



ANNUAL
COMPREHENSIVE
FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30,
2022 & 2021

CONWAY, SOUTH CAROLINA

 GRAND STRAND
WATER & SEWER AUTHORITY



ANNUAL
COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2022 and 2021

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

GRAND STRAND WATER AND SEWER AUTHORITY

Appointed Officials

June 30, 2022

BOARD OF DIRECTORS

Sidney F. Thompson | Chairman

Benjy Hardee | Vice-Chairman

Arnold Johnson | Secretary

Richard Singleton, II | Member

Wilbur M. James | Member

J. Liston Wells | Member

Mark K. Lazarus | Member

L. Morgan Martin | Member

Radha B. Herring | Member



STAFF

Christy S. Everett | Chief Executive Officer

GRAND STRAND WATER AND SEWER AUTHORITY

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

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INTRODUCTION

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September 19, 2022

Mr. Sidney F. Thompson, Chairman
Board of Directors
Ms. Christy S. Everett, Chief Executive Officer
Grand Strand Water and Sewer Authority
Conway, South Carolina

Gentlemen:

The Annual Comprehensive Financial Report of Grand Strand Water and Sewer Authority (GSWSA) for the fiscal year ended June 30, 2022 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, Mauldin and Jenkins, 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.

Mauldin and Jenkins have audited the accompanying financial statements, and their unmodified opinion resulting from their audit is included in this Annual Comprehensive Financial Report. As part of their audit, Mauldin and Jenkins 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 Annual Comprehensive 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 health care industry makes up 3 of the top 10 largest employers in the metro area. According to the June 2022 market report from Coastal Carolinas Association of Realtors, the median home price showed a 21% increase from 2021. Demand remains high in Horry County as days on market have continually trended downward.

The local economy served by GSWSA has experienced exponential growth during fiscal year 2022, with the addition of 5,748 customers. The monthly average of submittals for new developer projects requiring water and sewer service remained consistent with 14 projects for fiscal year 2021 and 17 projects for fiscal year 2022. The monthly average Residential Equivalent Units (REUs) submitted saw an increase of 18% with 638 REUs submitted for fiscal year 2021 and 755 REUs in fiscal year 2022. 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 2022 were \$25 million.

GSWSA's growth has continued, 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 from U.S. News and World Report put Myrtle Beach at the top of its 2022 list for fastest growing places in the U.S. for the second year in a row. 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 \$11.3 million on the Rural Water and Sewer program to extend water and sewer lines to the rural communities of Horry County. In addition, approximately \$2 million was spent on Transmission Renewal and Replacement, and \$1.9 million was spent 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 finalized its 2040 Capital Improvement Plan in 2021 and plans to update it again in 2025. Also, a comprehensive review of rates, fees and charges is completed annually in order 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 2021. Departments were required to monitor expenses over time and reduce costs as appropriate. Chemical usage for water and wastewater departments were also closely monitored to help reduce costs. Overall, expenses were up due to an increase in contractual services and supplies.

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.

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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the 33rd 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 annual comprehensive 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, Chairman of the Board, and Chief Executive Officer for assistance through the year in matters pertaining to financial affairs of GSWSA.

Respectfully submitted,



Christen Jordan
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**

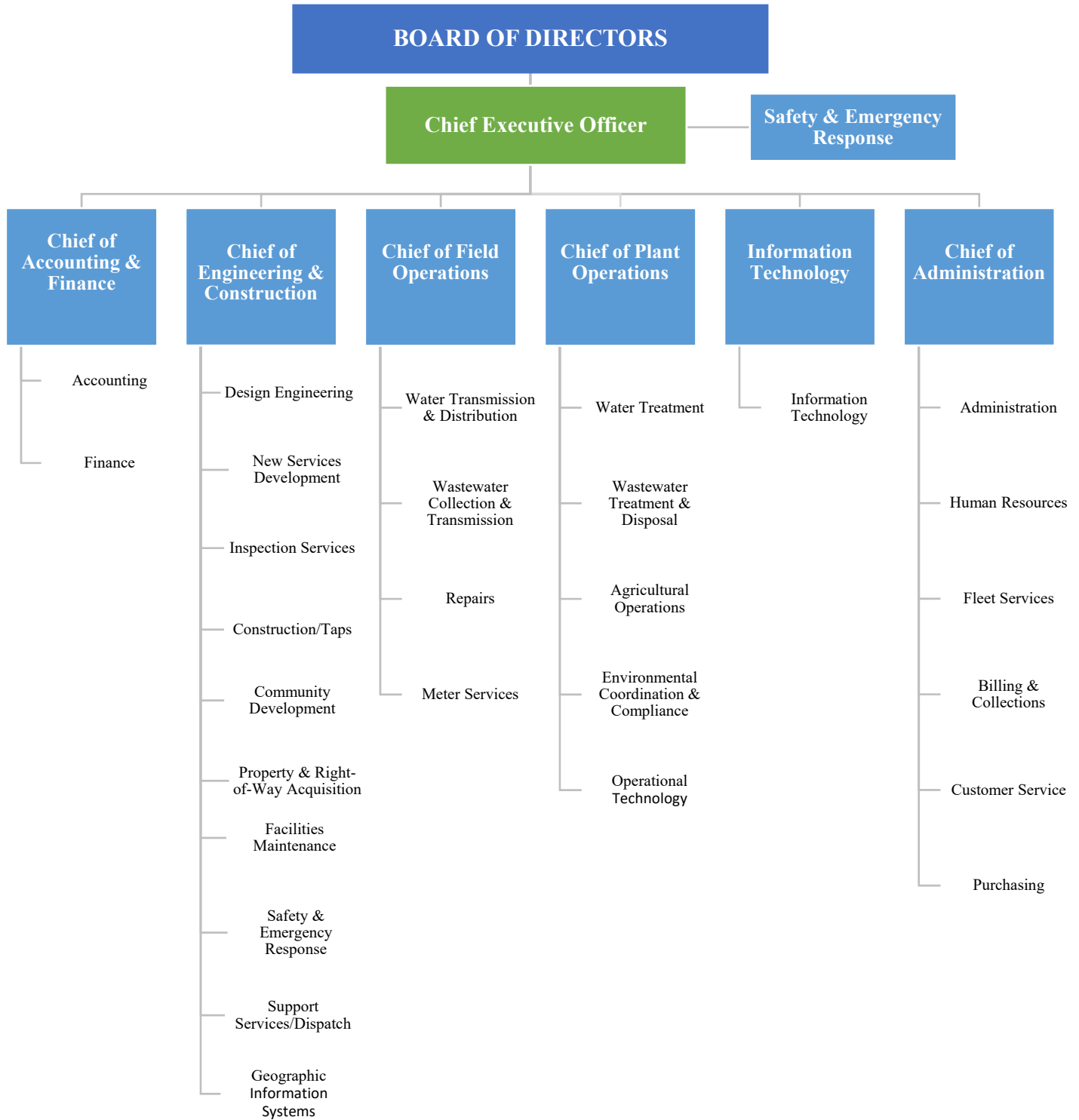
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

GSWSA ORGANIZATIONAL CHART



GRAND STRAND WATER AND SEWER AUTHORITY



2022 | Board of Directors

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

Benjy A. Hardee
Vice-Chairman
Term Expires: 8-15-2027

Arnold T. Johnson
Secretary
Term Expires: 8-15-2027



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

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

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

Mark K. Lazarus
Member
Term Expires: 8-15-2027

L. Morgan Martin
Member
Term Expires: 8-15-2025

Radha B. Herring
Member
Term Expires: 8-15-2023

Officers

Christy S. Everett, Chief Executive Officer
Christen Jordan, Chief of Accounting and Finance
Matthew T. Minor, Chief of Construction & Engineering
Tim D. Brown, Chief of Plant Operations
Chrystal J. Skipper, Chief of Administration
Neeraj C. Patel, Chief of Field Operations

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Grand Strand Water & Sewer Authority** (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

The financial statements of the Grand Strand Water & Sewer Authority as of and for the year ended June 30, 2021, were audited by other auditors whose report dated September 22, 2021, expressed an unmodified opinion on those financial statements.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contributions – South Carolina Retirement System, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Plan Contributions – Retiree Healthcare Benefit Plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The accompanying Schedule of Cash Receipts and Disbursements for Restricted Accounts Required by Revenue Bond and State Revolving Loan Provisions and the 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GRAND STRAND WATER AND SEWER AUTHORITY

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2022

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, 2022 and 2021. 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 2022. 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, 2022 were \$980.4 million and exceeded liabilities and deferred inflows by \$665 million (i.e. net position). Of total net position, approximately \$136.5 million was unrestricted. Total assets and deferred outflows increased from fiscal year 2021 to 2022 by \$72.4 million and total liabilities and deferred inflows increased by \$22.5 million.
- Total deferred outflows are down \$580,409 from 2021. This change is due to the refunding of the interest rate swap. Deferred inflows of resources increased \$10.4 million from 2021 due to an increase in other postemployment benefits, pensions, and leases.
- Operating revenues were approximately \$111.1 million in 2022, an increase of approximately \$8.1 million from 2021, or 7.9%. During 2022, the increase in revenues was primarily due to the increase in water and wastewater volume and availability charges, customer charges, and other revenue.
- In 2022, operating expenses before depreciation increased \$1.9 million or 3.0%. The total operating expenses, including depreciation, increased \$2.6 million or 2.7%. The increase in operating expenses in 2022 was mainly attributed to an increase in contractual services, depreciation, and supplies.
- Operating income for fiscal year 2022 was \$12.7 million, a 77.0% increase from the previous fiscal year as a result of an increase in retail and wholesale water and wastewater flows and customer charges. Customer charges are up due to the net increase of billable customers and associated tap fees.
- There was a increase in net position, before capital contributions of \$4 million and an increase of \$49.9 million after capital contributions. This increase in net position, before capital contributions resulted from recognizing a loss on disposal of capital assets in the previous year, as a result of dedicating Bucksport Access Road to Horry County for repairs and maintenance.
- The ratio of total operating revenues to total operating expenses was 1.13 for 2022 and 1.08 for 2021.

Financial Highlights, Continued

- Debt service coverage for 2022 decreased to 263% as compared to 270% in 2021. The decrease is mainly due to the increase in operating expenses. Debt service coverage required by the bond covenants is 110%, which is within our current coverage.
- In 2022, capital contributions from customer impact fees were \$17.6 million, an increase of 40.3% compared to fiscal year 2021. Developer contributions of facilities were \$25.3 million, an increase of 69.1% from 2021.
- GSWSA treated and distributed over 17.01 billion gallons of water and collected and sold over 13.37 billion gallons of wastewater, an increase from fiscal year 2021 of 5.5% for water and 4.2% for wastewater. Water consumption was up in all classes. Wastewater consumption was up in all classes with the exception of bulk during 2022.
- In fiscal year 2022, GSWSA added 5,236 water and 5,265 wastewater customers which resulted in a net of 7,669 water and 7,784 wastewater residential equivalent units. The total addition of 5,748 customers during 2022, is the highest customer growth experienced since 2006 and is 5.5% more than the total additions in 2021.

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 18 to 79 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.

Grand Strand Water and Sewer Authority					
Condensed Statements of Activities					
	2022	2021	2020	Change 2021-2022	% Change 2021-2022
Operating revenues					
Water and sewer volume & availability fees	\$ 80,003,907	\$ 74,884,909	\$ 71,943,440	\$ 5,118,998	6.8%
Customer charges	13,186,568	11,905,366	9,720,404	1,281,202	10.8%
Surface water charges	8,843,113	8,518,456	8,116,895	324,657	3.8%
Surface water treatment plant contract revenue	4,638,726	4,238,274	4,926,094	400,452	9.4%
Other revenue	4,470,399	3,461,204	4,167,678	1,009,195	29.2%
Total operating revenues	111,142,713	103,008,209	98,874,511	8,134,504	7.9%
Operating expenses					
Operating expenses before depreciation	67,188,679	65,161,204	62,382,721	2,027,475	3.1%
Depreciation	31,285,950	30,692,419	29,681,913	593,531	1.9%
Total operating expenses	98,474,629	95,853,623	92,064,634	2,621,006	2.7%
Operating income	12,668,084	7,154,586	6,809,877	5,513,498	77.1%
Nonoperating revenues (expenses)					
Investment income	(4,958,367)	548,271	6,773,671	(5,506,638)	-1004.4%
Miscellaneous income	897,379	1,876,660	1,636,509	(979,281)	-52.2%
Gain (loss) on disposal of capital assets	(75,237)	(9,481,376)	2,206	9,406,139	-99.2%
Interest expense	(4,498,826)	(5,952,605)	(5,513,986)	1,453,779	-24.4%
Lease Amortization expense	(4,584)	-	-	(4,584)	0.0%
Total nonoperating expense	(8,639,635)	(13,009,050)	2,898,400	4,369,415	-33.6%
Income (loss) before capital contributions	4,028,449	(5,854,464)	9,708,277	9,882,913	-168.8%
Capital contributions	45,872,861	29,254,273	30,722,350	16,618,588	56.8%
Change in net position	49,901,310	23,399,809	40,430,627	26,501,501	113.3%
Beginning net position	615,113,665	591,713,856	551,283,229	23,399,809	4.0%
Ending net position	\$665,014,975	\$615,113,665	\$591,713,856	\$49,901,310	8.1%

Financial Analysis, Continued

Grand Strand Water and Sewer Authority					
Condensed Statements of Net Position					
	2022	2021	2020	Change 2021-2022	% Change 2021-2022
Assets					
Current assets	\$ 180,597,021	\$ 168,520,525	\$ 156,798,063	\$ 12,076,496	7.2%
Restricted assets - current	19,017,654	5,669,227	11,191,148	13,348,427	235.5%
Restricted assets - noncurrent	24,362,667	20,265,390	20,611,675	4,097,277	20.2%
Capital assets	734,360,686	690,884,684	660,222,110	43,476,002	6.3%
Other assets	4,750	4,750	4,750	-	0.0%
Total assets	958,342,778	885,344,576	848,827,746	72,998,202	8.2%
Deferred outflows of resources					
Interest rate swap	-	9,071,311	12,495,950	(9,071,311)	-100.0%
Deferred charge on refundings	11,129,678	2,360,026	2,579,072	8,769,652	371.6%
Pensions	6,829,700	7,390,772	5,325,076	(561,072)	-7.6%
Other Postemployment Benefits	4,135,009	3,852,687	3,389,501	282,322	7.3%
Total deferred outflows of resources	22,094,387	22,674,796	23,789,599	(580,409)	-2.6%
Liabilities					
Current liabilities	34,141,971	38,930,611	35,178,145	(4,788,640)	-12.3%
Noncurrent liabilities	267,424,491	250,494,027	242,679,837	16,930,464	6.8%
Total liabilities	301,566,462	289,424,638	277,857,982	12,141,824	4.2%
Deferred inflows of resources					
Pensions	5,968,294	1,118,045	538,029	4,850,249	433.8%
Other Postemployment Benefits	6,885,311	2,363,024	2,507,478	4,522,287	191.4%
Leases	1,002,123	-	-	1,002,123	0.0%
Total deferred inflows of resources	13,855,728	3,481,069	3,045,507	10,374,659	298.0%
Net Position					
Net investment in capital assets	512,226,021	490,400,397	469,394,662	21,825,624	4.5%
Restricted for capital projects	13,994,301	10,989,273	14,678,578	3,005,028	27.3%
Restricted for debt service	2,285,292	1,557,413	1,766,359	727,879	46.7%
Unrestricted	136,509,361	112,166,582	105,874,257	24,342,779	21.7%
Total Net Position	\$ 665,014,975	\$ 615,113,665	\$ 591,713,856	\$ 49,901,310	8.1%

Financial Analysis, Continued

Grand Strand Water and Sewer Authority					
Selected Data for Analysis					
	2022	2021	2020	Change 2021-2022	% Change 2021-2022
Employees at Year End	342	335	338	7	2.1%
Active Customers at Year End:					
Water Customers	102,495	97,259	92,614	5,236	5.4%
Wastewater Customers	98,140	92,875	88,192	5,265	5.7%
Water Sales for Fiscal Year					
(Billions of Gallons)	17.01	16.13	15.79	0.88	5.5%
Wastewater Sales for Fiscal Year					
(Billions of Gallons)	13.37	12.83	12.22	0.54	4.2%
Total Operating Revenues					
(Per Average Employees)	\$ 324,979	\$ 307,487	\$ 292,528	\$ 17,492	5.7%
Total Operating Expenses					
(Per Average Employees)	\$ 287,938	\$ 286,130	\$ 272,381	\$ 1,808	0.6%
Ratio of Operating Revenues to:					
Operating Expenses	1.129	1.075	1.074	0.054	5.0%
Operating Expenses Net of Depreciation	1.654	1.581	1.585	0.073	4.6%
Total Assets	0.116	0.116	0.116	-	0.0%
Debt Related Ratios:					
Debt to Net Assets	0.453	0.471	0.470	(0.018)	-3.8%
Debt to Capital Assets	0.411	0.419	0.421	(0.008)	-1.9%
Operating Coverage (Operating Cash Flow/Debt)	0.147	0.142	0.161	0.005	3.5%
Debt Ratio (Total Debt/Total Assets)	0.315	0.327	0.327	(0.012)	-3.7%
Bond Coverage (Net Earnings/Debt Required)	2.63	2.70	2.82	(0.07)	-2.6%
Liquidity Ratio					
(Current Assets/Current Liabilities)	5.847	4.474	4.775	1.373	30.7%
Asset Management Ratios:					
Days Sales Outstanding (Receivables/(Sales/360))	51	46	43	5	10.9%
Asset Turnover (Sales/Assets)	0.116	0.116	0.116	-	0.0%

General Trends and Significant Events

With the U.S. transitioning out of the Covid-19 pandemic phase, the Myrtle Beach Area Chamber of Commerce said it expects a rise in tourism in 2022 compared to the last two years. According to KeyData, despite high gas prices and inflation at a record high, 2022 was busier in the Grand Strand than both 2021 and 2019. Myrtle Beach remains at the top of the list as America's fastest growing city for the second year in a row according to the U.S. News and World Report. The Grand Strand has historically been viewed as a vacation destination; however the area's low cost of living and mild weather, are making Horry County a more attractive for permanent residence. GSWSA's management continues to take a proactive approach to planning for sustainability and preservation through the continued growth. GSWSA is positioned to manage the continued growth in our service area with forecasting and planning. 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.

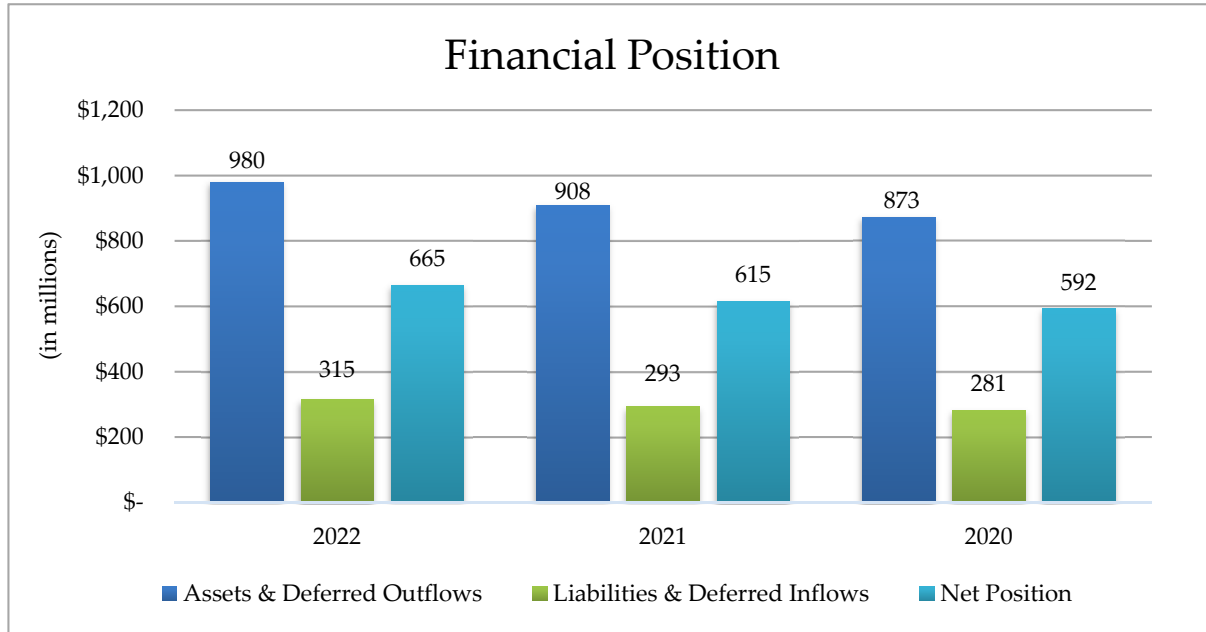
The volume of water sold in fiscal year 2022 was 17.01 billion gallons, an increase of 5.5% from fiscal year 2021. Retail customers purchased 44% of the total water sold and the wholesale customers purchased 56%.

The volume of treated wastewater sold in fiscal years 2022 and 2021 were 13.37 billion gallons and 12.83 billion gallons. All wastewater customer classes increased with the exception of bulk. Retail customers purchased approximately 5% of the total treated wastewater and wholesale customers purchased 45%.

Financial Position

GSWSA has continued to experience positive customer growth and financial positions. GSWSA has also continued to build financial strength and demonstrate stability throughout the pandemic, as a result of its conservative management. The current financial condition, as well as 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*



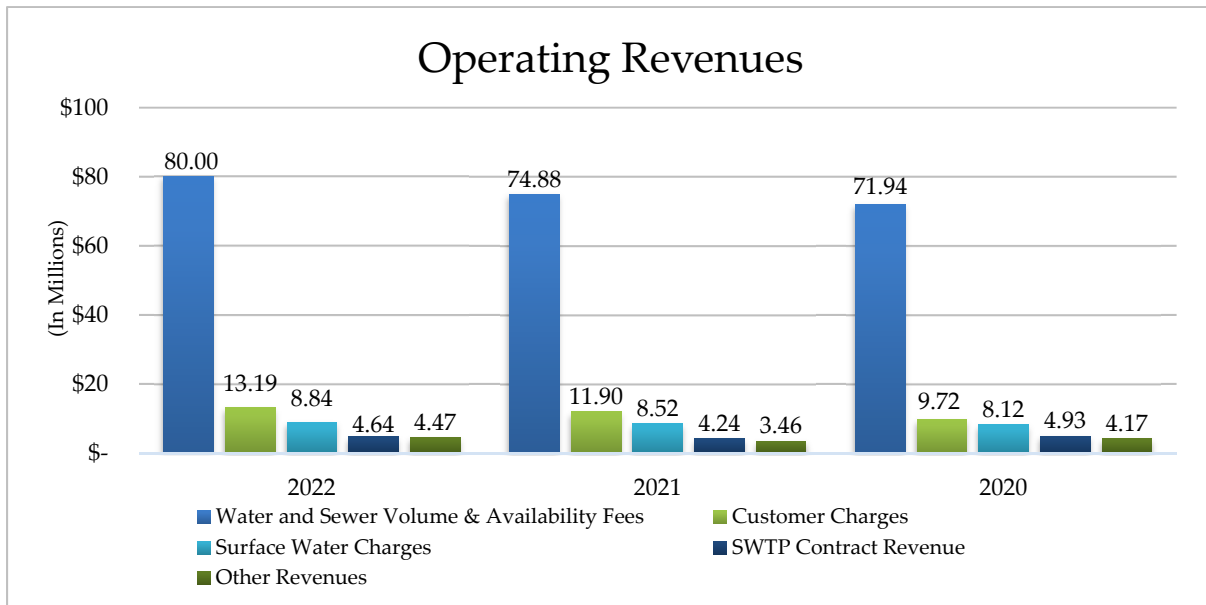
During fiscal year 2022, total assets and deferred outflows increased by \$72.4 million or 8%, with approximately \$43.5 million represented by an increase in capital assets, which is largely due to the increase in capital expenditures for facilities during 2022. Total liabilities increased by \$12.1 million or 4.2%. The increase in total liabilities is mostly due to the change in revenue bonds payable for the issuance of the Bonds of 2021 and notes payable for additional SRF funding used for upgrades and transmission line improvements for the systems. Net position increased overall by \$49.9 million or 8.1%, as a result of the increase in net investments in capital assets by \$21.8 million, increase in unrestricted by \$24.3 million and increase in restricted for capital projects by \$3.0 million.

During fiscal year 2021, total assets and deferred outflows increased by \$35 million or 4.1%, with approximately \$31 million represented by an increase in capital assets of \$31 million, which is largely due to the increase in capital expenditures for facilities. Total liabilities increased by \$11.5 million or 4.1%. The increase in total liabilities is mostly due to the change in notes payable for additional SRF funding used for upgrades and transmission line improvements for the systems. Net position increased overall by \$23.4 million or 4.0%, as a result in the increase in net investments in capital assets by \$21 million, increase in unrestricted by \$6.3 million and decrease in restricted for capital projects by \$3.7 million. The net position restricted for capital projects decreased due to the usage of all remaining funds in the construction account that were available for allocated projects associated with the Bonds of 2019.

Accounts receivable, net of allowance, for 2022 increased by \$2.5 million from 2021. Accounts receivable at June 30, 2021 were increased by \$1.5 million from 2020. These changes are a result of the timing of customer payments as of June 30th.

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.

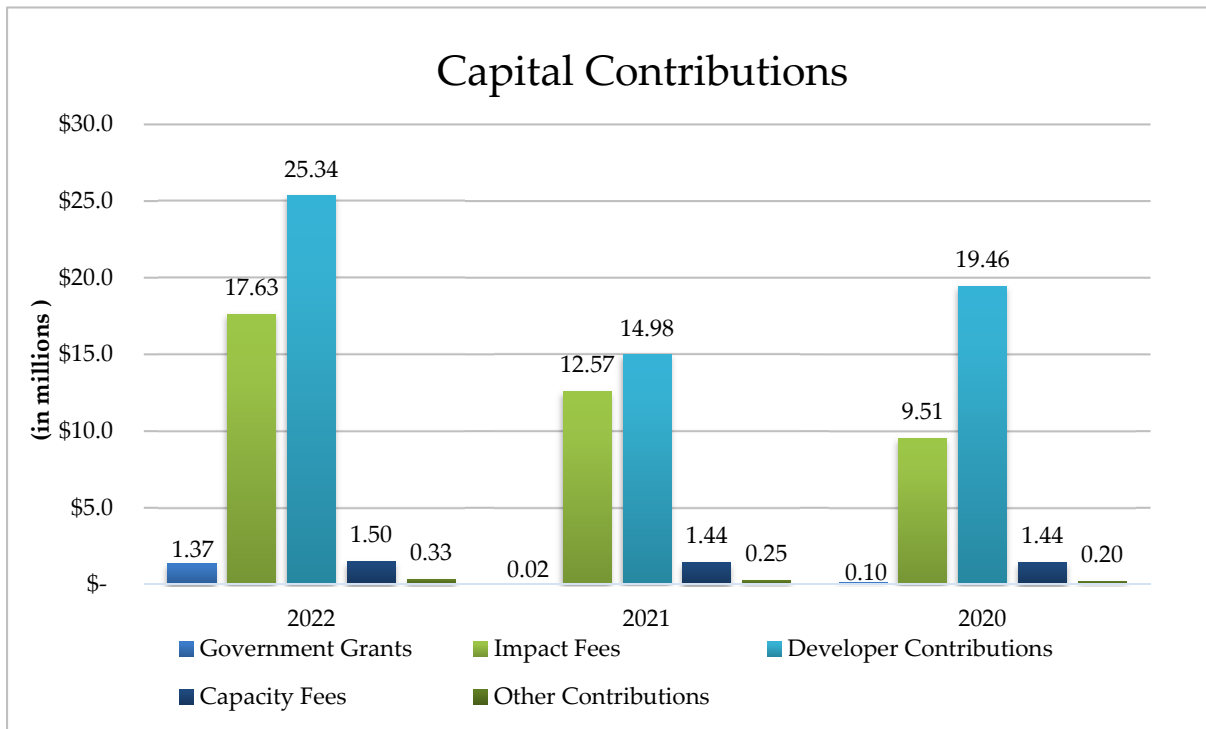


In 2022, GSWSA increased retail water and wastewater rates by 3.7% and 3.5%, respectively. Wholesale and contract water and wastewater rates were increased by various percentages as specified by contract. In 2021, GSWSA did not increase retail or wholesale rates. Prior to the onset of the pandemic, GSWSA planned to increase rates for wholesale water and wastewater customers. However, due to the Covid-19 crisis and its potential impact on GSWSA's service area, its existing rates were maintained during 2021.

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 \$16.62 million, or 56.8% during fiscal year 2022. Developer contributions increased \$10.36 million from 2021. 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 2022. Government grants were \$1,365,624 for 2022 as compared to \$16,130 for 2021. The increase in government grants was due to receiving funds from the SC Emergency Management Division for public assistance associated with Hurricanes Florence and Dorian. Impact fees were approximately \$17.6 million for 2022 compared to \$12.6 million for 2021. This is the highest impact fee revenue since 2006, surpassing fiscal year 2021 revenue by \$5.1 million. Other contributions decreased by \$212,604 during 2022, due to receiving additional SCDOT and Horry County reimbursements for highway projects in the previous year. Capacity fees increased \$58,980 during 2022.

During fiscal year 2021, capital contributions decreased \$1.5 million, or 4.8%. Developer contributions decreased \$4.5 million from 2020. Development of the local area has grown as a result of the demand for single family homes and commercial development. Government grants were \$16,130 for 2021 as compared to \$103,298 for 2020. The decrease 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 \$12.6 million for 2021 compared to \$9.6 million for 2020. Other contributions increased by \$49,409 during 2021, due to receiving SCDOT and Horry County reimbursements for highway projects. Capacity fees remained the same during 2021.

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 2022, total operating expenses increased \$2.6 million from fiscal year 2021, and operating revenues increased by \$8.1 million. Operating expenses for water and wastewater operations for the last three years are listed below:

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>	<u>Variance</u>	<u>2020</u>	<u>%</u>
Personnel Services	\$ 31,415,433	31.9%	\$32,590,604	33.9%	\$ (1,175,171)	\$ 31,424,502	34.1%
Contractual Services	22,066,128	22.4%	19,962,489	20.8%	2,103,639	19,056,084	20.7%
Supplies and Materials	12,494,030	12.7%	11,493,449	12.0%	1,000,581	10,748,940	11.7%
Depreciation	31,285,950	31.8%	30,692,418	32.0%	593,532	29,681,913	32.2%
Other Expenses	1,213,086	1.2%	1,114,661	1.2%	98,425	1,153,195	1.3%
Total Operating Expenses	<u>\$ 98,474,627</u>	<u>100.0%</u>	<u>\$ 95,853,621</u>	<u>100.0%</u>	<u>\$ 2,621,006</u>	<u>\$ 92,064,634</u>	<u>100.0%</u>

Personnel costs decreased \$1.2 million or 3.6% from 2021. GSWSA granted an average 4.25% merit increase during 2022. The overall decrease in personnel costs was mainly an decrease in insurance premiums, 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 \$2,103,639 due to an increase in utilities, insurance, and water and wastewater facility maintenance costs. Supplies and materials increased by \$1 million, or 8.7% as the result of the increase in costs for fuel and treatment supplies. Depreciation was up \$593,532, or 1.9% due to the addition of assets during fiscal year 2022. Other expenses are up by \$98,425 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 \$1.2 million or 3.7% from 2020 to 2021. GSWSA granted an average 4.0% merit increase during 2021. 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 \$906,407 due to an increase in utilities, insurance, and water and wastewater facility maintenance costs. Supplies and materials increased by \$744,507 or 6.9% as the result of the increase in costs for fuel and treatment supplies. Depreciation was up \$1 million or 3.4% due to the addition of assets during fiscal year 2021. Other expenses are up by \$38,535 due to an decrease in costs associated with business and travel. Diligent monitoring of these expenses and sound management has continued to keep our expenses under budgeted projections.

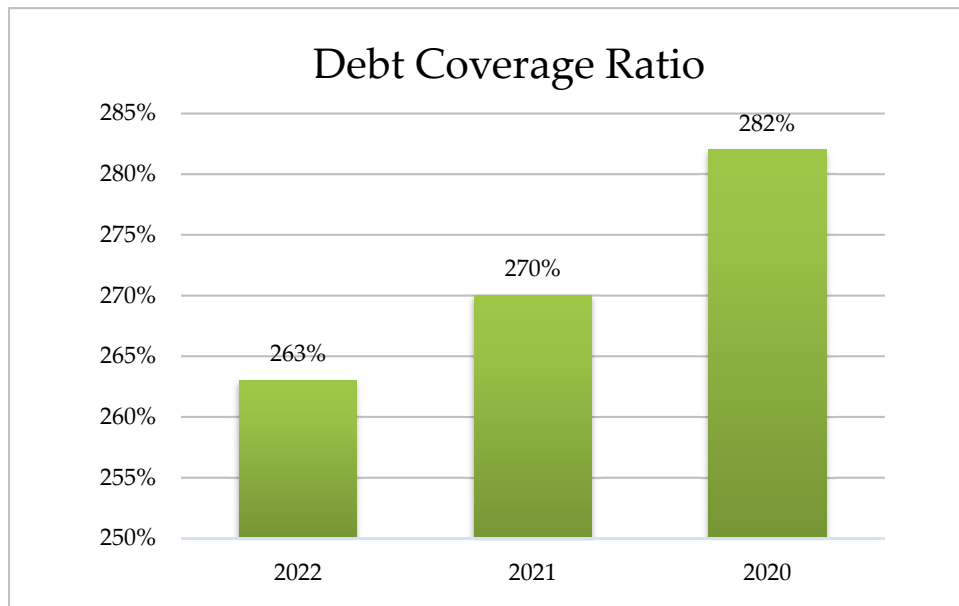
Results of Operations, *Continued*

Non-Operating Revenues and Expenses: GSWSA's revenues and expenses that are not derived from day to day operations of its collections and treatment system. Non-operating revenues and expenses are comprised of investment income, miscellaneous income, gains or losses on the disposal of capital assets, and interest expense. Non-Operating revenues and expenses increased \$2.7 million from 2021. This change is largely a result of the previous year loss on disposal of capital assets of \$9.4 million.

GSWSA's investment portfolio is comprised of a diversified portfolio of government obligations with varying maturities exposing the portfolio to interest rate risk. Investments are valued at fair value, and are affected by the change in interest rates, resulting in market value gains and losses. In order to address inflationary pressures not seen in more than 40 years, the Federal Reserve began an aggressive policy to tighten monetary policy by raising interest rates. For fiscal year 2022, market values of fixed income portfolios declined due to the sharp and sudden rise in rates.

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 2022, 2021 and 2020 were 263%, 270% and 282%, respectively.



Bond Ratings: GSWSA currently holds ratings of Aa1 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 \$43.5 million during 2022. 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 2022 was approximately \$75 million and the depreciation of capital assets was \$30.6 million. Some of the largest additions to capital assets in 2021 included:

Rural Sewer	\$ 8,723,353
Rural Water	2,547,973
WWTP Renewal & Replacement	861,972
Transmission Renewal & Replacement	614,380
Transmission Improvement	520,303

Developer contributions to capital assets were \$25 million. Disposals for 2022 were \$847,437.

Capital assets increased by \$31 million during 2021. 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 2021 was approximately \$61 million and the depreciation of capital assets was \$29 million. Some of the largest additions to capital assets in 2021 included:

South Transmission System Upgrade	\$ 11,707,065
Rural Sewer	7,069,261
Rural Water	5,150,581
Transmission Renewal & Replacement	1,730,742
Agricultural Renewal & Replacement	1,563,825
WWTP Improvements	1,222,637
Bull Creek Renewal & Replacement	947,455

Developer contributions to capital assets were \$15 million. Disposals for 2021 were \$1,938,466.

During fiscal years 2019, 2020, and 2021 GSWSA obtained State Revolving Fund loans for the South Wastewater Transmission System Upgrade, Longs Wastewater Treatment Plant Upgrade, and the Highway 701 to Highway 544 Water Transmission Line Improvement projects. As of June 30, 2022, the draws made on these loans and recorded debt was \$37,121,421.

During fiscal year 2021, GSWSA also issued the Bonds of 2020A in the amount of \$24,195,000. The bond proceeds were used to refinance six State Revolving Fund Loans for savings on interest.

During fiscal year 2022, GSWSA also issued the Bonds of 2021 in the amount of \$86,775,000. The bond proceeds were used advance refund the Bonds of 2011A, Bonds of 2011B, and Bonds of 2012, as well as \$30,000,000 in new money 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, and 5.

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.

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BASIC FINANCIAL STATEMENTS

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GRAND STRAND WATER AND SEWER AUTHORITY

Statements of Net Position

	As of June 30	
	2022	2021
Assets and Deferred Outflows of Resources		
<i>Current assets</i>		
Cash and cash equivalents	\$ 44,729,925	\$ 30,967,936
Investments	107,705,212	115,374,718
Receivables		
Customer accounts, net of allowance of \$111,137 in 2022 and \$141,928 in 2021	15,761,569	13,263,067
Assessments	3,972,369	3,954,314
Interest	518,431	573,330
Leases	1,031,128	-
Other	3,445,539	978,967
Total receivables	24,729,036	18,769,678
Inventories	1,721,055	1,730,800
Prepays	1,711,793	1,677,393
Restricted assets		
Cash and cash equivalents	2,285,292	1,557,413
Investments	16,732,362	4,111,814
Total current assets	199,614,675	174,189,752
<i>Noncurrent assets</i>		
Restricted investments	24,362,667	20,265,390
Container and security deposits	4,750	4,750
Capital assets		
Nondepreciable	138,826,292	107,755,550
Depreciable, net of depreciation	595,534,393	583,129,134
Total capital assets	734,360,686	690,884,684
Total noncurrent assets	758,728,103	711,154,824
Total assets	\$ 958,342,778	\$ 885,344,576
<i>Deferred outflows of resources</i>		
Interest rate swap	\$ -	\$ 9,071,311
Deferred charges on refundings	11,129,678	2,360,026
Pensions	6,829,700	7,390,772
Other Postemployment Benefits	4,135,009	3,852,687
Total deferred outflows of resources	\$ 22,094,387	\$ 22,674,796

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	
	2022	2021
Liabilities, Deferred Inflows of Resources, and Net Position		
<i>Current liabilities</i>		
Accounts payable	\$ 3,353,352	\$ 3,418,458
Accrued salaries and benefits	1,303,677	1,133,086
Accrued compensated absences	762,244	737,807
Construction contracts payable	4,014,462	7,992,817
Revenue bonds payable	10,975,000	12,390,000
Notes payable	2,476,510	2,060,992
Companion instrument debt	-	389,136
Lease payable	204,143	-
Accrued interest on revenue bonds	529,198	516,024
Accrued interest on notes payable	279,453	140,853
Customer security and tap deposits	9,344,153	8,404,653
Unearned customer contributions	899,522	746,785
Unearned grant income	-	1,000,000
Accrued Interest on leases	257	-
Total current liabilities	34,141,971	38,930,611
<i>Noncurrent liabilities</i>		
Revenue bonds payable	161,319,885	133,855,955
Notes payable	54,478,485	44,078,836
Net Pension Liability	36,440,047	42,148,227
Net Other Postemployment Benefits Liability	13,372,837	17,487,286
Companion instrument debt	-	2,076,577
Accrued compensated absences	1,813,237	1,775,836
Interest rate swap	-	9,071,310
Total noncurrent liabilities	267,424,491	250,494,027
Total liabilities	\$ 301,566,462	\$ 289,424,638
<i>Deferred inflows of resources</i>		
Pensions	\$ 5,968,294	\$ 1,118,045
Other Postemployment Benefits	6,885,311	2,363,024
Leases	1,002,123	-
Total deferred inflows of resources	\$ 13,855,728	\$ 3,481,069
<i>Net position</i>		
Net investment in capital assets	\$ 512,021,878	\$ 490,400,397
Restricted for:		
Capital projects	13,994,301	10,989,273
Debt service	2,285,292	1,557,413
Unrestricted	136,713,504	112,166,582
Total net position	\$ 665,014,975	\$ 615,113,665

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	
	2022	2021
<i>Operating revenues</i>		
Water and sewer volume and availability fees	\$ 80,003,907	\$ 74,884,909
Customer charges	13,186,568	11,905,366
Surface water charges	8,843,113	8,518,456
Surface water treatment plant contract revenues	4,638,726	4,238,274
Other revenue	4,470,399	3,461,204
Total operating revenues	111,142,713	103,008,209
<i>Operating expenses</i>		
Personnel costs	31,415,434	32,590,605
Contractual services	22,066,127	19,962,490
Supplies and materials	12,494,032	11,493,448
Depreciation on assets acquired with:		
Authority funds	15,720,095	15,674,259
Contributed capital	15,565,855	15,018,160
Other expenses	1,213,086	1,114,661
Total operating expenses	98,474,629	95,853,623
Operating income	12,668,084	7,154,586
<i>Non-operating revenues (expenses)</i>		
Investment income (loss)	(4,958,367)	548,271
Miscellaneous income	897,379	1,876,660
Gain (loss) on disposal of capital assets	(75,237)	(9,481,376)
Interest expense	(4,498,826)	(5,952,605)
Lease Amortization expense	(4,584)	-
Total non-operating revenues (expenses), net	(8,639,635)	(13,009,050)
<i>Income (loss) before contributions</i>	4,028,449	(5,854,464)
<i>Capital contributions</i>		
Surface water treatment plant capacity fees	1,502,316	1,443,336
Government grants/contributions	1,365,624	16,130
Customer impact fees	17,634,936	12,567,305
Developer contributions	25,336,701	14,981,614
Other contributions	33,284	245,888
Total capital contributions	45,872,861	29,254,273
<i>Change in net position</i>	49,901,310	23,399,809
<i>Beginning net position</i>	\$ 615,113,665	\$ 591,713,856
<i>Ending net position</i>	\$ 665,014,975	\$ 615,113,665

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	
	2022	2021
<i>Operating activities</i>		
Cash received from customers and users	\$ 109,565,656	\$ 101,959,454
Cash paid to suppliers	(35,863,006)	(32,614,084)
Cash paid to employees	(29,710,373)	(28,629,017)
Cash paid to OPEB trust	(1,643,975)	(1,451,913)
Cash paid for leases	1,002,123	-
Cash received from other activities	897,379	1,876,660
Net cash provided by operating activities	44,247,804	41,141,100
<i>Capital and related financing activities</i>		
Acquisition and construction of capital assets	(56,544,461)	(54,352,766)
Capital contributions	19,655,613	14,233,682
Interest paid on debt	2,802,484	(1,096,267)
Proceeds from issuance of debt	99,948,466	45,966,280
Principal paid on debt	(81,469,013)	(42,671,185)
Payments on lease obligations	204,143	-
Lease Amortization Expense	(4,584)	-
Proceeds from sale or loss on disposal of capital assets	(398,797)	363,841
Net cash and cash equivalents used for capital and related financing activities	(15,806,149)	(37,556,415)
<i>Investing activities</i>		
Purchase of investments	(23,982,193)	(54,932,993)
Proceeds from sale of investments	14,933,874	58,065,996
Interest and investment income (loss)	(4,903,468)	656,273
Net cash and cash equivalents (used for) provided by investing activities	(13,951,787)	3,789,276
Net change in cash and cash equivalents	14,489,868	7,373,961
Cash and cash equivalents - beginning	32,525,349	25,151,388
Cash and cash equivalents - ending	\$ 47,015,217	\$ 32,525,349

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

(Continued)

GRAND STRAND WATER AND SEWER AUTHORITY

Statements of Cash Flows

	For the years ended	
	June 30	
	2022	2021
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 12,668,084	\$ 7,154,586
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	31,285,950	30,692,419
Miscellaneous income	897,379	1,876,660
Leases	1,002,123	-
(Increase) decrease in operating assets		
Receivables - customers and assessments	(2,516,557)	(1,650,866)
Inventories	9,745	(159,921)
Prepays	(34,400)	(12,867)
Increase (decrease) in operating liabilities		
Accounts payable	(65,106)	129,303
Accrued salaries and compensated absences	232,429	469,922
Net pension liability	(296,859)	1,712,595
Net postemployment liability	125,516	327,158
Customer security and tap deposits	939,500	602,111
Net cash provided by operating activities	\$ 44,247,804	\$ 41,141,100
<i>Noncash capital and related financing activities</i>		
Developer contributions	\$ 25,336,701	\$ 14,981,614
Other contributions	33,284	\$ 245,888
Government contributions	334,496	16,130
Unrealized increase/(decrease) in fair value of investments	(5,462,502)	(1,450,296)
Total noncash capital and related financing activities	\$ 20,241,979	\$ 13,793,336
<i>Reconciliation of cash and cash equivalents</i>		
Unrestricted cash and investments - beginning	\$ 146,342,654	\$ 136,233,490
Restricted cash and investments - beginning	25,934,617	31,802,823
	172,277,271	168,036,313
Investments with original maturity dates over ninety days	(139,751,922)	(142,884,925)
Cash and cash equivalents - beginning	\$ 32,525,349	\$ 25,151,388
Unrestricted cash and investments - ending	\$ 152,435,137	\$ 146,342,654
Restricted cash and investments - ending	43,380,321	25,934,617
	195,815,458	172,277,271
Investments with original maturity dates over ninety days	(148,800,241)	(139,751,922)
Cash and cash equivalents - ending	\$ 47,015,217	\$ 32,525,349

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, 2022

<i>Assets</i>	
Cash in money market account	<u>\$ 308,516</u>
Investments	
US Treasury Note	7,968,623
US Government Agency	2,074,733
Federal Agency	392,290
US Treasury Bond	<u>373,782</u>
Total investments	<u>10,809,428</u>
Receivables	
Employee contributions	<u>10,245</u>
Total receivables	<u>\$ 10,245</u>
Total assets	<u>\$ 11,128,189</u>
<i>Net Position Restricted for Other Post Employment Benefits Other than Pensions</i>	
	<u><u>\$ 11,128,189</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, 2022

Additions

Investment income (loss)	
Net appreciation in fair value of investments	\$ 355,645
Interest loss	(967,853)
Total investment income (loss)	(612,208)
Contributions	
Employer	1,638,245
Plan members	132,365
Total contributions	1,770,610
Total additions	1,158,402

Deductions

Benefits paid	486,957
Fees	2,990
Total deductions	489,947
Net increase in net position	668,455

Net position Restricted for Other Post Employment Benefits

Beginning of year	10,459,734
End of year	\$ 11,128,189

The accompanying notes are an integral part of 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. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and postemployment benefits are recognized later based on specific accounting rule applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the GSWSA the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

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.

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 \$9,762,993 and \$9,493,583 in revenues earned through year-end but not yet billed as of June 30, 2022 and 2021, 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.

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 and right to use leased 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
Right-to-use leased equipment	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 is 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.

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.

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 four 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 three items that qualify for reporting in this category, the change in net pension liability not included in pension expense, the change in other postemployment liability not included in other postemployment expense, and the deferred inflow of resources related to lease receivables for transactions in which GSWSA is the lessor. 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.

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.

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, 2022 and 2021 include \$3,385,720 and \$3,378,150, 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 19, 2022, the date the financial statements were available for issue.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	2022	2021
Petty cash	\$ 4,650	\$ 4,650
Cash deposits	43,253,946	28,012,008
Money market deposit	3,756,621	4,508,691
Total cash and cash equivalents	\$ 47,015,217	\$ 32,525,349

DEPOSITS

At June 30, 2022 and 2021, the carrying amount of GSWSA's deposits in financial institutions were \$47,010,567 and \$32,520,699. The financial institutions' balances totaled \$49,776,164 and \$33,024,308, 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 2022 and 2021.

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, 2022 and 2021, 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.

	2022	2021
Federal Home Loan Mortgage	\$ 8,862,041	\$ 13,734,386
Federal National Mortgage	14,124,681	17,099,314
Federal Home Loan Bank	3,886,839	5,241,697
Government National Mortgage Association	4,405,038	7,394,508
Federal Farm Credit Banks	-	4,001,800

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 55.29% 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, 2022, 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	\$ 82,268,430	\$ 10,982,388	\$ 64,056,042	\$ 7,230,000	\$ -	AA+	55.29%
Federal Farm Credit	-	-	-	-	-	AA+	0.00%
Federal Home Loan Bank	3,886,839	1,688,344	1,715,905	482,590	-	AA+	2.61%
Federal Home Loan	8,862,041	883,357	5,280,895	271,532	2,426,257	AA+	5.96%
Federal National	14,124,681	184,292	4,991,152	3,006,943	5,942,294	AA+	9.49%
Government National	4,405,038	-	189,619	108,329	4,107,090	AA+	2.96%
Certificate of Deposit	124,691	-	124,691	-	-	A-	0.08%
Investment Pool	35,128,521	35,128,521	-	-	-	N/R	23.61%
	\$ 148,800,241	\$ 48,866,902	\$ 76,358,304	\$ 11,099,394	\$ 12,475,641		100.00%

As of June 30, 2021, 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	\$ 70,344,116	\$ 7,832,075	\$ 56,174,997	\$ 6,337,044	\$ -	AA+	50.33%
Federal Farm Credit Banks	4,001,800	4,001,800	-	-	-	AA+	2.86%
Federal Home Loan Bank	5,241,697	1,109,072	3,591,725	540,900	-	AA+	3.75%
Federal Home Loan	13,734,386	1,623,940	7,492,596	736,646	3,881,204	AA+	9.83%
Federal National	17,099,315	-	7,022,248	3,975,864	6,101,203	AA+	12.24%
Government National	7,394,509	-	79,507	891,379	6,423,623	AA+	5.29%
Certificate of Deposit	124,679	-	124,679	-	-	A-	0.09%
Investment Pool	21,811,420	21,811,420	-	-	-	N/R	15.61%
	\$ 139,751,922	\$ 36,378,307	\$ 74,485,752	\$ 12,481,833	\$ 16,406,030		100.00%

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, 2022 and 2021.

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, 2022:

Debt Securities	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 3,756,620	\$ 1,419,040	\$ 2,337,580	\$ -
U.S. Treasuries	82,268,430	82,268,430	-	-
U.S. Gov't Agency Obligations	16,480,615	8,651,322	7,829,293	-
U.S. Gov't Agency Mortgage-Backed Pools	14,797,984	-	14,797,984	-
Certificates of Deposit	124,691	124,691	-	-
Investments Measured at Net Asset Value ¹	31,128,519	-	-	-
	\$ 152,556,859	\$ 92,463,483	\$ 24,964,857	\$ -

¹ 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 2 - DEPOSITS AND INVESTMENTS, *CONTINUED*

Investments' fair value measurements are as follows at June 30, 2021:

Debt Securities	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 4,508,690	\$ 2,326,956	\$ 2,181,734	\$ -
U.S. Treasuries	70,344,116	70,344,116	-	-
U.S. Gov't Agency Obligations	22,565,905	12,143,771	10,422,134	-
U.S. Gov't Agency Mortgage-Backed Pools	24,905,802	-	24,905,802	-
Certificates of Deposit	124,679	124,679	-	-
Investments Measured at Net Asset Value ¹	21,811,420	-	-	-
	\$ 144,260,612	\$ 84,939,522	\$ 37,509,670	\$ -

¹ 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, 2022, was as follows:

	Balance June 30, 2021	Additions	Retirements	Disposals/ Transfers	Balance June 30, 2022
Capital Assets Not Being Depreciated					
Land and Easements	\$ 55,674,214	\$ 56,220	\$ (1,896)	\$ -	\$ 55,728,538
Construction-in-Progress	52,081,336	31,016,418	-	-	83,097,754
	107,755,550	31,072,638	(1,896)	-	138,826,292
Capital Assets Being Depreciated					
Utility Plant	996,643,984	41,125,415	(444,415)	305,015	1,037,629,999
Buildings and Leaseholds	12,870,137	66,793	(4,643)	-	12,932,288
Site Improvements	2,205,609	-	-	-	2,205,609
Vehicles	14,029,447	1,205,565	(204,971)	-	15,030,041
Machinery, Equipment and Furniture	27,749,749	967,981	(191,512)	5,084	28,531,302
	1,053,498,926	43,365,754	(845,541)	310,099	1,096,329,239
Accumulated Depreciation for					
Utility Plant	(433,653,925)	(27,411,499)	265,554	-	(460,799,870)
Buildings	(5,614,690)	(417,163)	1,276	-	(6,030,577)
Site Improvements	(929,263)	(121,310)	-	-	(1,050,573)
Vehicles	(10,682,524)	(1,196,481)	204,971	-	(11,674,034)
Machinery, Equipment and Furniture	(19,489,390)	(2,139,498)	189,280	-	(21,439,608)
	(470,369,792)	(31,285,951)	661,081	-	(500,994,662)
	\$ 690,884,684	\$ 43,152,441	\$ (186,356)	\$ 310,099	\$ 734,160,869
Lease assets, net (Note 4)					199,817
Total Capital assets, net					\$ 734,360,686

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Retirements	Disposals/ Transfers	Balance June 30, 2021
Capital Assets Not Being Depreciated					
Land and Easements	\$ 55,501,477	\$ 190,417	\$ (17,680)	\$ -	\$ 55,674,214
Construction-in-Progress	41,829,628	21,037,047	-	(10,785,339)	52,081,336
	97,331,105	21,227,464	(17,680)	(10,785,339)	107,755,550
Capital Assets Being Depreciated					
Utility Plant	949,400,835	46,889,153	(666,381)	1,020,377	996,643,984
Buildings and Leaseholds	12,720,772	149,365	-	-	12,870,137
Site Improvements	2,199,197	6,412	-	-	2,205,609
Vehicles	14,056,747	626,101	(653,401)	-	14,029,447
Machinery, Equipment and Furniture	26,049,038	2,301,715	(601,004)	-	27,749,749
	1,004,426,589	49,972,746	(1,920,786)	1,020,377	1,053,498,926
Accumulated Depreciation for					
Utility Plant	(407,580,046)	(26,730,955)	657,076	-	(433,653,925)
Buildings	(5,212,325)	(402,365)	-	-	(5,614,690)
Site Improvements	(807,957)	(121,306)	-	-	(929,263)
Vehicles	(9,856,411)	(1,479,515)	653,402	-	(10,682,524)
Machinery, Equipment and Furniture	(18,078,845)	(1,958,278)	547,733	-	(19,489,390)
	(441,535,584)	(30,692,419)	1,858,211	-	(470,369,792)
	\$ 660,222,110	\$ 40,507,791	\$ (80,255)	\$ (9,764,962)	\$ 690,884,684

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 \$4,589,050 and \$4,358,602 during 2022 and 2021, 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.

NOTE 4 – LEASES

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

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022
Governmental Activities					
Lease assets:					
Equipment	\$ 359,222	\$ -	\$ -	\$ -	\$ 359,222
Total	359,222	-	-	-	359,222
Less accumulated amortization for:					
Equipment	-	(159,405)	-	-	(159,405)
Total	-	(159,405)	-	-	(159,405)
Total lease assets, net	\$ 359,222	\$ (159,405)	\$ -	\$ -	\$ 199,817

NOTE 4 – LEASES, *CONTINUED*

Lessee

Grand Strand Water & Sewer is a lessee for noncancelable leases of equipment. GSWSA recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. GSWSA recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, GSWSA initially measure the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjustment for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to lease include how GSWSA determines (1) the discount rate it used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- GSWSA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, GSWSA generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that GSWSA is reasonably certain to exercise.

GSWSA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

Grand Strand Water & Sewer is a lessor for noncancelable leases of equipment. GSWSA recognizes a lease receivable and an intangible right-to-use lease asset in the government-wide financial statements. GSWSA recognizes lease receivables with an initial, individual value of \$5,000 or more.

At the commencement of a lease, GSWSA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 4 – LEASES, *CONTINUED*

Key estimates and judgements related to lease include how GSWSA determines (1) the discount rate it used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- GSWSA uses its estimated incremental borrowing rate interest rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that GSWSA is reasonably certain to exercise.

GSWSA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

NOTE 5 - LONG-TERM DEBT

Bonds, notes payable and state revolving loans at June 30, 2022 and 2021 are composed of the following individual issuances:

	<u>2022</u>	<u>2021</u>
Series 2008 , \$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%.	\$ 1,430,000	\$ 2,145,000
Series 2011A , \$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%.	-	9,150,000
Series 2011B , \$28,935,000 refunding revenue bond, remaining annual principal and interest installments of \$18,300 to \$2,725,000 (principal of \$610,000 to \$2,725,000) through June 2023, principal and interest due each June 1, interest at 3% to 5%.	-	3,475,000
Series 2012 , \$66,710,000 revenue bond, remaining annual principal installments of \$4,090,000 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.	-	51,415,000
Series 2016 , \$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 \$820,000 to \$850,000) through December 2022, interest only due each June 1, principal and interest due each December 1, interest at 1.64%.	850,000	1,670,000

NOTE 5 - LONG-TERM DEBT, *CONTINUED*

	<u>2022</u>	<u>2021</u>
<p>Series 2016D, \$14,205,000 waterworks and sewer system refunding revenue bond, remaining semi-annual principal and interest installments of \$946 to \$550,000 (principal of \$110,000 to \$550,000) through June 2026, principal and interest due each June 1 and December 1, interest at 1.72%.</p>	1,940,000	3,110,000
<p>Series 2017, \$15,010,000 refunding revenue bond, remaining annual principal and semi-annual interest installments of \$27,506 to \$1,630,000 (principal of \$65,000 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>	14,780,000	14,830,000
<p>Bonds 2019, \$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>Bonds 2020, \$24,195,000 waterworks and sewer system improvement revenue bond, remaining annual principal and semi-annual interest installments of \$8,900 to \$2,430,000 (principal of \$890,000 to \$2,430,000) through June 2034, interest only due each December 1, principal and interest due each June 1, interest at 2% to 5%.</p>	21,440,000	23,350,000
<p>Bonds 2021, \$86,775,000 waterworks and sewer system improvement and refunding revenue bonds, remaining annual principal and semi-annual interest installments of \$475,000 to \$7,065,000 (principal of \$475,000 to \$7,065,000) through June 2051, interest only due each December 1, principal and interest due each June 1, interest at 3% to 5%.</p>	<u>78,835,000</u>	<u>-</u>
<p>Total Revenue Refunding and Improvement Bonds</p>	<u>149,275,000</u>	<u>139,145,000</u>

NOTE 5 - LONG-TERM DEBT, CONTINUED

	<u>2022</u>	<u>2021</u>
Highway 501 to Highway 544 Force Main SRF , \$1,492,111 loan at 1.54% interest with quarterly principal and interest payments of \$21,711 beginning August 2010 through May 2030.	649,403	725,023
Highway 501 to International Drive Water SRF , \$4,504,199 loan at 1.90% interest with quarterly principal and interest payments of \$67,808 beginning October 2014 through July 2034.	2,958,016	3,170,516
Bull Creek to MB Water System Interconnect Phase 2 SRF , \$5,467,048 loan at 1.80% with quarterly principal and interest payments of \$81,527 beginning November 2016 through August 2036.	4,090,859	4,340,518
Myrtle Beach SWTP Ozone System Improvements SRF , \$3,179,669 loan at 1.80% interest with quarterly principal and interest payments of \$47,414 beginning June 2017 through March 2037.	2,452,044	2,595,940
South WW Transmission Upgrade SRF , \$11,416,474 loan at a blended 2.10% interest with quarterly principal and interest payments of \$147,244 beginning June 2020 through June 2021; Quarterly principal and interest payments were reduced to \$138,378 beginning December 2021 through March 2040; then \$103,713 beginning June 2040 through the balance of the loan.	10,695,494	10,994,232
Longs WWTP Upgrade SRF , \$15,023,932 loan at a blended 2.40% interest with quarterly principal and interest payments of \$199,766 beginning January 2021 through October 2040; then \$119,515 beginning January 2041 through the balance of the loan.	13,581,550	12,305,665
Highway 701 to Highway 544 Water Transmission Line SRF , \$14,140,834 loan at 2.60% interest with quarterly principal and interest payments of \$170,077 beginning October 2021 through July 2051.	12,844,377	7,007,934

NOTE 5 - LONG-TERM DEBT, CONTINUED

	<u>2022</u>	<u>2021</u>
International Drive Booster Pump Station SRF , \$6,390,258 loan at blended 1.80% interest with quarterly principal and interest payments of \$82,047 beginning July 2022 through April 2052.	5,397,252	-
Marine Industrial Park Loan , \$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.	<u>4,286,000</u>	<u>5,000,000</u>
Total notes payable	<u>56,954,995</u>	<u>46,139,828</u>
Companion Instrument Debt , advances payable comprising companion instrument debt related to an interest rate swap. Payments of principal and interest ranging from \$30,020 to \$243,450 at a rate of 4.2% began December 1, 2017 with all unpaid principal and interest due in June 2031. Swap terminated with the issuance of the Bonds of 2021.	<u>-</u>	<u>2,465,712</u>
Total debt, before deferrals	206,229,995	187,750,540
Unamortized revenue bond discount/premium	<u>23,019,886</u>	<u>7,100,956</u>
Total debt, net	229,249,881	194,851,496
Less current portion	<u>(13,451,510)</u>	<u>(14,840,128)</u>
Total long - term portion of debt	<u>\$ 215,798,371</u>	<u>\$ 180,011,368</u>

NOTE 5 - LONG-TERM DEBT, *CONTINUED*

Remaining debt service payments at June 30, 2022 are as follows:

	Revenue Bonds		Companion Instrument		Notes Payable		Total Principal	Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2023	\$ 10,975,000	\$ 6,342,532			\$ 2,476,510	\$ 1,188,144	\$ 13,451,510	\$ 20,982,186
2024	9,100,000	5,880,515			2,513,705	1,174,988	11,613,705	18,669,208
2025	8,945,000	5,459,464			2,551,727	1,117,045	11,496,727	18,073,236
2026	9,235,000	5,046,101			2,590,596	1,068,216	11,825,596	17,939,913
2027	9,430,000	4,602,063			2,631,331	1,018,521	12,061,331	17,681,915
2028-2032	40,850,000	16,005,313			10,748,014	4,377,790	51,598,014	71,981,117
2033-2037	13,535,000	9,608,888	-	-	9,817,547	3,282,866	23,352,547	36,244,301
2038-2042	14,270,000	7,897,969	-	-	7,642,132	2,387,286	21,912,132	32,197,387
2043-2047	16,205,000	5,175,075	-	-	8,451,181	1,534,379	24,656,181	31,365,635
2048-2052	16,730,000	1,759,525	-	-	7,532,250	430,222	24,262,250	26,451,997
Totals	\$ 149,275,000	\$ 67,777,445	\$ -	\$ -	\$ 56,954,993	\$ 17,579,457	\$ 206,229,993	\$ 291,586,895

Remaining debt service payments at June 30, 2021 are as follows:

	Revenue Bonds		Companion Instrument		Notes Payable		Total Principal	Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2022	\$ 12,390,000	\$ 6,197,953	\$ 389,136	\$ 97,764	\$ 2,060,992	\$ 847,741	\$ 14,840,128	\$ 21,983,586
2023	11,095,000	5,635,187	366,367	81,801	2,128,020	864,289	13,589,387	20,170,664
2024	9,230,000	5,156,520	340,664	66,830	2,157,526	834,873	11,728,190	17,786,413
2025	8,910,000	4,721,801	311,854	52,978	2,187,686	804,624	11,409,540	16,988,943
2026	9,225,000	4,285,023	999,286	106,240	2,218,514	773,796	12,442,800	17,607,859
2027-2031	48,270,000	14,096,356	58,405	1,635	9,349,195	3,382,651	57,677,600	75,158,242
2032-2036	15,070,000	5,694,469	-	-	7,945,231	2,536,011	23,015,231	31,245,711
2037-2041	13,980,000	3,407,825	-	-	5,447,077	1,797,605	19,427,077	24,632,507
2042-2046	7,565,000	1,409,450	-	-	5,830,692	1,279,759	13,395,692	16,084,901
2047-2051	3,410,000	180,075	-	-	6,672,811	473,086	10,082,811	10,735,972
2052-2056	-	-	-	-	142,084	540	142,084	142,624
Totals	\$ 139,145,000	\$ 50,784,659	\$ 2,465,712	\$ 407,248	\$ 46,139,828	\$ 13,594,975	\$ 187,750,540	\$ 252,537,422

NOTE 5 - LONG-TERM DEBT, *CONTINUED*

Long term liability activity for the year ended June 30, 2022, are as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Companion instrument debt	\$ 2,465,712	\$ -	\$ 2,465,712	\$ -	\$ -
Bonds payable	139,145,000	86,775,000	76,645,000	149,275,000	10,975,000
Notes payable	46,139,828	13,173,466	2,358,301	56,954,993	2,476,510
Compensated absences	2,513,643	923,371	861,533	2,575,481	762,244
Total liabilities	190,264,183	100,871,837	82,330,546	208,805,474	14,213,754
Plus deferred amounts:					
Issuance premiums	7,100,956	19,468,431	3,549,501	23,019,885	-
Total	\$ 197,365,139	\$ 120,340,268	\$ 85,880,047	\$ 231,825,359	\$ 14,213,754

Long term liability activity for the year ended June 30, 2021, are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Companion instrument debt	\$ 2,864,438	\$ -	\$ 398,726	\$ 2,465,712	\$ 389,136
Bonds payable	125,690,000	24,195,000	10,740,000	139,145,000	12,390,000
Notes payable	55,901,008	21,771,280	31,532,460	46,139,828	2,060,992
Compensated absences	2,157,305	1,086,607	730,269	2,513,643	737,807
Total liabilities	186,612,751	47,052,887	43,401,455	190,264,183	15,577,935
Plus deferred amounts:					
Issuance premiums	2,475,845	5,261,123	636,013	7,100,956	-
Total	\$ 189,088,596	\$ 52,314,010	\$ 44,037,468	\$ 197,365,139	\$ 15,577,935

NOTE 5 - LONG-TERM DEBT, *CONTINUED*

GWSA has pledged future revenues derived from the operation of the water and wastewater systems, net of operating and maintenance expenses, to repay \$220,551,273 in water and wastewater bonds. Proceeds from the bonds provided financing for improvements to the water and wastewater systems, as well as refunding \$236,970,752 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 2051. The total principal and interest remaining to be paid on the bonds is \$216,852,641, with annual payments expected to require 29 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$18,987,760 and \$59,063,582, 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 September 27, 2019, GWSA 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 \$15,023,932 with a blended interest rate of 2.40%. The loan proceeds will be used to upgrade the existing Longs Wastewater Treatment Plant from the current capacity of 200,000 GPD to a capacity of 3 MGD to divert flows from Vereen Wastewater Treatment Plant and utilize permitted UOD capacity. As of June 30, 2022, GWSA received \$14,209,883.

On October 31, 2019, GWSA 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 \$14,140,834 with an interest rate of 2.60%. The loan proceeds will be for the construction of approximately 28,050 linear feet of 48-inch water line replacing the existing 36-inch water line that currently serves water to the eastern side of the Waccamaw River of Horry County from the Bull Creek Water Treatment Plant. This upgrade will provide additional capacity for future growth. As of June 30, 2022, GWSA received \$11,152,220.

On October 1, 2020, GWSA issued the Bonds of 2020A in the amount of \$24,195,000. The proceeds of the Bonds of 2020A were used to pay the principal and interest of six State Revolving Fund Loans in the amount of \$24,195,000. As a result, the State Revolving Fund Loans were fully redeemed during FY 2021 and the liability has been removed from the Statement of Net Position. The refunding was undertaken to reduce total debt service payments by \$2,134,403 and resulted in a net present value savings of \$2,150,171.

NOTE 5 - LONG-TERM DEBT, *CONTINUED*

On July 28, 2021, GSWSA issued the Bonds of 2021 in Waterworks and Sewer System Improvement and Refunding Revenue Bonds in the amount of \$86,775,000. The proceeds of the Bonds of 2021 were used advance refund the Bonds of 2011A, Bonds of 2011B, and Bonds of 2012 in advance of the redemption date, as well as issue \$30,000,000 in new money to fund various capital projects. GSWSA advance refunded \$64,040,000 of the outstanding bonds during the period ending June 30, 2022 and the liability has been removed from the statement of net position. The refunding resulted in a net present value savings of \$3,614,540.

NOTE 6 - 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, 2022 and 2021 was \$0 and \$3,475,000 respectively. The Bonds were refunded with the issuance of the Bonds of 2021.

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, 2022 and 2021 was \$0 and \$51,415,000, respectively. The Bonds were refunded with the issuance of the Bonds of 2021.

NOTE 6 - DEBT DEFEASANCE, *CONTINUED*

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, 2022 and 2021, the outstanding principal balance on the defeased 2011A bonds was \$0 and \$9,150,000.

NOTE 7 - 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:

	2022	2021
Net investment in capital assets		
Capital assets, net of depreciation	\$ 734,360,686	\$ 690,884,684
Add:		
Deferred charge on refunding	11,129,678	2,360,026
Less:		
Revenue bonds payable, net of amortization	(172,294,885)	(146,245,955)
Companion instrument debt payable	-	(2,465,713)
Notes payable	(56,954,995)	(46,139,828)
Lease payable	(204,143)	-
Contractors payable	(4,014,462)	(7,992,817)
Total	512,021,878	490,400,397
Restricted for:		
Capital Projects	13,994,301	10,989,273
Debt Service	2,285,292	1,557,413
Unrestricted	136,713,504	112,166,582
Total net position	\$ 665,014,975	\$ 615,113,665

NOTE 8 - 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 assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to 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 annual comprehensive 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 2022 and 2021 for active members covered by the SCRS was \$18,806,248 and \$17,835,281, respectively. Annual covered payroll for fiscal years 2022 and 2021 for retired members was \$1,121,010 and \$1,198,775 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.

**NOTE 8 - 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 creditable service. For Class Two members, AFC is the average annual earnable compensation during the highest 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 the highest 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.

**NOTE 8 - 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 contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase employer contribution rates as necessary to meeting the funding periods set for the applicable year.

The Retirement System Funding and Administration Act of 2017 establishes a ceiling on employee contribution rates at 9% for SCRS. The employer contribution rate is established in accordance with Section 9-1-1085 of the South Carolina Code, which first came into existence by the Retirement System Funding and Administration Act of 2017 and last amended by Act 135 and a subsequent budget proviso. In accordance with the statutory schedule, as modified, the employer contribution rate in effect for fiscal year 2022 is 16.56% and is scheduled to increase annually by 1% for the next two fiscal years until an ultimate employer contribution rate of 18.56% is attained for fiscal year 2024. The maximum funding period is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

The Board is prohibited from decreasing the SCRS 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 2022 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 2022 is 16.41% 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 2022 and 2021 were \$3,299,954 and \$2,961,699, respectively.

**NOTE 8 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN,
CONTINUED**

NET PENSION LIABILITY

At June 30, 2021, GSWSA reported liabilities of \$36,440,047 for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, projected forward to June 30, 2021. 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, 2021, GSWSA’s proportionate share of the SCRS plan was 0.168382%. At June 30, 2020, GSWSA’s proportionate share of the SCRS plan was 0.164952%.

PENSION EXPENSE

For the year ended June 30, 2022, GSWSA recognized pension expense for the SCRS plan of \$3,003,096.

DEFERRED INFLOWS OF RESOURCES AND DEFERRED OUTFLOWS OF RESOURCES

At June 30, 2022, 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	\$ 620,714	\$ 49,181
Changes of assumptions	1,994,609	-
Net difference between projected & actual earnings on pension plan investments	-	5,293,397
Changes in proportion & differences between GSWSA contributions & proportionate share of contributions	914,423	625,716
GSWSA contributions subsequent to the measurement date	3,299,954	-
Total	\$ 6,829,700	\$ 5,968,294

**NOTE 8 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN,
CONTINUED**

DEFERRED INFLOWS OF RESOURCES AND DEFERRED OUTFLOWS OF RESOURCES, CONTINUED

The \$3,299,954 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, 2022 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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:

2022	\$ 6,322
2023	(191,911)
2024	(272,238)
2025	(1,980,721)
Total	\$ (2,438,548)

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 for the period ending June 30, 2019.

The June 30, 2021, 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, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, using generally accepted actuarial principles.

**NOTE 8 - 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, 2021.

Actuarial cost method	Entry age normal
Actual assumptions:	
Investment rate of return	7.0%
Projected salary increases	3.0% to 11.0% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	Lesser of 1% or \$500 annually

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

Assumptions used in the determination of the June 30, 2021, total pension liability are as follows.

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

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 return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.0% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

**NOTE 8 - 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
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Return	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.43%

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.0%. 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.

**NOTE 8 - 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 7.0%, 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 (6.0%) or 1.00% higher (8.0%) than the current rate.

	1% Decrease	Current	1% Increase
Net Pension Liability	\$ 47,731,875	\$ 36,440,047	\$27,054,133

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, 2021, 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
\$55,131,579,363	\$33,490,305,970	\$21,641,273,393	60.7%

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 ACFR containing financial statements and required supplementary information for SCRS which can be accessed via the contact information provided above.

**NOTE 8 - EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN,
CONTINUED**

OTHER EMPLOYEE BENEFITS

GWSWA 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 GWSWA. At June 30, 2022, we had no beneficiaries and one employee that had elected coverage under the Act. At June 30, 2021, we had two beneficiaries and three employees that had elected coverage under the Act.

GWSWA 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.

GWSWA 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, 2021	\$ 917,984
June 30, 2022	946,907

GWSWA 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.

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN

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, 2021, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	40
Active plan members	<u>332</u>
Total	<u><u>372</u></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.

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

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; 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

NOTE 9 - 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.

NOTE 9 - 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, 2022 the Plan's average contribution rate was 8.95% of covered payroll. Following is a chart detailing premiums and contribution amounts for coverage as of January 1, 2021.

COPAY PLAN MONTHLY INSURANCE PREMIUMS

	Medical	Vision	Dental	Total
<i>Single</i>	\$ 837.83	\$ 4.38	\$ 33.46	\$ 875.67
<i>Retiree/Children</i>	1,589.54	8.73	71.14	1,669.41
<i>Retiree/Spouse</i>	1,923.65	8.30	68.44	2,000.39
<i>Family</i>	2,341.24	12.84	113.16	2,467.24

HDHP PLAN MONTHLY INSURANCE PREMIUMS

	Medical	Vision	Dental	Total
<i>Single</i>	\$ 744.01	\$ 4.38	\$ 33.46	\$ 781.85
<i>Retiree/Children</i>	1,408.85	8.73	71.14	1,488.72
<i>Retiree/Spouse</i>	1,704.35	8.30	68.44	1,781.09
<i>Family</i>	2,073.73	12.84	113.16	2,199.73

NET OPEB LIABILITY

The net OPEB liability as of the measurement date of June 30, 2022 is as follows:

Total OPEB Liability	\$24,501,026
Fiduciary Net Position	11,128,189
Net OPEB Liability	\$13,372,837
Ratio of Fiduciary Net Position to Total OPEB Liability	45.42%

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN, *CONTINUED*

ACTUARIAL ASSUMPTIONS

The total OPEB Liability was determined by an actuarial valuation as of July 1, 2021, 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% - 9.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.70%
Municipal Bond Index Rate	
Prior Measurement Date	2.16%
Measurement Date	3.54%
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	4.70%
Measurement Date	4.70%
Health Care Cost Rates	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025

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 PUB-2010 Mortality Tables for Employees with a 135% 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, 2021 valuation were based on the results of the 2010 actuarial experience study adopted by SCRS.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the July 1, 2021 valuation.

NOTE 9 - 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 2.25% is not reflected in these rates) for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Current Allocation	Expected Arithmetic Real Rate of Return
Cash	0.43%	1.50%
Core Bonds	99.00%	3.50%
US TIPS	0.57%	2.20%
Total	100.00%	

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN, CONTINUED

DISCOUNT RATE

The discount rate used to measure the total OPEB liability as of the Measurement Date was 4.70%. 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, 2021. In addition to the actuarial methods and assumptions of the July 1, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- 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	\$ 8,835,437	\$ 13,372,837	\$ 19,385,937

NOTE 9 - 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	\$ 17,941,712	\$ 13,372,837	\$ 9,728,104

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, 2021. An expected total OPEB liability is determined as of June 30, 2022, the Measurement Date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of July 1, 2021, 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, 2022, is shown in the following table:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of June 30, 2021	\$ 27,947,020	\$ 10,459,734	\$ 17,487,286
Changes for the year:			
Service Cost at the end of the year*	975,334		975,334
Interest on TOL and Cash Flows	1,305,273		1,305,273
Difference between expected and actual experience	(1,483,604)		(1,483,604)
Changes of assumptions or other inputs	(3,888,405)		(3,888,405)
Contributions - Employer		1,638,245	(1,638,245)
Net investment income		(615,198)	615,198
Benefit payments and implicit subsidy credit**	(354,592)	(354,592)	
Net Changes	(3,445,994)	668,455	(4,114,449)
Balance as of June 30, 2022	\$ 24,501,026	\$ 11,128,189	\$ 13,372,837

* The service cost includes interest for the year.

** Benefit payments are net of participant contributions.

There have been no significant changes to the plan, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date. If a significant change, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date, an updated valuation may need to be performed.

NOTE 9 - 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, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 566,340	\$ 1,650,397
Changes of assumptions or other inputs	2,350,730	5,234,914
Net difference between projected & actual earnings on pension plan investments	1,217,939	-
Total	\$ 4,135,009	\$ 6,885,311

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:

2023	\$ (52,361)
2024	(43,423)
2025	(29,784)
2026	(144,737)
2027	(372,061)
Thereafter	\$ (2,107,936)

NOTE 10 - MAJOR CUSTOMERS

During fiscal year 2022, the following customers provided the indicated percentages of GSWSA's combined operating revenues and capital contributions: City of Myrtle Beach 10.99%, City of Conway 4.16%, City of North Myrtle Beach 2.15%, and Little River Water and Sewerage Company 1.80%. No other customers provided more than 0.49%.

During fiscal year 2021, the following customers provided the indicated percentages of GSWSA's combined operating revenues and capital contributions: City of Myrtle Beach 11.75%, City of Conway 7.36%, Little River Water and Sewerage Company 2.91%, and City of North Myrtle Beach 2.29%. No other customers provided more than 0.66%.

NOTE 11 - 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 \$1,000,000 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, 2022 and 2021.

During 2022 and 2021, 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 12 - 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, 2022, open contracts for construction totaled \$63,445,745 with \$54,133,153 having been incurred during the year. At June 30, 2021, open contracts for construction totaled \$47,145,441 with \$34,621,061 having been incurred during the year. The remaining commitments at June 30, 2022 and 2021 were \$9,312,592 and \$12,524,380, respectively.

SCHEDULES

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GRAND STRAND WATER AND SEWER AUTHORITY
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	16.83820%	0.16495%	0.17058%	0.16491%	0.16148%	0.16652%	0.15817%	0.15789%
Authority's proportionate share of the net pension liability	<u>\$ 36,440,048</u>	<u>\$ 42,148,227</u>	<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>\$ 19,034,057</u>	<u>\$ 18,402,667</u>	<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	191.4466%	229.0333%	216.2380%	216.2240%	223.1157%	220.5759%	202.2721%	189.6389%
Plan fiduciary net position as a percentage of the total pension liability	60.75%	50.71%	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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 3,299,954	\$ 2,961,699	\$ 2,863,455	\$ 2,622,625	\$ 2,317,359
Contributions in relation to the contractually required contribution	<u>3,299,954</u>	<u>2,961,699</u>	<u>2,863,455</u>	<u>2,622,625</u>	<u>2,317,359</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 19,927,258</u>	<u>\$ 19,034,057</u>	<u>\$ 18,402,667</u>	<u>\$ 18,012,536</u>	<u>\$ 17,089,671</u>
Contributions as a percentage of covered payroll	16.5600%	15.5600%	15.5600%	14.5600%	13.5600%

GRAND STRAND WATER AND SEWER AUTHORITY
 Required Supplementary Information
 Schedule of Contributions - South Carolina Retirement System
 For the year ended June 30, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,883,387	\$ 1,783,410	\$ 1,616,501	\$ 1,519,408	\$ 1,459,739
Contributions in relation to the contractually required contribution	<u>1,883,387</u>	<u>1,783,410</u>	<u>1,616,501</u>	<u>1,519,408</u>	<u>1,459,739</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 16,292,273</u>	<u>\$ 16,124,868</u>	<u>\$ 14,830,279</u>	<u>\$ 14,334,036</u>	<u>\$ 13,771,122</u>
Contributions as a percentage of covered payroll	11.5600%	11.0600%	10.9000%	10.6000%	10.6000%

GRAND STRAND WATER AND SEWER AUTHORITY
Retiree Healthcare Benefit Plan

Schedule of Changes in Net OPEB Liability and Related Ratios
As of June 30, 2022

	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability							
Service Cost	\$ 975,334	\$ 884,724	\$ 822,548	\$ 730,305	\$ 709,034	\$ 553,328	\$ 1,053,624
Interest on the Total OPEB Liability	1,305,273	1,279,441	1,152,727	1,223,427	970,507	907,157	
Differences Between Expected and Actual Experience	(1,483,604)	(162,641)	587,453	(298,145)	282,083		1,567,216
Changes of Assumptions or other inputs	(3,888,405)	515,402	277,068	(2,791,789)	3,327,220		
Benefit Payment*	(354,592)	(313,608)	(297,656)	(258,414)	(203,137)	(186,288)	(195,412)
Net Change in Total OPEB Liability	\$ (3,445,994)	\$ 2,203,318	\$ 2,542,140	\$ (1,394,616)	\$ 5,085,707	\$ 1,274,197	\$ 2,425,428
Total OPEB Liability - Beginning	\$ 27,947,020	\$ 25,743,702	\$ 23,201,562	\$ 24,596,178	\$ 19,510,471	\$ 18,236,274	\$ 15,810,846
Total OPEB Liability - Ending	<u>\$ 24,501,026</u>	<u>\$ 27,947,020</u>	<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>
Plan Fiduciary Net Position							
Contributions							
Employer**	\$ 1,638,245	\$ 1,663,979	\$ 1,549,528	\$ 1,566,440	\$ 1,190,970	\$ 1,053,624	\$ 1,053,624
Employee	131,702	114,234	111,689	93,317	83,965	80,152	58,613
	<u>\$ 1,769,947</u>	<u>\$ 1,778,213</u>	<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	\$ (615,198)	\$ (81,851)	\$ 472,458	\$ 366,601	\$ (19,128)	\$ (33,053)	\$ 118,512
Benefits Payments*	(486,294)	(427,842)	(409,345)	(351,731)	(287,102)	(266,440)	(195,412)
Net Change in Plan Fiduciary Net Position	\$ 668,455	\$ 1,268,520	\$ 1,724,330	\$ 1,674,627	\$ 968,705	\$ 834,283	\$ 1,035,337
Plan Fiduciary Net Position - Beginning	\$ 10,459,734	\$ 9,191,214	\$ 7,466,884	\$ 5,792,257	\$ 4,823,552	\$ 3,989,269	\$ 2,953,932
Plan Fiduciary Net Position - Ending	\$ 11,128,189	\$ 10,459,734	\$ 9,191,214	\$ 7,466,884	\$ 5,792,257	\$ 4,823,552	\$ 3,989,269
Plan's Net OPEB Liability - Ending	\$ 13,372,837	\$ 17,487,286	\$ 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	45.42%	37.43%	35.70%	32.18%	23.55%	24.72%	21.88%
Covered Payroll	\$ 18,314,154	\$ 17,921,554	\$ 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	73.02%	97.58%	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, 2022

	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 1,638,245	\$ 1,663,979	\$ 1,549,528	\$ 1,559,740	\$ 1,186,070	\$ 1,053,624	\$ 1,053,624
Contributions in Relation to the Actuarially Determined Contribution	<u>\$ 1,638,245</u>	<u>\$ 1,663,979</u>	<u>\$ 1,549,528</u>	<u>\$ 1,566,440</u>	<u>\$ 1,190,970</u>	<u>\$ 1,053,624</u>	<u>\$ 1,053,624</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,700)</u>	<u>\$ (4,900)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 18,314,154	\$ 17,921,554	\$ 17,107,885	\$ 16,442,561	\$ 15,886,558	\$ 15,521,883	\$ 15,521,883
Contributions as a Percentage of Covered Payroll	8.95%	9.28%	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	Fair Value of Assets
Healthcare Cost Trend Rates	Pre-Medicare: 7.00%, Medicare Eligible: 5.25%
Salary Increases	3.00% Annually
Investment Rate of Return	4.70% 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, 2022

	2008 Revenue Bonds	501 to 544 SRF	Bonds of 2011A	Bonds of 2011B	Hwy 501 to International Dr SRF	BC/MB Waterline Interconnect SRF	MBSWTP Ozone System Improvements SRF
	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service
Cash and Investments Beginning of Year	\$ 421,105	\$ 14,474	\$ 93,577	\$ 252,213	\$ 67,808	\$ 54,352	\$ 15,805
Cash Receipts:							
Transfer from Operating Cash	753,770	86,843	9,205,879	3,500,578	271,220	326,102	189,644
Transfer from Capital Project							
Interest Earned	108	2	1	3	12	8	12
Other Transfers							
Cash Disbursements:							
Principal and Interest Payments	(755,219)	(86,845)	(9,299,457)	(3,752,793)	(271,231)	(326,110)	(189,656)
Renewals and Replacements							
Transfers to Operating Cash	-	-	-	-	-	-	-
Transfers to Investment							
Transfer to Capital Projects Cash							
Other Transfers							
Cash and Investments End of Year	\$ 419,765	\$ 14,474	\$ -	\$ -	\$ 67,808	\$ 54,352	\$ 15,805

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, 2022

	Bonds of 2017	Bonds of 2019A	South WW Transmission System Upgrade SRF	Longs WWTP Upgrade SRF	Hwy 701 to Hwy 544 Transmission Line Impr SRF	Bonds 2020A
	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service
Cash and Investments Beginning of Year	\$ 46,849	\$ 94,200	\$ 49,081	\$ 199,766	\$ -	\$ 248,183
Cash Receipts:						
Transfer from Operating Cash	629,399	1,185,669	506,191	799,031	680,279	2,977,091
Transfer from Capital Project						
Interest Earned	80	148	35	35	27	651
Other Transfers						
Cash Disbursements:						
Principal and Interest Payments	(562,188)	(1,130,400)	(509,181)	(799,065)	(510,230)	(2,978,200)
Renewals and Replacements						
Transfers to Operating Cash	-	-	-	-	-	-
Transfers to Investment						
Transfer to Capital Projects Cash						
Other Transfers						
Cash and Investments End of Year	<u>\$ 114,141</u>	<u>\$ 149,617</u>	<u>\$ 46,126</u>	<u>\$ 199,766</u>	<u>\$ 170,077</u>	<u>\$ 247,725</u>

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, 2022

	<u>Bonds 2021A</u>	<u>International Drive Booster PS SRF</u>	<u>Bull Creek</u>
	<u>Current Debt Service</u>	<u>Current Debt Service</u>	<u>Depreciation & Contingency</u>
Cash and Investments			
Beginning of Year	\$ -	\$ -	\$ 3,435,091
Cash Receipts:			
Transfer from Operating Cash	12,054,128	82,035	1,262,940
Transfer from Capital Project			
Interest Earned	2,506	12	
Other Transfers			
Cash Disbursements:			
Principal and Interest Payments	(11,353,042)	-	
Renewals and Replacements			
Transfers to Operating Cash	-	-	(572,310)
Transfers to Investment			
Transfer to Capital Projects Cash			
Other Transfers			
Cash and Investments			
End of Year	<u>\$ 703,592</u>	<u>\$ 82,047</u>	<u>\$ 4,125,721</u>

GRAND STRAND WATER AND SEWER AUTHORITY

Schedule of Operating Expenses by Department

	For the years ended June 30	
	2022	2021
Water plants		
Personnel services	\$ 4,500,332	\$ 4,693,507
Contractual services	3,653,378	3,326,818
Supplies and materials	5,099,307	5,537,709
Business and travel expenses	23,006	12,783
Other expenses	113,243	119,067
Departmental transfers	716,094	671,716
Total water plants	<u>14,105,360</u>	<u>14,361,600</u>
Water systems		
Personnel services	\$ 6,717,219	\$ 6,806,924
Contractual services	4,473,152	2,940,411
Supplies and materials	1,921,270	1,466,436
Business and travel expenses	28,087	19,467
Other expenses	50,968	51,689
Total water systems	<u>13,190,697</u>	<u>11,284,927</u>
Total water	<u>27,296,057</u>	<u>25,646,527</u>
Wastewater plants		
Personnel services	\$ 6,874,578	\$ 7,358,959
Contractual services	4,952,880	5,114,323
Supplies and materials	2,154,591	1,941,246
Business and travel expenses	44,169	23,293
Other expenses	50,736	47,708
Departmental transfers	(583,060)	(497,525)
Total wastewater plants	<u>13,493,895</u>	<u>13,988,004</u>
Wastewater systems		
Personnel services	\$ 3,988,248	\$ 4,033,675
Contractual services	5,324,573	5,641,496
Supplies and materials	1,508,877	1,206,815
Business & Travel Expenses	24,054	17,861
Other expenses	23,769	13,075
Total wastewater systems	<u>10,869,521</u>	<u>10,912,922</u>
Total wastewater	<u>24,363,416</u>	<u>24,900,926</u>

(Continued)

GRAND STRAND WATER AND SEWER AUTHORITY

Schedule of Operating Expenses by Department

	For the years ended June 30	
	2022	2021
General administration		
Personnel services	\$ 981,348	\$ 1,107,444
Contractual services	1,000,928	470,811
Supplies and materials	28,047	30,109
Business and travel expenses	119,847	106,902
Other expenses	681,060	655,381
Total general administration	<u>2,811,232</u>	<u>2,370,647</u>
Planning, engineering and construction		
Personnel services	\$ 1,425,090	\$ 1,610,394
Contractual services	137,835	112,449
Supplies and materials	80,644	56,715
Business and travel expenses	5,113	2,096
Other expenses	20	79
Total planning, engineering and construction	<u>1,648,702</u>	<u>1,781,733</u>
Financial services		
Personnel services	\$ 3,969,663	\$ 3,989,138
Contractual services	2,119,304	1,914,753
Supplies and materials	211,511	123,478
Business and travel expenses	12,113	13,561
Other expenses	27,652	21,355
Total financial services	<u>6,340,244</u>	<u>6,062,285</u>
High tech turf farm		
Personnel services	\$ 2,958,955	\$ 2,990,563
Contractual services	404,077	441,428
Supplies and materials	1,489,784	1,130,941
Business and travel expenses	5,485	3,289
Other expenses	3,764	7,055
Departmental transfers	(133,035)	(174,191)
Total high tech turf farm	<u>4,729,030</u>	<u>4,399,085</u>
Depreciation	<u>\$ 31,285,949</u>	<u>\$30,692,418</u>
Total operating expenses	<u><u>\$ 98,474,629</u></u>	<u><u>\$ 95,853,621</u></u>

STATISTICAL SECTION

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STATISTICAL SECTION (UNAUDITED)

This part of Grand Strand Water and Sewer Authority's (GSWSA) annual comprehensive 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 annual comprehensive 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.

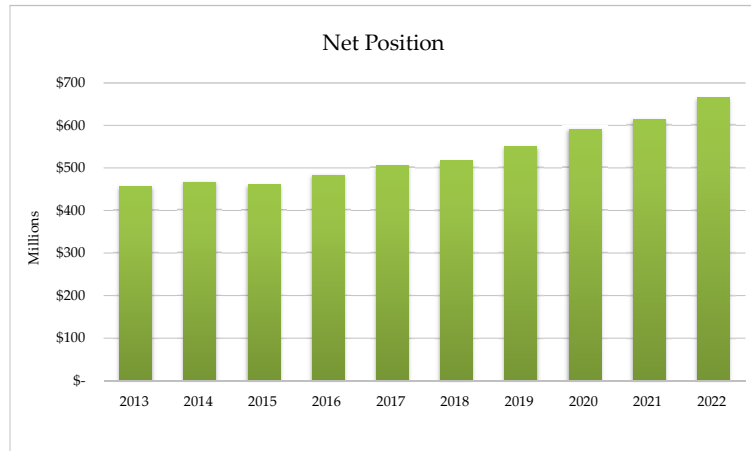
Demographic and Economic Information (*Schedule 14 and 15*) - This schedule offers demographic and economic indicators to help the reader understand the environment within which GSWSA's financial activities take place and to help make comparisons over time and with other special districts.

Operating Information (*Schedules 16 and 17*) - 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.

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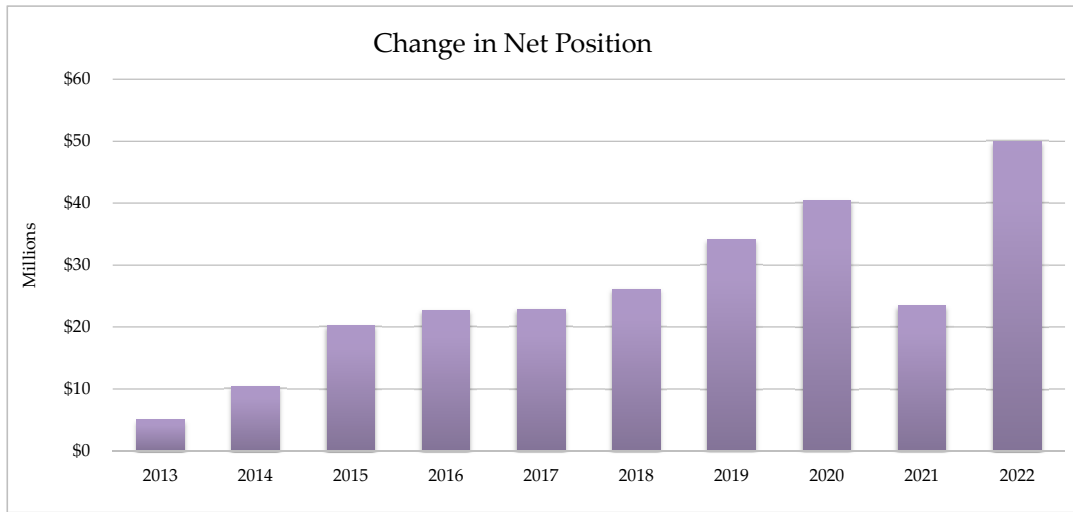
GRAND STRAND WATER AND SEWER AUTHORITY
 Net Position By Component
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Primary government										
Net investment in capital assets	\$ 312,595,550	\$ 323,365,517	\$ 352,955,264	\$ 377,470,987	\$ 398,919,173	\$ 423,279,940	\$ 424,936,411	\$ 469,394,662	\$ 490,400,397	\$ 512,021,878
Restricted	25,781,440	19,705,533	17,455,258	16,205,792	14,746,641	15,307,670	32,520,454	16,444,937	12,546,686	16,279,593
Unrestricted	118,118,519	123,766,484	89,891,225	89,296,247	92,152,642	78,640,077	93,826,364	105,874,257	112,166,582	136,713,504
Total primary government net position	\$ 456,495,509	\$ 466,837,534	\$ 460,301,747	\$ 482,973,026	\$ 505,818,456	\$ 517,227,687	\$ 551,283,229	\$ 591,713,856	\$ 615,113,665	\$ 665,014,975



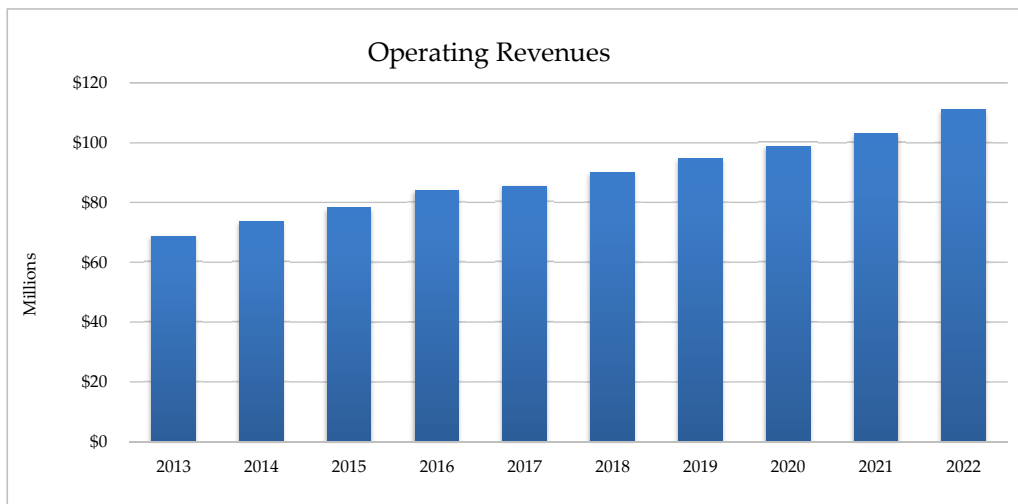
GRAND STRAND WATER AND SEWER AUTHORITY
Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income/(Loss)	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) Before Capital Contributions	Capital Contributions	Change in Net Position
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
2021	103,008,209	95,853,623	7,154,586	(13,009,050)	(5,854,464)	29,254,273	23,399,809
2022	111,142,713	98,474,629	12,668,084	(8,639,635)	4,028,449	45,872,861	49,901,310



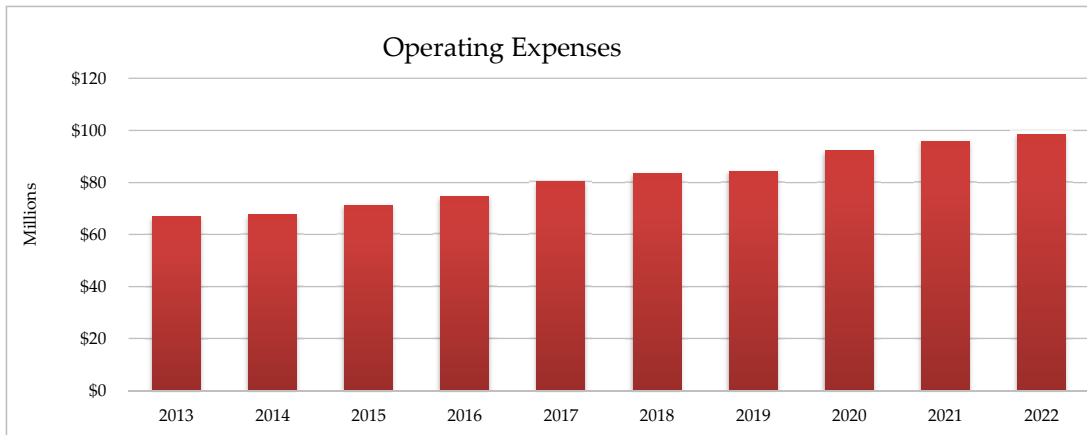
GRAND STRAND WATER AND SEWER AUTHORITY
Operating Revenues by Source
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water & Sewer Volume & Availability Fees	Customer Charges	Surface Water Charges	SWTP Contract Water Consumption	Other Revenue	Total Operating Revenue
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
2021	74,884,909	11,905,366	8,518,456	4,238,274	3,461,204	103,008,209
2022	80,003,907	13,186,568	8,843,113	4,638,726	4,470,399	111,142,713



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
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
2021	32,590,605	19,962,490	11,493,448	30,692,419	1,114,661	95,853,623
2022	31,415,434	22,066,127	12,494,032	31,285,950	1,213,086	98,474,629



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	Lease Amortization Expense	Total Nonoperating Revenues/(Expenses)
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
2021	548,271	1,876,660	(9,481,376)	(5,952,605)	-	(13,009,050)
2022	(4,958,367)	897,379	(75,237)	(4,498,826)	(4,584)	(8,639,635)

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
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
2021	1,443,336	16,130	12,567,305	14,981,614	245,888	29,254,273
2022	1,502,316	1,365,624	17,634,936	25,336,701	33,284	45,872,861

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
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
2021	17,118	16,132	986	5.76%	16,148	11.60	1.36	11.35	2.09
2022	17,318	17,011	307	1.77%	14,604	12.20	1.39	12.00	2.13

GRAND STRAND WATER AND SEWER AUTHORITY
Annual Taps Sold
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taps Sold		
	Water Meter Taps	Sewer Taps	Total
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
2021	679	511	1,190
2022	829	474	1,303

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	Water & Sewer
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
2021	12,307	10	86	7,982	16	21	84,856	-	-	12,403	8,019	84,856
2022	12,792	10	84	8,494	16	21	89,609	-	-	12,886	8,531	89,609

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
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
2021	11.60	1.36	11.35	2.09
2022	12.20	1.39	12.00	2.13

GRAND STRAND WATER AND SEWER AUTHORITY
 Ten Largest Customers
 Current Year and Nine Years Ago
 (Unaudited)

Customer	Fiscal Year 2022		
	Water Revenue	Sewer Revenue	Total
City of Myrtle Beach	\$ 8,859,331	\$ 8,404,135	\$ 17,263,466
City of Conway	5,030,319	1,501,957	6,532,276
City of NMB	2,657,483	718,089	3,375,572
LRW&S	1,717,280	1,111,741	2,829,021
City of Loris	250,900	517,544	768,444
Ocean Lakes	193,488	402,316	595,804
Georgetown County	366,692	136,314	503,005
Tabor City	12,132	489,812	501,945
Myrtle Beach Resort	11,532	318,851	330,383
Conway Medical Center	277,429	-	277,429

Customer	Fiscal Year 2013		
	Water Revenue	Sewer Revenue	Total
City of Myrtle Beach	\$ 6,586,225	\$ 5,683,566	\$ 12,269,791
City of North Myrtle Beach	3,622,589	477,103	4,099,692
City of Conway	2,651,685	1,225,884	3,877,570
Little River Water and Sewerage Company	1,119,262	868,450	1,987,712
City of Loris	267,036	507,615	774,651
Ocean Lakes Utilities	136,606	296,553	433,159
Georgetown County	235,871	113,142	349,013
Tabor City	13,535	305,553	319,088
Oceanside Village	148,069	124,689	272,757
Myrtle Beach Resort	130,010	141,324	271,334

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	Total		
					Amount	As a % of Personal	Per Capita
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	1.39%	516
2019	-	138,329,887	3,267,435	49,912,583	191,509,905	1.39%	556
2020	-	128,165,845	2,864,438	55,901,008	186,931,291	1.21%	528
2021	-	146,245,956	2,465,712	46,139,828	194,851,496	1.27%	519
2022	-	172,294,885	-	56,954,995	229,249,880	NA	627

GRAND STRAND WATER AND SEWER AUTHORITY

Revenue Bond Coverage

Last Ten Fiscal Years

(in thousands)

(Unaudited)

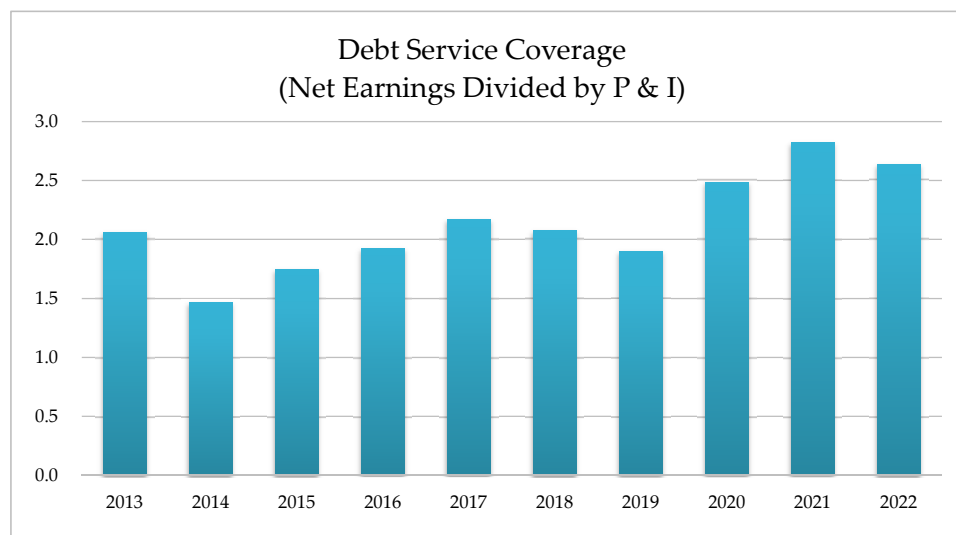
Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Earnings Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage ⁽⁴⁾
				Principal	Interest	Total	
2013	\$ 74,997	\$ 43,785	\$ 31,213	\$ 12,949	\$ 8,328	\$ 21,277	2.06
2014	82,388	44,431	37,957	13,464	8,234	21,698	1.47
2015	90,688	47,191	43,496	14,450	8,135	22,585	1.75
2016	99,046	49,533	49,514	15,075	7,726	22,801	1.93
2017	97,480	52,224	45,256	14,733	7,083	21,816	2.17
2018	100,357	55,777	44,580	16,735	6,735	23,470	2.07
2019	113,804	56,421	57,384	16,461	6,611	23,072	1.90
2020	118,441	62,383	56,059	12,995	6,868	19,863	2.49
2021	119,690	65,161	54,527	12,996	7,175	20,171	2.82
2022	126,252	67,189	59,064	14,963	7,467	22,430	2.63

(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. Expenses associated with Bucksport Access Road have been excluded from 2021'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
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	43,702	45	5
2019	354,081	13,819,062	45,438	48	4
2020	365,449	15,389,147 ⁽²⁾	48,021	47 ⁽³⁾	5
2021	365,579 ⁽¹⁾	NA	NA	NA	6 ⁽⁴⁾

Data presented is Horry County statistics.

(1) FRED Economic Data Resident Population in Horry County, SC (<https://fred.stlouisfed.org/series/SCHORR1POP>)

(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?g=0500000US45051>)

(4) As of 8/15/2022 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 2022	
	Employees	Percentage of Total Employment
Horry County School District	5,300	3.50%
Wal-Mart	3,000	1.98%
Horry County Government	2,200	1.45%
Coastal Carolina University	2,200	1.45%
Conway Medical Center	2,000	1.32%
McLeod Loris Seacoast	1,489	0.98%
Grand Strand Regional Medical Center	1,400	0.92%
Food Lion	1,000	0.66%
City of Myrtle Beach	990	0.65%
Horry Telephone Cooperative	700	0.46%
	20,279	13.40%

Employer	Fiscal Year 2013	
	Employees	Percentage of Total Employment
Horry County School District	5,394	4.17%
Wal-Mart	2,348	1.81%
Horry County Government	2,069	1.60%
Grand Strand Regional Medical Center	1,400	1.08%
Coastal Carolina University	1,363	1.05%
Conway Medical Center	1,250	0.97%
Food Lion	919	0.71%
McLeod Health System	900	0.70%
Blue Cross Blue Shield	826	0.64%
City of Myrtle Beach	825	0.64%
	17,294	13.38%

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) 2013 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										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water										
Water Plant Operations	22	22	21	24	22	23	24	24	24	22
Water Plant Maintenance	6	6	6	6	8	7	7	7	6	6
Water Systems Maintenance	19	16	17	16	15	16	16	21	22	21
Water Systems Operations	38	38	39	41	40	42	43	45	44	44
Sewer										
Sewer Plant Operations	36	37	39	40	42	41	39	42	42	41
Sewer Plant Maintenance	18	18	18	14	14	14	13	14	14	13
Sewer Systems Maintenance	41	43	38	44	45	49	51	55	52	57
Biosolid / Sludge Disposal										
Operations	26	25	25	25	27	26	27	27	27	28
Engineering / Inspections / Construction										
Engineering	16	16	16	18	18	18	15	15	15	16
Inspections	5	5	6	6	6	6	6	6	6	6
Construction	21	25	24	27	31	32	33	30	30	34
Administration										
Billing & Customer Service	25	26	28	24	24	25	23	25	24	25
Human Resources	2	2	1	1	1	1	2	1	1	1
Accounting and Finance	5	6	6	6	6	6	6	6	6	6
Purchasing	4	4	5	4	4	5	5	5	5	5
Information Technology	4	4	3	4	4	5	9	8	7	8
Executive Administration	3	3	3	3	3	3	3	3	4	3
Fleet Management	4	4	5	4	4	3	4	4	6	6
Total	295	300	300	307	314	322	326	338	335	342

GRAND STRAND WATER AND SEWER AUTHORITY

Miscellaneous Statistical Data

June 30, 2022

(Unaudited)

Sewer System Facts		
	2022	2021
Use of Sewer		
Sewer Customers, End of Period	98,140	92,875
Average Daily Consumption (Millions of Gallons)	36.63	35.15
Estimated Daily use per Person (Gallons)	100	100
Sewer sales for Fiscal Year (Billions of Gallons)	13.37	12.83
System Facilities		
Total Miles of Sewer Lines *	2,018	1,913
Number of Treatment Plants	15	15
Number of Pumping Stations	766	741
Number of Residential Effluent Pumping Stations	438	428
Number of Residential Grinder Pumping Stations	7,408	6,874

* Force Main	1,007
Gravity	<u>1,011</u>
	2,018

GRAND STRAND WATER AND SEWER AUTHORITY

Miscellaneous Statistical Data

June 30, 2022

(Unaudited)

Water System Facts		
	2022	2021
Use of Water		
Water Customers, End of Period	102,495	97,259
Average Daily Consumption (Millions of Gallons)	46.60	44.20
Estimated Daily use per Person (Gallons)	100	100
Water sales for Fiscal Year (Billions of Gallons) *	17.01	16.13
System Facilities		
Storage Tanks **	31	32
Storage Capacity (Millions of Gallons) **	26	26
Auxiliary Deep Water Wells	59	52
Total Miles of Distribution Lines	2,082	2,025
Fire Hydrants	8,953	8,493

* Includes SWTP Participant Sales

** Includes SWTP Storage Tanks (Ground & Elevated)

SINGLE AUDIT SECTION

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GRAND STRAND WATER & SEWER AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Grant Identification Number	Eligible Expenditures	Passed through to Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through the South Carolina State Revolving Loan Fund Capitalization Grants for Clean Water State Revolving Loan Cluster	66.458	3-084-19-262004-24	\$ 4,203,333	\$ -
Passed through the South Carolina State Revolving Loan Fund Capitalization Grants for Drinking Water State Revolving Loan Cluster	66.468	3-090-20-2620004-25	<u>3,224,035</u>	<u>-</u>
Total U.S Environmental Protection Agency			<u>7,427,368</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the South Carolina State Office of the Adjutant General, Emergency Management Division Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4394-PA-SC	398,547	-
Passed through the South Carolina State Office of the Adjutant General, Emergency Management Division Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4464-PA-SC	<u>614,212</u>	<u>-</u>
Total U.S Department of Homeland Security			<u>1,012,759</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 8,440,127</u>	<u>\$ -</u>

GRAND STRAND WATER & SEWER AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding \$750,000. The threshold of \$750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The Authority did not qualify as a low-risk auditee for the fiscal year ended June 30, 2022.

De Minimis Indirect Cost Rate

The Authority did not use the de Minimis indirect cost rate.

INDEPENDENT AUDITOR'S OTHER
REPORTS SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Grand Strand Water & Sewer Authority** (the "Authority") as of and for the year ended June 30, 2022, 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 19, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Columbia, South Carolina
September 19, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the **Grand Strand Water & Sewer Authority's** (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Columbia, South Carolina
September 19, 2022

GRAND STRAND WATER & SEWER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the Financial Statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

CFDA Number

97.036

Name of Federal Program or Cluster
**U.S. Department of Homeland Security/
Federal Emergency Management
Agency**
Disaster Grants – Public Assistance

66.468

U.S. Environmental Protection Agency
*South Carolina Water Pollution Control
Revolving Fund*

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

GRAND STRAND WATER & SEWER AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported

**SECTION IV
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

None reported.