>
<b>Ending net position</b>	<b>\$591,713,856</b>	<b>\$551,283,229</b>	<b>\$517,227,687</b>	<b>\$40,430,627</b>	<b>7.3%</b>

**Financial Analysis, Continued**

<b>Grand Strand Water and Sewer Authority</b>					
<b>Condensed Statements of Net Position</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Change 2019-2020</b>	<b>% Change 2019-2020</b>
<b>Assets</b>					
Current assets	\$ 156,798,063	\$ 142,350,519	\$ 125,418,159	\$ 14,447,544	10.1%
Restricted assets - current	11,191,148	24,986,716	8,114,985	(13,795,568)	-55.2%
Restricted assets - noncurrent	20,611,675	21,289,326	20,484,188	(677,651)	-3.2%
Capital assets	660,222,110	617,238,786	599,744,763	42,983,324	7.0%
Other assets	4,750	4,750	4,750	-	0.0%
<b>Total assets</b>	<b>848,827,746</b>	<b>805,870,097</b>	<b>753,766,845</b>	<b>42,957,649</b>	<b>5.3%</b>
<b>Deferred outflows of resources</b>					
Interest rate swap	12,495,950	9,695,955	7,411,258	2,799,995	28.9%
Deferred charge on refundings	2,579,072	2,798,119	3,017,166	(219,047)	-7.8%
Pensions	5,325,076	5,694,389	6,430,184	(369,313)	-6.5%
Other Postemployment Benefits	3,389,501	3,090,668	3,492,336	298,833	9.7%
<b>Total deferred outflows of resources</b>	<b>23,789,599</b>	<b>21,279,131</b>	<b>20,350,944</b>	<b>2,510,468</b>	<b>11.8%</b>
<b>Liabilities</b>					
Current liabilities	35,178,145	30,395,523	31,608,387	4,782,622	15.7%
Noncurrent liabilities	242,679,837	241,919,698	224,522,042	760,139	0.3%
<b>Total liabilities</b>	<b>277,857,982</b>	<b>272,315,221</b>	<b>256,130,429</b>	<b>5,542,761</b>	<b>2.0%</b>
<b>Deferred inflows of resources</b>					
Pensions	538,029	716,324	759,673	(178,295)	-24.9%
Other Postemployment Benefits	2,507,478	2,834,454	-	(326,976)	-11.5%
<b>Total deferred inflows of resources</b>	<b>3,045,507</b>	<b>3,550,778</b>	<b>759,673</b>	<b>(505,271)</b>	<b>-14.2%</b>
<b>Net Position</b>					
Net investment in capital assets	469,394,662	424,936,411	423,279,940	44,458,251	10.5%
Restricted for capital projects	14,678,578	30,778,140	13,220,703	(16,099,562)	-52.3%
Restricted for debt service	1,766,359	1,742,314	2,086,967	24,045	1.4%
Unrestricted	105,874,257	93,826,364	78,640,077	12,047,893	12.8%
<b>Total Net Position</b>	<b>\$ 591,713,856</b>	<b>\$ 551,283,229</b>	<b>\$ 517,227,687</b>	<b>\$ 40,430,627</b>	<b>7.3%</b>

**Financial Analysis, Continued**

<b>Grand Strand Water and Sewer Authority</b>					
<b>Selected Data for Analysis</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>Change 2019-2020</b>	<b>% Change 2019-2020</b>
Employees at Year End	338	326	322	12	3.7%
<b>Active Customers at Year End:</b>					
Water Customers	92,614	88,958	85,986	3,656	4.1%
Wastewater Customers	88,192	84,760	81,890	3,432	4.0%
<b>Water Sales for Fiscal Year</b>					
(Billions of Gallons)	15.79	15.75	15.27	0.04	0.3%
<b>Wastewater Sales for Fiscal Year</b>					
(Billions of Gallons)	12.22	12.22	11.49	-	0.0%
<b>Total Operating Revenues</b>					
(Per Average Employees)	\$ 292,528	\$ 290,911	\$ 280,307	\$ 1,617	0.6%
<b>Total Operating Expenses</b>					
(Per Average Employees)	\$ 272,381	\$ 258,940	\$ 259,482	\$ 13,440	5.2%
<b>Ratio of Operating Revenues to:</b>					
Operating Expenses	1.074	1.123	1.080	(0.049)	-4.4%
Operating Expenses Net of Depreciation	1.585	1.681	1.618	-	-5.7%
Total Assets	0.116	0.118	0.120	(0.002)	-1.7%
<b>Debt Related Ratios:</b>					
Debt to Net Assets	0.470	0.494	0.495	(0.024)	-4.9%
Debt to Capital Assets	0.421	0.441	0.427	(0.020)	-4.5%
Operating Coverage (Operating Cash Flow/Debt)	0.161	0.140	0.141	0.021	15.0%
Debt Ratio (Total Debt/Total Assets)	0.327	0.338	0.340	(0.011)	-3.3%
Bond Coverage (Net Earnings/Debt Required)	2.82	2.49	1.90	0.33	13.3%
<b>Liquidity Ratio</b>					
(Current Assets/Current Liabilities)	4.775	5.505	4.225	(0.730)	-13.3%
<b>Asset Management Ratios:</b>					
Days Sales Outstanding (Receivables/(Sales/360))	43	58	52	(15)	-25.9%
Asset Turnover (Sales/Assets)	0.116	0.118	0.120	(0.002)	-1.7%

## General Trends and Significant Events

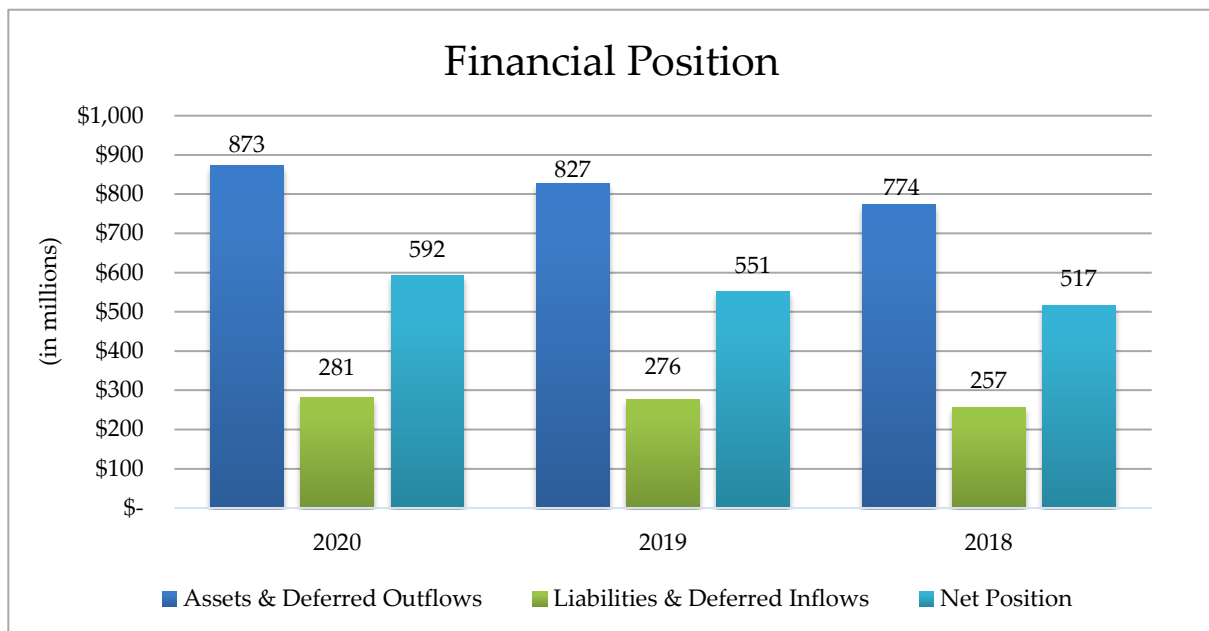
The economic effects of Covid-19 slow down the local economy over the last year. Amid concerns of an outbreak of Covid-19, The City of Myrtle Beach temporarily discontinued short term rentals, which prohibited visitors to the area for approximately 5 weeks. Due to shut downs and restrictions some businesses have experienced furloughs or layoffs, increasing unemployment numbers in Horry County. Despite these changes in the local economy, County's housing market remains aggressive, with local realtors noticing an upward trend. With interest rates at an all-time low, buyers are eager to make a purchase and this growth is also increasing GSWSA's customer base. GSWSA's management continues to take a proactive approach to planning for sustainability and preservation. GSWSA is positioned to manage the continued growth in our service area. In addition, management and the rest of the staff at GSWSA have continued to closely monitor expenses, budget conservatively, and manage our infrastructure with long-term master plans that address future growth.

The volume of water sold in fiscal year 2020 was 15.79 billion gallons, an increase of 0.4% from fiscal year 2019. Retail customers purchased 43% of the total water sold and the wholesale customers purchased 57%.

The volume of treated wastewater sold in fiscal years 2020 and 2019 were 12.22 billion gallons. All wastewater customer classes except for retail, decreased. Retail customers purchased approximately 54% of the total treated wastewater and wholesale customers purchased 46%.

## Financial Position

While the national economy has been in turmoil since the onset of Covid-19, GSWSA has continued to experience positive growth and financial positions. GSWSA has also continued to build financial strength and stability as a result of its conservative management. The current financial condition and operating and long-term plans have enabled GSWSA to meet customer needs now and well into the future. The following chart summarizes the statement of net position.



## **Financial Condition, *Continued***

During fiscal year 2020, total assets and deferred outflows increased by \$45 million or 5.5%, with approximately \$43 million represented by an increase in capital assets of \$43 million, which is largely due to the increase in capital expenditures for facilities during 2020. Total liabilities increased by \$5 million or 2%. The increase in total liabilities is mostly due to the change in the fair value of the interest rate swap and the recognition of increases in net pension liability. Net position increased overall by \$40 million or 7.3%, as a result in the increase in net investments in capital assets by \$44 million, increase in unrestricted by \$12 million and decrease in restricted for capital projects by \$16 million. The net position restricted for capital projects decreased due to the draw down of a construction account used for allocated projects related to the Bonds of 2019.

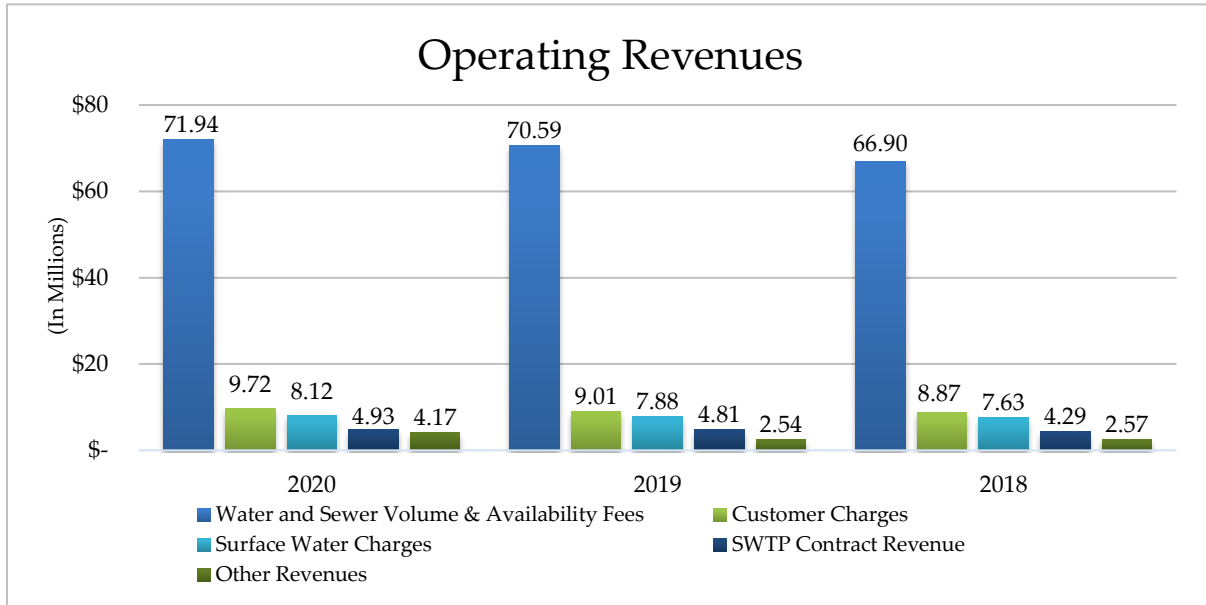
During fiscal year 2019, total assets and deferred outflows increased by \$53.0 million or 6.9%, which was due to increases in cash and cash equivalents of \$7.8 million, investments of \$6.5 million, restricted cash and cash equivalents of \$17.1 million, and capital assets of \$17.5 million. These increases were funded by the issuance of the Bonds of 2019 of \$30.0 million combined with a positive change in net position of \$34.1 million.

Accounts receivable, net of allowance, for 2020 decreased by \$3 million from 2019. Accounts receivable at June 30, 2019 were increased by \$2 million from 2018. These changes are mainly due to the timing of customer payments as of June 30<sup>th</sup>.

## **Results of Operations**

***Operating Revenues:*** Revenues from operations fall into two general categories: (1) charges for services, which includes: water and wastewater volume, availability fees, customer charges, surface water treatment plant charges, tap fees, sod sales and (2) other revenues, which includes: timber sales, engineering fees and miscellaneous fees. GSWSA has three classes of water and wastewater customers: wholesale, residential and commercial. The following chart depicts GSWSA revenues for the last three fiscal years.

**Results of Operations, Continued**

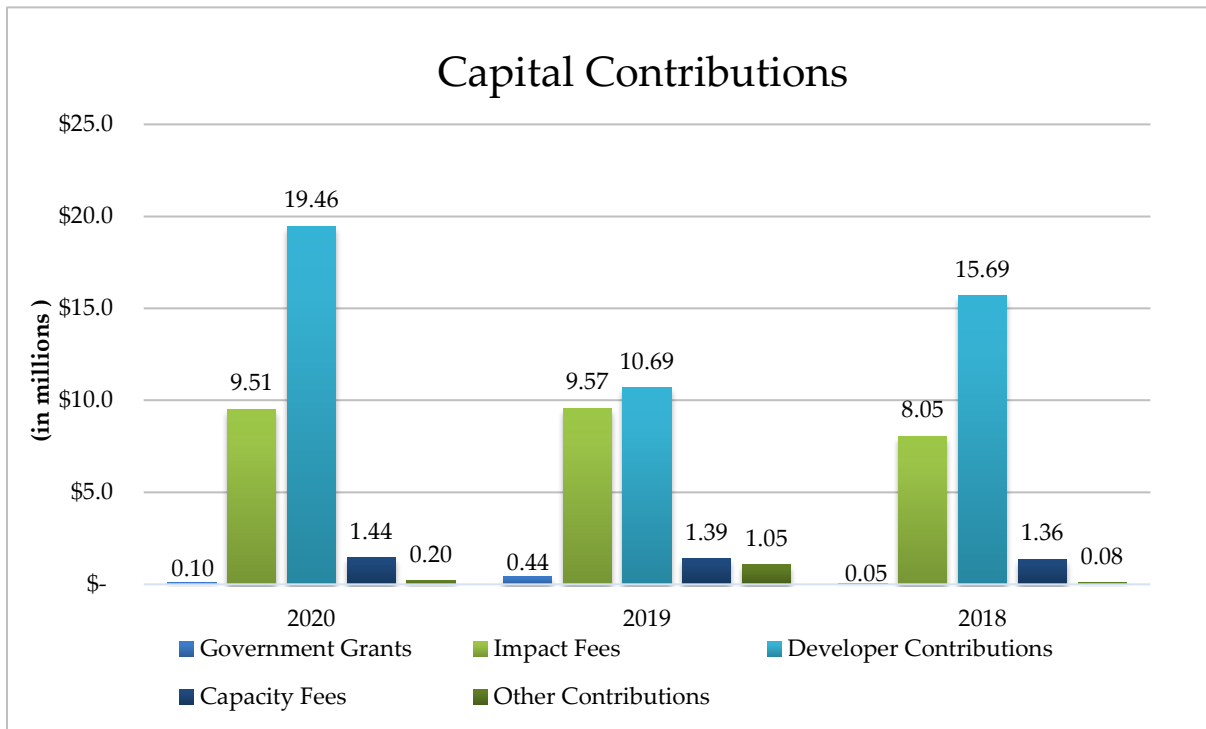


In 2020, GSWSA increased retail water and wastewater rates by 2.2% and 2.1%, respectively. Wholesale and contract water and wastewater rates were increased by various percentages as specified by contract. In 2019, GSWSA did not increase retail water and wastewater rates. Other rates that increased were the wholesale operating water rates by 1.7% and wholesale capital charges by various percentages as specified by contract.

**Capital Contributions:** GSWSA collects water and wastewater capacity fees in order to ensure that current customers do not bear the burden of growth. These fees are paid by new customers and represent the cost of water and/or wastewater capacity on the new account based on a residential equivalent unit. Most of these fees are paid in blocks of capacity purchased by residential and commercial real estate developers and wholesale customers. Prior to the implementation of GASB 34, the money and system assets received were recorded as direct contributions to equity. GASB 34 defines these fees as non-operating revenues and requires reporting the amounts on the Statement of Activities. GSWSA restricts the use of capacity fee revenue to capital investments in its system. GSWSA also received some additions to its collection and distribution systems from developers.

The following chart depicts the capacity fee revenue activity.

Results of Operations, *Continued*



Overall, capital contributions increased \$7.5 million, or 32.7% during fiscal year 2020. Developer contributions increased \$9 million from 2019. Development of the local area has grown as a result of the demand for single family homes and commercial development. Government grants were \$103,298 for 2020 as compared to \$440,557 for 2019. The increase in government grants was due to receiving funds in 2020 from the SC Emergency Management Division for public assistance associated with Hurricanes Florence and Dorian. Impact fees were approximately \$9.5 million for 2019 compared to \$9.6 million for 2018. Other contributions decreased by \$852,091 during 2020, due to less insurance reimbursements being received for hurricane damages. Capacity fees also slightly decreased \$59,921 from 2019.

During fiscal year 2019, capital contributions decreased \$2.1 million, or 8.3% during fiscal year 2019. Developer contributions decreased \$5 million from 2018. Development of the local area has grown as a result of the demand for single family homes and commercial development, although not as many developer assets were deeded over to GSWSA during fiscal year 2019. Government grants were \$440,557 for 2019 as compared to \$46,468 for 2018. The increase in government grants was due to receiving funds in 2019 from the SC Emergency Management Division for public assistance associated with Hurricane Florence. Impact fees were approximately \$9.6 million for 2019 compared to \$8 million for 2018. Other contributions increased by \$964,234 due to receiving insurance payments for Hurricane Florence, SCDOT and Horry County reimbursements for large highway projects during 2019. Capacity fees also slightly increased \$33,336 from 2018.

## Results of Operations, *Continued*

**Operating Expenses:** GSWSA operates and maintains both a potable water treatment and distribution system and a wastewater collection and treatment system. The water production occurs at its two 45 million gallons per day surface water treatment plants. GSWSA has backup wells to use for peak management. The wastewater system includes fifteen wastewater treatment plants that range in size from 10,000 gallons per day to 22.4 million gallons per day.

In 2020, total operating expenses increased \$7.6 million from fiscal year 2019, and operating revenues increased by \$4 million. Operating expenses for water and wastewater operations for the last three years are listed below:

	<u>2020</u>	<u>%</u>	<u>2019</u>	<u>%</u>	<u>Variance</u>	<u>2018</u>	<u>%</u>
Personnel Services	\$ 31,424,502	34.1%	\$ 28,665,584	33.9%	\$ 2,758,918	\$ 28,293,175	33.9%
Contractual Services	19,056,084	20.7%	16,878,565	20.0%	2,177,519	16,945,277	20.3%
Supplies and Materials	10,748,940	11.7%	9,773,624	11.6%	975,316	9,365,521	11.2%
Depreciation	29,681,913	32.2%	27,993,822	33.2%	1,688,091	27,776,741	33.2%
Other Expenses	1,153,195	1.3%	1,102,953	1.3%	50,242	1,172,613	1.4%
Total Operating Expenses	<u>\$ 92,064,634</u>	<u>100.0%</u>	<u>\$ 84,414,548</u>	<u>100.0%</u>	<u>\$ 7,650,086</u>	<u>\$ 83,553,327</u>	<u>100.0%</u>

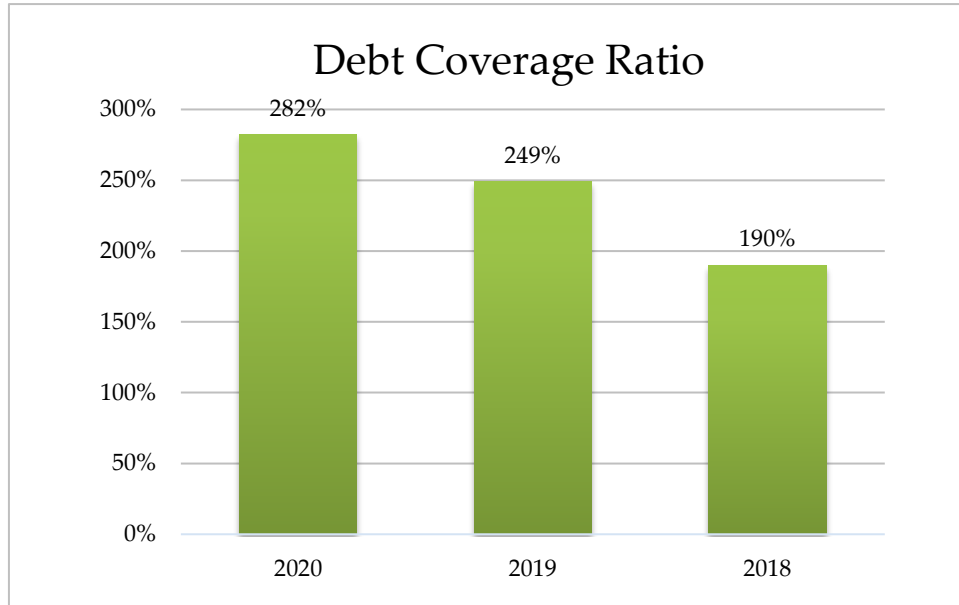
Personnel costs increased \$2.8 million or 9.6% from 2019 to 2020. GSWSA granted an average 3.5% merit increase during 2020. The overall increase in personnel costs was mainly a result of the merit increase, an increase in insurance premiums, an increase in the employer retirement contribution rate to the South Carolina Retirement System, recognition of GSWSA's portion of the state's pension expense, as well as the recognition of GSWSA's portion of postemployment benefit expense for the year. Contractual services were up by \$2.2 million due to an increase in water and wastewater facility maintenance costs. Supplies and materials increased by \$975,316 or 10% as the result of the increase in costs for water and wastewater facility supplies, as well as treatment supplies. Depreciation was up \$1.5 million or 6% due to the addition of assets during fiscal year 2020. Other expenses are down by \$50,242 due to an increase in costs associated with wastewater damage claims and longevity awards. Diligent monitoring of these expenses and sound management has continued to keep our expenses under budgeted projections.

Personnel costs increased \$372,409 or 1.3% from 2018 to 2019. GSWSA granted an average 4% merit increase during 2019. The overall increase in personnel costs was mainly a result of the merit increase, an increase in insurance premiums, an increase in the employer retirement contribution rate to the South Carolina Retirement System, recognition of GSWSA's portion of the state's pension expense, as well as the recognition of GSWSA's portion of postemployment benefit expense for the year. Contractual services were down by \$66,712 due to a decrease in water and wastewater facility maintenance costs. Supplies and materials increased by \$408,103 or 4.4% as the result of treatment supplies. Depreciation was up \$217,081 or 0.8% due to the addition of assets during fiscal year 2019. Other expenses are down by \$69,660 due to a decrease in costs associated with wastewater damage claims and longevity awards. Diligent monitoring of these expenses and sound management has continued to keep our expenses under budgeted projections.



## Rate Covenant

In the Bond Resolution, GSWSA covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by GSWSA, together with other income, that will yield annual net earnings in the fiscal year equal to at least 110% of the sum of the annual debt service payments. Net earnings for debt service are defined as gross revenue including customer impact fees, less operating expenses adjusted for depreciation. The rate covenant in the Bond Resolution obligates GSWSA to review rates at least once a year and to revise such rates and charges as necessary to meet the coverage test. Revenue bond debt service coverage for fiscal years 2020, 2019 and 2018 were 282%, 249% and 190%, respectively.



**Bond Ratings:** GSWSA currently holds ratings of Aa2 from Moody's and AA+ from Standard & Poor's. Based on these ratings and the current financial position, management does not expect a change in bond ratings.

## Capital Assets and Long-Term Debt

Capital assets increased by \$43 million during 2020. While all of these system acquisitions and improvements below added to the value of GSWSA's capital assets, the net additions to capital assets in FY 2020 was approximately \$73 million and the depreciation of capital assets was \$28 million. Some of the largest additions to capital assets in 2020 included:

Rural Sewer	\$ 8,112,179
Rural Water	5,817,792
Glenn's Bay Road Widening	5,187,352
Bull Creek Alum Sludge Dewatering	4,470,630
WWTP Renewal and Replacement	2,416,880
MBSWTP Inclined Plates	1,264,810
Transmission Improvements	1,107,627
ASR Improvements	1,095,455
Transmission Renewal & Replacement	1,052,721

Capital assets increased by \$17.5 million during 2019. While all of these system acquisitions and improvements below added to the value of GSWSA's capital assets, the net additions to capital assets in FY 2019 was approximately \$46 million and the depreciation of capital assets was \$28 million. Some of the largest additions to capital assets in 2019 included:

Rural Sewer	\$ 5,773,674
Rural Water	4,304,439
MBSWTP Ozone System Improvements	3,791,768
Schwartz WWTP Clarifier	2,915,807
Transmission Renewal and Replacement	2,759,515
Transmission Improvement	1,289,852
WWTP Renewal and Replacement	1,032,204

Developer contributions to capital assets were \$10.7 million. Disposals for 2019 were \$2,277,270.

In May of 2019, GSWSA obtained a State Revolving loan for the South Wastewater Transmission System Upgrade. As of June 30, 2020, the draws on this loan and recorded debt was \$9,085,191. During 2019, GSWSA also issued the Bonds of 2019 in the amount of \$30,000,000. The bond proceeds were used to fund various capital projects.

Additional detailed information on GSWSA's capital assets and long-term debt activity can be found in Notes 3, 4, 5 and 6.

## **Contacting GSWSA's Financial Management**

This financial report is designed to provide our customers, investors and creditors with a general overview of GSWSA's finances and to demonstrate GSWSA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief of Accounting & Finance, Grand Strand Water and Sewer Authority, Post Office Box 2368, Conway, South Carolina 29528-2368.

# BASIC FINANCIAL STATEMENTS

*This page is intentionally blank.*

**GRAND STRAND WATER AND SEWER AUTHORITY**

Statements of Net Position

	As of June 30	
	2020	2019
<b>Assets and Deferred Outflows of Resources</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 20,246,676	\$ 16,876,686
Investments	115,986,814	101,564,938
Receivables		
Customer accounts, net of allowance of \$243,960 in 2020 and \$233,819 in 2019	11,816,039	15,289,523
Assessments	3,750,476	3,527,703
Interest	681,332	786,368
Other	1,081,321	1,480,996
Total receivables	17,329,168	21,084,590
Inventories	1,570,879	1,322,642
Prepays	1,664,526	1,501,663
Restricted assets		
Cash and cash equivalents	4,904,712	18,809,723
Investments	6,286,436	6,176,993
Total current assets	167,989,211	167,337,235
<i>Noncurrent assets</i>		
Restricted investments	20,611,675	21,289,326
Container and security deposits	4,750	4,750
Capital assets		
Nondepreciable	97,331,105	84,006,224
Depreciable, net of depreciation	562,891,005	533,232,562
Total capital assets	660,222,110	617,238,786
Total noncurrent assets	680,838,535	638,532,862
Total assets	\$ 848,827,746	\$ 805,870,097
<i>Deferred outflows of resources</i>		
Interest rate swap	\$ 12,495,950	\$ 9,695,955
Deferred charges on refundings	2,579,072	2,798,119
Pensions	5,325,076	5,694,389
Other Postemployment Benefits	3,389,501	3,090,668
Total deferred outflows of resources	\$ 23,789,599	\$ 21,279,131

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

# GRAND STRAND WATER AND SEWER AUTHORITY

## Statements of Net Position

	As of June 30	
	2020	2019
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 3,289,155	\$ 2,912,117
Accrued salaries and benefits	1,019,502	748,674
Accrued compensated absences	729,571	701,258
Construction contracts payable	6,475,229	3,590,589
Revenue bonds payable	9,895,000	9,815,000
Notes payable	3,383,852	3,096,766
Companion instrument debt	398,726	402,997
Accrued interest on revenue bonds	442,806	475,301
Accrued interest on notes payable	201,888	194,226
Customer security and tap deposits	7,802,542	7,182,590
Unearned customer contributions	539,874	276,005
Unearned grant income	1,000,000	1,000,000
	35,178,145	30,395,523
<i>Noncurrent liabilities</i>		
Revenue bonds payable	118,270,845	128,514,887
Notes payable	52,517,156	46,815,817
Net Pension Liability	38,949,952	36,951,967
Net Other Postemployment Benefits Liability	16,552,488	15,734,678
Companion instrument debt	2,465,712	2,864,438
Accrued compensated absences	1,427,734	1,341,956
Interest rate swap	12,495,950	9,695,955
	242,679,837	241,919,698
Total liabilities	\$ 277,857,982	\$ 272,315,221
<i>Deferred inflows of resources</i>		
Pensions	\$ 538,029	\$ 716,324
Other Postemployment Benefits	2,507,478	2,834,454
	\$ 3,045,507	\$ 3,550,778
<i>Net position</i>		
Net investment in capital assets	\$ 469,394,662	\$ 424,936,411
Restricted for:		
Capital projects	14,678,578	30,778,140
Debt service	1,766,359	1,742,314
Unrestricted	105,874,257	93,826,364
	\$ 591,713,856	\$ 551,283,229

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

**GRAND STRAND WATER AND SEWER AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Fund Net Position**

	For the years ended	
	June 30	
	2020	2019
<b><i>Operating revenues</i></b>		
Water and sewer volume and availability fees	\$ 71,943,440	\$ 70,593,262
Customer charges	9,720,404	9,008,279
Surface water charges	8,116,895	7,879,489
Surface water treatment plant contract revenues	4,926,094	4,813,619
Other revenue	4,167,678	2,542,313
Total operating revenues	98,874,511	94,836,962
<b><i>Operating expenses</i></b>		
Personnel costs	31,424,502	28,665,584
Contractual services	19,056,084	16,878,565
Supplies and materials	10,748,940	9,773,624
Depreciation on assets acquired with:		
Authority funds	15,733,360	15,139,672
Contributed capital	13,948,553	12,854,150
Other expenses	1,153,195	1,102,953
Total operating expenses	92,064,634	84,414,548
Operating income	6,809,877	10,422,414
<b><i>Non-operating revenues (expenses)</i></b>		
Investment income	6,773,671	6,416,886
Miscellaneous Income	1,636,509	271,273
Gain (loss) on disposal of capital assets	2,206	263,117
Interest expense	(5,513,986)	(6,465,801)
Total non-operating expenses, net	2,898,400	485,475
<b><i>Income (loss) before contributions</i></b>	9,708,277	10,907,889
<b><i>Capital contributions</i></b>		
Surface water treatment plant capacity fees	1,443,336	1,392,864
Government grants/contributions	103,298	440,557
Customer impact fees	9,514,641	9,574,562
Developer contributions	19,464,596	10,691,100
Other contributions	196,479	1,048,570
Total capital contributions	30,722,350	23,147,653
<b><i>Change in net position</i></b>	40,430,627	34,055,542
<b><i>Beginning net position</i></b>	\$ 551,283,229	\$ 517,227,687
<b><i>Ending net position</i></b>	\$ 591,713,856	\$ 551,283,229

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



# GRAND STRAND WATER AND SEWER AUTHORITY

## Statements of Cash Flows

	For the years ended	
	June 30	
	2020	2019
<i>Operating activities</i>		
Cash received from customers and users	\$ 102,745,174	\$ 92,720,387
Cash paid to suppliers	(30,992,281)	(27,809,985)
Cash paid to employees	(27,191,446)	(25,568,802)
Cash paid to OPEB trust	(1,467,133)	(1,485,160)
Cash received from other activities	1,636,509	271,273
Net cash provided by operating activities	44,730,823	38,127,713
<i>Capital and related financing activities</i>		
Acquisition and construction of capital assets	(49,924,981)	(32,655,342)
Capital contributions	11,325,144	11,471,574
Interest paid on debt	(5,668,814)	(5,403,291)
Proceeds from issuance of debt	9,168,757	30,000,000
Principal paid on debt	(13,398,329)	(16,868,767)
Principal payments on capital lease obligations	-	(23,951)
Proceeds from sale of capital assets	207,340	750,729
Net cash and cash equivalents used for capital and related financing activities	(48,290,883)	(12,729,048)
<i>Investing activities</i>		
Purchase of investments	(95,870,601)	(79,703,787)
Proceeds from sale of investments	82,016,932	72,670,503
Interest and investment income (loss)	6,878,707	6,538,963
Net cash and cash equivalents (used for) provided by investing activities	(6,974,962)	(494,321)
Net change in cash and cash equivalents	(10,535,022)	24,904,344
Cash and cash equivalents - beginning	35,686,410	10,782,066
Cash and cash equivalents - ending	\$ 25,151,388	\$ 35,686,410

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

# GRAND STRAND WATER AND SEWER AUTHORITY

## Statements of Cash Flows

	For the years ended	
	June 30	
	2020	2019
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 6,809,877	\$ 10,693,687
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	29,681,913	27,993,822
(Increase) decrease in operating assets		
Receivables - customers and assessments	3,250,711	(2,368,095)
Inventories	(248,237)	(38,815)
Prepays	(162,863)	(257,103)
Increase (decrease) in operating liabilities		-
Accounts payable	377,038	241,075
Accrued salaries and compensated absences	384,919	150,948
Net pension liability	2,189,003	1,293,794
Net postemployment liability	192,001	166,880
Customer security and tap deposits	619,952	251,519
Net cash provided by operating activities	\$ 43,094,314	\$ 38,127,712
<i>Noncash capital and related financing activities</i>		
Developer contributions	\$ 19,464,596	\$ 10,691,100
Other contributions	196,479	\$ 1,048,570
Government contributions	103,298	440,557
Capitalized interest expense	-	-
Unrealized increase/(decrease) in fair value of investments	(902,262)	(902,262)
Proceeds from bond refundings	-	-
Principal paid on debt	-	-
Total noncash capital and related financing activities	\$ 18,862,111	\$ 11,277,965
<i>Reconciliation of cash and cash equivalents</i>		
Unrestricted cash and investments - beginning	\$ 118,441,624	\$ 104,180,866
Restricted cash and investments - beginning	46,276,042	28,599,173
	164,717,666	132,780,039
Investments with original maturity dates over ninety days	(129,031,256)	(121,997,973)
Cash and cash equivalents - beginning	\$ 35,686,410	\$ 10,782,066
Unrestricted cash and investments - ending	\$ 136,233,490	\$ 118,441,624
Restricted cash and investments - ending	31,802,823	46,276,042
	168,036,313	164,717,666
Investments with original maturity dates over ninety days	(142,884,925)	(129,031,256)
Cash and cash equivalents - ending	\$ 25,151,388	\$ 35,686,410

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

**GRAND STRAND WATER AND SEWER AUTHORITY**  
Statement of Fiduciary Net Position  
Other Postemployment Benefit Pension Trust Fund  
June 30, 2020

<i>Assets</i>	
Cash in money market account	<u>\$ 2,167,869</u>
Investments	
US Government Agency Bonds/Notes	2,769,479
US Government Notes	3,706,365
US Government Bonds	406,670
US Government Inflation Bonds	58,033
CMO's/Asset Backed	<u>72,814</u>
Total investments	<u>7,013,361</u>
Receivables	
Employee contributions	9,297
Benefits Receivable	<u>687</u>
Total receivables	<u>\$ 9,984</u>
Total assets	<u>\$ 9,191,214</u>
<i>Net Postion Restricted for Other Post Employment Benefits Other than Pensions</i>	<u><u>\$ 9,191,214</u></u>

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

**GRAND STRAND WATER AND SEWER AUTHORITY**  
Statement of Changes in Fiduciary Net Position  
Other Postemployment Benefit Pension Trust Fund  
For the Year Ended June 30, 2020

***Additions***

Investment income (loss)	
Net appreciation in fair value of investments	\$ 301,357
Interest income	171,101
Total investment income (loss)	472,458
Contributions	
Employer	1,549,528
Plan members	111,689
Total contributions	1,661,217
Total additions	2,133,675

***Deductions***

Benefits paid	409,345
Net increase in net position	1,724,330

***Net position Restricted for Other Post Employment Benefits***

Beginning of year	7,466,884
End of year	\$ 9,191,214

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

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF GOVERNMENT UNIT

The Grand Strand Water and Sewer Authority (GSWSA) was created pursuant to the provisions of Act No. 337 enacted during the 1971 Session of the General Assembly of the State of South Carolina as a body politic and corporate. The principal functions of GSWSA are to acquire supplies of fresh water, distribute the water for industrial and domestic use within its service area and to acquire, construct, operate and maintain sewage treatment and collection facilities as GSWSA deems necessary.

The direct service area of GSWSA is presently defined to include all of the geographic area of Horry County except for those areas included (1) within an incorporated municipality which owns and operates a water and/or sewer system, (2) within the service area of Little River Water and Sewerage Company, Inc. and (3) within the areas immediately adjacent to the Bucksport Water System, Inc. water service area. Pursuant to agreements entered into between GSWSA and certain municipalities, such municipalities currently provide water and sewer service to limited unincorporated areas contiguous to such municipalities.

#### REPORTING ENTITY

GSWSA has established criteria for determining the scope of the reporting entity for financial statement presentation in accordance with certain accounting standards related to the financial reporting entity. GSWSA's Board is appointed by the Governor of the State of South Carolina based upon recommendation by local delegation. Accordingly, an accountability perspective has been the basis for defining the financial reporting entity. These financial statements present the government and all of its activities for which GSWSA's Board is accountable. There are no other political subdivisions or entities which should be included in the reporting entity of GSWSA.

#### BASIS OF PRESENTATION, ACCOUNTING AND MEASUREMENT FOCUS

GSWSA's financial statements are presented on the full accrual basis in accordance with generally accepted accounting principles. Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. GSWSA applies all relevant Government Accounting Standards Board (GASB) pronouncements.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### **BASIS OF PRESENTATION, ACCOUNTING AND MEASUREMENT FOCUS, CONTINUED**

The accounting and financial reporting treatment applied is determined by its measurement focus. The transactions of GSWSA are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with operations are included on the balance sheet. Net position (i.e. total assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) are segregated between net investment in capital assets; net position restricted for capital projects and for debt service; and unrestricted net position. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

All activities of GSWSA are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or 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, and accountability.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of GSWSA are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

GSWSA also uses a fiduciary fund to report certain other post employment benefits (OPEB). The OPEB Pension Trust Fund accounts for the activities of a pension trust fund that accumulates resources for the OPEB plan and pays benefits to qualified employees.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### BUDGETS AND BUDGETARY ACCOUNTING

The Board of Directors adopts a current expense budget and a capital budget for GSWSA. The current expense budget details GSWSA's plans to receive and expend funds for charges incurred for operation, maintenance, interest and other charges for the ensuing fiscal year. The capital budget details the plan to receive and expend funds for capital projects. Prior to July 1, the budget is enacted by the passage of a resolution.

The Chief Executive Officer is authorized to transfer appropriations between departments and divisions in the current operating budget. Transfers of appropriations between capital projects in the capital budget may be authorized by the Board of Directors by resolution.

All unexpended and unencumbered appropriations in the current expense budget remaining at the end of the fiscal year will lapse. No appropriation for a capital project in the capital budget lapses until the purpose, for which the appropriation was made, has been accomplished or abandoned.

Budgets are adopted on a basis that approximates generally accepted accounting principles, except for debt service payments, capital expenditures and departmental transfers, which are budgeted on a cash basis.

#### DEPOSITS AND INVESTMENTS

For purposes of reporting cash flows, GSWSA's policy is to include in cash and cash equivalents, all cash on hand, cash on deposit, and all investments with an original maturity of 90 days or less.

GSWSA invests through various investment advisors. It also invests in a pool managed by the South Carolina State Treasurer. Investments of GSWSA include certificates of deposit, repurchase agreements, United States or State of South Carolina general obligations, and other governmental debt securities.

GSWSA has adopted the provisions of GASB Statement No. 31 entitled, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As required by GASB Statement No. 31, investments are reported at fair value in the financial statements. Related changes in the fair value of investments are included as an element of investment income.

GSWSA has funds invested in the South Carolina Local Government Investment Pool which is encouraged by the South Carolina State Treasurer. Funds deposited by legally defined entities into the pool are used to purchase investment securities as follows: direct obligations of U.S. Government securities; federal agency securities; repurchase agreements secured by the U.S. Government and/or federal agency securities; and A1/P1 commercial paper.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### RECEIVABLES

Customer accounts are reported net of allowance for doubtful accounts and represent various volume, availability and service fees earned but not yet collected. Cycle billings at year-end are estimated to record revenues earned through year-end. Receivables include approximately \$8,469,903 and \$9,359,544 in revenues earned through year-end but not yet billed as of June 30, 2020 and 2019, respectively. Recurring consumption and capacity fees from residential and commercial customers are recognized as operating revenues, whereas Bull Creek Surface Water Treatment Plant bulk consumption and capacity sales to other service providers (generally other local governments) are recognized as operating revenues and capital contributions.

#### INVENTORIES

Materials and supply inventories are stated at the average cost.

#### RESTRICTED ASSETS

Restricted asset accounts were established to account for assets reserved for specific purposes. Funds designated by certain revenue bond indentures and revolving loan agreements are recorded as restricted assets. The bond and loan agreements require the establishment of construction accounts, current debt service accounts, future debt service accounts, and depreciation and contingency accounts. Deposits are made to the restricted asset accounts in amounts determined by the bond indenture.



# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### CAPITAL ASSETS, CAPACITY RIGHTS AND DEPRECIATION

Capital assets if acquired by purchase or constructed by GSWSA are recorded at cost. Assets acquired through contributions from developers or other entities are capitalized at their acquisition value, or at the engineers' estimated value or cost to construct at the date of the contribution. Acquired utility systems assets from other service providers (typically local governments) are recorded at the lower of the prior service provider's net book value or fair value, with the cost and accumulated depreciation recorded. GSWSA allocates overhead to construction projects based on the direct labor charges to each project. GSWSA's policy is to capitalize assets in excess of \$2,500. Assets are depreciated using the straight-line method. Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Utility, plant and equipment	7-45
Buildings and leaseholds	14-50
Vehicles	3-10
Machinery, equipment and furniture	5-10

Costs of studies that directly result in specific construction projects are capitalized. Significant costs applicable to long range projects and amounts not specifically chargeable to individual projects are charged to operations.

Interest cost is capitalized on the construction of qualified capital assets, except for small projects for which the construction cost is less than \$250,000 and the construction period is less than six months. Interest is not capitalized on assets acquired or constructed with gifts and grants (e.g. contributions, special assessments, impact fees) that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such grants and gifts.

GSWSA records the entire cost of water and wastewater systems which it owns, operates and controls. This includes the cost of certain capacity rights purchased from other utilities. The cost of these capacity rights are included in utility plant and are depreciated over a useful life of 7 - 45 years.

#### LONG-TERM OBLIGATIONS

Long-term obligations are reported at face value. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are recorded net of applicable premiums and discounts.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### COMPENSATED ABSENCES

It is GSWSA's policy to permit its employees to accumulate earned, but unused vacation benefits, which will be paid to the employees upon separation from service to GSWSA. These vacation benefits are accrued in the period earned. The current portion of compensation for future absences liability is an estimate based upon the average annual payments to employees for vacation benefits.

#### PENSIONS

For purposes of measuring the net pension liability, 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 SCRS's 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.

#### POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Grand Strand Water and Sewer Authority Retiree Healthcare Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, The Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments.

Investments are reported at fair value in an irrevocable trust, which, for the Plan, is determined by the mean of the most recent bid and ask prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the GSWSA Board of Directors.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. GSWSA has three items that qualify for reporting in this category: deferred charges on refundings, deferral of the interest rate swap, and the net change in net pension liability not included in pension expense, net change in the other postemployment liability not included in other postemployment expense, including employer contributions subsequent to the measurement date. A deferred charge on refunding results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. GSWSA has two items that qualify for reporting in this category, the change in net pension liability not included in pension expense and the change in other postemployment liability not included in other postemployment expense. GSWSA entered into the interest rate swap agreement to modify interest rates on outstanding debt. The fair value of the swap, the companion debt, and the accrued interest on the companion debt are reported in the financial statements.

#### NON-EXCHANGE TRANSACTIONS

During the fiscal year ended June 30, 2001, GSWSA implemented the provisions of accounting standards related to accounting and financial reporting for non-exchange transactions. Non-exchange transactions involve financial or capital resources in which a government either gives value to another party without receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The standards established by the statement require that capital contributions, such as government grants, customer impact fees and developer contributions, be recorded in the financial statements as revenues.

**Capital Contributions** - Contributions include impact fees, developer contributions of systems, and other capacity and supplemental support by other utilities and governments. Impact fees represent charges against new development to recover capital costs previously incurred for available system capacity or to develop new service capacity. Developers contribute completed systems they have constructed under state and local guidelines. Developers generally do not desire and are not permitted to operate water and wastewater systems. Contributed capital is recorded at acquisition value.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### NON-EXCHANGE TRANSACTIONS, *CONTINUED*

Impact fees and developer contributions of systems represent imposed nonexchange transactions and voluntary nonexchange transactions, respectively. Impact fees are recognized in the *Statements of Revenues, Expenses, and Changes in Net Position* when legally enforceable or probable of legal enforcement, or if no restrictions, when use of the resources is first permitted. Impact fees received from developers and commercial entities are permitted to be used upon receipt, and subject to refund prior to initiation of construction. Accordingly, impact fees are recognized in the financial statements upon receipt. An allowance is recorded in anticipation of refunds, when applicable. Historically, refunds of impact fees have been negligible and assessed as highly remote.

#### REVENUES AND THE RATE STRUCTURE

Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital costs related to nonreplacement oriented assets (utility plants), depreciation expense on capital replacement assets (vehicles, pumps, motors), and principal and interest expenditures.

Availability Fees - This charge is related to the potential demand that each customer places on the system. The costs are allocated to non-bulk customers (residential and others) and bulk customers. Non-bulk customer's costs are divided by the appropriate number of resident equivalent units to arrive at a monthly availability charge. Net capital costs allocated to bulk customers are recovered through its volume charge. This is a monthly charge and provides no minimum usage allowance. The basic philosophy behind this charge is to equitably match cost with usage at lower consumption levels.

Surface Water Charges - During fiscal year 1988, GSWSA initiated the surface water charge to customers which represents a monthly fixed charge per residential equivalent unit to recover the cost of compliance with the Safe Drinking Water Act. The revenues are available for the construction and operation of the Bull Creek Surface Water Treatment Plant and maintenance of the system.

Surface Water Treatment Plant Contract Revenues and Capacity Fees - These sales represent water sales from GSWSA's Bull Creek Regional Water Treatment and Transmission System (referred to as the Surface Water Treatment Plant (SWTP)) to other local government utilities who resell water to their customers. Sales based on water consumption are recorded as operating revenues. Sales based on capacity sold to participants are recorded as capital contributions. The revenues have not been reduced for certain water sold back to GSWSA under transmission and distribution arrangements. Such repurchased water is recorded in the expense accounts.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

#### NET POSITION

Net position is comprised of various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified into the following three components: (1) net investment in capital assets; (2) restricted for capital projects and debt service; and, (3) unrestricted.

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt and other liabilities that are attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds is excluded from the determination.

Net position restricted for capital projects and debt service consists of net position for which constraints are placed thereon by external parties such as lenders, services for grantors, contributors, laws, regulations and enabling legislation.

Unrestricted net position consists of all other net position not included in the above two categories. The unrestricted net positions at June 30, 2020 and 2019 include \$3,373,573 and \$3,334,339, respectively, maintained in a rate stabilization account as designated by the Board of Directors. This fund consists of excess operating and maintenance revenues at year end which are not re-budgeted and may only be used or expended by the Board to provide for unanticipated emergencies (e.g. major natural disaster or loss of a major customer) which could otherwise result in spiked rate (i.e. revenue) increases. This fund is periodically reviewed to ensure that it is adequate.

#### COMPARATIVE DATA

Some prior year amounts have been reclassified for comparative purposes.

#### SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 11, 2020, the date the financial statements were available for issue.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents consisted of the following at June 30:

	2020	2019
Petty cash	\$ 4,650	\$ 4,650
Cash deposits	21,366,837	30,069,666
Money market deposit	3,779,901	5,612,093
Total cash and cash equivalents	\$ 25,151,388	\$ 35,686,409

#### DEPOSITS

At June 30, 2020 and 2019, the carrying amount of GSWSA's deposits in financial institutions were \$25,146,738 and \$35,681,759. The financial institutions' balances totaled \$25,184,353 and \$36,259,665, which were insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with securities, held by agents and/or by pledging financial institutions trust departments or agents, both in GSWSA's name. Petty cash on hand was \$4,650 for fiscal years 2020 and 2019.

Custodial credit risk is the risk that in the event of a bank failure GSWSA's deposits may not be returned. GSWSA's deposit policy for custodial credit risk is that no cash balances exceed the amount covered by FDIC insurance or collateralized with securities.

#### INVESTMENTS

*Custodial credit risk* - For an investment, this is the risk that, in the event of the failure of the counterparty, GSWSA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. GSWSA's investment policy addresses custodial credit risk by requiring that investment balances are held by a third-party custodian.

At June 30, 2020 and 2019, GSWSA had the following investments, at fair value, which were uninsured, unregistered and held by GSWSA's brokerage firm which is also the counterparty for those particular securities.

	2020	2019
Federal Home Loan Mortgage	\$ 14,428,025	\$ 15,633,025
Federal National Mortgage	18,675,814	13,902,579
Federal Home Loan Bank	7,159,680	7,715,523
Government National Mortgage Association	5,570,970	4,129,800
Federal Farm Credit Banks	5,213,486	-

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 2 - DEPOSITS AND INVESTMENTS, *CONTINUED*

*Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GSWSA has adopted an investment policy which limits investments according to South Carolina State Statute 6-5-10 as may be amended from time to time, for investments by political subdivisions. According to the investment and securities schedule below, GSWSA had certain investments which were rated by Standard and Poor’s.

*Concentration of Credit Risk* – The risk of overexposure to a single asset or market. GSWSA’s investment policy is to instruct the Investment Managers to structure the portfolio based on principles of diversification. As presented in the schedule below, GSWSA had certain investments with issuers that were as much as 47.43% of their investment portfolio.

*Interest Rate Risk* – The risk that changes in interest rates will adversely affect the fair value of an investment. GSWSA’s investment policy permits investment terms ranging from overnight to twelve years with the exception of mortgage pass through securities with normal maturities greater than ten years, if their average life is expected to be ten years or less.

As of June 30, 2020, GSWSA had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (Years)				Credit Rating	% of Total Investment
		Less Than 1	1 - 5	6 - 10	More than 10		
U.S. Treasuries	\$ 67,766,620	\$ 18,013,731	\$ 46,601,820	\$ 3,151,069	\$ -	AA+	47.43%
Federal Farm Credit Banks	5,213,486	609,555	4,603,931	-	-	AA+	3.65%
Federal Home Loan Bank	7,159,680	2,301,845	4,297,430	560,405	-	AA+	5.01%
Federal Home Loan	14,428,025	317,171	7,362,224	2,012,703	4,735,927	AA+	10.10%
Federal National	18,675,814	3,938,738	4,845,517	3,677,449	6,214,110	AA+	13.07%
Government National	5,570,970	-	124,321	1,112,292	4,334,357	AA+	3.90%
Certificate of Deposit	120,000	-	120,000	-	-	A-	0.08%
Investment Pool	23,950,329	23,950,329	-	-	-	N/R	16.76%
	\$ 142,884,925	\$ 49,131,369	\$ 67,955,243	\$ 10,513,918	\$ 15,284,394		100.00%

As of June 30, 2019, GSWSA had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (Years)				Credit Rating	% of Total Investment
		Less Than 1	1 - 5	6 - 10	More than 10		
U.S. Treasuries	\$ 70,158,809	\$ 20,989,713	\$ 44,016,595	\$ 5,152,501	\$ -	AA+	54.37%
Federal Home Loan Bank	7,715,523	3,246,108	4,177,120	292,295	-	AA+	5.98%
Federal Home Loan	15,633,025	4,125,047	4,133,623	1,852,737	5,521,618	AA+	12.12%
Federal National	13,902,579	-	3,721,680	3,373,488	6,807,411	AA+	10.77%
Government National	4,129,800	-	-	1,438,752	2,691,048	AA+	3.20%
Certificate of Deposit	120,000	-	120,000	-	-	A-	0.09%
Investment Pool	17,371,520	17,371,520	-	-	-	N/R	13.46%
	\$ 129,031,256	\$ 45,732,388	\$ 56,169,018	\$ 12,109,773	\$ 15,020,077		100.00%

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 2 - DEPOSITS AND INVESTMENTS, *CONTINUED*

#### INVESTMENT VALUATION

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Grand Strand Water and Sewer Authority's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include input markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources, however there are no level 3 inputs as of June 30, 2020 and 2019.

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

Investments' fair value measurements are as follows at June 30, 2020:

Debt Securities	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 3,779,900	\$ 1,256,963	\$ 2,522,937	\$ -
U.S. Treasuries	67,766,620	67,766,620	-	-
U.S. Gov't Agency Obligations	25,383,603	15,467,327	9,916,276	-
U.S. Gov't Agency Mortgage-Backed Pools	25,664,374	-	25,664,374	-
Certificates of Deposit	120,000	120,000	-	-
Investments Measured at Net Asset Value <sup>1</sup>	23,950,329	-	-	-
	<b>\$ 146,664,826</b>	<b>\$ 84,610,910</b>	<b>\$ 38,103,587</b>	<b>\$ -</b>

<sup>1</sup> Certain investments in the South Carolina Local Government Investment Pool are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.



# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 2 - DEPOSITS AND INVESTMENTS, *CONTINUED*

Investments' fair value measurements are as follows at June 30, 2019:

Debt Securities	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 5,612,093	\$ 3,627,385	\$ 1,984,708	\$ -
U.S. Treasuries	70,158,809	70,158,809	-	-
U.S. Gov't Agency Obligations	19,620,991	4,950,062	14,670,929	-
U.S. Gov't Agency Mortgage-Backed Pools	21,759,938	-	21,759,938	-
Certificates of Deposit	120,000	120,000	-	-
Investments Measured at Net Asset Value <sup>1</sup>	17,371,520	-	-	-
	<b>\$ 134,643,351</b>	<b>\$ 78,856,256</b>	<b>\$ 38,415,575</b>	<b>\$ -</b>

<sup>1</sup> Certain investments in the South Carolina Local Government Investment Pool are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

### NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Retirements	Disposals/ Transfers	Balance June 30, 2020
Capital Assets Not Being Depreciated					
Land and Easements	\$ 55,079,603	\$ 421,874	\$ -	\$ -	\$ 55,501,477
Construction-in-Progress	28,926,621	13,493,298	-	(590,291)	41,829,628
	84,006,224	13,915,172	-	(590,291)	97,331,105
Capital Assets Being Depreciated					
Utility Plant	897,001,391	52,643,871	(834,718)	590,291	949,400,835
Buildings and Leaseholds	12,163,718	581,460	(24,406)	-	12,720,772
Site Improvements	2,017,824	181,373	-	-	2,199,197
Vehicles	12,732,025	1,708,748	(384,026)	-	14,056,747
Machinery, Equipment and Furniture	22,660,059	3,839,748	(450,769)	-	26,049,038
	946,575,017	58,955,200	(1,693,919)	590,291	1,004,426,589
Accumulated Depreciation for					
Utility Plant	(382,299,393)	(25,921,657)	641,004	-	(407,580,046)
Buildings	(4,838,675)	(393,715)	20,065	-	(5,212,325)
Site Improvements	(687,880)	(120,077)	-	-	(807,957)
Vehicles	(8,719,317)	(1,520,561)	383,467	-	(9,856,411)
Machinery, Equipment and Furniture	(16,797,190)	(1,725,902)	444,247	-	(18,078,845)
	(413,342,455)	(29,681,912)	1,488,783	-	(441,535,584)
	\$ 617,238,786	\$ 43,188,460	\$ (205,136)	\$ -	\$ 660,222,110

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Retirements	Disposals/ Transfers	Balance June 30, 2019
Capital Assets Not Being Depreciated					
Land and Easements	\$ 54,576,839	\$ 503,764	\$ (1,000)	\$ -	\$ 55,079,603
Construction-in-Progress	20,035,137	9,722,520	-	(831,036)	28,926,621
	74,611,976	10,226,284	(1,000)	(831,036)	84,006,224
Capital Assets Being Depreciated					
Utility Plant	863,521,729	33,058,115	(409,489)	831,036	897,001,391
Buildings and Leaseholds	12,616,346	20,997	(473,625)	-	12,163,718
Site Improvements	2,017,824	-	-	-	2,017,824
Vehicles	12,414,626	1,188,937	(871,538)	-	12,732,025
Machinery, Equipment and Furniture	21,700,551	1,481,125	(521,617)	-	22,660,059
	912,271,076	35,749,174	(2,276,269)	831,036	946,575,017
Accumulated Depreciation for					
Utility Plant	(358,068,760)	(24,599,250)	368,617	-	(382,299,393)
Buildings	(4,506,120)	(380,140)	47,585	-	(4,838,675)
Site Improvements	(550,228)	(137,652)	-	-	(687,880)
Vehicles	(8,107,779)	(1,483,077)	871,539	-	(8,719,317)
Machinery, Equipment and Furniture	(15,905,402)	(1,393,703)	501,915	-	(16,797,190)
	(387,138,289)	(27,993,822)	1,789,656	-	(413,342,455)
	\$ 599,744,763	\$ 17,981,636	\$ (487,613)	\$ -	\$ 617,238,786

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 3 - CAPITAL ASSETS AND DEPRECIATION, *CONTINUED***

Certain direct and indirect costs of GSWSA's construction and engineering departments were capitalized in the amount of \$4,675,742 and \$4,516,965 during 2020 and 2019, respectively. Interest expense, net of applicable interest income, was capitalized in the approximate amounts of \$855,674 and \$154,722 during 2020 and 2019, respectively.

Utility plant includes all of GSWSA's water and wastewater systems, including those systems for which capacity rights or systems have been purchased or sold.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT

The original issue amount of current outstanding debt as of June 30, 2020 was \$292,251,500. Bonds, notes payable and state revolving loans at June 30, 2020 and 2019 are composed of the following individual issuances:

	2020	2019
<p><b>Series 2008</b>, \$7,150,000 waterworks and sewer system improvement revenue bond, remaining annual principal and semi-annual interest installments of \$8,044 to \$715,000 (principal of \$715,000) through December 2023, interest only due each June 1, principal and interest due each December 1, interest at 2.25%.</p>	\$ 2,860,000	\$ 3,575,000
<p><b>Series 2011A</b>, \$10,590,000 revenue bond, remaining annual principal and semi-annual interest installments of \$13,700 to \$1,070,000 (principal of \$685,000 to \$1,070,000) through June 2036, interest only due each December 1, principal and interest due each June 1, interest at 3% to 5%.</p>	9,880,000	10,590,000
<p><b>Series 2011B</b>, \$28,935,000 refunding revenue bond, remaining annual principal and interest installments of \$18,300 to \$2,895,000 (principal of \$610,000 to \$2,895,000) through June 2023, principal and interest due each June 1, interest at 3% to 5%.</p>	6,200,000	9,095,000
<p><b>Series 2012</b>, \$66,710,000 revenue bond, remaining annual principal installments of \$2,225,000 to \$6,340,000 through June 2031; interest at a variable rate per month calculated as 75% of the sum of 1 month LIBOR and 108 basis points, due on the 1st.</p>	54,175,000	56,400,000
<p><b>Series 2016</b>, \$5,345,000 waterworks and sewer system improvement revenue bond, remaining annual principal and semi-annual interest installments of \$6,970 to \$850,000 (principal of \$790,000 to \$850,000) through December 2022, interest only due each June 1, principal and interest due each December 1, interest at 1.64%.</p>	2,460,000	3,220,000

**GRAND STRAND WATER AND SEWER AUTHORITY**

Notes to the Financial Statements

**NOTE 4 - LONG-TERM DEBT, CONTINUED**

	2020	2019
<p><b>Series 2016D</b>, \$14,205,000 waterworks and sewer system refunding revenue bond, remaining semi-annual principal and interest installments of \$946 to \$1,230,000 (principal of \$110,000 to \$1,065,000) through June 2026, principal and interest due each June 1 and December 1, interest at 1.72%.</p>	5,235,000	7,700,000
<p><b>Series 2017</b>, \$15,010,000 refunding revenue bond, remaining annual principal and semi-annual interest installments of \$27,506 to \$1,630,000 (principal of \$45,000 to \$1,630,000) through June 2041, interest only due each December 1, principal and interest due each June 1, interest at 2.5% to 5%.</p>	14,880,000	14,925,000
<p><b>Bonds 2019</b>, \$30,000,000 waterworks and sewer system improvement revenue bond, remaining annual principal and semi-annual interest installments of \$30,363 to \$1,735,000 (principal of \$665,000 to \$1,735,000) through June 2048, interest only due each December 1, principal and interest due each June 1, interest at 3% to 5%. Interest only until 2023.</p>	30,000,000	30,000,000
<p style="padding-left: 40px;">Total Revenue Refunding and Improvement Bonds</p>	125,690,000	135,505,000

**GRAND STRAND WATER AND SEWER AUTHORITY**

Notes to the Financial Statements

**NOTE 4 - LONG-TERM DEBT, CONTINUED**

	2020	2019
<p><b>Schwartz WWTP Expansion – Phase II SRF</b>, \$12,079,472 loan at 3.5% interest with quarterly principal and interest payments of \$210,590 beginning April 2008 through January 2028. The South Carolina State Budget and Control Board reduced the interest to 2.25% beginning January 2012. Quarterly principal and interest payments were reduced to \$191,582 for the balance of the loan.</p>	5,436,084	6,071,145
<p><b>Myrtle Beach WWTP Upgrade and Expansion SRF</b>, \$9,508,249 loan at 3.25% interest with quarterly principal and interest payments of \$162,101 beginning March 2010 through December 2029. The South Carolina State Budget and Control Board reduced the interest to 2.25% beginning December 2011. Quarterly principal and interest payments were reduced to \$148,989 for the balance of the loan.</p>	5,084,597	5,559,454
<p><b>Conway WWTP Odor Control Upgrade SRF</b>, \$3,164,707 loan at 3.25% interest with quarterly principal and interest payments of \$53,954 beginning May 2009 through February 2029. The South Carolina Budget and Control Board reduced the interest to 2.25% beginning February 2012. Quarterly principal and interest payments were reduced to \$49,796 for the balance of the loan.</p>	1,578,023	1,739,427
<p><b>Highway 501 to Highway 544 Force Main SRF</b>, \$1,492,111 loan at 1.54% interest with quarterly principal and interest payments of \$21,711 beginning August 2010 through May 2030.</p>	799,545	873,008
<p><b>Vereen WWTP Discharge Relocation SRF</b>, \$1,290,000 loan at 3.50% interest with quarterly principal and interest payments of \$25,266 beginning July 2011 through April 2031. The South Carolina State Budget and Control Board reduced the interest to 2.25% beginning January 2012. Quarterly principal and interest payments were reduced to \$20,120 for the balance of the loan.</p>	782,279	844,282

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

	<u>2020</u>	<u>2019</u>
<b>Bucksport Composting Facility SRF</b> , \$3,241,486 loan at 3.50% interest with quarterly principal and interest payments of \$62,447 beginning November 2011 through August 2031. The South Carolina Budget and Control Board reduced the interest to 2.25% beginning February 2012. Quarterly principal and interest payments were reduced to \$55,795 for the balance of the loan.	1,982,914	2,140,078
<b>Bucksport Rapid Infiltration WWTP SRF</b> , \$21,044,152 loan at 2.25% interest with quarterly principal and interest payments of \$327,390 beginning April 2014 through January 2034.	15,450,341	16,398,890
<b>Highway 501 to International Drive Water SRF</b> , \$4,504,199 loan at 1.90% interest with quarterly principal and interest payments of \$67,808 beginning October 2014 through July 2034.	3,379,026	3,583,620
<b>Bull Creek to MB Water System Interconnect Phase 2 SRF</b> , \$5,467,048 loan at 1.80% with quarterly principal and interest payments of \$81,527 beginning November 2016 through August 2036.	4,585,733	4,826,584
<b>Myrtle Beach SWTP Ozone System Improvements SRF</b> , \$3,179,471 loan at 1.80% interest with quarterly principal and interest payments of \$47,414 beginning June 2017 through March 2037.	2,737,275	2,876,095
<b>South WW Transmission Upgrade SRF</b> , \$12,129,044 loan at a blended 2.10% interest with quarterly principal and interest payments of \$147,244 beginning June 2020 through March 2040; then \$109,540 beginning June 2040 through March 2050.	9,085,191	-

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

	<u>2020</u>	<u>2019</u>
<p><b>Marine Industrial Park Loan</b>, \$5,000,000 loan payable to South Carolina Public Service Authority. Annual principal and interest payments beginning April 2022 through April 2028; interest at a variable rate set annually. Collateralized by the property on which the Industrial park is being developed as well as a \$120,000 certificate of deposit.</p>	<u>5,000,000</u>	<u>5,000,000</u>
<p>Total notes payable</p>	<u>55,901,008</u>	<u>49,912,583</u>
<p><b>Companion Instrument Debt</b>, advances payable comprising companion instrument debt related to an interest rate swap. Payments of principal and interest ranging from \$30,020 to \$309,314 at a rate of 4.2% began December 1, 2017 with all unpaid principal and interest due in June 2031.</p>	<u>2,864,438</u>	<u>3,267,435</u>
<p>Total debt, before deferrals</p>	184,455,446	188,685,018
<p>Unamortized revenue bond discount/premium</p>	<u>2,475,845</u>	<u>2,824,887</u>
<p>Total debt, net</p>	186,931,291	191,509,905
<p style="padding-left: 20px;">Less current portion</p>	<u>(13,677,578)</u>	<u>(13,314,763)</u>
<p>Total long - term portion of debt</p>	<u>\$ 173,253,713</u>	<u>\$ 178,195,142</u>



# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

Remaining debt service payments at June 30, 2020 are as follows:

	Revenue Bonds		Companion Instrument		Notes Payable		Total Principal	Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2021	\$ 9,895,000	\$ 5,501,451	\$ 398,726	\$ 114,312	\$ 3,383,852	\$ 1,054,446	\$ 13,677,578	\$ 20,347,787
2022	10,480,000	5,112,284	389,136	97,764	4,171,483	1,034,101	15,040,619	21,284,768
2023	9,095,000	4,652,044	366,367	81,801	4,246,452	951,560	13,707,819	19,393,224
2024	7,135,000	4,281,180	340,664	66,830	4,323,083	920,929	11,798,747	17,067,686
2025	6,710,000	3,955,048	311,854	52,978	4,401,413	824,314	11,423,267	16,255,607
2026-2030	37,120,000	14,421,191	999,286	106,240	19,502,826	2,670,037	57,622,112	74,819,580
2031-2035	17,775,000	6,305,901	58,405	1,635	9,894,728	1,076,917	27,728,133	35,112,586
2036-2040	13,515,000	3,873,394	-	-	2,298,560	485,742	15,813,560	20,172,696
2041-2045	8,935,000	1,720,138	-	-	1,743,743	301,025	10,678,743	12,699,906
2046-2049	5,030,000	356,125	-	-	1,934,868	108,506	6,964,868	7,429,499
Totals	\$ 125,690,000	\$ 50,178,756	\$ 2,864,438	\$ 521,560	\$ 55,901,008	\$ 9,427,577	\$ 184,455,446	\$ 244,583,339

Remaining debt service payments at June 30, 2019 are as follows:

	Revenue Bonds		Companion Instrument		Notes Payable		Total Principal	Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2020	\$ 9,815,000	\$ 5,888,669	\$ 402,997	\$ 131,111	\$ 3,096,766	\$ 932,579	\$ 13,314,763	\$ 20,267,122
2021	9,895,000	5,554,241	398,726	114,312	3,163,963	865,381	13,457,689	19,991,623
2022	10,480,000	5,161,850	389,136	97,764	3,946,940	849,691	14,816,076	20,925,381
2023	9,095,000	4,697,666	366,367	81,801	4,017,157	771,902	13,478,524	19,029,893
2024	7,135,000	4,322,662	340,664	66,830	4,088,935	746,124	11,564,599	16,700,215
2025-2029	35,740,000	16,401,542	1,199,471	153,649	19,845,634	2,333,381	56,785,105	75,673,677
2030-2034	23,425,000	7,400,407	170,074	7,204	10,460,453	648,704	34,055,527	42,111,842
2035-2039	13,065,000	4,323,450	-	-	1,292,735	30,373	14,357,735	18,711,558
2040-2044	10,260,000	2,075,231	-	-	-	-	10,260,000	12,335,231
2045-2048	6,595,000	586,950	-	-	-	-	6,595,000	7,181,950
Totals	\$ 135,505,000	\$ 56,412,668	\$ 3,267,435	\$ 652,671	\$ 49,912,583	\$ 7,178,135	\$ 188,685,018	\$ 252,928,492

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

Long term liability activity for the year ended June 30, 2020, are as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Companion instrument debt	\$ 3,267,435	\$ -	\$ 402,997	\$ 2,864,438	\$ 398,726
Bonds payable	135,505,000	-	9,815,000	125,690,000	9,895,000
Notes payable	49,912,583	9,168,757	3,180,332	55,901,008	3,383,852
Compensated absences	2,043,214	809,020	694,929	2,157,305	729,571
Total liabilities	190,728,232	9,977,777	14,093,257	186,612,751	14,407,149
Plus deferred amounts:					
Issuance premiums	2,824,887	-	349,042	2,475,845	-
Total	\$ 193,553,119	\$ 9,977,777	\$ 14,442,299	\$ 189,088,596	\$ 14,407,149

Long term liability activity including capital leases for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Companion instrument debt	\$ 3,675,174	\$ -	\$ 410,953	\$ 3,264,221	\$ 402,997
Bonds payable	118,935,000	30,000,000	13,430,000	135,505,000	9,815,000
Notes payable	52,943,611	-	3,031,028	49,912,583	3,096,766
Capital leases	23,951	-	23,951	-	-
Compensated absences	1,914,753	916,685	788,224	2,043,214	701,258
Total liabilities	177,492,489	30,916,685	17,684,156	190,725,018	14,016,021
Plus deferred amounts:					
Issuance premiums	2,023,775	1,127,791	326,678	2,824,887	-
Total	\$ 179,516,264	\$ 32,044,476	\$ 18,010,834	\$ 193,549,905	\$ 14,016,021

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

GSWSA has pledged future revenues derived from the operation of the water and wastewater systems, net of operating and maintenance expenses, to repay \$123,024,005 in water and wastewater bonds. Proceeds from the bonds provided financing for improvements to the water and wastewater systems, as well as refunding \$172,815,628 of water and wastewater revenue bonds. The bonds are payable solely from the net earnings of the Water and Wastewater Systems and are payable through 2048. The total principal and interest remaining to be paid on the bonds is \$175,868,755, with annual payments expected to require 36 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$15,686,486 and \$56,058,632, respectively.

The revenue bonds also require the establishment of the following restricted bank accounts:

- Construction Accounts.
- Current Debt Service Accounts – for payment of bond principal and interest.
- Future Debt Service Accounts – a reserve for future payment of principal and interest.
- Depreciation and Contingency Fund – for restoring depreciated or obsolete capital assets.
- Capitalized Interest Account – for payment of bond interest until the project is completed at which time the current debt service will be used to pay principal and interest.
- Rebate Account – for the estimated liability to the federal government for interest earnings in excess of interest expense on tax-free revenue bonds.

On May 3, 2019, GSWSA was approved for a note payable to the South Carolina State Budget and Control Board from the South Carolina State Water Pollution Control Revolving Fund for \$12,129,044 with a blended interest rate of 2.10%. The loan proceeds will be used to install 19,200 LF of 36" force main and new pump station in the south transmission system to provide redundancy for critical infrastructure as well as growth in the southern service area. As of June 30, 2020, GSWSA received \$9,168,757.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

#### DERIVATIVES

GSWSA is a party to certain interest rate swap agreements, which are recorded in the financial statements. Following is a disclosure of key aspects of the agreements.

#### Interest Rate Swaps

Objective of the interest rate swap – To protect against the potential of rising interest costs, GSWSA has entered into a fixed-to-variable interest rate for the Bonds of 2012 Swap.

Terms – The terms, fair value and credit ratings of the outstanding swap as of June 30, 2020 were as follows. The notional amounts match the principal amounts of the outstanding debt.

Notional amount	\$ 54,175,000
Up-front payment	\$ 4,388,000
Effective date	June 1, 2012*
Fixed payer rate	4.717%
Variable receiver rate	70% of LIBOR
Fair value of swap	(\$ 12,495,950)
Termination date	June 1, 2031
Counterparty credit rating**	A+, A-

\* On June 1, 2012 the swap providers took the option to enter into the swap agreement and as a result GSWSA received \$525,000 in exercise fees.

\*\* Bonds of 2012 have two counterparties. These ratings represent the Standard & Poor's Ratings.

Fair value – The swap agreement had a negative fair value as of June 30, 2020. Due to the current low-interest rate environment, as compared to the period when the swap was entered into, the fixed payer rate exceeded the variable receiver rate.

Swap payments and associated debt - Assuming that interest rates remain the same at June 30, 2020, the debt service requirements on the Bonds of 2012 interest rate swap would be as follows:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2021	\$ 2,760,000	\$ 504,512	\$ 2,493,571	\$ 5,758,083
2022	4,090,000	479,027	2,366,851	6,935,878
2023	4,295,000	440,921	2,178,571	6,914,492
2024	4,505,000	400,905	1,980,854	6,886,759
2025	4,730,000	358,933	1,773,469	6,862,402
2026 - 2031	33,795,000	1,146,721	5,665,896	40,607,617

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 4 - LONG-TERM DEBT, *CONTINUED*

Credit risk – As of June 30, 2020, the fair value of the swap was negative, therefore GSWSA is not subject to credit risk. However, at times when the fair values of the swaps are positive, GSWSA is exposed to credit risk in the amount of the derivative's fair value.

Termination risk – The risk that an unscheduled end to a derivative contract will affect GSWSA's hedging strategy or will require GSWSA to pay potentially significant unscheduled termination payments to the counterparty. The swap agreement will be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. The swap can be terminated due to illegality, a credit event upon merger, or an event of default and illegality. The swap can also be terminated if credit ratings fall below established levels.

The Bonds of 2012 Swaps are evaluated for effectiveness using the "synthetic instrument" method, a quantitative method, to determine whether the Bonds of 2012 interest rate swaps are effective. The synthetic instrument method evaluates effectiveness by comparing the variable cash flows on the swaps with the variable cash flows on the bonds. Any difference between these variable cash flows is added to the fixed cash flows on the swaps and the actual synthetic rate on the swaps are calculated. If the actual synthetic rate falls in a range of 90 to 111% of the fixed rate on the swaps, they are considered effective hedges. The swaps that meet the criteria and are considered to be effective hedges.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 5 - DEBT DEFEASANCE

On November 16, 2011, Grand Strand Water and Sewer Authority issued Taxable Waterworks and Sewer System Refunding Revenue Bonds, Series 2011B in the amount of \$28,935,000. These proceeds were issued in order to defease the following debts: bank qualified loan, Series 2000B dated June 30, 2000, Waterworks and Sewer System Refunding Revenue Bonds, Series 2006 dated November 30, 2006, bank qualified loan Series 2010 dated July 7, 2010. The Series 2000B Bonds matured June 1 in the years 2012 through 2015, which included \$3,290,124 of outstanding principal. The Series 2006 Bonds matured December 1 in the years 2011 through 2021, which included \$15,770,000 of outstanding principal. The Series 2010 Bonds matured December 1 and June 1 in the years 2011 through 2022, which included \$14,441,300 of outstanding principal. U.S. Government Securities were purchased and placed in an irrevocable trust for the purpose of generating resources to fully service the defeased bonds until the debt is called or defeased. As a result, the Series 2000B, 2006 and 2010 Bonds years 2011 through 2022 are considered to be defeased and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by \$325,678. This amount is being netted against the new debt, amortized over the remaining life of the refunded debt and presented as part of deferred outflows of resources on the Statement of Net Position. The issuance of the Bonds of 2011B resulted in a net present value savings of \$1,465,205. The outstanding principal balance on the defeased bonds at June 30, 2020 and 2019 was \$7,152,500 and \$9,462,700 respectively.

In addition, on May 31, 2012, Grand Strand Water and Sewer Authority issued Waterworks and Sewer System Refunding Revenue Bonds, Series 2012 in the amount of \$66,710,000. The proceeds were issued in order to defease the Waterworks and Sewer System Refunding Revenue Bonds, Series 2001, dated November 14, 2001. The Series 2001 Bonds mature on June 1 in the years 2013 through 2031, inclusive of the outstanding principal amount of \$67,180,000. U.S. Government Securities were purchased and placed in an irrevocable trust for the purpose of generating resources to fully service the defeased bonds until the debt is called or defeased. As a result, the 2001 Waterworks and Sewer System Refunding Revenue Bonds years 2013 through 2031 are considered to be defeased and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by \$2,897,678. This amount is being netted against the new debt, amortized over the remaining life of the refunded debt and presented as part of deferred outflows of resources on the Statement of Net Position. The issuance of the Bonds of 2012 resulted in a net present value savings of \$2,297,913. The outstanding principal balance on the defeased bonds at June 30, 2020 and 2019 was \$54,175,000 and \$56,400,000, respectively.

On December 12, 2017, GSWSA issued \$15,010,000 in Refunding General Obligation Bonds, Series 2017 (2017 Bonds) with interest rates at 3.33%. GSWSA issued the 2017 Bonds to advance refund \$13,735,000 of the outstanding 2011A Bonds, with interest rates ranging from 3.50% to 5.00 %. Grand Strand Water and Sewer Authority used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the 2011A Bonds. As a result, this portion of the 2011A Bonds are considered defeased and GSWSA has removed the liabilities from the Statement of Net Position. The advance refunding reduced GSWSA's total debt service requirements by \$1,852,038. This results in an economic gain of \$1,305,253. At June 30, 2020 and 2019, the outstanding principal balance on the defeased 2011A bonds was \$13,735,000 and \$13,735,000.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 6 - NET POSITION

Net position represents assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Net position amounts were as follows at June 30:

	2020	2019
Net investment in capital assets		
Capital assets, net of depreciation	\$ 660,222,110	\$ 617,238,786
Add:		
Deferred charge on refunding	2,579,072	2,798,119
Less:		
Revenue bonds payable, net of amortization	(128,165,845)	(138,329,887)
Companion instrument debt payable	(2,864,438)	(3,267,435)
Notes payable	(55,901,008)	(49,912,583)
Contractors payable	(6,475,229)	(3,590,589)
Total	469,394,662	424,936,411
Restricted for:		
Capital Projects	14,678,578	30,778,140
Debt Service	1,766,359	1,742,314
Unrestricted	105,874,257	93,826,364
Total net position	\$ 591,713,856	\$ 551,283,229

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. 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 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. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to South Carolina Public Employee Benefit Authority, 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 DESCRIPTION**

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

GSWSA's annual covered payroll for fiscal years 2020 and 2019 for active members covered by the SCRS was \$17,261,331 and \$16,558,780, respectively. Annual covered payroll for fiscal years 2020 and 2019 for retired members was \$1,141,335 and \$1,453,756 respectively.

#### **MEMBERSHIP**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.



# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### 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 Class Two member who has separated from service with at least five 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 years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight year earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82% of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days paid for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters. 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.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### CONTRIBUTIONS

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9% for SCRS. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

The Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85%. 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%, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July first, 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%.

The required employee contribution rate for both Class Two and Class Three members to the South Carolina Retirement System for fiscal year 2020 is 9.00% of earnable compensation.

The required employer contribution rate for both Class Two and Class Three members to the South Carolina Retirement System for fiscal year 2020 is 15.41% of earnable compensation. In addition, GSWSA has elected to contribute 0.15% of each member's earnable compensation for the Incidental Death Benefit to provide group life insurance benefits for their participants.

The contributions to the SCRS for employer portions for 2020 and 2019 were \$2,863,455 and \$2,622,625, respectively.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED

#### NET PENSION LIABILITY

At June 30, 2020, GSWSA reported liabilities of \$38,949,952 for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, projected forward to June 30, 2019. GSWSA's proportionate shares of the net pension liability was based on a projection of GSWSA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, GSWSA's proportionate share of the SCRS plan was 0.170578%, which was the same as its proportionate share of the net pension liability measured as of June 30, 2019.

#### PENSION EXPENSE

For the year ended June 30, 2020, GSWSA recognized pension expense for the SCRS plan of \$5,052,458.

#### DEFERRED INFLOWS OF RESOURCES AND DEFERRED OUTFLOWS OF RESOURCES

At June 30, 2020, GSWSA reported deferred outflows of resources and deferred inflows of resources related to its pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual liability experience	\$ 26,774	\$ 279,809
Changes of assumptions	784,898	-
Net difference between projected & actual earnings on pension plan investments	344,837	-
Changes in proportion & differences between GSWSA contributions & proportionate share of contributions	1,305,112	258,220
GSWSA contributions subsequent to the measurement date	2,863,455	-
Total	\$ 5,325,076	\$ 538,029

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### DEFERRED INFLOWS OF RESOURCES AND DEFERRED OUTFLOWS OF RESOURCES, CONTINUED

The \$2,863,455 reported as deferred outflows of resources resulting from GSWSA contributions paid subsequent to the measurement date for the SCRS plan, during the year ended June 30, 2020 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension obligation will be recognized as a component of pension expense for the years ended June 30 are as follows:

2020	\$ 1,326,572
2021	117,541
2022	339,376
2023	140,103
Total	\$1,923,592

#### ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial valuations 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 as of July 1, 2015.

While South Carolina State Code requires that an experience study be completed once every five years, the actuaries recommend that future experience studies be completed in four year intervals. Therefore, the next experience study is scheduled to be conducted after the June 30, 2020 annual valuation is complete.

The June 30, 2019, total pension liability, net pension liability, and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

The following table provides a summary of the actuarial assumptions and methods used to calculate total pension liability as of June 30, 2019.

Actuarial cost method	Entry age normal
Actual assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	Lesser of 1% or \$500 annually

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

Assumptions used in the determination of the June 30, 2019, total pension liability are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees & Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity			
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets			
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic			
GTAA	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit			
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive			
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

#### DISCOUNT RATE

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

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### SENSITIVITY ANALYSIS

The following table presents GSWSA's proportionate share of the net pension liability of the SCRS plan calculated using the discount rate of 7.25%, as well as what GSWSA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

	1% Decrease	Current	1% Increase
Net Pension Liability	\$ 49,068,789	\$ 38,949,952	\$ 30,505,196

#### PENSION PLAN FIDUCIARY NET POSITION

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2019, net pension liability amounts for SCRS are as follows:

Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
\$50,073,060,256	\$27,238,916,138	\$22,834,144,118	54.4%

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

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS which can be accessed via the contact information provided above.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### **NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN, CONTINUED**

#### **OTHER EMPLOYEE BENEFITS**

GSWSA provides post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by GSWSA. At June 30, 2020, no beneficiaries or employees had elected coverage under the Act. At June 30, 2019, two beneficiaries and no employees had elected coverage under the Act.

GSWSA offers a defined contribution plan to its employees under a plan administered by the South Carolina Deferred Compensation Commission and established in accordance with Internal Revenue Code Section 401K. Employees are permitted to defer portions of their salaries which are subject to annual IRS limitations until future years. Only upon reaching 59 ½ years of age, termination, retirement, disability, death or an approved hardship is the deferred compensation available to an employee.

GSWSA recognizes the value of long-term employment and wishes to reward this loyalty by increasing the amount it matches to an employee's Deferred Compensation Program as the years of employment increase. Grand Strand Water and Sewer Authority's contributions to its employees' 401K/457 for the last two years are as follows:

Fiscal Year Ended	Annual Employer Contribution
June 30, 2019	\$ 806,129
June 30, 2020	831,083

GSWSA offers a deferred compensation plan to its employees under a plan administered by the South Carolina Deferred Compensation Commission and established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer portions of their salaries which are subject to annual IRS limitations until future years. Only upon termination, retirement, disability, death or an approved unforeseeable emergency withdrawal is the deferred compensation available to an employee.



**GRAND STRAND WATER AND SEWER AUTHORITY**

Notes to the Financial Statements

**NOTE 7 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN,  
CONTINUED**

**PLAN DESCRIPTION**

Grand Strand Water and Sewer Authority, the Plan sponsor, administers a defined benefit postemployment healthcare plan, the Grand Strand Water and Sewer Authority Retiree Health Care Benefit Plan (the Plan). Assets of the Plan may be used only for the payment of administrative costs incurred by the Plan and benefits of the members of the Plan, in accordance with the terms of the Plan.

Management of the Plan is vested in the GSWSA Board of Directors, which consists of nine members who are resident electors of Horry County, South Carolina, appointed by the Governor, upon the recommendation of the resident members of the Horry County Legislative Delegation including the resident Senator.

The membership of the Plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	37
Active plan members	<u>323</u>
Total	<u>360</u>

The Plan is a single-employer defined benefit postemployment healthcare plan that covers retired employees of GSWSA. The Plan provides health and dental insurance benefits to eligible retirees and their spouses. The Plan Agreement and Declaration of Trust assigns the authority to establish and amend the benefit provisions of the Plan to GSWSA.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN

#### OPEB PLAN FIDUCIARY NET POSITION

Detailed information about the Plan's fiduciary net position is available in the separately-issued Grand Strand Water and Sewer Authority Retiree Healthcare Benefit Plan financial statements and required supplementary information. The report may be obtained on our website at [www.gswsa.com](http://www.gswsa.com); by writing the Chief of Accounting and Finance, Grand Strand Water and Sewer Authority, P.O. Box 2368, Conway, South Carolina 29528-2368; or by calling (843) 443-8200.

#### BENEFITS PROVIDED

Eligible employees will include employees retiring through the South Carolina Retirement System and meeting any of the various conditions described below.

1. If the retiring employee has 28 or more years of continuous full-time service with GSWSA on the date of retirement, GSWSA will pay 75% of the premium for the employee's health insurance coverage through GSWSA's insurance company. The employee is responsible for the balance and is solely responsible for 100% of dependent coverage if coverage is available.
2. If the retiring employee is age 65 or older on the date of retirement with a minimum of 5 years of continuous full-time service with GSWSA, the employee may purchase health insurance coverage through GSWSA's insurance company. The employee is responsible for 100% of the health insurance premium and is responsible for 100% of dependent coverage if coverage is available.
3. If the retiring employee has 25 or more years of continuous full-time service with GSWSA and is age 55 or older on the date of retirement, the percentage of the employer paid portion will decrease by 4% for every year of service less than 28 years. The employee is responsible for the balance and the employee is solely responsible for 100% of dependent coverage if coverage is available.
  - Age 55 or older with 25 years of experience = 63% employer paid portion
  - Age 55 or older with 26 years of experience = 67% employer paid portion
  - Age 55 or older with 27 years of experience = 71% employer paid portion

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

#### **BENEFITS PROVIDED, CONTINUED**

Employees who were hired prior to July 1, 1999 can also become eligible through the following guidelines:

1. If the retiring employee has 20 years of full-time (meaning 30 or more hours each week during the year) continuous service with GSWSA and is retiring from GSWSA after age 60, GSWSA will pay 75% of the premium for the employee's medical/dental insurance coverage through GSWSA's insurance company. The employee is responsible for the balance and the employee is solely responsible for 100% of dependent coverage if coverage is available.
2. If the employee has a minimum of 5 years of full-time continuous service with GSWSA at age 60, the employee may purchase insurance coverage through GSWSA's insurance company (if permitted by the insurance company) and the Employee pays 100% of the premium of the employee's medical/dental insurance. The employee is also responsible for 100% of dependent coverage if coverage is available.

#### **DISABILITY RETIREMENT**

Employees must have received approval for Social Security disability benefits prior to receiving evaluation and approval of disability through the South Carolina Retirement System.

1. If the retiring employee is a Class Two Member, has 5 years of continuous full-time service with GSWSA and becomes medically disabled, GSWSA will pay 75% of the premium for the employee's health insurance coverage through GSWSA's insurance company. The employee is responsible for the balance and the employee is solely responsible for 100% of dependent coverage if coverage is available.
2. If the retiring employee is a Class Three Member, has 8 years of continuous full-time service with GSWSA and becomes medically disabled, GSWSA will pay 75% of the premium for the employee's health insurance coverage through GSWSA's insurance company. The employee is responsible for the balance and the employee is solely responsible for 100% of dependent coverage if coverage is available.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

#### CONTRIBUTIONS

The contribution requirements of plan members and GSWSA are established and may be amended by the Board of Directors. GSWSA has been contributing at a rate that is based on an actuarial valuation that is prepared in accordance with certain parameters. Premiums may be adjusted annually based on a contract between GSWSA and the insurance carrier. The monthly contribution for retirees to opt into the medical plan is based on plan and tier election, date of hire, age at retirement and service at retirement. For the year ended June 30, 2020 the Plan's average contribution rate was 9.10% of covered payroll. Following is a chart detailing premiums and contribution amounts for coverage as of January 1, 2019.

*Copay Plan Monthly Insurance Premiums*

	Medical	Vision	Dental	Total
<i>Single</i>	\$ 789.74	\$ 4.08	\$ 32.20	\$ 826.02
<i>Retiree/Children</i>	1,498.29	8.31	68.47	1,575.07
<i>Retiree/Spouse</i>	1,813.22	7.90	65.87	1,886.99
<i>Family</i>	2,206.84	12.22	108.91	2,327.97

*HDHP Plan Monthly Insurance Premiums*

	Medical	Vision	Dental	Total
<i>Single</i>	\$ 701.30	\$ 4.08	\$ 32.20	\$ 737.58
<i>Retiree/Children</i>	1,327.98	8.31	68.47	1,404.76
<i>Retiree/Spouse</i>	1,606.51	7.90	65.87	1,680.28
<i>Family</i>	1,954.69	12.22	108.91	2,075.82

#### NET OPEB LIABILITY

The net OPEB liability as of the measurement date of June 30, 2020 is as follows:

Total OPEB Liability	\$25,743,702
Fiduciary Net Position	9,191,214
Net OPEB Liability	\$16,552,488
Ratio of Fiduciary Net Position to Total OPEB Liability	35.70%

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

#### ACTUARIAL ASSUMPTIONS

The total OPEB Liability was determined by an actuarial valuation as of July 1, 2019, using the following key actuarial assumptions and other inputs:

Inflation	2.25%
Real wage growth – SCRS	0.75%
Wage inflation – SCRS	3.00%
Salary increases, including wage inflation – SCRS	3.00% - 7.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	5.00%
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	5.00%
Measurement Date	5.00%
Health Care Cost Rates	
Pre-Medicare	7.25% for 2019 decreasing to an ultimate rate of 4.75% by 2029
Medicare	5.38% for 2019 decreasing to an ultimate rate of 4.75% by 2023

The discount rate used to measure the total OPEB liability was based upon the long-term expected rate of return.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the July 1, 2019 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2019 valuation were based on a review of recent plan experience done concurrently with the July 1, 2019 valuation.

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

#### ACTUARIAL ASSUMPTIONS, *CONTINUED*

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation (the inflation expectation of 2.0% is not reflected in these rates) for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
US Government Funds	0.45%	1.85%
Core Bonds	98.72%	2.85%
US TIPS	0.83%	2.15%
Total	100.00%	2.84%

**GRAND STRAND WATER AND SEWER AUTHORITY**

Notes to the Financial Statements

**NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, CONTINUED**

**DISCOUNT RATE**

The discount rate used to measure the total OPEB liability as of the Measurement Date was 5.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of July 1, 2019. In addition to the actuarial methods and assumptions of the July 1, 2019 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full ADEC through deposit to the Trust. The employer is assumed to have the ability and willingness to make contributions to the Trust. Benefits are subsequently paid from the OPEB trust.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's fiduciary net position was projected to not be depleted.

The fiduciary net position projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the fiduciary net position projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

**HEALTH CARE COST TREND RATE SENSITIVITY ANALYSIS**

The following presents the net OPEB liability of GSWSA, as well as what GSWSA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 11,622,550	\$ 16,552,488	\$ 23,132,041

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

#### DISCOUNT RATE SENSITIVITY ANALYSIS

The following presents the net OPEB liability of GSWSA, as well as what GSWSA's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% higher than the current discount rate:

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 21,883,760	\$ 16,552,488	\$ 12,380,335

#### OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEBS

The total OPEB liability is based upon an actuarial valuation performed as of the Valuation Date, July 1, 2019. An expected total OPEB liability is determined as of June 30, 2020 using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of July 1, 2019, subtracts the actual benefit payments (net of retiree contributions) for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). The procedure used to determine the total OPEB liability, as of June 30, 2020, is shown in the following table:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2019	\$ 23,201,562	\$ 7,466,884	\$ 15,734,678
Changes for the year:			
Service Cost at the end of the year*	822,548		822,548
Interest on TOL and Cash Flows	1,152,727		1,152,727
Difference between expected and actual experience	587,453		587,453
Changes of assumptions or other inputs	277,068		277,068
Contributions - Employer		1,549,528	(1,549,528)
Net investment income		472,458	(472,458)
Benefit payments and implicit subsidy credit**	(297,656)	(297,656)	
Net Changes	2,542,140	1,724,330	817,810
Balance as of June 30, 2020	\$ 25,743,702	\$ 9,191,214	\$ 16,552,488

\* The service cost includes interest for the year.

\*\* Benefit payments are net of participant contributions.

There have been no significant changes to the plan, discount rate, or benefit terms between the Valuation Date and the Measurement Date. GSWSA does not have a special funding situation.



# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 8 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

#### OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEBS, CONTINUED

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB expense they are labeled deferred inflows of resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five year period.

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 732,548	\$ 241,945
Changes of assumptions or other inputs	2,624,442	2,265,533
Net difference between projected & actual earnings on pension plan investments	32,511	-
Total	\$ 3,389,501	\$ 2,507,478

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods ending June 30:

2021	\$ 170,513
2022	170,514
2023	113,573
2024	122,511
2025	136,150
Thereafter	\$ 168,762

# GRAND STRAND WATER AND SEWER AUTHORITY

## Notes to the Financial Statements

### NOTE 9 - MAJOR CUSTOMERS

During fiscal year 2020, the following customers provided the indicated percentages of GSWSA's combined operating revenues and capital contributions: City of Myrtle Beach 11.41%, City of Conway 5.16%, City of North Myrtle Beach 3.27%, and Little River Water and Sewerage Company 2.08%. No other customers provided more than 0.61%.

During fiscal year 2019, the following customers provided the indicated percentages of GSWSA's combined operating revenues and capital contributions: City of Myrtle Beach 13.11%, City of Conway 5.46%, City of North Myrtle Beach 3.68%, and Little River Water and Sewerage Company 2.06%. No other customers provided more than 0.67%.

### NOTE 10 - RISK MANAGEMENT

GSWSA is exposed to various risks of loss relating to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. To insure against casualty risks. GSWSA is a member of the State of South Carolina State Fiscal Accountability Authority, a public entity risk pool currently operating as a common risk management and insurance program for local governments in South Carolina. GSWSA pays annual premiums to the State Fiscal Accountability Authority for its general insurance. The State Fiscal Accountability Authority is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

GSWSA acquires insurance from the State Accident Fund for job related injury and illness (Workers' Compensation) to its employees. Workers' Compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience. Health insurance, from a private insurer, unlimited lifetime claims per employee, was in place. General blanket fidelity bond insurance in the amount of \$100,000 per occurrence was also maintained. There were no significant reductions in insurance coverage from the previous year and no settlements have exceeded insurance coverage for the fiscal years ended June 30, 2020 and 2019.

During 2020 and 2019, GSWSA did not experience any material uninsured claims. Accordingly, there was no liability or expense recorded for other actual claims and management does not believe any provision for unasserted claims is necessary.

### NOTE 11 - COMMITMENTS

#### Construction Contracts

In the normal course of business, GSWSA enters into agreements with contractors for the construction and expansion of the system. At June 30, 2020, open contracts for construction totaled \$65,826,759 with \$27,560,648 having been incurred during the year. At June 30, 2019, open contracts for construction totaled \$31,062,298 with \$14,646,505 having been incurred during the year. The remaining commitments at June 30, 2020 and 2019 were \$38,266,111 and \$16,415,793, respectively.

*This page is intentionally blank.*

# SCHEDULES

*This page is intentionally blank.*

**GRAND STRAND WATER AND SEWER AUTHORITY**  
 Required Supplementary Information  
 Schedule of Proportionate Share of Net Pension Liability  
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.17058%	0.16491%	0.16148%	0.16652%	0.15817%	0.15789%
Authority's proportionate share of the net pension liability	<u>\$ 38,949,952</u>	<u>\$ 36,951,967</u>	<u>\$ 36,350,619</u>	<u>\$ 35,567,573</u>	<u>\$ 29,997,513</u>	<u>\$ 27,182,908</u>
Authority's covered payroll for measurement period	<u>\$ 18,012,536</u>	<u>\$ 17,089,671</u>	<u>\$ 16,292,273</u>	<u>\$ 16,124,867</u>	<u>\$ 14,830,279</u>	<u>\$ 14,334,036</u>
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	216.2380%	216.2240%	223.1157%	220.5759%	202.2721%	189.6389%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	53.34%	52.91%	57.00%	59.90%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**GRAND STRAND WATER AND SEWER AUTHORITY**

Required Supplementary Information  
 Schedule of Contributions - South Carolina Retirement System  
 For the year ended June 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,863,455	\$ 2,622,625	\$ 2,317,359	\$ 1,883,387	\$ 1,783,410	\$ 1,616,501	\$ 1,519,408	\$ 1,459,739	\$ 1,218,593	\$ 1,185,438	\$ 1,115,324	\$ 1,122,160	\$ 1,030,564
Contributions in relation to the contractually required contribution	2,863,455	2,622,625	2,317,359	1,883,387	1,783,410	1,616,501	1,519,408	1,459,739	1,218,593	1,185,438	1,115,324	1,122,160	1,030,564
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 18,402,667	\$ 18,012,536	\$ 17,089,671	\$ 16,292,273	\$ 16,124,868	\$ 14,830,279	\$ 14,334,036	\$ 13,771,122	\$ 12,780,208	\$ 12,488,168	\$ 11,877,784	\$ 11,949,543	\$ 11,189,618
Contributions as a percentage of covered payroll	15.5600%	14.5600%	13.5600%	11.5600%	11.0600%	10.9000%	10.6000%	10.6000%	9.5350%	9.4925%	9.3900%	9.3908%	9.2100%

**GRAND STRAND WATER AND SEWER AUTHORITY**  
Retiree Healthcare Benefit Plan

Schedule of Changes in Net OPEB Liability and Related Ratios  
As of June 30, 2020

	2020	2019	2018	2017	2016
<b>Total OPEB Liability</b>					
Service Cost	\$ 822,548	\$ 730,305	\$ 709,034	\$ 553,328	\$ 1,053,624
Interest on the Total OPEB Liability	1,152,727	1,223,427	970,507	907,157	
Differences Between Expected and Actual Experience	587,453	(298,145)	282,083		1,567,216
Changes of Assumptions or other inputs	277,068	(2,791,789)	3,327,220		
Benefit Payment*	(297,656)	(258,414)	(203,137)	(186,288)	(195,412)
Net Change in Total OPEB Liability	\$ 2,542,140	\$ (1,394,616)	\$ 5,085,707	\$ 1,274,197	\$ 2,425,428
Total OPEB Liability - Beginning	\$ 23,201,562	\$ 24,596,178	\$ 19,510,471	\$ 18,236,274	\$ 15,810,846
Total OPEB Liability - Ending	<u>\$ 25,743,702</u>	<u>\$ 23,201,562</u>	<u>\$ 24,596,178</u>	<u>\$ 19,510,471</u>	<u>\$ 18,236,274</u>
<b>Plan Fiduciary Net Position</b>					
Contributions					
Employer**	\$ 1,549,528	\$ 1,566,440	\$ 1,190,970	\$ 1,053,624	\$ 1,053,624
Employee	111,689	93,317	83,965	80,152	58,613
	<u>\$ 1,661,217</u>	<u>\$ 1,659,757</u>	<u>\$ 1,274,935</u>	<u>\$ 1,133,776</u>	<u>\$ 1,112,237</u>
Net Investment Income	\$ 472,458	\$ 366,601	\$ (19,128)	\$ (33,053)	\$ 118,512
Benefits Payments*	(409,345)	(351,731)	(287,102)	(266,440)	(195,412)
Net Change in Plan Fiduciary Net Position	\$ 1,724,330	\$ 1,674,627	\$ 968,705	\$ 834,283	\$ 1,035,337
Plan Fiduciary Net Position - Beginning	\$ 7,466,884	\$ 5,792,257	\$ 4,823,552	\$ 3,989,269	\$ 2,953,932
Plan Fiduciary Net Position - Ending	\$ 9,191,214	\$ 7,466,884	\$ 5,792,257	\$ 4,823,552	\$ 3,989,269
Plan's Net OPEB Liability - Ending	\$ 16,552,488	\$ 15,734,678	\$ 18,803,921	\$ 14,686,919	\$ 14,247,005
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	35.70%	32.18%	23.55%	24.72%	21.88%
Covered Payroll	\$ 17,107,885	\$ 16,442,561	\$ 15,886,558	\$ 15,521,883	\$ 15,521,883
Plan's Net OPEB Liability as a Percentage of Covered Payroll	96.75%	95.69%	118.36%	94.62%	91.79%

**Notes to Schedule**

\* Benefit payments are net of participant contributions and for 2019 include a payment of \$6,700 for the implicit subsidy based on the guidance of GASB Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

\*\* Employer contribution amounts for 2019 include the \$6,700 implicit subsidy payment during the period

For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered payroll from the most recent valuation.

*Presentation of 10 Year Trend.* The schedule is intended to illustrate various trends over a ten year period, however, data prior to 2016 is unavailable.



**GRAND STRAND WATER AND SEWER AUTHORITY**  
Retiree Healthcare Benefit Plan

Schedule of Plan Contributions  
As of June 30, 2020

	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 1,549,528	\$ 1,559,740	\$ 1,186,070	\$ 1,053,624	\$ 1,053,624
Contributions in Relation to the Actuarially Determined Contribution	\$ 1,549,528	\$ 1,566,440	\$ 1,190,970	\$ 1,053,624	\$ 1,053,624
Contribution Deficiency (Excess)	\$ -	\$ (6,700)	\$ (4,900)	\$ -	\$ -
Covered Payroll	\$ 17,107,885	\$ 16,442,561	\$ 15,886,558	\$ 15,521,883	\$ 15,521,883
Contributions as a Percentage of Covered Payroll	9.06%	9.53%	7.50%	6.79%	6.79%

**Notes to Schedule**

*Valuation Date:*

Actuarially determined contributions rates are calculated as July 1, 2016, the date of the most recent Actuarial Report.

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Pay, Open
Amortization Period	30 Years
Asset Value Method	Market Value of Assets
Healthcare Cost Trend Rates	Pre-Medicare: 7.25%, Medicare Eligible: 5.38%
Salary Increases	3.00% Annually
Investment Rate of Return	5.00% Investment Return Assumption
Mortality	In the 2018 actuarial valuation, the mortality rates utilized are based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

*Other Information.*

Employer contribution amounts for 2019 include the \$6,700 implicit subsidy payment during the period

For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered payroll from the most recent valuation.

*Presentation of 10 Year Trend.* The schedule is intended to illustrate various trends over a ten year period, however, data prior to 2016 is unavailable.

**GRAND STRAND WATER AND SEWER AUTHORITY**  
**Schedule of Cash Receipts and Disbursements for Restricted Accounts**  
**Required by Revenue Bond and State Revolving Loan Provisions**  
**For the Year Ended June 30, 2020**

	2006 Schwartz WWTP	2008A MB WWTP SRF			2008 Conway WWTP Odor			2008 Revenue Bonds			501 to 544 SRF			Vereen WWTP SRF			Bucksport Compositing			Bonds of 2011A			Bonds of 2011B			Bonds of 2011C		
		Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service
<b>Cash and Investments</b>																												
Beginning of Year	\$ 191,582	\$ 49,663	\$ 33,197	\$ 423,786	\$ 14,474	\$ 20,120	\$ 33,999	\$ 93,394	\$ 275,717	\$ -																		
<b>Cash Receipts:</b>																												
Transfer from Operating Cash	765,076	595,031	198,861	780,969	86,703	80,347	203,663	1,116,495	3,270,962	-																		
Transfer from Capital Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Earned	1,253	926	325	5,085	142	131	333	4,121	13,821	-																		
Other Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Disbursements:</b>																												
Principal and Interest Payments	(766,329)	(595,957)	(199,185)	(787,394)	(86,845)	(80,478)	(203,996)	(1,120,725)	(3,308,600)	-																		
Renewals and Replacements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Operating Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Projects Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash and Investments</b>																												
End of Year	\$ 191,582	\$ 49,663	\$ 33,198	\$ 422,446	\$ 14,474	\$ 20,120	\$ 33,999	\$ 93,285	\$ 251,900	\$ -																		

**GRAND STRAND WATER AND SEWER AUTHORITY**  
**Schedule of Cash Receipts and Disbursements for Restricted Accounts**  
**Required by Revenue Bond and State Revolving Loan Provisions**  
**For the Year Ended June 30, 2020**

	Bucksport Rapid Infil. WWTP			Hwy 501 to International Dr			BC/MB Waterline			MBSWTP Ozone System			Bonds of 2017			Bonds of 2019			Bonds of 2019B			Bonds of 2019			Bull Creek		
	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Current	Debt	Service	Construction Fund	Depreciation & Contingency	Depreciation & Contingency	Depreciation & Contingency		
Cash and Investments Beginning of Year	\$ 327,389			\$ 67,808			\$ 54,352			\$ 15,805			\$ 46,828			\$ 94,200			\$ -			\$ 17,067,409	\$ 3,260,693	\$ 10,450,038			
Cash Receipts:																											
Transfer from Operating Cash	1,307,417			270,788			325,578			189,361			560,617			1,127,466			196,324			-	1,109,505	6,620,595			
Transfer from Capital Project	-			-			-			-			-			-			-			-	-	-			
Interest Earned	2,141			443			532			295			1,550			2,934			1			274,726	-	-			
Other Transfers	-			-			-			-			-			-			-			-	-	-			
Cash Disbursements:																											
Principal and Interest Payments	(1,309,558)			(271,231)			(326,110)			(189,656)			(561,938)			(1,130,400)			(147,244)			-	-	-			
Renewals and Replacements	-			-			-			-			-			-			-			-	-	-			
Transfers to Operating Cash	-			-			-			-			-			-			-			(1,398,241)	(8,502,365)				
Transfers to Investment	-			-			-			-			-			-			-			-	-	-			
Transfer to Capital Projects Cash	-			-			-			-			-			-			-			(14,203,782)	-	-			
Other Transfers	-			-			-			-			-			-			-			-	-	-			
Cash and Investments End of Year	\$ 327,389			\$ 67,808			\$ 54,352			\$ 15,805			\$ 47,057			\$ 94,200			\$ 49,081			\$ 3,138,353	\$ 2,971,957	\$ 8,568,268			

**GRAND STRAND WATER AND SEWER AUTHORITY**

Schedule of Operating Expenses by Department

	<b>For the years ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Water plants</b>		
Personnel services	\$ 4,544,355	\$ 4,163,830
Contractual services	3,474,861	3,415,993
Supplies and materials	4,883,565	4,181,992
Business and travel expenses	18,026	17,467
Other expenses	120,595	115,316
Departmental transfers	785,415	306,528
Total water plants	13,826,817	12,201,126
<b>Water systems</b>		
Personnel services	\$ 6,490,265	\$ 5,672,170
Contractual services	3,032,578	2,585,002
Supplies and materials	1,391,100	1,164,221
Business and travel expenses	32,375	17,131
Other expenses	49,566	51,436
Total water systems	10,995,884	9,489,960
Total water	24,822,701	21,691,086
<b>Wastewater plants</b>		
Personnel services	\$ 7,126,729	\$ 6,501,367
Contractual services	4,901,172	4,825,695
Supplies and materials	2,194,903	2,201,721
Business and travel expenses	28,075	21,581
Other expenses	45,395	51,016
Departmental transfers	(401,804)	(178,922)
Total wastewater plants	13,894,470	13,422,458
<b>Wastewater systems</b>		
Personnel services	\$ 3,886,903	\$ 3,423,225
Contractual services	5,017,821	3,701,477
Supplies and materials	1,212,111	1,026,714
Business & Travel Expenses	13,532	9,920
Other expenses	37,999	7,699
Total wastewater systems	10,168,366	8,169,035
Total wastewater	24,062,836	21,591,493

(Continued)

**GRAND STRAND WATER AND SEWER AUTHORITY**

Schedule of Operating Expenses by Department

	<b>For the years ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>General administration</b>		
Personnel services	\$ 966,345	\$ 913,933
Contractual services	530,245	374,757
Supplies and materials	21,544	31,177
Business and travel expenses	118,386	135,300
Other expenses	641,425	623,691
Total general administration	<u>2,277,945</u>	<u>2,078,858</u>
<b>Planning, engineering and construction</b>		
Personnel services	\$ 1,496,639	\$ 1,356,601
Contractual services	107,291	93,239
Supplies and materials	51,095	46,847
Business and travel expenses	3,346	3,899
Other expenses	45	259
Total planning, engineering and construction	<u>1,658,416</u>	<u>1,500,845</u>
<b>Financial services</b>		
Personnel services	\$ 3,959,808	\$ 3,828,575
Contractual services	1,589,173	1,499,988
Supplies and materials	179,211	116,222
Business and travel expenses	16,472	11,512
Other expenses	16,341	27,663
Total financial services	<u>5,761,005</u>	<u>5,483,960</u>
<b>High tech turf farm</b>		
Personnel services	\$ 2,953,458	\$ 2,805,883
Contractual services	402,943	382,414
Supplies and materials	815,411	1,004,730
Business and travel expenses	5,256	5,050
Other expenses	6,361	4,013
Departmental transfers	(383,611)	(127,606)
Total high tech turf farm	<u>3,799,818</u>	<u>4,074,484</u>
Depreciation	<u>\$ 29,681,913</u>	<u>\$ 27,993,822</u>
<b>Total operating expenses</b>	<u><u>\$ 92,064,634</u></u>	<u><u>\$ 84,414,548</u></u>

# STATISTICAL SECTION

*This page is intentionally blank.*

## STATISTICAL SECTION (UNAUDITED)

This part of Grand Strand Water and Sewer Authority's (GSWSA) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about its overall financial health. Except where noted, the information in these schedules is derived from GSWSA's comprehensive annual financial reports for the relevant year.

**Financial Trends (Schedules 1 through 6)** - These schedules contain trend information to help the reader understand how GSWSA's financial performance and well-being have changed over time.

**Revenue Capacity (Schedules 7 through 11)** - These schedules contain information to help the reader assess the factors affecting GSWSA's ability to generate water and sewer charges.

**Debt Capacity (Schedules 12 and 13)** - These schedules present information to help the reader assess the affordability of GSWSA's current levels of outstanding debt and their ability to issue additional debt in the future.

**Demographic and Economic Information (Schedule 14)** - This schedule offers demographic and economic indicators to help the reader understand the environment within which GSWSA's financial activities take place and to help make comparisons over time and with other special districts.

**Operating Information (Schedules 15 and 16)** - These schedules contain information about GSWSA's operations and resources to help the reader understand how GSWSA's financial information relates to the services it provides and the activities it performs.

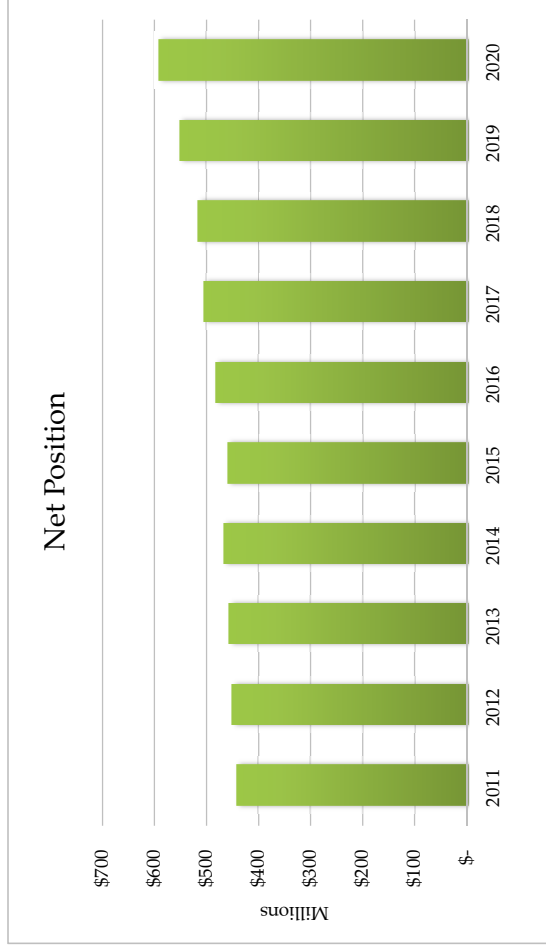


*This page is intentionally blank.*

**GRAND STRAND WATER AND SEWER AUTHORITY**

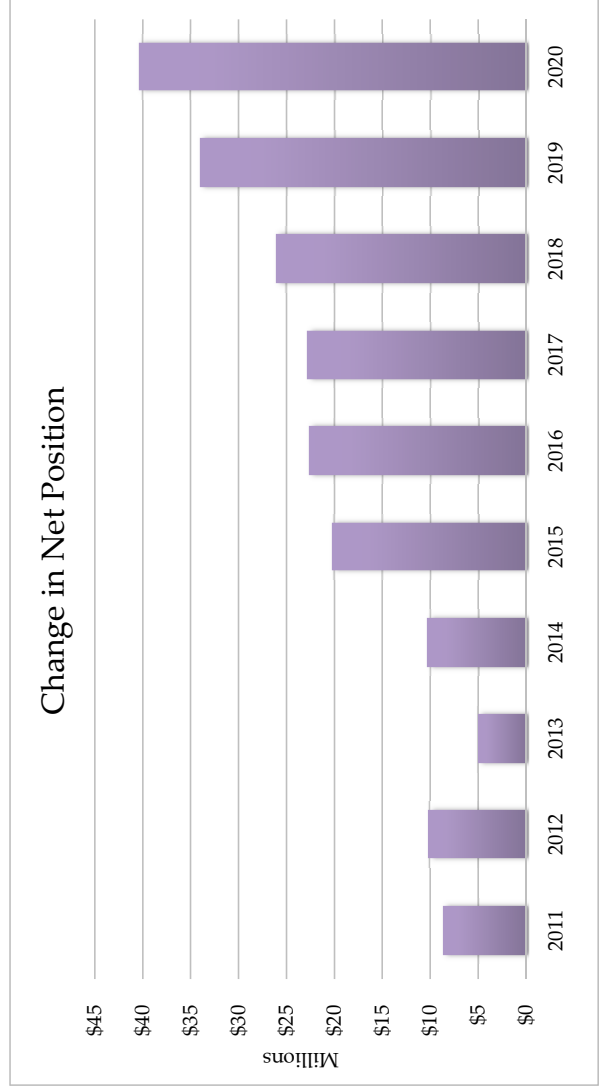
Net Position By Component  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government	\$ 322,250,503	\$ 297,286,102	\$ 312,595,550	\$ 323,365,517	\$ 352,955,264	\$ 377,470,987	\$ 398,919,173	\$ 423,279,940	\$ 424,936,411	\$ 469,394,662
Net investment in capital assets	27,054,587	42,084,820	25,781,440	19,705,533	17,455,258	16,205,792	14,746,641	15,307,670	32,520,454	16,444,937
Restricted	93,371,833	112,105,675	118,118,519	123,766,484	89,891,225	89,296,247	92,152,642	78,640,077	93,826,364	105,874,257
Unrestricted										
Total primary government net position	\$ 442,676,923	\$ 451,476,597	\$ 456,495,509	\$ 466,837,534	\$ 460,301,747	\$ 482,973,026	\$ 505,818,456	\$ 517,227,687	\$ 551,283,229	\$ 591,713,856



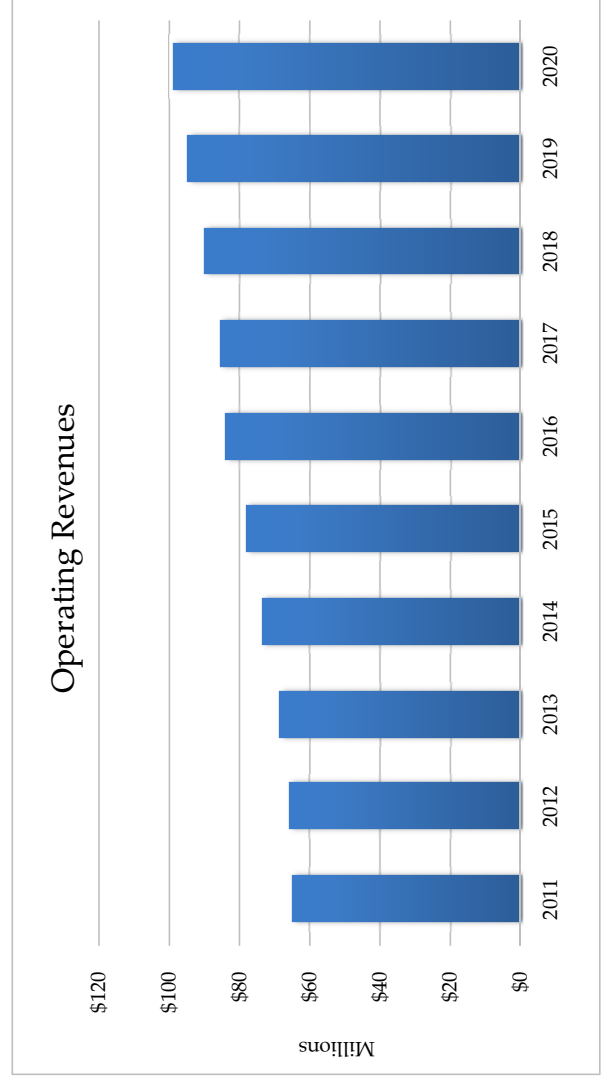
**GRAND STRAND WATER AND SEWER AUTHORITY**  
 Changes in Net Position  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income/(Loss)	Total Nonoperating Revenues/(Expenses)	Income/(Loss) Before Capital Contributions	Capital Contributions	Change in Net Position
2011	\$ 65,098,579	\$ 60,900,358	\$ 4,198,221	\$ (6,504,152)	\$ (2,305,931)	\$ 10,952,833	\$ 8,646,902
2012	65,780,191	61,637,941	4,142,250	(2,216,447)	1,925,803	8,223,999	10,149,802
2013	68,751,834	66,823,527	1,928,307	(8,207,642)	(6,279,335)	11,298,247	5,018,912
2014	73,484,034	67,654,111	5,829,923	(5,312,320)	517,603	9,824,422	10,342,025
2015	78,211,795	71,350,799	6,860,996	(5,333,311)	1,527,685	18,735,691	20,263,376
2016	84,108,430	74,470,446	9,637,984	(3,150,823)	6,487,161	16,184,118	22,671,279
2017	85,544,007	80,186,186	5,357,821	(7,205,520)	(1,847,699)	24,693,129	22,845,430
2018	90,258,833	83,553,327	6,705,506	(5,838,762)	866,744	25,229,405	26,096,149
2019	94,836,962	84,414,548	10,422,414	485,475	10,907,889	23,147,653	34,055,542
2020	98,874,511	92,064,634	6,809,877	2,898,400	9,708,277	30,722,350	40,430,627



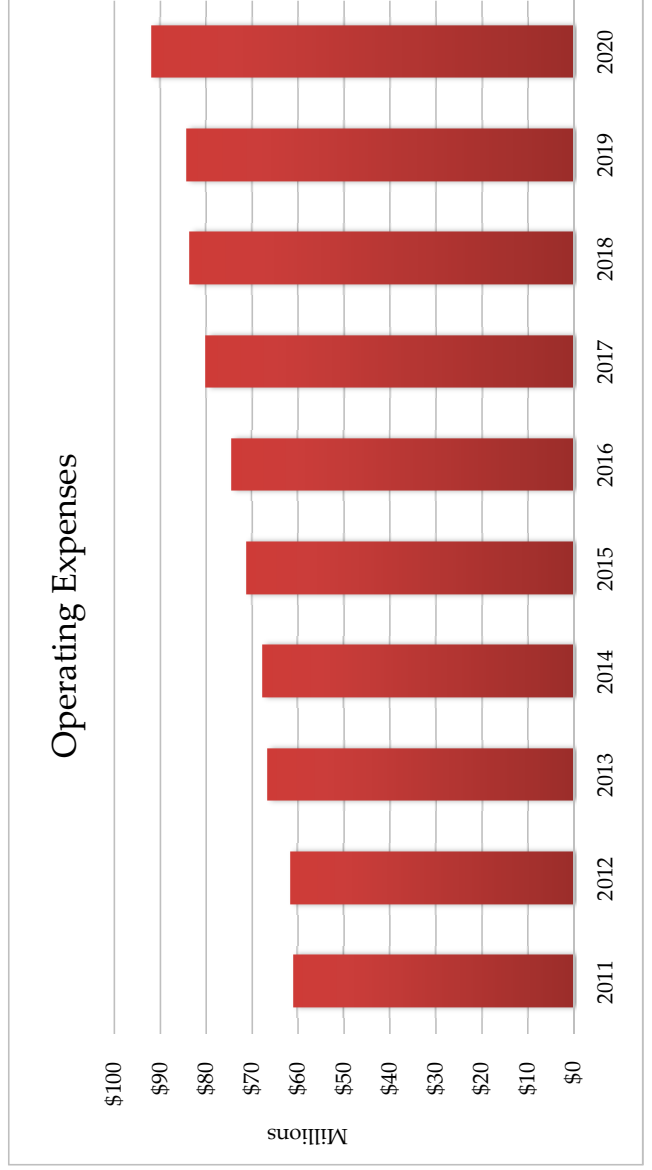
**GRAND STRAND WATER AND SEWER AUTHORITY**  
 Operating Revenues by Source  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	Water & Sewer Volume & Availability Fees	Customer Charges	Surface Water Charges	SWTP Contract Water Consumption	Other Revenue	Total Operating Revenue
2011	\$ 49,729,727	\$ 5,110,985	\$ 6,428,952	\$ 2,546,866	\$ 1,282,049	\$ 65,098,579
2012	50,177,028	5,354,967	6,324,150	2,443,331	1,480,715	65,780,191
2013	52,282,191	5,883,160	6,773,344	2,283,464	1,529,675	68,751,834
2014	55,381,294	6,298,312	6,630,975	3,551,180	1,622,273	73,484,034
2015	58,947,140	6,942,943	6,906,882	3,535,258	1,879,572	78,211,795
2016	63,432,455	7,444,799	7,208,410	3,609,666	2,413,100	84,108,430
2017	64,410,537	7,937,632	7,217,763	3,698,805	2,279,270	85,544,007
2018	66,900,002	8,873,960	7,631,477	4,285,037	2,568,357	90,258,833
2019	70,593,262	9,008,279	7,879,489	4,813,619	2,542,313	94,836,962
2020	71,943,440	9,720,404	8,116,895	4,926,094	4,167,678	98,874,511



**GRAND STRAND WATER AND SEWER AUTHORITY**  
**Operating Expenses**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Personnel Costs	Contractual Services	Supplies and Materials	Depreciation	Other Expenses	Total Operating Expenses
2011	\$ 17,659,270	\$ 11,776,220	\$ 8,321,391	\$ 22,303,035	\$ 840,442	\$ 60,900,358
2012	18,011,198	11,414,221	8,624,354	22,761,494	826,674	61,637,941
2013	19,536,316	13,721,247	9,564,069	23,038,102	963,793	66,823,527
2014	20,321,453	13,608,744	9,464,810	23,223,172	1,035,932	67,654,111
2015	21,316,332	15,719,842	9,213,765	24,159,506	941,354	71,350,799
2016	23,502,702	15,359,308	9,632,549	24,937,431	1,038,456	74,470,446
2017	26,172,901	16,880,486	9,305,376	26,584,902	1,242,521	80,186,186
2018	28,293,175	16,945,277	9,365,521	27,776,741	1,172,613	83,553,327
2019	28,665,584	16,878,565	9,773,624	27,993,822	1,102,953	84,414,548
2020	31,424,502	19,056,084	10,748,940	29,681,913	1,153,195	92,064,634



**GRAND STRAND WATER AND SEWER AUTHORITY**

Nonoperating Revenues and Expenses

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Investment Income/(Loss)	Miscellaneous Income	Gain/(Loss) on Disposal of Capital Assets	Interest Expense	Total Nonoperating Revenues/(Expenses)
2011	\$ 3,175,093	\$ -	\$ (71)	\$ (9,679,174)	\$ (6,504,152)
2012	5,757,105	-	(275,083)	(7,698,469)	(2,216,447)
2013	(368,606)	-	(167,185)	(7,671,851)	(8,207,642)
2014	2,725,519	-	(252,249)	(7,785,590)	(5,312,320)
2015	2,499,961	-	(47,918)	(7,785,354)	(5,333,311)
2016	4,593,832	-	(444,642)	(7,300,013)	(3,150,823)
2017	(284,159)	-	(174,857)	(6,746,504)	(7,205,520)
2018	589,074	-	19,708	(6,447,544)	(5,838,762)
2019	6,416,886	271,273	263,117	(6,465,801)	485,475
2020	6,773,671	1,636,509	2,206	(5,513,986)	2,898,400

**GRAND STRAND WATER AND SEWER AUTHORITY**

Annual Capital Contributions by Source

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	SWTP Capacity Fees	Government Grants	Customer Impact Fees	Developer Contributions	Other Contributions	Total
2011	\$ 2,090,904	\$ 605,767	\$ 3,062,309	\$ 4,428,770	\$ 765,083	\$ 10,952,833
2012	2,171,628	129,379	3,585,596	2,269,134	68,262	8,223,999
2013	2,223,864	532,307	4,513,236	3,984,749	44,091	11,298,247
2014	1,222,608	159,666	5,176,852	3,234,267	31,029	9,824,422
2015	1,237,032	1,132,895	6,841,829	7,578,947	1,944,988	18,735,691
2016	1,271,652	200,960	8,090,443	5,194,892	1,426,171	16,184,118
2017	1,321,560	2,066,122	7,766,803	10,231,796	3,306,848	24,693,129
2018	1,359,528	46,468	8,045,210	15,693,863	84,336	25,229,405
2019	1,392,864	440,557	9,574,562	10,691,100	1,048,570	23,147,653
2020	1,443,336	103,298	9,514,641	19,464,596	196,479	30,722,350

**GRAND STRAND WATER AND SEWER AUTHORITY**

Water Produced and Consumed and Wastewater Treated

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Gallons of Water Produced (In Millions)	Gallons of Water Consumed (In Millions)	Gallons of Water Unbilled (In Millions)	Average Percent Unbilled	Gallons of Wastewater Treated (In Millions)	Total Direct Rate			
						Water		Sewer	
						Base Rate	Usage Rate	Base Rate	Usage Rate
2011	15,305	14,178	1,127	7.36%	10,758	\$ 10.40	\$ 1.15	\$ 9.40	\$ 1.75
2012	14,968	14,705	263	1.76%	10,168	10.65	1.20	9.65	1.85
2013	14,394	13,948	446	3.10%	11,381	10.65	1.20	9.65	1.85
2014	15,510	14,979	531	3.42%	11,895	10.90	1.24	10.40	1.93
2015	16,560	14,771	1,789	10.80%	13,051	10.90	1.24	10.40	1.93
2016	16,577	15,433	1,144	6.90%	14,580	11.10	1.30	10.60	1.99
2017	16,810	15,235	1,575	9.37%	13,553	11.10	1.30	10.60	1.99
2018	16,300	15,270	1,030	6.32%	13,578	11.35	1.33	11.10	2.05
2019	17,211	15,752	1,459	8.48%	15,882	11.35	1.33	11.10	2.05
2020	16,945	15,786	1,159	6.84%	14,541	11.60	1.36	11.35	2.09



**GRAND STRAND WATER AND SEWER AUTHORITY**

Annual Taps Sold

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Taps Sold		
	Water Meter Taps	Sewer Taps	Total
2011	285	144	429
2012	237	115	352
2013	257	147	404
2014	307	138	445
2015	356	172	528
2016	463	197	660
2017	421	220	641
2018	556	315	871
2019	480	281	761
2020	579	344	923

**GRAND STRAND WATER AND SEWER AUTHORITY**

Number of Water and Sewer Customers By Type

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Water Only			Sewer Only			Water & Sewer			Total		
	Retail	Wholesale	Other	Retail	Wholesale	Other	Retail	Wholesale	Other	Water Only	Sewer Only	
2011	8,768	11	46	5,105	15	22	57,287	-	-	8,825	5,142	57,287
2012	8,980	11	41	5,355	15	22	58,618	-	-	9,032	5,392	58,618
2013	9,416	11	38	5,516	15	21	62,839	-	-	9,465	5,552	62,839
2014	9,718	11	47	5,782	15	21	64,521	-	-	9,776	5,818	64,521
2015	9,972	11	51	5,941	15	21	66,988	-	-	10,034	5,977	66,988
2016	10,282	11	50	6,226	15	21	69,476	-	-	10,343	6,262	69,476
2017	10,671	11	68	6,496	15	21	72,198	-	-	10,750	6,532	72,198
2018	11,039	10	47	6,963	16	21	74,890	-	-	11,096	7,000	74,890
2019	11,401	10	58	7,234	16	21	77,489	-	-	11,469	7,271	77,489
2020	11,853	10	62	7,466	16	21	80,689	-	-	11,925	7,503	80,689

**GRAND STRAND WATER AND SEWER AUTHORITY**

Water and Sewer Rates

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Water		Sewer	
	Base Rate	Usage Rate	Base Rate	Usage Rate
2011	\$ 10.40	\$ 1.15	\$ 9.40	\$ 1.75
2012	10.65	1.20	9.65	1.85
2013	10.65	1.20	9.65	1.85
2014	10.90	1.24	10.40	1.93
2015	10.90	1.24	10.40	1.93
2016	11.10	1.30	10.60	1.99
2017	11.10	1.30	10.60	1.99
2018	11.35	1.33	11.10	2.05
2019	11.35	1.33	11.10	2.05
2020	11.60	1.36	11.35	2.09

**GRAND STRAND WATER AND SEWER AUTHORITY**

Ten Largest Customers

Current Year and Nine Years Ago  
(Unaudited)

Customer	Fiscal Year 2020		
	Water Revenue	Sewer Revenue	Total
City of Myrtle Beach	\$ 7,823,090	\$ 6,962,745	\$ 14,785,835
City of Conway	5,065,072	1,623,629	6,688,701
City of North Myrtle Beach	3,525,050	710,507	4,235,557
Little River Water and Sewerage Company	1,577,783	1,115,032	2,692,815
City of Loris	228,804	559,667	788,471
Ocean Lakes Utilities	168,654	384,547	553,201
Georgetown County	374,901	121,867	496,768
Tabor City	12,107	429,928	442,035
Oceanside Village	182,747	139,484	322,230
Myrtle Beach Resort	165,874	140,827	306,701

Customer	Fiscal Year 2011		
	Water Revenue	Sewer Revenue	Total
City of Myrtle Beach	\$ 6,310,130	\$ 5,824,262	\$ 12,134,392
City of Conway	2,755,578	1,151,018	3,906,596
City of North Myrtle Beach	3,185,475	363,862	3,549,337
Little River Water and Sewerage Company	1,081,790	946,232	2,028,022
City of Loris	204,143	412,626	616,769
Ocean Lakes Utilities	138,249	239,186	377,435
Ocean Side Village	148,960	175,570	324,530
Georgetown County	228,749	82,300	311,049
Myrtle Beach Resort	126,158	135,293	261,451
Springmaid Beach Resort	101,749	112,773	214,522

## GRAND STRAND WATER AND SEWER AUTHORITY

### Ratios of Outstanding Debt By Type

Last Ten Fiscal Years

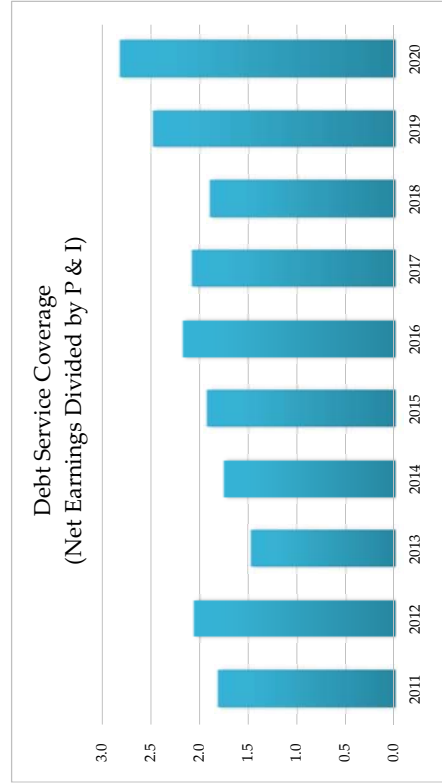
(Unaudited)

Fiscal Year	Capital Lease	Revenue Bonds	Companion Debt	Notes Payable	Amount	Total	
						As a % of Personal	Per Capita
2011	\$ 904,615	\$ 153,643,869	\$ 5,279,688	\$ 54,936,108	\$ 214,764,279	2.67%	\$ 777
2012	791,823	167,917,445	6,086,743	52,291,219	227,087,230	2.64%	804
2013	679,637	162,331,607	5,704,336	52,291,482	221,007,062	2.48%	763
2014	557,754	152,572,702	5,312,190	63,885,425	222,328,071	2.33%	744
2015	431,411	142,711,242	4,910,226	64,059,800	212,112,679	2.09%	686
2016	300,442	131,951,863	4,498,366	59,497,598	196,248,269	1.80%	609
2017	164,681	133,837,174	4,086,127	50,224,189	188,312,171	1.59%	565
2018	23,951	120,958,775	3,675,174	52,943,611	177,601,511	1.50%	533
2019	-	138,329,887	3,267,435	49,912,583	191,509,905	1.50%	556
2020	-	128,165,845	2,864,438	55,901,008	186,931,291	NA	582

**GRAND STRAND WATER AND SEWER AUTHORITY**  
 Revenue Bond Coverage  
 Last Ten Fiscal Years  
 (in thousands)  
 (Unaudited)

Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Earnings Available for Debt Service	Debt Service Requirements <sup>(3)</sup>		Coverage <sup>(4)</sup>
				Principal	Interest	
2011	\$ 74,192	\$ 38,587	\$ 35,605	\$ 10,562	\$ 9,084	1.81
2012	77,088	38,876	38,212	11,576	6,949	2.06
2013	74,997	43,785	31,211	12,949	8,327	1.47
2014	82,388	44,431	37,956	13,464	8,234	1.75
2015	90,688	47,191	43,497	14,450	8,135	1.93
2016	99,046	49,533	49,513	15,075	7,726	2.17
2017	97,480	52,224	45,256	14,733	7,083	2.07
2018	100,357	55,777	44,580	16,735	6,735	1.90
2019	113,804	56,421	57,384	16,461	6,611	2.49
2020	118,441	62,383	56,059	12,995	6,868	2.82

- (1) Gross revenues include operating revenue, investment income, non-operating miscellaneous income, SWTP capacity fees, customer impact fees, and other contributions
- (2) Total operating expenses excluding depreciation and certain other adjustments. Expenses associated with Hurricane Matthew recovery have been excluded from 2017's calculations.
- (3) Includes principal and interest of revenue bonds and State Revolving Loans only
- (4) Equals net earnings divided by P&I. Bond resolution was adopted during 2002, changing the minimum coverage from 1.2 to 1.1



**GRAND STRAND WATER AND SEWER AUTHORITY**  
 Demographic and Economic Statistics  
 Last Ten Calendar Years  
 (Unaudited)

Calendar Year	Population	Personal Income (Thousands of Dollars)	Per Capita Personal Income	Median Age	Unemployment Rate
2010	269,291	\$ 7,743,921	\$ 28,757	41	13
2011	276,340	8,054,854	29,148	41	12
2012	282,285	8,598,437	30,460	41	11
2013	289,650	8,924,166	30,810	42	9
2014	298,832	9,554,503	36,677	43	7
2015	309,199	10,150,918	38,302	43	7
2016	322,342	10,901,662	39,517	44	6
2017	333,268	11,837,728	41,633	44	5
2018	344,147	12,764,585 <sup>(2)</sup>	43,702	45 <sup>(3)</sup>	5
2019	320,915 <sup>(1)</sup>	NA	NA	NA	4 <sup>(4)</sup>

Data presented is Horry County statistics.

- (1) Quick Facts from the US Census Bureau (<https://data.census.gov/cedsci/profile?q=Horry%20County,%20South%20Carolina&g=0500000US45051&tid=ACSDP1Y2018.DP05>)
- (2) Bureau of Economic Analysis (<https://apps.bea.gov/regional/bearfacts/pdf.cfm?fips=45051&areatype=45051&geotype=4>)
- (3) US Census Bureau Fact Finder (<https://data.census.gov/cedsci/profile?q=Horry%20County,%20South%20Carolina&g=0500000US45051&tid=ACSDP1Y2018.DP05>)
- (4) As of 8/10/2020 from Bureau of Labor Statistics (<http://www.bls.gov/lau/laucnty19.txt>)

NA - Not Available

**GRAND STRAND WATER AND SEWER AUTHORITY**

Ten Largest Employers

Current Year and Nine Years Ago

(Unaudited)

Employer	Fiscal Year 2020	
	Employees	Percentage of Total Employment
Horry County School District	5,650	4.08%
Wal-Mart	2,800	2.02%
Horry County Government	2,200	1.59%
Coastal Carolina University	2,125	1.53%
Conway Medical Center	1,400	1.01%
Grand Strand Regional Medical Center	1,350	0.97%
Food Lion	1,150	0.83%
McLeod Loris Seacoast	980	0.71%
City of Myrtle Beach	904	0.65%
Horry Telephone Cooperative	690	0.50%
	19,249	13.89%

Employer	Fiscal Year 2011	
	Employees	Percentage of Total Employment
Horry County School District	4,870	3.69%
Wal-Mart	2,061	1.56%
Horry County Government	2,024	1.53%
Grand Strand Regional Medical Center	1,200	0.91%
Conway Hospital	1,150	0.87%
Coastal Carolina University	1,057	0.80%
Myrtle Beach National	980	0.74%
City of Myrtle Beach	902	0.68%
Loris Community Hospital	900	0.68%
Blue Cross Blue Shield	827	0.63%
	15,971	12.10%

Notes:

The Total Employment is as of June of the current year

Source:

- (1) South Carolina Department of Employment and Workforce
- (2) Myrtle Beach Regional Economic Development
- (3) 2011 Horry County Comprehensive Annual Financial Report



**GRAND STRAND WATER AND SEWER AUTHORITY**

Number of Employees by Identifiable Activity

Last Ten Fiscal Years

(Unaudited)

Full-Time Equivalent Employees as of June 30										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Water</b>										
Water Plant Operations	24	24	22	22	21	24	22	23	24	24
Water Plant Maintenance	5	6	6	6	6	6	8	7	7	7
Water Systems Maintenance	17	16	19	16	17	16	15	16	16	21
Water Systems Operations	34	34	38	38	39	41	40	42	43	45
<b>Sewer</b>										
Sewer Plant Operations	36	34	36	37	39	40	42	41	39	42
Sewer Plant Maintenance	13	17	18	18	18	14	14	14	13	14
Sewer Systems Maintenance	38	38	41	43	38	44	45	49	51	55
<b>Biosolid / Sludge Disposal</b>										
Operations	27	26	26	25	25	25	27	26	27	27
<b>Engineering / Inspections / Construction</b>										
Engineering	15	15	16	16	16	18	18	18	15	15
Inspections	6	6	5	5	6	6	6	6	6	6
Construction	22	22	21	25	24	27	31	32	33	30
<b>Administration</b>										
Billing & Customer Service	23	23	25	26	28	24	24	25	23	25
Human Resources	2	2	2	2	1	1	1	1	2	1
Accounting and Finance	5	5	5	6	6	6	6	6	6	6
Purchasing	4	4	4	4	5	4	4	5	5	5
Information Technology	4	4	4	4	3	4	4	5	9	8
Executive Administration	3	3	3	3	3	3	3	3	3	3
Fleet Management	4	4	4	4	5	4	4	3	4	4
<b>Total</b>	<b>282</b>	<b>283</b>	<b>295</b>	<b>300</b>	<b>300</b>	<b>307</b>	<b>314</b>	<b>322</b>	<b>326</b>	<b>338</b>

**GRAND STRAND WATER AND SEWER AUTHORITY**

Miscellaneous Statistical Data

June 30, 2020

(Unaudited)

Sewer System Facts		
	2020	2019
<b>Use of Sewer</b>		
Sewer Customers, End of Period	88,192	84,760
Average Daily Consumption (Millions of Gallons)	33.47	33.49
Estimated Daily use per Person (Gallons)	100	100
Sewer sales for Fiscal Year (Billions of Gallons)	12.22	12.22
<b>System Facilities</b>		
Total Miles of Sewer Lines *	1,886	1,816
Number of Treatment Plants	15	15
Number of Pumping Stations	724	715
Number of Residential Effluent Pumping Stations	425	417
Number of Residential Grinder Pumping Stations	6,345	5,910

\* Force Main            939  
 Gravity                    947  


---

 1,886

**GRAND STRAND WATER AND SEWER AUTHORITY**

Miscellaneous Statistical Data

June 30, 2020

(Unaudited)

Water System Facts		2020	2019
<b>Use of Water</b>			
Water Customers, End of Period		92,614	88,958
Average Daily Consumption (Millions of Gallons)		43.25	43.16
Estimated Daily use per Person (Gallons)		100	100
Water sales for Fiscal Year (Billions of Gallons) *		15.79	15.75
<b>System Facilities</b>			
Storage Tanks **		32	32
Storage Capacity (Millions of Gallons) **		26	26
Auxiliary Deep Water Wells		52	52
Total Miles of Distribution Lines		1,987	1,940
Fire Hydrants		8,272	8,007

\* Includes SWTP Participant Sales

\*\* Includes SWTP Storage Tanks (Ground & Elevated)

INDEPENDENT AUDITOR'S OTHER  
REPORTS SECTION

*This page is intentionally blank.*



SMITH  
SAPP

Certified Public Accountants & Consultants

MYRTLE BEACH

4728 Jenn Drive  
Suite 100  
Myrtle Beach, SC 29577

Phone (843) 448-8334  
Fax (843) 626-7363  
www.sccpa.com

CONWAY

1109 Main Street  
Suite A  
Conway, SC 29526

Phone (843) 248-5284  
Fax (843) 381-0027  
www.sccpa.com

PAWLEYS ISLAND

245 Business Center Drive  
Suite 4A  
Pawleys Island, SC 29585

Phone (843) 237-3453  
Fax (843) 237-4809  
www.sccpa.com

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

To the Board of Directors  
Grand Strand Water and Sewer Authority  
Conway, 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 and the aggregate remaining fund information of Grand Strand Water and Sewer Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 15, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



SMITH SAPP PROFESSIONAL ASSOCIATION  
*Certified Public Accountants and Consultants*

Myrtle Beach, South Carolina  
September 15, 2020