

A woman in an orange shirt is watering a potted plant with a hose. The water is spraying out, creating a misty effect. The background is a soft-focus garden scene. A blue rectangular overlay is positioned in the upper left, containing the report title and fiscal years.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2025 & 2024



ANNUAL
COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2025 and 2024

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

GRAND STRAND WATER AND SEWER AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal	i - iv
Certificate of Achievement for Excellence in Financial Reporting.....	v
Organizational Chart	vi
List of Principal Officials	vii - viii

FINANCIAL SECTION

Independent Auditor's Report	1 - 4
Management's Discussion and Analysis	5 - 18
Basic Financial Statements	
Statements of Net Position	19 and 20
Statements of Revenues, Expenses, and Changes in Fund Net Position	21
Statements of Cash Flows	22 and 23
Statements of Fiduciary Net Position – Other Postemployment Benefit	
Pension Trust Fund	24
Statements of Changes in Fiduciary Net Position – Other Postemployment Benefit	
Pension Trust Fund	25
Notes to Financial Statements.....	25 - 69

Required Supplementary Information

Schedule of Authority's Proportionate Share of the Net Pension Liability	70 and 71
Schedule of Authority's Pension Contributions – South Carolina Retirement System	72 and 73
Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree	
Health Care Benefit Plan	74 and 75
Schedule of Plan Contributions – Retiree Health Care Benefit Plan	76 and 77

Other Supplementary Information

Schedule of Cash Receipts and Disbursements for Accounts Required	
by Revenue Bond and State Revolving Loan Provisions	78 and 79
Schedule of Operating Expenses by Department	80 and 81

STATISTICAL SECTION

Financial Trends:

Net Position by Component.....	82
Changes in Net Position.....	83
Operating Revenues by Source.....	84
Operating Expenses	85
Nonoperating Revenues and Expenses	86
Annual Capital Contributions by Source.....	87

GRAND STRAND WATER AND SEWER AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION (CONTINUED)	
Revenue Capacity:	
Water Produced and Consumed and Wastewater Treated.....	88
Annual Taps Sold.....	89
Number of Water and Sewer Customers by Type	90
Water and Sewer Rates	91
Ten Largest Customers	92
Debt Capacity:	
Ratios of Outstanding Debt by Type.....	93
Revenue Bond Coverage	94
Demographic and Economic Information:	
Demographic and Economic Statistics	95
Ten Largest Employers	96
Operating Information:	
Number of Employees by Identifiable Activity.....	97
Miscellaneous Statistical Data.....	98 and 99

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

September 22, 2025

To the Customers, Board of Directors, and Employees
of Grand Strand Water and Sewer Authority:

Grand Strand Water and Sewer Authority (GSWSA or the Authority) is pleased to present its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This report was prepared by GSWSA's Accounting and Finance Division in accordance with the principles and recommendations of the Government Finance Officers Association (GFOA), generally accepted accounting principles (GAAP) and applicable Governmental Accounting Standards Board (GASB) pronouncements. An independent audit of the financial statements has been performed by Mauldin & Jenkins, LLC, who issued an unmodified (clean) opinion. The financial statements, the notes thereto and the auditor's report are located in the Financial Section of this report.

Management bears full responsibility for the accuracy, completeness and fairness of the information presented. To this end, GSWSA maintains a comprehensive framework of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and financial reports are reliable. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance. Readers are urged to review the Management's Discussion and Analysis (MD&A) that accompanies the financial statements; this narrative provides context and analysis of GSWSA's financial position and results of operations. The letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

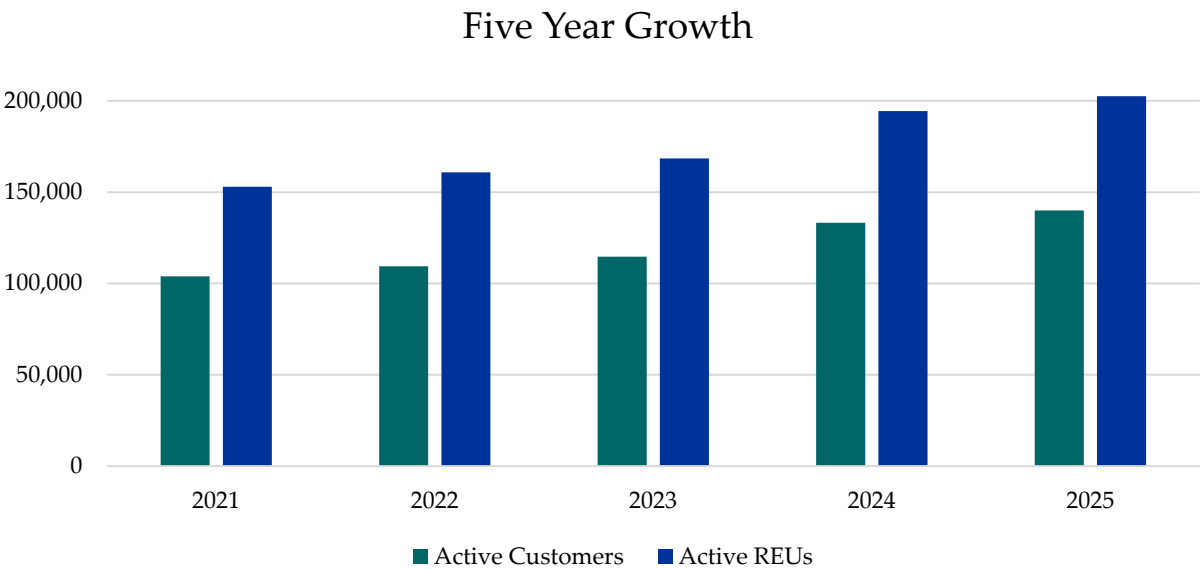
Created by Act 337 of the 1971 South Carolina General Assembly, GSWSA is a special-purpose district delegated the responsibility to treat and distribute potable water and to construct, operate and maintain sewer collection and treatment facilities. The Authority's direct service area includes most of Horry County except those municipalities that operate their own systems, and it also serves certain communities in Marion, Dillon and Georgetown Counties and limited areas of Columbus County, North Carolina through wholesale or retail contracts. Wholesale customers include the Cities of Conway, Myrtle Beach, North Myrtle Beach and Loris, and GSWSA supplements Georgetown County Water and Sewer District. Retail service is provided in the Town of Aynor, City of Marion, City of Mullins, Town of Lake View, Town of Nichols, Town of Surfside Beach and limited areas of Sellers and Centenary. A map of the service area and an organizational chart are included in the introductory section of this report.

GSWSA adopts a rolling two-year budget as the foundation for financial planning and control. The budget is presented to the Board of Directors at a public hearing and must be adopted by June 30 each year. The Authority maintains an encumbrance system to ensure compliance with appropriations, and unexpended funds in the operating budget lapse at year-end. Major budget policies include maintaining a balanced budget, allowing the Chief Executive Officer to transfer appropriations within departments, requiring Board approval to transfer funds between capital projects, and budgeting capital expenditures on a project-length basis. Further details on budgetary control can be found in the MD&A and notes to the financial statements.

LOCAL ECONOMY

According to the South Carolina Department of Employment and Workforce, Horry County was the 34th fastest growing county in the United States, with its population increasing 3.8 percent between July 2023 and July 2024. The Myrtle Beach–Conway–North Myrtle Beach metropolitan area ranked third among U.S. metro areas with 3.8 percent population growth over the same period. Residential construction has kept pace: the U.S. Census Bureau reports 7,331 new housing units were authorized by building permits in Horry County in 2024, up from 6,513 units in 2023. Rapid growth in housing directly increases demand for water and sewer connections.

Tourism, a cornerstone of the local economy, also continues to expand. The Grand Strand welcomed 18.2 million visitors in 2024, roughly two thirds of whom were return guests, and those visitors generated \$13.2 billion in direct spending and \$16.6 billion in retail sales across Horry County. Myrtle Beach International Airport handled 3.84 million passengers, a 14 percent year over year increase, while hotel revenues climbed to \$846 million on 6.4 million room nights booked. These demographic and economic trends underscore the importance of continued investment in water and sewer infrastructure to support both residents and the millions of visitors who rely on GSWSA’s services.



MAJOR CAPITAL INITIATIVES IN FY25

- **Rural Water and Sewer Program** – GSWSA invested approximately \$13.6 million during FY 2025 to extend water and sewer service to rural areas of Horry County. This program reduces environmental impacts from septic systems and improves public health. Since the inception of the Rural Water and Sewer Program, over 1200 miles of pipeline has been installed.
- **New Service Requests** – Approximately 6,700 applications were collected for installation of water and sewer taps for customers, resulting in \$18.3 million in corresponding fees.
- **Capital Projects** – Major construction projects during FY 2025 included an upgrade to the Bull Creek Water Treatment Plant expanding the capacity from 45 million gallons per day to 60 million gallons per day. Of the total \$48 million project budget, \$23 million was spent in fiscal year 2025. Additionally, \$10 million of the \$12 million budgeted was spent on a Conway to Bucksport Wastewater Treatment Plant Flow Diversion line.

LONG-TERM FINANCIAL PLANNING

GSWSA's 2045 Capital Improvement Plan (CIP) guides long-term infrastructure investments. Staff update the CIP periodically to incorporate new growth projections, regulatory requirements and technological advancements. The Authority annually reviews its rates, fees and charges to ensure cost recovery and maintain rate stability. Management continued initiatives to control operating costs, including monitoring chemical usage, optimizing energy consumption and leveraging technology to streamline operations. Debt management policies emphasize a mix of pay-as-you-go funding, state revolving fund loans and revenue bonds to maintain flexibility and strong credit ratings. GSWSA plans to invest approximately \$542 million over the next five years to expand treatment capacity and rehabilitate aging infrastructure.

INTERNAL AND BUDGETARY CONTROLS

The Authority maintains an internal control structure designed to protect assets from loss, ensure accurate financial reporting and promote operational efficiency. Key components include segregation of duties, authorization and approval procedures, safeguarding of assets, and regular monitoring of financial activity. In addition, GSWSA operates under established policies for investing, financing, rate setting and cash management, which serve as the framework for the development of the annual operating and capital budgets. During the fiscal year, Division Chiefs are responsible for managing departmental budgets, while the Chief of Accounting and Finance monitors expenditures to prevent overspending. GSWSA also maintains an encumbrance accounting system; encumbered amounts lapse at year-end and are re-encumbered against the subsequent year's appropriations as needed.

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, 2024. This was the 36th year that GSWSA applied for and received this prestigious award. To be awarded a Certificate of Achievement, GSWSA had to publish an easily readable and efficiently organized Annual Comprehensive 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 would not have been possible without the cooperation and dedication of GSWSA's employees. Special appreciation is extended to the Accounting and Finance Division, whose staff prepared these financial statements; to Division Chiefs and department personnel across the organization for their assistance; and to the Board of Directors, Chairman and Chief Executive Officer for their leadership and support.

Respectfully submitted,



Gregory Thompson
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**

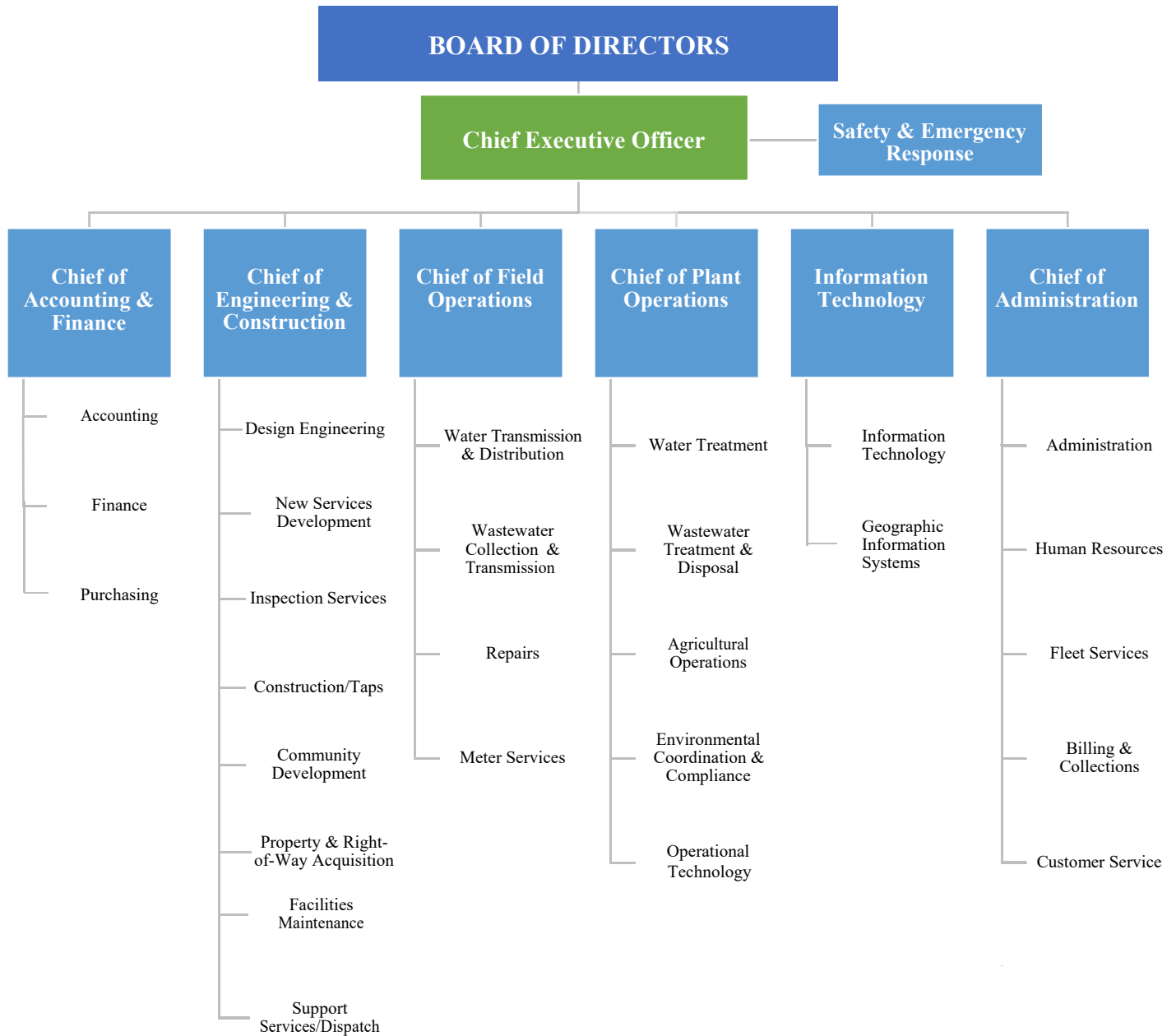
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

GSWSA ORGANIZATIONAL CHART



GRAND STRAND WATER AND SEWER AUTHORITY

Appointed Officials

June 30, 2025

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. Holder | Chief Executive Officer

GRAND STRAND WATER AND SEWER AUTHORITY



2025 | 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. Holder, Chief Executive Officer
Greg T. Thompson, Chief of Accounting and Finance
Matthew T. Minor, Chief of Construction & Engineering
Neeraj C. Patel, Chief of Plant Operations
Chrystal J. Skipper, Chief of Administration
Wade D. Lewis, Chief of Field Operations
Thomas A. Neat, Chief of Technology

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of **Grand Strand Water and Sewer Authority** (the "Authority") as of and for the years ended June 30, 2025 and 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Authority's Proportionate Share of Net Pension Liability, the Schedule of Authority's Pension Contributions – South Carolina Retirement System, the Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree Health Care Benefit Plan, and the Schedule of Plan Contributions – Retiree Health Care 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic 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. 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

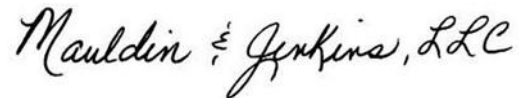
Other Information

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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 22, 2025, 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.



Columbia, South Carolina
September 22, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

GRAND STRAND WATER AND SEWER AUTHORITY

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2025

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, 2025 and 2024. 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 2025. 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, 2025 were \$1.3 billion and exceeded liabilities and deferred inflows by \$962.1 million (i.e. net position). Of total net position, approximately \$191.2 million was unrestricted. Total assets and deferred outflows increased from fiscal year 2024 to 2025 by \$127.3 million and total liabilities and deferred inflows increased by \$10.3 million.
- Total deferred outflows increased by \$2.4 million from 2024. This change is due to the change in pensions and other postemployment benefits. Deferred inflows of resources increased \$1.3 million from 2024 due to an increase in pensions and a decrease in other postemployment benefits.
- Operating revenues were approximately \$136.6 million in 2025, an increase of about \$7.0 million, or 5.4%, compared to 2024. This growth was driven largely by the addition of approximately 11,100 new customers which include 5,496 water and 5,605 wastewater accounts. This addition to the customer base resulted in a net increase of 26,636 water and 11,381 wastewater residential equivalent units. The expansion in the customer base, fueled by a growing local economy, contributed to higher water and wastewater volume and availability charges, customer charges, and surface water charges.
- In 2025, operating expenses before depreciation increased by \$16.1 million or 21.3%. The total operating expenses, including depreciation, increased \$20.2 million or 18.2%. The increase in operating expenses in 2025 was mainly attributed to an increase in contractual services, personnel, and depreciation.
- Operating income for fiscal year 2025 was \$5.0 million, compared to \$18.3 million in 2024, reflecting a 73% decrease as operating expenses rose more sharply than revenues. Even with this decline, the Authority continued to generate positive operating results, with operating revenues exceeding expenses by 4% in 2025 (a ratio of 1.04), compared to 16% in 2024. This demonstrates that while cost pressures reduced margins, the Authority remained in a strong operating position.

Financial Highlights, Continued

- Driven by strong investment earnings and gains on the disposal of capital assets, non-operating revenues increased by \$5 million from the prior year. In addition, continued development in Horry County contributed to a \$36 million rise in capital contributions. Together, these factors offset the decline in operating income and resulted in a \$116 million increase in net position, a \$10 million improvement compared with the previous year.
- Debt service coverage for 2025 was a strong 403%, compared to 424% in 2024. The modest decrease reflects operating expenses growing at a slightly higher rate than operating revenues. Importantly, coverage remains well above the 110% required by bond covenants, providing a substantial margin of financial strength.
- GSWSA treated and distributed over 18 billion gallons of water and collected and sold over 14.8 billion gallons of wastewater, an increase from fiscal year 2024 of 4.7% for water and an increase of 5.5% for wastewater. Water consumption was down in all classes with the exception of retail. Wastewater consumption was up and down in all classes with the exception of retail during 2025.
- In fiscal year 2025, GSWSA reported capital assets of \$975.5 million, an increase of \$109.3 million from 2024. The increase in capital assets were largely through developer contributions and customer impacts.
- Debt totaled \$218.3 million for fiscal year 2025, a slight increase of \$.8 million from 2024. With net position at \$962.6 million, the Authority's debt to net position ratio was 22.7%, indicating very low leverage.

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 19 to 81 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 2025 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 Net Position							
	2025	2024	2023	Change 2024-2025	% Change 2024-2025	Change 2023-2024	% Change 2023-2024
Assets							
Current assets	\$ 254,151,946	\$ 237,584,043	\$ 193,142,876	\$ 16,567,903	7.0%	\$44,441,167	23.0%
Restricted assets - current	2,025,745	1,911,068	9,415,090	114,677	6.0%	(7,504,022)	-79.7%
Restricted assets - noncurrent	27,919,327	29,047,084	27,212,400	(1,127,757)	-3.9%	1,834,684	6.7%
Capital assets	975,490,772	866,218,228	797,890,375	109,272,544	12.6%	68,327,853	8.6%
Other assets	4,751	4,751	4,751	-	0.0%	-	0.0%
Total assets	1,259,592,541	1,134,765,174	1,027,665,492	124,827,367	11.0%	107,099,682	10.4%
Deferred outflows of resources							
Deferred charge on refundings	9,280,222	9,770,899	10,261,575	(490,677)	-5.0%	(490,676)	-4.8%
Pensions	7,870,868	6,075,957	5,781,261	1,794,911	29.5%	294,696	5.1%
Other Postemployment Benefits	7,288,981	6,157,260	3,816,525	1,131,721	18.4%	2,340,735	61.3%
Total deferred outflows of resources	24,440,071	22,004,116	19,859,361	2,435,955	11.1%	2,144,755	10.8%
Liabilities							
Current liabilities	46,691,691	38,095,391	37,629,513	8,596,300	22.6%	465,878	1.2%
Noncurrent liabilities	264,587,331	264,173,415	261,658,486	413,916	0.2%	2,514,929	6.7%
Total liabilities	311,279,022	302,268,806	299,287,999	9,010,216	3.0%	2,980,807	1.0%
Deferred inflows of resources							
Pensions	3,252,470	671,099	665,023	2,581,371	384.6%	6,076	0.9%
Other Postemployment Benefits	6,186,985	7,312,951	8,438,917	(1,125,966)	-15.4%	(1,125,966)	-13.3%
Leases	1,254,345	1,387,708	897,470	(133,363)	-9.6%	490,238	54.6%
Total deferred inflows of resources	10,693,800	9,371,758	10,001,410	1,322,042	14.1%	(629,652)	-6.3%
Net Position							
Net investment in capital assets	754,926,730	652,675,187	580,920,390	102,251,543	15.7%	71,754,797	12.4%
Restricted for capital projects	13,949,772	16,047,875	15,765,021	(2,098,103)	-13.1%	282,854	1.8%
Restricted for debt service	2,025,745	1,911,068	2,250,805	114,677	6.0%	(339,737)	-15.1%
Unrestricted	191,157,543	174,494,596	139,299,228	16,662,947	9.5%	35,195,368	25.3%
Total Net Position	\$ 962,059,789	\$ 845,128,726	\$ 738,235,444	\$116,931,063	13.8%	106,893,282	14.5%

Financial Analysis, Continued

Grand Strand Water and Sewer Authority Condensed Statements of Activities							
	2025	2024	2023	Change 2024-2025	% Change 2024-2025	Change 2023-2024	% Change 2023-2024
Operating revenues							
Water and sewer volume & availability fees	\$ 99,171,339	\$ 93,438,950	\$ 83,658,874	\$ 5,732,389	6.1%	\$ 9,780,076	11.7%
Customer charges	16,649,756	15,874,102	14,015,497	775,654	4.9%	\$ 1,858,605	13.3%
Surface water charges	11,449,188	10,745,810	9,330,078	703,378	6.5%	\$ 1,415,732	15.2%
Surface water treatment plant contract revenue	4,272,541	4,269,802	4,736,228	2,739	0.1%	\$ (466,426)	-9.8%
Other revenue	5,076,196	5,297,061	4,746,650	(220,865)	-4.2%	\$ 550,411	11.6%
Total operating revenues	136,619,020	129,625,725	116,487,327	6,993,295	5.4%	13,138,398	11.3%
Operating expenses							
Operating expenses before depreciation	91,662,945	75,715,623	74,042,601	15,947,322	21.1%	1,673,022	2.3%
Depreciation	39,938,984	35,651,709	32,412,975	4,287,275	12.0%	3,238,734	10.0%
Total operating expenses	131,601,929	111,367,332	106,455,576	20,234,597	18.2%	4,911,756	4.6%
Operating income	5,017,091	18,258,393	10,031,751	(13,241,302)	-72.5%	8,226,642	82.0%
Nonoperating revenues (expenses)							
Investment income	13,745,599	10,560,407	3,419,333	3,185,192	30.2%	7,141,074	208.8%
Miscellaneous income	-	-	466,440	-	0.0%	(466,440)	-100.0%
Gain (loss) on disposal of capital assets	958,920	(836,674)	(39,670)	1,795,594	-214.6%	(797,004)	2009.1%
Interest expense	(5,467,889)	(5,526,646)	(6,088,844)	58,757	-1.1%	562,198	-9.2%
Total nonoperating expense	9,236,630	4,197,087	(2,242,741)	5,039,543	120.1%	6,439,828	-287.1%
Income (loss) before capital contributions	14,253,721	22,455,480	7,789,010	(8,201,759)	-36.5%	14,666,470	188.3%
Capital contributions	102,677,342	66,718,947	65,431,459	35,958,395	53.9%	1,287,488	2.0%
Special Items	-	17,718,855	-	(17,718,855)	-100.0%	17,718,855	0.0%
Change in net position	116,931,063	106,893,282	73,220,469	10,037,781	9.4%	33,672,813	46.0%
Beginning net position	845,128,726	738,235,444	665,014,975	106,893,282	14.5%	73,220,469	11.0%
Ending net position	\$962,059,789	\$845,128,726	\$738,235,444	\$ 116,931,063	13.8%	\$ 106,893,282	14.5%

Financial Analysis, Continued

Grand Strand Water and Sewer Authority Selected Data for Analysis							
	2025	2024	2023	Change 2024-2025	% Change 2024-2025	Change 2023-2024	% Change 2024-2025
Employees at Year End	375	373	346	2	0.5%	27	7.8%
Active Customers at Year End:							
Water Customers	131,873	126,377	107,620	5,496	4.3%	18,757	17.4%
Wastewater Customers	126,120	120,515	103,207	5,605	4.7%	17,308	16.8%
Water Sales for Fiscal Year							
(Billions of Gallons)	17.97	17.17	16.85	0.81	4.7%	0.31	1.9%
Wastewater Sales for Fiscal Year							
(Billions of Gallons)	14.82	14.05	13.99	0.77	5.5%	0.06	0.4%
Total Operating Revenues							
(Per Average Employees)	\$ 364,317	\$ 347,522	\$ 336,669	\$ 16,795	4.8%	\$ 10,853	3.2%
Total Operating Expenses							
(Per Average Employees)	\$ 350,938	\$ 298,572	\$ 307,675	\$ 52,366	17.5%	\$ (9,103)	-3.0%
Ratio of Operating Revenues to:							
Operating Expenses	1.038	1.164	1.094	(0.126)	-10.8%	0.070	6.4%
Operating Expenses Net of Depreciation	1.488	1.712	1.573	(0.224)	-13.1%	0.139	8.8%
Total Assets	0.108	0.114	0.113	(0.006)	-5.3%	0.001	0.9%
Debt Related Ratios:							
Debt to Net Assets	0.324	0.358	0.405	(0.034)	-9.5%	(0.047)	-11.6%
Debt to Capital Assets	0.319	0.349	0.375	(0.030)	-8.6%	(0.026)	-6.9%
Operating Coverage (Operating Cash Flow/Debt)	0.160	0.152	0.161	0.008	5.3%	(0.009)	-5.6%
Debt Ratio (Total Debt/Total Assets)	0.247	0.266	0.291	(0.019)	-7.1%	(0.025)	-8.6%
Bond Coverage (Net Earnings/Debt Required)	4.03	4.23	3.04	(0.20)	-4.8%	1.19	39.1%
Liquidity Ratio							
(Current Assets/Current Liabilities)	5.487	6.287	5.383	(0.800)	-12.7%	0.904	16.8%
Asset Management Ratios:							
Days Sales Outstanding (Receivables/(Sales/360))	44	52	45	(8)	-15.4%	7	15.6%
Asset Turnover (Sales/Assets)	0.108	0.114	0.113	(0.006)	-5.3%	0.001	0.9%

General Trends and Significant Events

Over the last year, Horry County has maintained a strong upward trend, with population growth hovering around 3.5–3.8%, positioning it among the fastest-growing areas in both South Carolina and the nation. Horry County's growth is reshaping both Carolina Forest and Conway into major residential and commercial hubs. The local economy, while still heavily dependent on tourism, is diversifying with growth in healthcare, logistics, and construction to support the expanding population. Growth is driving demand for expanded water, sewer, and stormwater systems. GSWSA is directly involved in supporting these expansions to handle the increased residential and commercial load. GSWSA's management remains proactive in planning for sustainability and preservation amid continued growth. GSWSA is well-prepared to handle the continued growth within our service area through effective forecasting and strategic planning. Additionally, management and the entire staff at GSWSA have continued to closely monitor expenses, budget conservatively, and manage our infrastructure with long-term master plans designed to accommodate future growth.

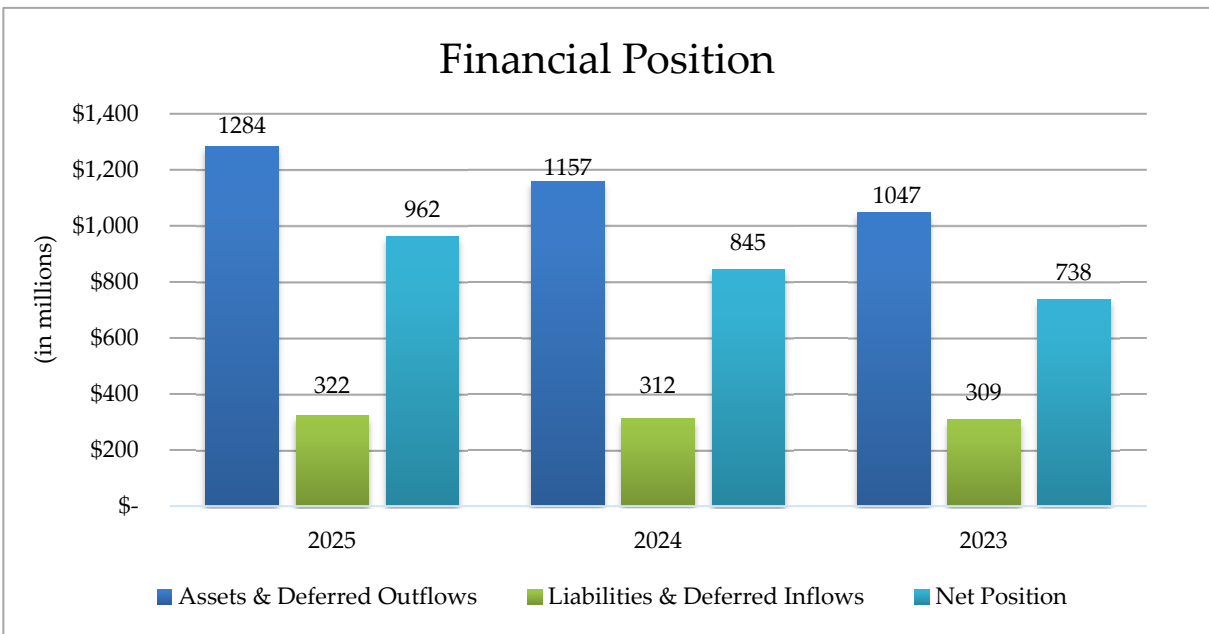
The volume of water sold in fiscal year 2025 was 17.97 billion gallons, an increase of 4.70% from fiscal year 2024. Retail customers purchased 51% of the total water sold and the wholesale customers purchased 49%.

The volume of treated wastewater sold in fiscal years 2025 and 2024 were 14.82 billion gallons and 14.05 billion gallons. Retail customers purchased approximately 60% of the total treated wastewater and wholesale customers purchased 40%.

Financial Position

GSWSA has continued to experience positive customer growth and financial positions. GSWSA has also continued to build financial strength and demonstrate stability 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 Position, Continued



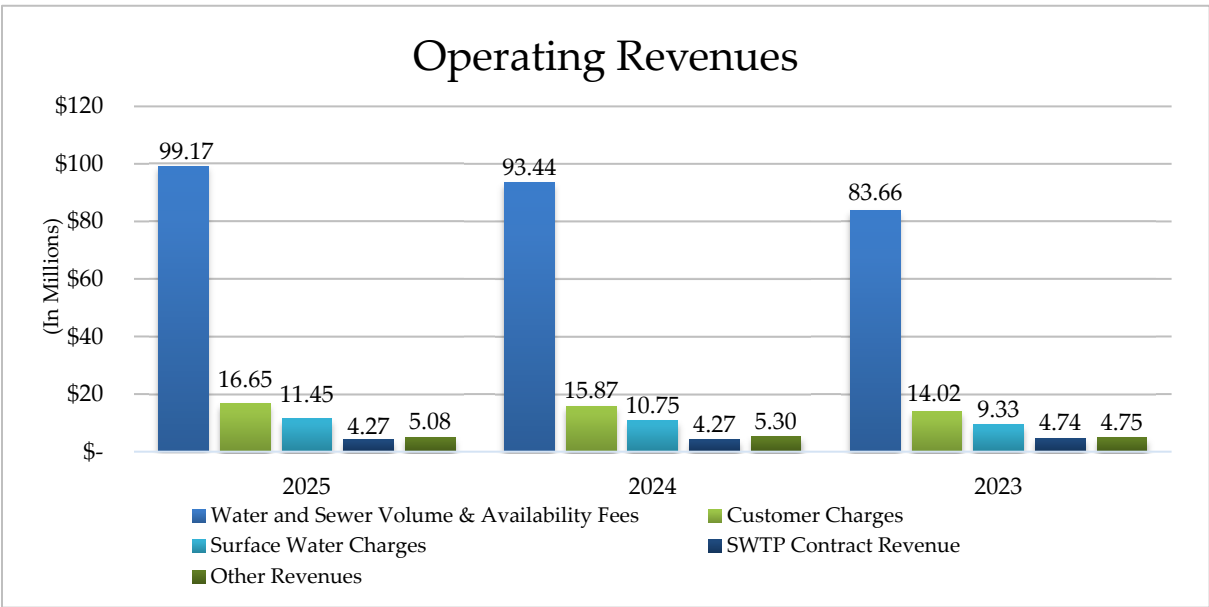
During fiscal year 2025, total assets and deferred outflows increased by \$127.3 million or 11.0%, with approximately \$109.3 million represented by an increase in capital assets, which is largely due to the increase in capital expenditures for facilities as well as developer contributions during 2025. Total liabilities increased by \$9.0 million or 3.0%. The increase in total liabilities is mostly due to the change in construction contracts payable. Net position increased overall by \$117 million or 13.9%, as a result of the increase in net investments in capital assets by \$102.3 million and an increase in unrestricted by \$17.2 million.

During fiscal year 2024, total assets and deferred outflows increased by \$109.2 million or 10.4%, with approximately \$68.3 million represented by an increase in capital assets, which is largely due to the increase in capital expenditures for facilities during 2024. Total liabilities increased by \$2.9 million or 1%. The increase in total liabilities is mostly due to the change in notes payable and postemployment benefits. Net position increased overall by \$106.9 million or 14.5%, as a result of the increase in net investments in capital assets by \$71.8 million and an increase in unrestricted by \$35.2 million.

Accounts receivable, net of allowance, for 2025 decreased by \$2.0 million from 2024. Accounts receivable, net of allowance, for 2024 decreased by \$4.1 million from 2023.. 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 include: 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.

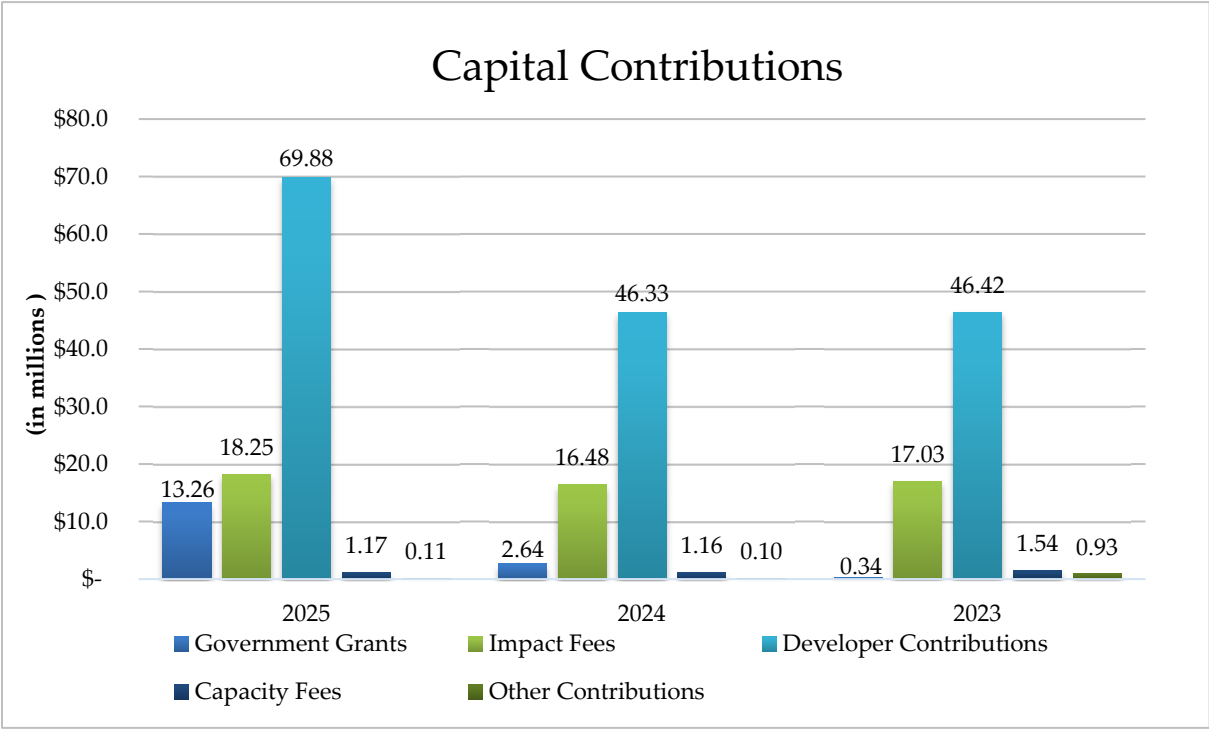


In 2025, GSWSA did not increase retail water and wastewater rates. Wholesale and contract water and wastewater rates were increased by various percentages as specified by contract. In 2024, GSWSA increased retail water and wastewater rates by 4.4% and 4.1%, respectively. Wholesale and contract water and wastewater rates were increased by various percentages as specified by contract.

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

The following chart depicts the capacity fee revenue activity.

Results of Operations, Continued



Overall, capital contributions increased \$36.0 million, or 53.9% during fiscal year 2025. Developer contributions increased \$23.6 million from 2024, which remained consistent with the record setting growth of the past few years. Government grants were \$13.3 million for 2025 as compared to \$2.6 million for 2024. The increase in government grants was due to receiving funds from the SC Infrastructure Investment Program for Bull Creek SWTP Expansion and American Rescue Plan Act Fund for Conway WWTP to Bucksport WWTP flow diversion. Impact fees were approximately \$18.3 million for 2025 compared to \$16.5 million for 2024. This is the highest impact fee revenue we have experienced since 2006. Other contributions increased by \$10,068 during 2025, due to receiving additional SCDOT and Horry County reimbursements for highway projects. Capacity fees increased \$3,230 during 2025.

During fiscal year 2024, capital contributions increased \$1.3 million, or 1.97%. Developer contributions decreased \$96,806 from 2023, which remained consistent with the record setting growth of 2023. Government grants were \$2,642,306 for 2024 as compared to \$338,568 for 2023. The increase in government grants was due to receiving funds from the SC Emergency Management Division for public assistance associated with Hurricanes Florence, Matthew and Dorian in 2024. Impact fees were approximately \$16.5 million for 2024 compared to \$17 million for 2023. This is the third highest impact fee revenue we have experienced. Other contributions increased by \$5,227 during 2024, due to receiving additional SCDOT and Horry County reimbursements for highway projects. Capacity fees decreased \$376,874 during 2024.

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 2025, total operating expenses increased \$20.2 million from fiscal year 2024, and operating revenues increased by \$7.1 million. Operating expenses for water and wastewater operations for the last three years are listed below:

	2025	2024	2023	Change 2024-2025	% Change 2024-2025	Change 2023-2024	% Change 2023-2024
Personnel Services	\$ 39,091,249	\$ 36,433,612	\$ 32,693,540	\$ 2,657,637	7.3%	\$ 3,740,072	11.4%
Contractual Services	31,972,584	19,483,613	23,440,873	12,488,971	64.1%	(3,957,260)	-16.9%
Supplies and Materials	18,862,695	17,956,984	16,375,104	905,711	5.0%	1,581,880	9.7%
Depreciation and Amortization	39,938,984	35,810,345	32,605,069	4,128,639	11.5%	3,205,276	9.8%
Other Expenses	1,736,417	1,682,778	1,340,990	53,639	3.2%	341,788	25.5%
Total Operating Expenses	<u>131,601,929</u>	<u>111,367,332</u>	<u>106,455,576</u>	<u>20,234,597</u>	<u>18.2%</u>	<u>4,911,756</u>	<u>4.6%</u>

Personnel costs increased \$2.7 million or 7.3% from 2024. The overall increase in personnel costs was mainly a result of the merit increase, an increase in insurance premiums, an increase in the annual required contribution to the Other Postemployment Benefit trust, as well as the recognition of GSWSA's portion of the state's pension expense for the year. Contractual services increased by \$12.5 million due to an increase in utilities, insurance, and water and wastewater facility maintenance costs. Supplies and materials increased by \$905,711, or 5% as the result of the increase in costs for fuel and treatment supplies. Depreciation was up \$4.1 million, or 11.4% due to the addition of assets during fiscal year 2025. Amortization on right-to-use leased assets decreased \$18,145 from 2024. Other expenses are up by \$53,639 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 \$3.8 million or 11.4% from 2023. GSWSA granted an average 7.0% merit increase during 2024. The overall increase in personnel costs was mainly a result of the merit increase, an increase in insurance premiums, an increase in the annual required contribution to the Other Postemployment Benefit trust, as well as the recognition of GSWSA's portion of the state's pension expense for the year. Contractual services decreased by \$4 million due to a decrease in utilities, insurance, and water and wastewater facility maintenance costs. Supplies and materials increased by \$1.6 million, or 9.7% as the result of the increase in costs for fuel and treatment supplies. Depreciation was up \$3.2 million, or 9.83% due to the addition of assets during fiscal year 2024. Amortization on right-to-use leased assets decreased \$33,458 from 2023. Other expenses are up by \$341,788 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.

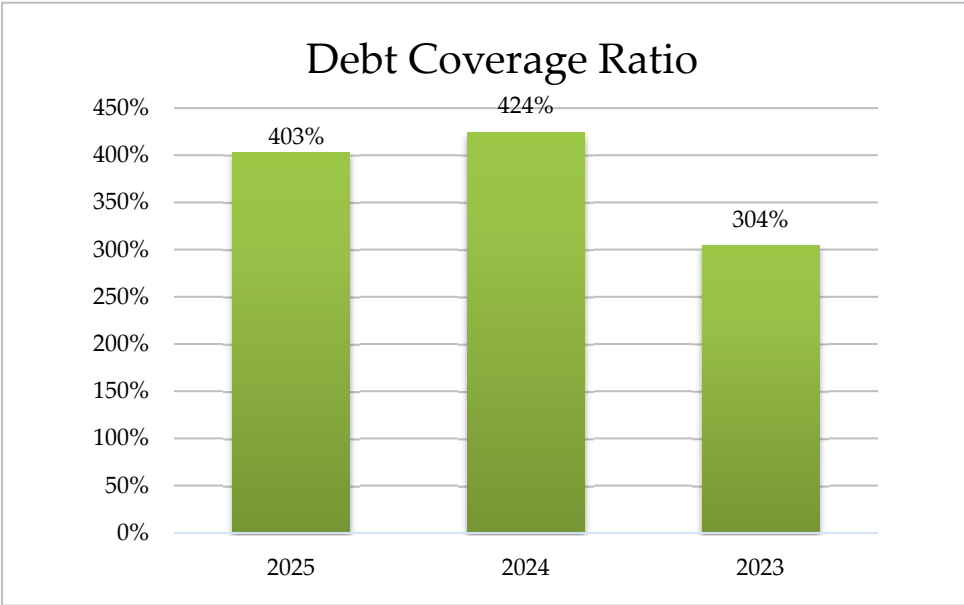
Results of Operations, Continued

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 \$5.0 million from 2024. This change is largely a result of the increase in investment income in 2025.

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. At the beginning of fiscal year 2025, interest rates were at a twenty year high (5.25%-5.50%). Rates were cut to 4.25%-4.50% in December and held steady for the remainder of the fiscal year. These rate cuts boosted demand for existing higher yielding bonds, driving their prices up and in turn caused their market value to appreciate. This is what led to the increase in investment income for fiscal year 2025.

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 2025, 2024 and 2023 were 403%, 424%, and 304% 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: Capital assets increased by \$109.3 million during 2025. 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 2025 were approximately \$149 million and the depreciation of capital assets was \$39.8 million. Some of the largest additions to capital assets in 2025 included:

MBWWTP Infl. Pump Station & Headworks	\$ 14,517,023
Rural Sewer	10,481,580
Rural Water	9,591,275
Bucksport Marine Park	7,759,404
Old Hwy 90 Elevated Tank	2,818,216
Transmission Renewal & Replacement	1,637,409

Developer contributions to capital assets were \$46 million. Disposals for 2025 were \$4.1 million.

Capital assets increased by \$68.3 million during 2024. 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 2024 were approximately \$107.1 million and the depreciation of capital assets was \$35.7 million. Some of the largest additions to capital assets in 2024 included:

Rural Water	\$ 11,928,059
Rural Sewer	10,821,321
WWTP Renewal & Replacement	488,561
Transmission Renewal & Replacement	375,137
Bull Creek Renewal & Replacement	121,069

Developer contributions to capital assets were \$69.9 million. Disposals for 2024 were \$4.3 million.

Long Term Debt: The amount of outstanding notes and bonds changed from \$220.0 million in 2023 to \$217.2 million in 2024 to \$218.1 million in 2025. GSWSA's long-term debt remains well balanced between revenue bonds and notes. In 2025, approximately 37% of outstanding long-term debt was in the form of notes payable, which generally carry lower interest rates than revenue bonds. This mix helps reduce overall borrowing costs while maintaining the flexibility and capacity to access the capital markets through bond issuances when needed. The relative stability of debt composition between 2024 and 2025 demonstrates the Authority's disciplined approach to managing leverage. In fiscal year 2024, GSWSA secured State Revolving Fund loans to support the Conway to Bucksport Flow Diversion and the Bull Creek SWTP Expansion projects. During fiscal year 2025, loan draws commenced, totaling \$4,901,477 for the Conway to Bucksport project and \$9,109,756 for the Bull Creek SWTP Expansion.

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

BASIC FINANCIAL STATEMENTS

GRAND STRAND WATER AND SEWER AUTHORITY

STATEMENTS OF NET POSITION AS OF JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 42,163,208	\$ 42,707,573
Investments	176,658,734	162,221,691
Receivables:		
Customer accounts, net of allowance of \$197,776 in 2025 and \$205,152 in 2024	16,673,759	18,697,884
Assessments	3,623,217	3,623,156
Interest	795,922	700,117
Leases	1,387,766	1,489,222
Other	3,856,196	258,134
Inventories	6,717,246	5,723,238
Prepays	2,275,898	2,163,028
Restricted assets		
Cash and cash equivalents	2,025,745	1,911,068
Total current assets	<u>256,177,691</u>	<u>239,495,111</u>
Noncurrent assets		
Restricted investments	27,919,327	29,047,084
Container and security deposits	4,751	4,751
Capital assets		
Nondepreciable	125,471,640	111,720,171
Depreciable, net of depreciation and amortization	850,019,132	754,498,057
Total noncurrent assets	<u>1,003,414,850</u>	<u>895,270,063</u>
 Total assets	 <u>1,259,592,541</u>	 <u>1,134,765,174</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources		
Deferred charges on refundings	9,280,222	9,770,899
Pensions	7,870,868	6,075,957
Other postemployment benefits	7,288,981	6,157,260
Total deferred outflows of resources	<u>\$ 24,440,071</u>	<u>\$ 22,004,116</u>

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

	2025	2024
LIABILITIES		
Current liabilities		
Accounts payable	\$ 4,092,458	\$ 3,337,152
Accrued salaries and benefits	1,887,569	1,808,062
Accrued compensated absences	988,030	832,953
Construction contracts payable	11,556,517	5,776,014
Revenue bonds payable	9,235,000	8,945,000
Notes payable	4,181,969	3,597,222
Subscription payable	173,269	168,385
Accrued interest on revenue bonds	423,881	455,286
Accrued interest on notes payable	297,151	281,936
Customer security and tap deposits	12,635,230	11,952,914
Unearned customer contributions	1,208,108	932,167
Accrued Interest on subscriptions	12,509	8,300
Total current liabilities	<u>46,691,691</u>	<u>38,095,391</u>
Noncurrent liabilities		
Revenue bonds payable	127,240,276	138,546,966
Notes payable	77,457,232	66,107,084
Subscription payable	-	173,269
Net pension liability	40,433,888	42,247,089
Net other postemployment benefits liability	17,764,087	14,923,801
Accrued compensated absences	1,691,849	2,175,206
Total noncurrent liabilities	<u>264,587,332</u>	<u>264,173,415</u>
Total liabilities	<u>311,279,023</u>	<u>302,268,806</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources		
Pensions	3,252,470	671,099
Other postemployment benefits	6,186,985	7,312,951
Leases	1,254,345	1,387,708
Total deferred inflows of resources	<u>10,693,800</u>	<u>9,371,758</u>
NET POSITION		
Net investment in capital assets	754,926,731	652,675,187
Restricted for:		
Capital projects	13,949,772	16,047,875
Debt service	2,025,745	1,911,068
Unrestricted	191,157,541	174,494,596
Total net position	<u>\$ 962,059,789</u>	<u>\$ 845,128,726</u>

GRAND STRAND WATER AND SEWER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Operating revenues		
Water and sewer volume and availability fees	\$ 99,171,339	\$ 93,438,950
Customer charges	16,649,756	15,874,102
Surface water charges	11,449,188	10,745,810
Surface water treatment plant contract revenues	4,272,541	4,269,802
Other revenue	5,076,196	5,297,061
Total operating revenues	<u>136,619,020</u>	<u>129,625,725</u>
Operating expenses		
Personnel costs	39,091,249	36,433,612
Contractual services	31,972,584	19,483,613
Supplies and materials	18,862,695	17,956,984
Depreciation on assets acquired with:		
Authority funds	19,437,527	15,662,879
Contributed capital	20,324,676	19,988,830
Amortization on right-to-use assets	176,781	158,636
Other expenses	1,736,417	1,682,778
Total operating expenses	<u>131,601,929</u>	<u>111,367,332</u>
Operating income	<u>5,017,091</u>	<u>18,258,393</u>
Non-operating revenues (expenses)		
Investment income	13,745,599	10,560,407
Gain (loss) on disposal of capital assets	958,920	(836,674)
Interest expense	(5,467,889)	(5,526,646)
Total non-operating revenues, net	<u>9,236,630</u>	<u>4,197,087</u>
Income before contributions and special items	<u>14,253,721</u>	<u>22,455,480</u>
Capital contributions		
Surface water treatment plant capacity fees	1,170,996	1,167,766
Government grants/contributions	13,263,668	2,642,306
Customer impact fees	18,252,590	16,484,235
Developer contributions	69,881,570	46,326,190
Other contributions	108,518	98,450
Total capital contributions	<u>102,677,342</u>	<u>66,718,947</u>
Special Items		
Special item - Little River Water & Sewerage Company, Inc. acquisition	-	17,718,855
Total special items	<u>-</u>	<u>17,718,855</u>
Change in net position	116,931,063	106,893,282
Total net position, beginning of year	<u>845,128,726</u>	<u>738,235,444</u>
Total net position, end of year	<u>\$ 962,059,789</u>	<u>\$ 845,128,726</u>

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

GRAND STRAND WATER AND SEWER AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 139,293,493	\$ 127,213,358
Cash paid to suppliers	(49,675,637)	(44,801,548)
Cash paid to employees	(38,422,804)	(35,048,019)
Cash paid to OPEB trust	(1,361,360)	(1,293,088)
Net cash provided by operating activities	<u>49,833,692</u>	<u>46,070,703</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(79,193,561)	(60,196,418)
Capital contributions and grant proceeds	29,365,133	20,857,575
Interest paid on debt	(7,060,884)	(7,332,633)
Proceeds from issuance of debt	15,456,251	11,628,282
Principal paid on debt	(12,466,356)	(12,138,959)
Payments on subscription obligations	(168,385)	(181,926)
Proceeds from sale or loss on disposal of capital assets	3,463,914	2,600,346
Cash received from Little River Water & Sewerage Company, Inc. acquisition	-	43,205,555
Cash paid in Little River Water & Sewerage Company, Inc. acquisition	-	(23,661,043)
Net cash used in capital and related financing activities	<u>(50,603,888)</u>	<u>(25,219,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(58,690,222)	(64,640,973)
Proceeds from sale of investments	37,886,127	32,726,638
Interest and investment income	21,144,603	13,199,899
Net cash and cash equivalents provided by (used in) investing activities	<u>340,508</u>	<u>(18,714,436)</u>
Net change in cash and cash equivalents	(429,688)	2,137,046
Cash and cash equivalents, beginning of year	<u>44,618,641</u>	<u>42,481,595</u>
Cash and cash equivalents, end of year	<u><u>\$ 44,188,953</u></u>	<u><u>\$ 44,618,641</u></u>

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

	2025	2024
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 5,017,091	\$ 18,258,393
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	39,762,203	35,651,709
Amortization expense - subscriptions	176,781	158,636
(Increase) decrease in operating assets and deferred outflows		
Receivables - customers and assessments	2,024,064	(3,747,430)
Inventories	(994,008)	(2,920,811)
Leases receivable, net	(31,907)	(44,425)
Prepays	(112,870)	(279,852)
Increase (decrease) in operating liabilities and deferred inflows		
Accounts payable	4,002,937	(2,477,510)
Accrued salaries and compensated absences	(248,773)	571,160
Net pension liability	(1,026,741)	(633,649)
Net postemployment liability	582,599	154,994
Customer security and tap deposits	682,316	1,379,488
Net cash provided by operating activities	<u>\$ 49,833,692</u>	<u>\$ 46,070,703</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer contributions	\$ 69,881,570	\$ 46,326,190
Other contributions	108,518	98,450
Subscriptions issued	-	523,580
Special item - Little River Water & Sewerage Company, Inc. acquisition	-	17,718,855
Unrealized decrease in fair value of investments	(7,494,809)	(2,679,784)
Total noncash capital and related financing activities	<u>62,495,279</u>	<u>61,987,291</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Unrestricted cash and investments - beginning	204,929,264	167,888,329
Restricted cash and investments - beginning	30,958,152	36,627,490
	<u>235,887,416</u>	<u>204,515,819</u>
Investments with original maturity dates over ninety days	(191,268,775)	(162,034,224)
Cash and cash equivalents - beginning	<u>\$ 44,618,641</u>	<u>\$ 42,481,595</u>
Unrestricted cash and investments - ending	\$ 218,821,942	\$ 204,929,264
Restricted cash and investments - ending	29,945,072	30,958,152
	<u>248,767,014</u>	<u>235,887,416</u>
Investments with original maturity dates over ninety days	(204,578,061)	(191,268,775)
Cash and cash equivalents - ending	<u>\$ 44,188,953</u>	<u>\$ 44,618,641</u>

GRAND STRAND WATER AND SEWER AUTHORITY

STATEMENTS OF FIDUCIARY NET POSITION OTHER POSTEMPLOYMENT BENEFIT PENSION TRUST FUND AS OF JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	<u>\$ 221,793</u>	<u>\$ 236,572</u>
Investments		
U.S. Treasury Note	14,112,227	11,471,377
U.S. Government Agency	1,022,930	1,550,716
Federal Agency	<u>231,870</u>	<u>384,041</u>
Total investments	<u>15,367,027</u>	<u>13,406,134</u>
Receivables		
Employee contributions	11,486	10,787
Accrued interest	<u>84,241</u>	<u>68,997</u>
Total receivables	<u>95,727</u>	<u>79,784</u>
Total assets	<u>15,684,547</u>	<u>13,722,490</u>
Net position restricted for other postemployment benefits other than pensions	<u><u>\$ 15,684,547</u></u>	<u><u>\$ 13,722,490</u></u>

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

GRAND STRAND WATER AND SEWER AUTHORITY

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION OTHER POSTEMPLOYMENT BENEFIT PENSION TRUST FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Additions		
Investment income		
Net increase in fair value of investments	\$ 563,257	\$ 216,745
Interest income	314,596	211,116
Total investment income	<u>877,853</u>	<u>427,861</u>
Contributions		
Employer	1,526,471	1,452,600
Plan members	167,162	151,502
Total contributions	<u>1,693,633</u>	<u>1,604,102</u>
Total additions	<u>2,571,486</u>	<u>2,031,963</u>
Deductions		
Benefits paid	609,429	546,220
Total deductions	<u>609,429</u>	<u>546,220</u>
Net increase in net position	1,962,057	1,485,743
Net position restricted for other postemployment benefits		
Beginning of year	<u>13,722,490</u>	<u>12,236,747</u>
End of year	<u>\$ 15,684,547</u>	<u>\$ 13,722,490</u>

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

GRAND STRAND WATER AND SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

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 and (2) 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, as are the fiduciary fund statements, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Accounting and Measurement Focus (Continued)

The accounting and financial reporting treatment applied is determined by its measurement focus. The transactions of GSWSA are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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, depreciation on capital assets, and amortization on right-to-use leased 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 maintains a fiduciary fund to report certain other postemployment benefits (OPEB). The OPEB Pension Trust Fund accounts for the activities of an OPEB trust fund that accumulates resources for the OPEB plan and pays benefits to qualified former employees.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

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

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

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

Deposits and Investments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Customer accounts are reported net of allowance for doubtful accounts and represent various volume, availability and service fees earned but not yet collected. Cycle billings at year-end are estimated to record revenues earned through year-end. Receivables include \$12,023,072 and \$11,420,022 in revenues earned through year-end but not yet billed as of June 30, 2025 and 2024, 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 and are accounted for according to the consumption method.

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.

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 \$5,000. All Authority assets and right to use assets are depreciated and amortized using the straight-line method.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets, Capacity Rights and Depreciation (Continued)

Depreciation and amortization 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 lease equipment	5 - 10
Right-to-use software	1 - 3

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.

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.

Prepaid Expenses

Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaids. Prepaid expenses are accounted for using the consumption method.

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 using the effective interest method. Bonds payable are recorded net of applicable premiums and discounts.

Compensated Absences

It is GSWSA's policy to permit its employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are attributable to past service and the employees will be compensated; therefore, the vacation and sick pay are accrued in the period earned. The current portion of compensation for future absences liability is an estimate based upon the average annual vacation and sick time used by employees.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. GSWSA has three items that qualify for reporting in this category: deferred charges on refundings, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Deferred Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position includes a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net assets 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-replacement 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 its 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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 position at June 30, 2025 and 2024 include \$3,739,663 and \$3,615,068, 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.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. DEPOSITS AND INVESTMENTS

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

	<u>2025</u>	<u>2024</u>
Petty cash	\$ 5,650	\$ 5,650
Cash deposits	42,769,579	43,159,570
Money market deposit	1,413,724	1,453,421
Total cash and cash equivalents	<u>\$ 44,188,953</u>	<u>\$ 44,618,641</u>

Deposits

At June 30, 2025 and 2024, the carrying amounts of GSWSA's deposits in financial institutions were \$44,188,953 and \$44,618,641. The financial institutions' balances totaled \$47,586,599 and \$47,622,396, 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 \$5,650 for fiscal years 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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, 2025 and 2024, 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.

	2025	2024
Federal Home Loan Mortgage	\$ 11,676,721	\$ 11,004,989
Federal National Mortgage	17,814,627	16,446,137
Federal Home Loan Bank	1,051,060	1,190,631
Government National Mortgage Association	3,006,024	3,424,256
Federal Farm Credit Banks	-	498,240

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

Concentration of credit risk. The risk of overexposure to a single asset or market. GSWSA's investment policy is to instruct the Investment Managers to structure the portfolio based on principles of diversification. As presented in the schedule below, GSWSA had certain investments with issuers that were as much as 47% of its 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of June 30, 2025, 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	\$ 96,338,595	\$ 8,033,580	\$ 69,049,736	\$ 19,255,279	\$ -	AA+	47.09%
Federal Home Loan Bank	1,051,060	496,445	554,615	-	-	AA+	0.51%
Federal Home Loan	11,676,721	56,789	5,861,525	3,343,645	2,414,762	AA+	5.71%
Federal National	17,814,627	2,630,496	3,320,716	1,783,545	10,079,870	AA+	8.71%
Government National	3,006,024	-	36,718	607,466	2,361,840	AA+	1.47%
Certificate of Deposit	36,627,960	36,627,960	-	-	-	N/R	17.90%
Investment Pool	38,063,074	38,063,074	-	-	-	N/R	18.61%
	<u>\$ 204,578,061</u>	<u>\$ 85,908,344</u>	<u>\$ 78,823,310</u>	<u>\$ 24,989,935</u>	<u>\$ 14,856,472</u>		<u>100.00%</u>

As of June 30, 2024, 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	\$ 89,790,011	\$ 13,743,842	\$ 57,079,139	\$ 18,967,030	\$ -	AA+	46.94%
Federal Farm Credit	498,240	498,240	-	-	-	AA+	0.26%
Federal Home Loan Bank	1,190,631	249,908	940,723	-	-	AA+	0.62%
Federal Home Loan	11,004,989	505,944	5,970,515	2,242,083	2,286,447	AA+	5.75%
Federal National	16,446,137	1,143,928	3,704,066	3,432,010	8,166,133	AA+	8.60%
Government National	3,424,256	7,572	73,008	2,327	3,341,349	AA+	1.79%
Certificate of Deposit	36,626,191	36,626,191	-	-	-	N/R	19.15%
Investment Pool	32,288,320	32,288,320	-	-	-	N/R	16.88%
	<u>\$ 191,268,775</u>	<u>\$ 85,063,945</u>	<u>\$ 67,767,451</u>	<u>\$ 24,643,450</u>	<u>\$ 13,793,929</u>		<u>100.00%</u>

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, 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Valuation (Continued)

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.

Fair value measurements are as follows at June 30, 2025:

Description	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 1,413,724	\$ 1,413,724	\$ -	\$ -
U.S. Treasuries	96,338,595	96,338,595	-	-
U.S. Gov't Agency Obligations	1,051,060	496,445	554,615	-
U.S. Gov't Agency Mortgage-Backed Pools	32,497,372	5,909,754	26,587,618	-
Certificates of Deposit ¹	36,627,960	n/a	n/a	n/a
Investments Measured at Net Asset Value ¹	38,063,074	n/a	n/a	n/a
	<u>\$ 205,991,785</u>	<u>\$ 104,158,518</u>	<u>\$ 27,142,233</u>	<u>\$ -</u>

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. Certificates of Deposit are reported at amortized cost which approximates fair value and have not been categorized in the fair value hierarchy.

Fair value measurements are as follows at June 30, 2024:

Description	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 1,453,421	\$ 1,453,421	\$ -	\$ -
U.S. Treasuries	89,515,383	89,515,383	-	-
U.S. Gov't Agency Obligations	11,249,352	1,282,681	9,966,671	-
U.S. Gov't Agency Mortgage-Backed Pools	21,589,531	10,998,704	10,590,827	-
Certificates of Deposit	36,626,191	n/a	n/a	n/a
Investments Measured at Net Asset Value ¹	32,288,320	n/a	n/a	n/a
	<u>\$ 192,722,198</u>	<u>\$ 103,250,189</u>	<u>\$ 20,557,498</u>	<u>\$ -</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Retirements	Disposals/ Transfers	Balance June 30, 2025
Capital assets not being depreciated					
Land and easements	\$ 56,088,843	\$ 165,195	\$ -	\$ -	\$ 56,254,038
Construction-in-progress	55,631,328	51,404,608	(1,833,684)	(35,984,650)	69,217,602
	<u>111,720,171</u>	<u>51,569,803</u>	<u>(1,833,684)</u>	<u>(35,984,650)</u>	<u>125,471,640</u>
Capital assets being depreciated					
Utility plant	1,254,909,610	94,012,477	(2,574,681)	35,984,650	1,382,332,056
Buildings and leaseholds	13,072,738	693,480	-	-	13,766,218
Site improvements	2,141,586	1,001,870	-	-	3,143,456
Vehicles	17,559,812	2,781,727	(1,070,726)	-	19,270,813
Machinery, equipment and furniture	30,857,773	1,657,164	(412,913)	-	32,102,024
	<u>1,318,541,519</u>	<u>100,146,718</u>	<u>(4,058,320)</u>	<u>35,984,650</u>	<u>1,450,614,567</u>
Accumulated depreciation for					
Utility plant	(518,352,703)	(35,474,934)	1,949,804	-	(551,877,833)
Buildings	(6,901,682)	(473,090)	-	-	(7,374,772)
Site improvements	(1,230,457)	(145,821)	-	-	(1,376,278)
Vehicles	(13,378,676)	(1,637,977)	1,043,370	-	(13,973,283)
Machinery, equipment and furniture	(24,544,887)	(2,030,381)	393,837	-	(26,181,431)
	<u>(564,408,405)</u>	<u>(39,762,203)</u>	<u>3,387,011</u>	<u>-</u>	<u>(600,783,597)</u>
	<u>\$ 865,853,285</u>	<u>\$ 111,954,318</u>	<u>\$ (2,504,993)</u>	<u>\$ -</u>	<u>975,302,610</u>
Subscription assets, net (Note 5)					188,162
Total capital assets, net					<u>\$ 975,490,772</u>

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance June 30, 2023	Additions	Retirements	Disposals/ Transfers	Balance June 30, 2024
Capital assets not being depreciated					
Land and easements	\$ 55,906,184	\$ 194,127	\$ (11,468)	\$ -	\$ 56,088,843
Construction-in-progress	90,442,165	32,775,023	(1,954,932)	(65,630,928)	55,631,328
	<u>146,348,349</u>	<u>32,969,150</u>	<u>(1,966,400)</u>	<u>(65,630,928)</u>	<u>111,720,171</u>
Capital assets being depreciated					
Utility plant	1,121,837,229	70,945,867	(3,504,414)	65,630,928	1,254,909,610
Buildings and leaseholds	13,072,738	-	-	-	13,072,738
Site improvements	2,141,586	-	-	-	2,141,586
Vehicles	16,164,351	1,870,002	(474,541)	-	17,559,812
Machinery, equipment and furniture	29,878,621	1,316,853	(337,701)	-	30,857,773
	<u>1,183,094,525</u>	<u>74,132,722</u>	<u>(4,316,656)</u>	<u>65,630,928</u>	<u>1,318,541,519</u>
Accumulated depreciation for					
Utility plant	(488,914,602)	(31,543,410)	2,105,309	-	(518,352,703)
Buildings	(6,462,559)	(439,123)	-	-	(6,901,682)
Site improvements	(1,110,429)	(120,028)	-	-	(1,230,457)
Vehicles	(12,400,470)	(1,390,421)	412,215	-	(13,378,676)
Machinery, equipment and furniture	(22,714,676)	(2,158,727)	328,516	-	(24,544,887)
	<u>(531,602,736)</u>	<u>(35,651,709)</u>	<u>2,846,040</u>	<u>-</u>	<u>(564,408,405)</u>
	<u>\$ 797,840,138</u>	<u>\$ 71,450,163</u>	<u>\$ (3,437,016)</u>	<u>\$ -</u>	<u>865,853,285</u>
Subscription assets, net (Note 5)					364,943
Total capital assets, net					<u>\$ 866,218,228</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Certain direct and indirect costs of GSWSA's construction and engineering departments were capitalized in the amount of \$5,954,779 and \$5,960,697 during 2025 and 2024, 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

Lessor

GSWSA is a lessor for noncancelable leases of certain real property. GSWSA recognizes a lease receivable and deferred inflows of resources for deferred lease receipts in the Statements of Net Position.

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.

Key estimates and judgements related to a 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 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 receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

GWSA is a party to certain noncancelable Subscription-Based Information Technology Arrangements (SBITAs). GWSA recognizes a subscription liability and an intangible right-to-use asset in the statement of net position. GWSA recognizes subscription liabilities with an initial, individual value of \$60,000 or more.

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

Key estimates and judgements related to SBITAs include how GWSA determines (1) the discount rate it used to discount the expected payments to present value, (2) subscription term, and (3) payments.

GWSA uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, GWSA generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

The subscription term includes the noncancelable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option prices that GWSA is reasonably certain to exercise.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the Statements of Net Position.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

Subscription asset activity for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Remeasurements	Deductions	Balance June 30, 2025
Governmental Activities					
Subscription assets:					
Software	\$ 523,579	\$ -	\$ -	\$ -	\$ 523,579
Total	523,579	-	-	-	523,579
Less accumulated amortization for:					
Software	(158,636)	(176,781)	-	-	(335,417)
Total	(158,636)	(176,781)	-	-	(335,417)
Total lease assets, net	\$ 364,943	\$ (176,781)	\$ -	\$ -	\$ 188,162

Subscription asset activity for the year ended June 30, 2024, was as follows:

	Balance June 30, 2023	Additions	Remeasurements	Deductions	Balance June 30, 2024
Governmental Activities					
Subscription assets:					
Software	\$ -	\$ 523,579	\$ -	\$ -	\$ 523,579
Total	-	523,579	-	-	523,579
Less accumulated amortization for:					
Software	-	(158,636)	-	-	(158,636)
Total	-	(158,636)	-	-	(158,636)
Total lease assets, net	\$ -	\$ 364,943	\$ -	\$ -	\$ 364,943

Annual principal and interest requirements to maturity for the subscription liability as of June 30, 2025, are as follows:

	Principal	Interest	Total
Year Ending June 30, 2026	\$ 173,269	\$ 5,027	\$ 178,296
	\$ 173,269	\$ 5,027	\$ 178,296

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Bonds, notes payable and state revolving loans at June 30, 2025 and 2024 are composed of the following individual issuances:

	<u>2025</u>	<u>2024</u>
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%.	\$ 220,000	\$ 530,000
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%.	12,920,000	13,855,000
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 (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.	27,900,000	28,635,000
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 (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%.	15,145,000	17,345,000
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%.	64,070,000	68,835,000
Total Revenue Refunding and Improvement Bonds	<u>120,255,000</u>	<u>129,200,000</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

	2025	2024
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	\$ 415,570	\$ 494,718
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.	2,295,806	2,520,740
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.	3,314,406	3,577,885
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.	2,004,519	2,156,381
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.	9,679,780	10,025,467
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.	13,036,446	13,497,609
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.	12,913,538	13,252,566
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.	5,277,395	5,468,641
Old Highway 90 Elevated Tank SRF , \$3,011,960 loan at 1.00% interest with quarterly principal and interest payments of \$41,587 beginning December 2022 through December 2024; Quarterly principal and interest payments were reduced to \$37,822 beginning June 2025 through the balance of the loan.	2,394,274	1,988,057

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

	2025	2024
Myrtle Beach WWTP Influent Pump Station and Headworks SRF, \$15,119,846 loan at 1.50% interest with quarterly principal and interest payments of \$219,115 beginning June 2024 through September 2024; Quarterly principal and interest payments were reduced to \$209,133 beginning March 2025 through the balance of the loan.	\$ 13,571,607	\$ 13,255,271
Bull Creek Surface WTP Drainage Improvements SRF, \$745,144 loan at 1.50% interest with quarterly principal and interest payments of \$10,799 beginning May 2023 through February 2043.	580,626	608,971
SC Marine Park SRF, 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.	2,144,000	2,858,000
Conway to Bucksport Flow Diversion SRF, \$8,500,000 loan at 1.4% interest with quarterly principal and interest payments of \$122,003 beginning July 2025 through April 2045.	4,901,477	-
Bull Creek SWTP Expansion, \$24,612,000 loan at a blended 2.10% interest with quarterly principal and interest payments of \$340,609 beginning June 2026 through March 2046; then \$119,368 beginning June 2046 through the balance of the loan.	9,109,757	-
Total notes payable	81,639,201	69,704,306
Total debt, before deferrals	201,894,201	198,904,306
Unamortized revenue bond discount/premium	16,220,276	18,291,966
Total debt, net	218,114,477	217,196,272
Less current portion	(13,416,969)	(12,542,222)
Total long term portion of debt -	\$ 204,697,508	\$ 204,654,050

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Remaining debt service payments at June 30, 2025, are as follows:

	Revenue Bonds		Notes Payable		Total	Total Principal
	Principal	Interest	Principal	Interest	Principal	and Interest
2026	\$ 9,235,000	\$ 5,046,101	\$ 4,181,969	\$ 1,632,938	\$ 13,416,969	\$ 20,096,008
2027	9,430,000	4,602,063	4,867,747	1,969,981	14,297,747	20,869,791
2028	9,490,000	4,130,563	4,949,566	1,888,148	14,439,566	20,458,277
2029	9,335,000	3,657,363	4,318,101	1,766,306	13,653,101	19,076,770
2030	9,330,000	3,192,613	4,403,390	1,680,017	13,733,390	18,606,020
2031 - 2035	21,305,000	10,839,725	22,701,876	7,076,517	44,006,876	61,923,118
2036 - 2040	13,305,000	8,832,244	16,188,181	3,564,118	29,493,181	41,889,543
2041 - 2045	15,250,000	6,325,338	10,830,291	1,761,141	26,080,291	34,166,770
2046 - 2050	18,580,000	3,269,125	7,827,399	703,542	26,407,399	30,380,066
2051 - 2052	4,995,000	199,804	1,370,681	26,113	6,365,681	6,591,598
Totals	<u>\$ 120,255,000</u>	<u>\$ 50,094,939</u>	<u>\$ 81,639,201</u>	<u>\$ 22,068,821</u>	<u>\$ 201,894,201</u>	<u>\$ 274,057,961</u>

Remaining debt service payments at June 30, 2024, are as follows:

	Revenue Bonds		Notes Payable		Total	Total Principal
	Principal	Interest	Principal	Interest	Principal	and Interest
2025	\$ 8,945,000	\$ 5,459,464	\$ 3,597,222	\$ 1,448,181	\$ 12,542,222	\$ 19,449,867
2026	9,235,000	5,046,101	3,653,769	1,392,058	12,888,769	19,326,928
2027	9,430,000	4,602,063	3,712,510	1,334,312	13,142,510	19,078,885
2028	9,490,000	4,130,563	3,771,472	1,275,336	13,261,472	18,667,371
2029	9,335,000	3,657,363	3,116,682	1,175,819	12,451,682	17,284,864
2030 - 2034	28,390,000	12,027,863	16,172,032	4,942,100	44,562,032	61,531,995
2035 - 2039	12,660,000	9,256,400	14,804,786	3,359,997	27,464,786	40,081,183
2040 - 2044	14,905,000	6,866,231	10,209,263	2,007,277	25,114,263	33,987,771
2045 - 2049	17,445,000	3,933,950	7,730,908	903,746	25,175,908	30,013,604
2050 - 2052	9,365,000	574,404	2,935,662	84,689	12,300,662	12,959,755
Totals	<u>\$ 129,200,000</u>	<u>\$ 55,554,402</u>	<u>\$ 69,704,306</u>	<u>\$ 17,923,515</u>	<u>\$ 198,904,306</u>	<u>\$ 272,382,223</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2025, is as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due within One Year
Bonds payable	\$ 129,200,000	\$ -	\$ 8,945,000	\$ 120,255,000	\$ 9,235,000
Notes payable	69,704,306	15,456,251	3,521,356	81,639,201	4,181,969
Compensated absences	3,008,159	786,397	1,114,677	2,679,879	988,030
Subscription payable	341,654	-	168,385	173,269	173,269
Net pension liability	42,247,089	5,983,404	7,796,605	40,433,888	-
Net OPEB liability	14,923,801	5,411,772	2,571,486	17,764,087	-
Total liabilities	259,425,009	27,637,824	24,117,509	262,945,324	14,578,268
Plus deferred amounts:					
Issuance premiums	18,291,966	-	2,071,689	16,220,276	-
Total	<u>\$ 277,716,975</u>	<u>\$ 27,637,824</u>	<u>\$ 26,189,198</u>	<u>\$ 279,165,600</u>	<u>\$ 14,578,268</u>

Long-term liability activity for the year ended June 30, 2024, is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due within One Year
Bonds payable	\$ 138,300,000	\$ -	\$ 9,100,000	\$ 129,200,000	\$ 8,945,000
Notes payable	61,114,983	11,628,282	3,038,959	69,704,306	3,597,222
Compensated absences	2,663,402	1,169,467	824,710	3,008,159	832,953
Lease payable	52,629	-	52,629	-	-
Subscription payable	-	523,580	181,926	341,654	168,385
Net pension liability	40,568,827	6,615,283	4,937,021	42,247,089	-
Net OPEB liability	11,302,106	5,653,660	2,031,965	14,923,801	-
Total liabilities	254,001,947	25,590,272	20,167,210	259,425,009	13,543,560
Plus deferred amounts:					
Issuance premiums	20,562,554	-	2,270,587	18,291,966	-
Total	<u>\$ 274,564,501</u>	<u>\$ 25,590,272</u>	<u>\$ 22,437,797</u>	<u>\$ 277,716,975</u>	<u>\$ 13,543,560</u>

GSWSA has pledged future revenues derived from the operation of the water and wastewater systems, net of operating and maintenance expenses, to repay \$199,750,202 in water and wastewater bonds. Proceeds from the bonds provided financing for improvements to the water and wastewater systems, as well as refunding 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 2052. The total principal and interest remaining to be paid on the bonds is \$234,680,893, with annual payments expected to require approximately 25 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$19,419,455 and \$53,677,357, respectively.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Net system revenues for the year ended June 30, 2024 and 2025 are calculated in the table below:

	<u>2025</u>	<u>2024</u>
Net Income	\$ 116,931,063	\$ 106,893,282
Add:		
Depreciation and amortization expense	39,938,984	35,810,345
Interest on bonds	5,467,889	5,526,646
Loss on sale of capital assets	-	836,674
Less:		
Gain on sale of capital assets	(958,920)	-
Investment income earned on construction funds	(5,024,362)	(3,446,231)
Capital contributions	(102,677,342)	(66,718,947)
Net Earnings	<u>\$ 53,677,312</u>	<u>\$ 78,901,769</u>

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 29, 2021, GSWSA was approved for a note payable to the South Carolina State Budget and Control Board from the South Carolina State Water Pollution Control Revolving Fund for \$3,011,960 with an interest rate of 1.00%. The loan proceeds will be for the Old Highway 90 Elevated Tank project. As of June 30, 2025, GSWSA received \$2,739,974.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

On September 30, 2022, GSWSA was approved for a note payable to the South Carolina State Budget and Control Board from the South Carolina State Water Pollution Control Revolving Fund for \$15,119,846 with an interest rate of 1.50%. The loan proceeds will be for the Myrtle Beach Wastewater Treatment Plant Influent Pump station and Headworks project. As of June 30, 2025, GSWSA received \$14,352,525.

On March 29, 2024, GSWSA was approved for a note payable to the South Carolina State Budget and Control Board from the South Carolina State Water Pollution Control Revolving Fund for \$8,500,000 with an interest rate of 1.40%. The proceeds will be for the Conway to Bucksport Water Treatment Plant Flow Diversion project. As of June 30, 2025, GSWSA received \$4,901,477.

On April 26, 2024, GSWSA was approved for a note payable to the South Carolina State Budget and Control Board from the South Carolina State Water Pollution Control Revolving Fund for \$24,612,000 with an interest rate of 2.10%. The proceeds will be for the Bull Creek Surface Water Treatment Plant Expansion. As of June 30, 2025, GSWSA received \$9,109,756.

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:

	<u>2025</u>	<u>2024</u>
Capital assets, net of depreciation	\$ 975,490,772	\$ 866,218,228
Add:		
Deferred charge on refunding	9,280,222	9,770,899
Less:		
Revenue bonds payable, net of amortization	(136,475,276)	(147,491,966)
Notes payable	(81,639,201)	(69,704,306)
Subscription payable	(173,269)	(341,654)
Contractors payable	(11,556,517)	(5,776,014)
Total	<u>754,926,731</u>	<u>652,675,187</u>
Restricted for:		
Capital projects	13,949,772	16,047,875
Debt service	2,025,745	1,911,068
Unrestricted	191,157,541	174,494,596
Total net position	<u>\$ 962,059,789</u>	<u>\$ 845,128,726</u>

NOTES TO THE FINANCIAL STATEMENTS

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 ACFR 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 teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

GSWSA's annual covered payroll for fiscal years 2025 and 2024 for active members covered by the SCRS was \$25,850,922 and \$23,693,981, 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.

NOTES TO THE FINANCIAL STATEMENTS

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. 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.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased but also established a ceiling for employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent. The legislation also increased employer contribution rates beginning July 1, 2017, until reaching 18.56 percent. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Contributions (Continued)

Pension reform legislation modified statute such that the employer contribution rates to be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution may not be decreased until the plans are at least 85 percent funded.

The required employee contribution rate for both Class Two and Class Three members to the South Carolina Retirement System for fiscal years 2024 and 2025 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 years 2024 and 2025 is 18.41% 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 2025 and 2024 were \$4,797,931 and \$4,397,603, respectively.

Net Pension Liability

At June 30, 2025, GSWSA reported a liability of \$40,433,888 for its proportionate share of the SCRS net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023, projected forward to June 30, 2024. 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, 2025, GSWSA's proportionate share of the SCRS plan was 0.172424%. At June 30, 2024, GSWSA's proportionate share of the SCRS plan was 0.174738%.

Pension Expense

For the years ended June 30, 2025 and 2024, GSWSA recognized pension expense for the SCRS plan of \$3,771,192 and \$3,916,953, respectively.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2025, 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 and actual liability experience	\$ 1,328,800	\$ 50,181
Changes of assumptions	712,843	-
Net difference between projected and actual earnings on pension plan investments	-	1,557,930
Changes in proportion and differences between GSWSA contributions & proportionate share of contributions	1,031,294	1,644,359
GSWSA contributions subsequent to the measurement date	4,797,931	-
Total	<u>\$ 7,870,868</u>	<u>\$ 3,252,470</u>

The \$4,797,931 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, 2025, will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

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:

2026	\$ (852,778)
2027	1,221,221
2028	(138,847)
2029	(409,129)
Total	<u>\$ (179,533)</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Deferred Inflows of Resources and Deferred Outflows of Resources (Continued)

At June 30, 2024, 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 and actual liability experience	\$ 733,482	\$ 117,158
Changes of assumptions	647,286	-
Net difference between projected and actual earnings on pension plan investments	-	57,826
Changes in proportion and differences between GSWSA contributions & proportionate share of contributions	297,586	496,115
GSWSA contributions subsequent to the measurement date	4,397,603	-
Total	<u>\$ 6,075,957</u>	<u>\$ 671,099</u>

The \$4,397,603 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, 2024 were recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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:

2025	\$ 796,247
2026	(932,543)
2027	1,168,332
2028	(24,781)
Total	<u>\$ 1,007,255</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The GASB Statement No. 67 valuation report prepared as of June 30, 2024, is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023, and will be used for future valuations. The June 30, 2025 (June 30, 2024 measurement date), 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, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2024, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate total pension liability as of June 30, 2025 (June 30, 2024 measurement date):

Actuarial cost method	Entry age normal
Actual assumptions:	
Investment rate of return	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	Lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the 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, 2025 (June 30, 2024 measurement date), 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%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected 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 2024 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.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Public equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private equity	9.0%	9.60%	0.86%
Private debt	7.0%	6.90%	0.48%
Real assets	12.0%		
Real Estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
	100%		
Total expected real return			5.49%
Inflation for actuarial purposes			2.25%
Total expected nominal return			7.74%

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Sensitivity Analysis

The following table presents GSWSA's June 30, 2025 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	\$ 52,397,751	\$ 40,433,888	\$ 29,416,118

The following table presents GSWSA's June 30, 2024 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	\$ 54,435,868	\$ 42,247,089	\$ 31,901,633

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, 2025 (June 30, 2024 measurement date), 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
\$ 61,369,806,968	\$ 37,919,492,371	\$ 23,450,314,597	61.80%

As of June 30, 2024 (June 30, 2023 measurement date), 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
\$ 58,464,402,454	\$ 34,286,961,942	\$ 24,177,440,512	58.60%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position (Continued)

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.

Other Employee Benefits

GSWSA provides post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by GSWSA. At June 30, 2025, GSWSA had no beneficiaries and one employee that had elected coverage under the Act. At June 30, 2024, GSWSA had no beneficiaries and no employees that had elected coverage under the Act.

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

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

Fiscal Year Ended	Annual Employer Contribution
June 30, 2025	\$ 969,723
June 30, 2024	892,683

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION PLAN (CONTINUED)

Other Employee Benefits (Continued)

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

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN

Plan Description

GSWSA, 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, 2024, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	47
Active plan members	370
Total	<u>417</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.

NOTES TO THE FINANCIAL STATEMENTS

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 GSWSA's 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

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2025, the Plan's average contribution rate was 6.78% of covered payroll. Following is a chart detailing premiums and contribution amounts for coverage as of January 1, 2025:

Copay Plan Monthly Insurance Premiums				
	Medical	Vision	Dental	Total
Single	\$ 970.29	\$ 4.38	\$ 33.46	\$ 1,008.13
Retiree/Children	1,840.83	8.73	71.14	1,920.70
Retiree/Spouse	2,227.77	8.30	68.44	2,304.51
Family	2,711.35	12.84	113.16	2,837.35

HDHP Plan Monthly Insurance Premiums				
	Medical	Vision	Dental	Total
Single	\$ 787.53	\$ 4.38	\$ 33.46	\$ 825.37
Retiree/Children	1,491.27	8.73	71.14	1,571.14
Retiree/Spouse	1,804.05	8.30	68.44	1,880.79
Family	2,195.04	12.84	113.16	2,321.04

Net OPEB Liability

The net OPEB liability as of the measurement date of June 30, 2025, is as follows:

Total OPEB Liability	\$ 33,448,634
Fiduciary Net Position	15,684,547
Net OPEB Liability	17,764,087
Ratio of Fiduciary Net Position to Total OPEB Liability	46.89%

The net OPEB liability as of the measurement date of June 30, 2024, is as follows:

Total OPEB Liability	\$ 28,646,291
Fiduciary Net Position	13,722,490
Net OPEB Liability	14,923,801
Ratio of Fiduciary Net Position to Total OPEB Liability	47.90%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB Liability was determined by an actuarial valuation as of July 1, 2024, 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% - 9.65%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.55%
Municipal Bond Index Rate	
Prior Measurement Date	3.93%
Measurement Date	5.20%
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	4.29%
Measurement Date	4.55%
Health Care Cost Rates	
Pre-Medicare	7.00% for 2024 decreasing to an ultimate rate of 4.50% by 2034
Medicare	5.25% for 2024 decreasing to an ultimate rate of 4.50% by 2030

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 100% 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, 2024 valuation were based on the results of the 2020 Experience Study adopted by the SCRS pension plan.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Anticipated plan participation (including spouse coverage):

Future Retiree Plan Election:

Healthy retirees:	
28+ years of service	85%
Age 55 with 25+ years of service	85%
Age 65 with 5+ years of service	30%
Healthy retirees retiring under the grandfathered provisions:	
Less than 20 years of service	30%
20+ years of service	85%
Disabled retirees	100%
Board members	0%
Future Retire Spouse Coverage	5%

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, 2024 valuation were based on a review of recent plan experience done concurrently with the July 1, 2024 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) 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	1.42%	1.57%
Core Bonds	98.58%	4.59%
Total	100.00%	

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability as of the June 30, 2025 Measurement Date was 4.55%. 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, 2024. In addition to the actuarial methods and assumptions of the July 1, 2024 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 June 30, 2025 net OPEB liability of GSWSA, as well as what GSWSA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 11,467,199	\$ 17,764,087	\$ 26,180,336

The following presents the June 30, 2024 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	\$ 9,659,167	\$ 14,923,801	\$ 21,904,644

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Discount Rate Sensitivity Analysis

The following presents the June 30, 2025 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	\$ 24,795,351	\$ 17,764,087	\$ 12,304,313

The following presents the June 30, 2024 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	\$ 20,292,999	\$ 14,923,801	\$ 10,651,617

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

The total OPEB liability is based upon an actuarial valuation performed as of the Valuation Date, July 1, 2024. An expected total OPEB liability is determined as of June 30, 2025, the Measurement Date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of July 1, 2024, 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, 2025, is shown in the following table:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2024	\$ 28,646,291	\$ 13,722,490	\$ 14,923,801
Changes for the year:			
Service cost at the end of the year*	1,093,050	-	1,093,050
Interest on TOL and cash flows	1,215,991	-	1,215,991
Difference between expected and actual experience	1,412,096	-	1,412,096
Changes of assumptions or other inputs	1,690,635	-	1,690,635
Contributions - employer	-	1,526,471	(1,526,471)
Net investment income	-	1,045,015	(1,045,015)
Benefit payments and implicit subsidy credit**	(609,429)	(609,429)	-
Net changes	4,802,343	1,962,057	2,840,286
Balance as of June 30, 2025	<u>\$ 33,448,634</u>	<u>\$ 15,684,547</u>	<u>\$ 17,764,087</u>

* The service cost includes interest for the year.

** Benefit payments are net of participant contributions.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The total OPEB liability is based upon an actuarial valuation performed as of the Valuation Date, July 1, 2023. An expected total OPEB liability is determined as of June 30, 2024, the Measurement Date, using standard roll forward techniques. The roll forward calculation begins with the total OPEB liability, as of July 1, 2023, 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, 2024, is shown in the following table:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2023	\$ 23,538,853	\$ 12,236,747	\$ 11,302,106
Changes for the year:			
Service cost at the end of the year*	828,168	-	828,168
Interest on TOL and cash flows	1,144,836	-	1,144,836
Difference between expected and actual experience	344,475	-	344,475
Changes of assumptions or other inputs	3,336,181	-	3,336,181
Contributions - employer	-	1,452,600	(1,452,600)
Net investment income	-	579,310	(579,310)
Benefit payments and implicit subsidy credit**	(546,222)	(546,222)	-
Other		55	(55)
Net changes	5,107,438	1,485,743	3,621,695
Balance as of June 30, 2024	<u>\$ 28,646,291</u>	<u>\$ 13,722,490</u>	<u>\$ 14,923,801</u>

* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The following table provides a summary of the deferred outflows of resources and deferred inflows of resources as of June 30, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,850,033	\$ 2,353,323
Changes of assumptions or other inputs	5,313,261	3,833,662
Net difference between projected and actual earnings on pension plan investments	125,687	-
Total	<u>\$ 7,288,981</u>	<u>\$ 6,186,985</u>

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:

2026	\$ 330,080
2027	102,757
2028	(199,666)
2029	(241,095)
2030	(28,067)
Thereafter	1,137,987
Total	<u>\$ 1,101,996</u>

The following table provides a summary of the deferred outflows of resources and deferred inflows of resources as of June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 708,499	\$ 2,738,851
Changes of assumptions or other inputs	4,548,092	4,574,100
Net difference between projected and actual earnings on pension plan investments	900,669	-
Total	<u>\$ 6,157,260</u>	<u>\$ 7,312,951</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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:

2025	\$ 192,481
2026	77,528
2027	(149,795)
2028	(452,218)
2029	(493,646)
Thereafter	(330,041)
Total	<u>\$ (1,155,691)</u>

NOTE 10. MAJOR CUSTOMERS

During fiscal year 2025, the following customers provided the indicated percentages of GSWSA's combined operating revenues and capital contributions: City of Myrtle Beach 9.82%, City of Conway 3.77%, City of North Myrtle Beach 2.14%, and City of Loris 0.52%. No other customers provided more than 0.31%.

During fiscal year 2024, the following customers provided the indicated percentages of GSWSA's combined operating revenues and capital contributions: City of Myrtle Beach 9.51%, City of Conway 3.64%, City of North Myrtle Beach 2.15%, and City of Loris 0.52%. No other customers provided more than 0.31%.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

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. A private health insurance plan, providing 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, 2025 and 2024.

During 2025 and 2024, 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, 2025, open contracts for construction totaled \$58,512,557 with \$37,371,328 having been incurred during the year. At June 30, 2024, open contracts for construction totaled \$72,407,935 with \$28,244,038 having been incurred during the year. The remaining commitments at June 30, 2025 and 2024 were \$21,141,229 and \$43,554,197, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

GRAND STRAND WATER AND SEWER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE PLAN YEAR ENDED JUNE 30,

	2024	2023	2022	2021	2020
Authority's proportion of the net pension liability	0.17242%	0.17474%	0.16735%	0.16838%	0.16495%
Authority's proportionate share of the net pension liability	<u>\$ 40,433,888</u>	<u>\$ 42,247,089</u>	<u>\$ 40,568,827</u>	<u>\$ 36,440,048</u>	<u>\$ 42,148,227</u>
Authority's covered payroll for measurement period	<u>\$ 23,693,981</u>	<u>\$ 20,883,327</u>	<u>\$ 19,927,258</u>	<u>\$ 19,034,057</u>	<u>\$ 18,402,667</u>
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	170.6505%	202.3006%	203.5846%	191.4466%	229.0333%
Plan fiduciary net position as a percentage of the total pension liability	61.80%	58.60%	57.10%	60.75%	50.71%

2019	2018	2017	2016	2015
0.17058%	0.16491%	0.16148%	0.16652%	0.15817%
<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>\$ 18,012,536</u>	<u>\$ 17,089,671</u>	<u>\$ 16,292,273</u>	<u>\$ 16,124,867</u>	<u>\$ 14,830,279</u>
216.2380%	216.2240%	223.1157%	220.5759%	202.2721%
54.40%	54.10%	53.34%	52.91%	57.00%

GRAND STRAND WATER AND SEWER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS FOR THE PLAN YEAR ENDED JUNE 30,

	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 4,797,931	\$ 4,397,603	\$ 3,667,112	\$ 3,299,954	\$ 2,961,699
Contributions in relation to the statutorily required contribution	4,797,931	4,397,603	3,667,112	3,299,954	2,961,699
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 25,850,922	\$ 23,693,981	\$ 20,883,327	\$ 19,927,258	\$ 19,034,057
Contributions as a percentage of covered payroll	18.5600%	18.5600%	17.5600%	16.5600%	15.5600%

Notes to the schedule:

Actuarial assumptions used in determining the statutorily required contribution are as follows:

System	SCRS
Calculation date	July 1, 2022
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year Smoothed
Amortization method	Level % of pay
Amortization period	26 year maximum, closed period
Investment return	7.00%
Inflation	2.25%
Salary increases	3.00% plus step-rate increases for member with less than 21 years of service.
Mortality	2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2020. Male rates are multiplied by 97% for non-educators and 95% for educators.

2020	2019	2018	2017	2016
\$ 2,863,455	\$ 2,622,625	\$ 2,317,359	\$ 1,883,387	\$ 1,783,410
<u>2,863,455</u>	<u>2,622,625</u>	<u>2,317,359</u>	<u>1,883,387</u>	<u>1,783,410</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 18,402,667</u>	<u>\$ 18,012,536</u>	<u>\$ 17,089,671</u>	<u>\$ 16,292,273</u>	<u>\$ 16,124,868</u>
15.5600%	14.5600%	13.5600%	11.5600%	11.0600%

**GRAND STRAND WATER AND SEWER AUTHORITY
RETIREE HEALTH CARE BENEFIT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE PLAN YEAR ENDED JUNE 30,**

	2025	2024	2023	2022	2021
Total OPEB Liability					
Service cost	\$ 1,093,050	\$ 828,168	\$ 930,803	\$ 975,334	\$ 884,724
Interest on total OPEB liability	1,215,991	1,144,836	1,143,263	1,305,273	1,279,441
Difference between actual and expected experience	1,412,096	344,475	(1,859,510)	(1,483,604)	(162,641)
Assumption changes or other inputs	1,690,635	3,336,181	(820,060)	(3,888,405)	515,402
Benefit payments*	(609,429)	(546,222)	(356,669)	(354,592)	(313,608)
Net change in total OPEB liability	4,802,343	5,107,438	(962,173)	(3,445,994)	2,203,318
Total OPEB liability - beginning	28,646,291	23,538,853	24,501,026	27,947,020	25,743,702
Total OPEB liability - ending	\$ 33,448,634	\$ 28,646,291	\$ 23,538,853	\$ 24,501,026	\$ 27,947,020
Plan Fiduciary Net Position					
Contributions					
Employer**	\$ 1,526,471	\$ 1,452,600	\$ 1,513,913	\$ 1,638,245	\$ 1,663,979
Employee	167,162	151,502	143,614	131,702	114,234
	1,693,633	1,604,102	1,657,527	1,769,947	1,778,213
Net investment income	877,853	427,861	(41,915)	(615,198)	(81,851)
Benefit payments*	(609,429)	(546,220)	(507,054)	(486,294)	(427,842)
Net change in Plan fiduciary net position	1,962,057	1,485,743	1,108,558	668,455	1,268,520
Plan fiduciary net position - beginning	13,722,490	12,236,747	11,128,189	10,459,734	9,191,214
Plan fiduciary net position - ending	15,684,547	13,722,490	12,236,747	11,128,189	10,459,734
Plan's net OPEB liability - ending	\$ 17,764,087	\$ 14,923,801	\$ 11,302,106	\$ 13,372,837	\$ 17,487,286
Plan's fiduciary net position as a percentage of the total OPEB liability	46.89%	47.90%	51.99%	45.42%	37.43%
Covered payroll	\$ 22,515,439	\$ 19,800,920	\$ 18,358,291	\$ 18,314,154	\$ 17,921,554
Plan's net OPEB liability as a percentage of covered payroll	78.90%	75.37%	61.56%	73.02%	97.58%

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.

2020	2019	2018	2017	2016
\$ 822,548	\$ 730,305	\$ 709,034	\$ 553,328	\$ 1,053,624
1,152,727	1,223,427	970,507	907,157	-
587,453	(298,145)	282,083	-	1,567,216
277,068	(2,791,789)	3,327,220	-	-
(297,656)	(258,414)	(203,137)	(186,288)	(195,412)
2,542,140	(1,394,616)	5,085,707	1,274,197	2,425,428
23,201,562	24,596,178	19,510,471	18,236,274	15,810,846
<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>
\$ 1,549,528	\$ 1,566,440	\$ 1,190,970	\$ 1,053,624	\$ 1,053,624
111,689	93,317	83,965	80,152	58,613
1,661,217	1,659,757	1,274,935	1,133,776	1,112,237
472,458	366,601	(19,128)	(33,053)	118,512
(409,345)	(351,731)	(287,102)	(266,440)	(195,412)
1,724,330	1,674,627	968,705	834,283	1,035,337
7,466,884	5,792,257	4,823,552	3,989,269	2,953,932
9,191,214	7,466,884	5,792,257	4,823,552	3,989,269
<u>\$ 16,552,488</u>	<u>\$ 15,734,678</u>	<u>\$ 18,803,921</u>	<u>\$ 14,686,919</u>	<u>\$ 14,247,005</u>
35.70%	32.18%	23.55%	24.72%	21.88%
\$ 17,107,885	\$ 16,442,561	\$ 15,886,558	\$ 15,521,883	\$ 15,521,883
96.75%	95.69%	118.36%	94.62%	91.79%

**GRAND STRAND WATER AND SEWER AUTHORITY
RETIREE HEALTH CARE BENEFIT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PLAN CONTRIBUTIONS
FOR THE PLAN YEAR ENDED JUNE 30,**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 1,526,471	\$ 1,452,600	\$ 1,513,913	\$ 1,638,245	\$ 1,663,979
Contributions in relation to the actuarially determined contribution	<u>1,526,471</u>	<u>1,452,600</u>	<u>1,513,913</u>	<u>1,638,245</u>	<u>1,663,979</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 22,515,439	\$ 19,800,920	\$ 18,358,291	\$ 18,314,154	\$ 17,921,554
Contributions as a percentage of covered payroll	6.78%	7.34%	8.25%	8.95%	9.28%

Notes to Schedule

Actuarial assumptions used in determining the statutorily required contribution are as follows:

Calculation date	July 1, 2024
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair value of assets
Amortization method	Level % of pay, open
Amortization period	24 years
Healthcare cost trend rates	Pre-Medicare: 7.00%, Medicare Eligible: 5.25%
Salary increases	3.00% annually
Investment rate of return	4.29% investment return assumption
Mortality	In the 2024 actuarial valuation, the mortality rates utilized are based on the PUB-2010 Mortality Table for Employees with a 100% 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.

2020	2019	2018	2017	2016
\$ 1,549,528	\$ 1,559,740	\$ 1,186,070	\$ 1,053,624	\$ 1,053,624
1,549,528	1,566,440	1,190,970	1,053,624	1,053,624
\$ -	\$ (6,700)	\$ (4,900)	\$ -	\$ -
\$ 17,107,885	\$ 16,442,561	\$ 15,886,558	\$ 15,521,883	\$ 15,521,883
9.06%	9.53%	7.50%	6.79%	6.79%

OTHER SUPPLEMENTARY INFORMATION

GRAND STRAND WATER AND SEWER AUTHORITY

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS FOR ACCOUNTS
REQUIRED BY REVENUE BOND AND STATE REVOLVING LOAN PROVISIONS
FOR THE YEAR ENDED JUNE 30, 2025**

	501 to 544 SRF	Hwy 501 to International Dr. Current	BC/MB Waterline Interconnect Current	MBSWTP Ozone System Improvements SRF	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
	Current Debt Service	Debt Service	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	\$ 14,474	\$ 67,808	\$ 54,352	\$ 15,805	\$ 116,536	\$ 149,763	\$ 46,126	\$ 199,766	\$ 170,077
Cash Receipts:									
Transfer from operating cash	86,338	269,663	324,206	188,538	1,373,369	1,769,541	550,250	794,444	676,372
Transfer from capital project	-	1,569	1,904	-	-	-	-	-	-
Interest earned	507	-	-	1,117	24,787	27,463	3,261	4,621	3,934
Cash Disbursements:									
Principal and interest payments	(86,845)	(271,231)	(326,110)	(189,656)	(1,398,438)	(1,797,150)	(553,511)	(799,065)	(680,306)
Transfers to operating cash	-	-	-	-	-	-	-	-	-
Cash and Investments									
End of year	<u>\$ 14,474</u>	<u>\$ 67,809</u>	<u>\$ 54,352</u>	<u>\$ 15,804</u>	<u>\$ 116,254</u>	<u>\$ 149,617</u>	<u>\$ 46,126</u>	<u>\$ 199,766</u>	<u>\$ 170,077</u>

Bonds 2020A	Bonds 2021A	International Drive Booster PS SRF	Old Hwy 90 Elevated Storage SRF Bonds of 2021C	MB Inf SRF Bonds of 2022 A	Bull Creek Drainage Impr. SRF Bonds 2022B	Conway to Bucksport SRF Bonds 2024A	Bull Creek		
Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Current Debt Service	Depreciation & Contingency	Depreciation & Contingency	
\$ 247,329	\$ 660,258	\$ 75,274	\$ 13,862	\$ 73,418	\$ 6,220	\$ -	\$ 2,971,957	\$ 11,104,586	
2,912,678	7,784,562	299,356	122,545	816,871	37,102	121,714	2,090,190	9,014,390	
-	-	-	-	-	-	-	-	-	
55,272	136,601	1,741	1,132	4,836	218	289	-	-	
(2,967,950)	(7,923,100)	(301,097)	(124,932)	(825,413)	(37,320)	-	-	-	
-	-	-	-	-	-	-	(1,355,279)	(5,539,511)	
\$ 247,329	\$ 658,321	\$ 75,274	\$ 12,607	\$ 69,712	\$ 6,220	\$ 122,003	\$ 3,706,868	\$ 14,579,465	

GRAND STRAND WATER AND SEWER AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT FOR THE FISCAL YEARS ENDED JUNE 30,

	2025	2024
Water plants		
Personnel services	\$ 5,092,610	\$ 4,828,050
Contractual services	4,217,652	4,029,559
Supplies and materials	7,779,156	7,695,717
Business and travel expenses	29,785	31,560
Other expenses	117,686	169,287
Departmental transfers	1,015,552	911,991
Total water plants	18,252,441	17,666,164
Water systems		
Personnel services	8,557,290	8,032,265
Contractual services	7,284,018	1,903,106
Supplies and materials	2,415,501	2,265,775
Business and travel expenses	53,499	48,267
Other expenses	156,479	135,046
Total water systems	18,466,787	12,384,459
Total water	36,719,228	30,050,623
Wastewater plants		
Personnel services	8,048,358	7,651,306
Contractual services	5,769,779	5,635,230
Supplies and materials	4,170,397	3,495,096
Business and travel expenses	32,307	28,077
Other expenses	56,811	49,942
Departmental transfers	(750,647)	(703,106)
Total wastewater plants	17,327,005	16,156,545
Wastewater systems		
Personnel services	5,745,522	5,139,357
Contractual services	9,688,365	3,700,646
Supplies and materials	2,057,985	1,952,192
Business & Travel Expenses	31,341	29,623
Other expenses	177,809	85,440
Total wastewater systems	17,701,022	10,907,258
Total wastewater	35,028,027	27,063,803
General administration		
Personnel services	1,788,622	1,127,976
Contractual services	776,848	731,162
Supplies and materials	58,190	52,225
Business and travel expenses	136,991	132,550
Other expenses	861,727	911,427
Total general administration	3,622,378	2,955,340

	<u>2025</u>	<u>2024</u>
Planning, engineering and construction		
Personnel services	\$ 1,876,281	\$ 1,704,259
Contractual services	191,316	170,763
Supplies and materials	106,509	101,836
Business and travel expenses	5,918	4,650
Total planning, engineering and construction	<u>2,180,024</u>	<u>1,981,508</u>
Financial services		
Personnel services	4,562,779	4,821,530
Contractual services	3,551,883	2,873,160
Supplies and materials	136,040	208,787
Business and travel expenses	24,291	15,452
Other expenses	37,341	33,286
Total financial services	<u>8,312,334</u>	<u>7,952,215</u>
High tech turf farm		
Personnel services	3,419,787	3,128,869
Contractual services	492,723	439,987
Supplies and materials	2,138,917	2,185,356
Business and travel expenses	13,549	4,128
Other expenses	883	4,043
Departmental transfers	(264,905)	(208,885)
Total high tech turf farm	<u>5,800,954</u>	<u>5,553,498</u>
Depreciation and amortization	<u>39,938,984</u>	<u>35,810,345</u>
Total operating expenses	<u>\$ 131,601,929</u>	<u>\$ 111,367,332</u>

STATISTICAL SECTION

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.

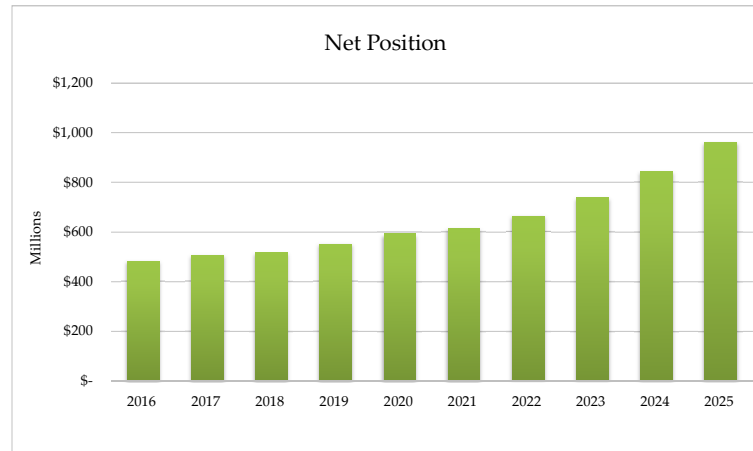
Debt Capacity (*Schedules 12 and 13*) - These schedules present information to help the reader assess the affordability of GSWSA's current levels of outstanding debt and its ability to issue additional debt in the future.

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.

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary government										
Net investment in capital assets	\$ 377,470,987	\$ 398,919,173	\$ 423,279,940	\$ 424,936,411	\$ 469,394,662	\$ 490,400,397	\$ 512,021,878	\$ 580,920,390	\$ 652,675,187	\$ 754,926,732
Restricted	16,205,792	14,746,641	15,307,670	32,520,454	16,444,937	12,546,686	16,279,593	18,015,826	17,958,943	15,975,517
Unrestricted	89,296,247	92,152,642	78,640,077	93,826,364	105,874,257	112,166,582	136,713,504	139,299,228	174,494,596	191,157,541
Total primary government net position	\$ 482,973,026	\$ 505,818,456	\$ 517,227,687	\$ 551,283,229	\$ 591,713,856	\$ 615,113,665	\$ 665,014,975	\$ 738,235,444	\$ 845,128,726	\$ 962,059,789



GRAND STRAND WATER AND SEWER AUTHORITY

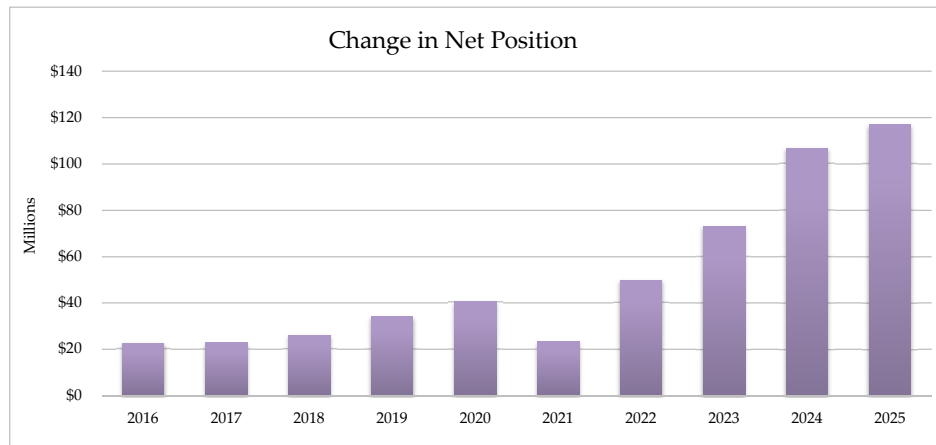
Changes in Net Position

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	Special Items ⁽¹⁾	Change in Net Position
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
2023	116,487,327	106,455,576	10,031,751	(2,242,741)	7,789,010	65,431,459	-	73,220,469
2024	129,625,725	111,367,332	18,258,393	4,197,087	22,455,480	66,718,947	17,718,855	106,893,282
2025	136,619,020	131,601,929	5,017,091	9,236,630	14,253,721	102,677,342	-	116,931,063

(1) Special Items include the Little River Water & Sewerage Company, Inc. acquisition



GRAND STRAND WATER AND SEWER AUTHORITY

Operating Revenues by Source

Last Ten Fiscal Years

(Unaudited)

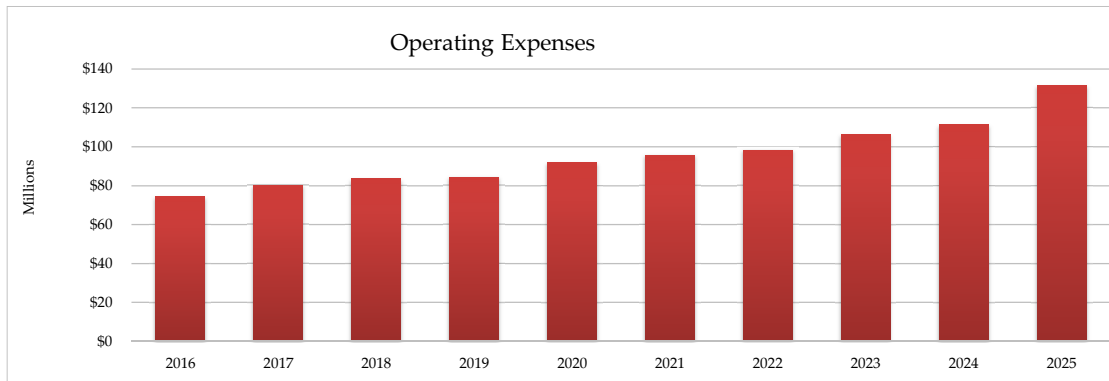
Fiscal Year	Water & Sewer Volume & Availability Fees	Customer Charges	Surface Water Charges	SWTP Contract Water Consumption	Other Revenue	Total Operating Revenue
2016	\$ 63,432,455	\$ 7,444,799	\$ 7,208,410	\$ 3,609,666	\$ 2,413,100	\$ 84,108,430
2017	64,410,537	7,937,632	7,217,763	3,698,805	2,279,270	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
2023	83,658,874	14,015,497	9,330,078	4,736,228	4,746,650	116,487,327
2024	93,438,950	15,874,102	10,745,810	4,269,802	5,297,061	129,625,725
2025	99,171,339	16,649,756	11,449,188	4,272,541	5,076,196	136,619,020



GRAND STRAND WATER AND SEWER AUTHORITY

Operating Expenses Last Ten Fiscal Years (Unaudited)

Fiscal Year	Personnel Costs	Contractual Services	Supplies and Materials	Depreciation	Amortization on right-to-use leased assets	Other Expenses	Total Operating Expenses
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
2023	32,693,540	23,440,873	16,375,104	32,412,975	192,094	1,340,990	106,455,576
2024	36,433,612	19,483,613	17,956,984	35,651,709	158,636	1,682,778	111,367,332
2025	39,091,249	31,972,584	18,862,695	39,762,203	176,781	1,736,417	131,601,929



GRAND STRAND WATER AND SEWER AUTHORITY
Nonoperating Revenues and Expenses
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Investment Income/ (Loss)	Miscellaneous Income	Gain/(Loss) on Disposal of Capital Assets	Interest Expense	Total Nonoperating Revenues/ (Expenses)
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)	(4,503,410)	(8,639,635)
2023	3,419,333	460,950	(39,670)	(6,088,844)	(2,248,231)
2024	10,560,407	-	(836,674)	(5,526,646)	4,197,087
2025	13,745,599	-	958,920	(5,467,889)	9,236,630

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
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
2023	1,544,640	338,568	17,037,521	46,422,996	93,223	65,436,948
2024	1,167,766	2,642,306	16,484,235	46,326,190	17,817,305	84,437,802
2025	1,170,996	13,263,668	18,252,590	69,881,570	108,518	102,677,342

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
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	18,204	17,011	1,193	1.77%	14,604	12.20	1.39	12.00	2.13
2023	18,833	16,850	1,983	3.27%	15,759	12.20	1.39	12.00	2.13
2024	19,401	17,165	2,236	5.53%	16,129	12.90	1.43	12.70	2.19
2025	19,390	17,971	1,419	7.32%	15,959	12.90	1.43	12.70	2.19

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

Fiscal Year	Taps Sold		
	Water Meter Taps	Sewer Taps	Total
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
2023	891	522	1,413
2024	857	519	1,376
2025	904	495	1,399

GRAND STRAND WATER AND SEWER AUTHORITY

Number of Water and Sewer Customers By Type

Last Ten Fiscal Years

(Unaudited)

	Water Only			Sewer Only			Water & Sewer			Total		
Fiscal Year	Retail	Wholesale	Other	Retail	Wholesale	Other	Retail	Wholesale	Other	Water Only	Sewer Only	Water & Sewer
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
2023	13,244	9	104	8,907	15	22	94,263	-	-	13,357	8,944	94,263
2024	15,197	8	104	9,413	12	22	111,068	-	-	15,309	9,447	111,068
2025	15,689	8	121	10,031	12	22	116,055	-	-	15,818	10,065	116,055

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
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
2023	12.20	1.39	12.00	2.13
2024	12.90	1.43	12.70	2.19
2025	12.90	1.43	12.70	2.19

GRAND STRAND WATER AND SEWER AUTHORITY

Ten Largest Customers

Current Year and Nine Years Ago

(Unaudited)

Customer	Fiscal Year 2025		
	Water Revenue	Sewer Revenue	Total
City of Myrtle Beach	\$ 9,468,300	\$ 9,812,972	\$ 19,281,272
City of Conway	5,718,393	1,693,411	7,411,805
City of North Myrtle Beach	3,292,705	905,560	4,198,265
City of Loris	246,969	769,227	1,016,196
Georgetown County	495,819	110,119	605,938
Ocean Lakes	396,143	197,588	593,731
Tabor City	12,726	370,091	382,818
Oceanside Village	174,164	140,463	314,628
Myrtle Beach Resort	5,357	298,669	304,026
Conway Medical Center	168,687	76,527	245,214

Customer	Fiscal Year 2016		
	Water Revenue	Sewer Revenue	Total
City of Myrtle Beach	\$ 7,940,391	\$ 6,986,141	\$ 14,926,532
City of Conway	3,294,729	1,743,861	5,038,590
City of North Myrtle Beach	3,820,294	807,341	4,627,635
Little River Water and Sewerage Company	1,251,020	1,076,492	2,327,512
City of Loris	216,407	493,652	710,059
Ocean Lakes Utilities	1,516,210	430,391	1,946,601
Georgetown County	271,401	129,089	400,490
Tabor City	12,140	341,885	354,025
Oceanside Village	174,257	137,134	311,391
Myrtle Beach Resort	161,045	130,166	291,211

GRAND STRAND WATER AND SEWER AUTHORITY

Ratios of Outstanding Debt By Type Last Ten Fiscal Years (Unaudited)

Fiscal Year	Capital Lease	Subscription Payable	Revenue Bonds	Companion Debt	Notes Payable	Total		
						Amount	As a % of Personal Income	Per Capita
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%	541
2020	-	-	128,165,845	2,864,438	55,901,008	186,931,291	1.21%	512
2021	-	-	146,245,956	2,465,712	46,139,828	194,851,496	1.14%	533
2022	-	-	172,294,885	-	56,954,995	229,249,880	1.27%	598
2023	-	-	158,862,554	-	61,114,684	219,977,238	1.08%	553
2024	-	341,654	147,491,966	-	69,704,305	217,537,925	1.07%	526
2025	-	173,269	136,475,276	-	81,639,201	218,287,746	NA	528 ⁽¹⁾

(1) Calculated using 2024 total population

GRAND STRAND WATER AND SEWER AUTHORITY

Revenue Bond Coverage

Last Ten Fiscal Years

(in thousands)

(Unaudited)

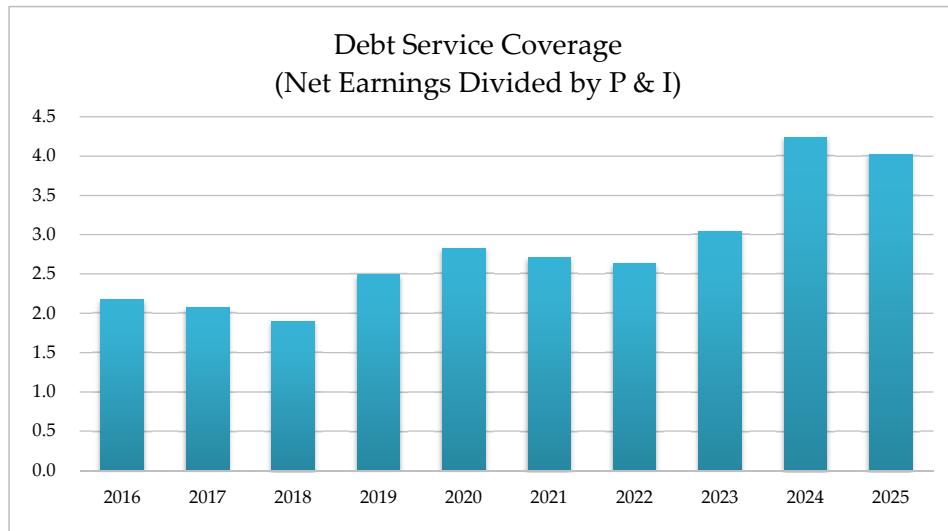
Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Earnings Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage ⁽⁴⁾
				Principal	Interest	Total	
2016	\$ 99,046	\$ 49,533	\$ 49,514	\$ 15,075	\$ 7,726	\$ 22,801	2.17
2017	97,480	52,224	45,256	14,733	7,083	21,816	2.07
2018	100,357	55,777	44,580	16,735	6,735	23,470	1.90
2019	113,804	56,421	57,385	16,461	6,611	23,072	2.49
2020	118,441	62,383	56,059	12,995	6,868	19,863	2.82
2021	119,690	65,161	54,528	12,996	7,175	20,171	2.70
2022	126,252	67,189	59,063	14,963	7,467	22,430	2.63
2023	139,043	74,043	65,001	13,785	7,570	21,355	3.04
2024	157,937	75,557	82,379	12,139	7,304	19,443	4.24
2025	169,897	91,663	78,234	12,466	6,969	19,435	4.03

(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
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	48,021	47	5
2021	365,579	17,115,449	52,467	49	7
2022	383,101	18,003,786	46,995	49	3
2023	397,478 ⁽¹⁾	20,284,396 ⁽²⁾	51,033 ⁽²⁾	49 ⁽³⁾	4 ⁽³⁾
2024	413,391				

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=>

(3) US Census Bureau Fact Finder as of 8/07/25 (<https://data.census.gov/cedsci/profile?g=0500000US45051>)

NA - Not Available

GRAND STRAND WATER AND SEWER AUTHORITY

Ten Largest Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	Fiscal Year 2025	
	Employees	Percentage of Total Employment
Horry County School District	6,643	3.80%
Coastal Carolina University	3,316	1.90%
Horry County Government	2,652	1.52%
Grand Strand Regional Medical Center	2,168	1.24%
Conway Medical Center	1,989	1.14%
Wal-Mart	1,846	1.05%
McLeod Loris Seacoast Hospital	1,777	1.02%
Food Lion	1,659	0.95%
City of Myrtle Beach	1,269	0.73%
Horry Telephone Cooperative	614	0.35%
	23,933	13.68%

Employer	Fiscal Year 2016	
	Employees	Percentage of Total Employment
Horry County School District	5,636	4.13%
Wal-Mart	NA	NA
Horry County Government	2,105	1.54%
Conway Medical Center	1,500	1.10%
Coastal Carolina University	1,436	1.05%
Grand Strand Regional Medical Center	1,360	1.00%
Food Lion	NA	NA
McLeod Loris Seacoast Hospital	1,100	0.81%
City of Myrtle Beach	897	0.66%
Horry Telephone Cooperation	665	0.49%
	14,699	10.78%

Notes:

The Total Employment is as of June of the current year

Source:

- (1) South Carolina Department of Employment and Workforce
- (2) 2016 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										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water										
Water Plant Operations	24	22	23	24	24	24	22	22	22	23
Water Plant Maintenance	6	8	7	7	7	6	6	6	8	8
Water Systems Maintenance	16	15	16	16	21	22	21	22	23	23
Water Systems Operations	41	40	42	43	45	44	44	47	50	50
Sewer										
Sewer Plant Operations	40	42	41	39	42	42	41	43	37	38
Sewer Plant Maintenance	14	14	14	13	14	14	13	13	16	15
Sewer Systems Maintenance	44	45	49	51	55	52	57	56	61	62
Biosolid / Sludge Disposal										
Operations	25	27	26	27	27	27	28	24	29	27
Engineering / Inspections / Construction										
Engineering	18	18	18	15	15	15	16	16	16	16
Inspections	6	6	6	6	6	6	6	6	9	9
Construction	27	31	32	33	30	30	34	36	39	39
Administration										
Billing & Customer Service	24	24	25	23	25	24	25	25	28	29
Human Resources	1	1	1	2	1	1	1	1	2	2
Accounting and Finance	6	6	6	6	6	6	6	6	8	7
Purchasing	4	4	5	5	5	5	5	5	5	5
Information Technology	4	4	5	9	8	7	8	10	12	12
Executive Administration	3	3	3	3	3	4	3	3	3	4
Fleet & Facilities Management	4	4	3	4	4	6	6	5	5	6
Total	307	314	322	326	338	335	342	346	373	375

GRAND STRAND WATER AND SEWER AUTHORITY

Miscellaneous Statistical Data

June 30, 2025

(Unaudited)

Sewer System Facts		
	2025	2024
Use of Sewer		
Sewer Customers, End of Period	126,120	120,515
Average Daily Consumption (Millions of Gallons)	40.60	38.49
Estimated Daily use per Person (Gallons)	100	100
Sewer Sales for Fiscal Year (Billions of Gallons)	14.82	14.05
System Facilities		
Total Miles of Sewer Lines *	2,385	2,313
Number of Treatment Plants	15	15
Number of Pumping Stations	930	890
Number of Residential Effluent Pumping Stations	453	447
Number of Residential Grinder Pumping Stations	9,571	8,963

* Force Main	1,236
Gravity	<u>1,149</u>
	2,385

GRAND STRAND WATER AND SEWER AUTHORITY

Miscellaneous Statistical Data

June 30, 2025

(Unaudited)

Water System Facts		
	2025	2024
Use of Water		
Water Customers, End of Period	131,873	126,377
Average Daily Consumption (Millions of Gallons)	49.23	47.03
Estimated Daily use per Person (Gallons)	100	100
Water Sales for Fiscal Year (Billions of Gallons) *	17.97	17.17
System Facilities		
Storage Tanks **	36	35
Storage Capacity (Millions of Gallons) **	46	27
Auxiliary Deep Water Wells	59	59
Total Miles of Distribution Lines	2,429	2,386
Fire Hydrants	11,144	10,693

* Includes SWTP Participant Sales

** Includes SWTP Storage Tanks (Ground & Elevated)