



2021 Annual Comprehensive Financial Report



For fiscal years June 30, 2021 and 2020

BEAUFORT-JASPER WATER & SEWER AUTHORITY

Okatie, South Carolina



Beaufort-Jasper Water & Sewer Authority

Annual Comprehensive Financial Report

**For the Fiscal Years Ended
June 30, 2021 and 2020**

**Prepared by:
Finance Department**

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Beaufort-Jasper Water & Sewer Authority
Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2021 and 2020
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Introductory Section



Inspire trust and enhance public health

6 SNAKE ROAD, OKATIE, SC 29909-3937
Phone 843.987.8100 Fax 843.548.0096
Customer Service 843.987.9200
Operations & Maintenance 843.987.8046
Engineering 843.987.8065
www.bjwsa.org

JOE MANTUA, PE, GENERAL MANAGER
843.987.8044 (o) | 843.540.4002 (c)

November 29, 2021

To Beaufort-Jasper Water and Sewer Authority Board of Directors and Stakeholders:

The management and staff of Beaufort-Jasper Water and Sewer Authority (the Authority) are pleased to present the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. The Authority is required to publish a complete set of audited financial statements. This report fulfills that requirement for the fiscal year ended June 30, 2021.

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

Mauldin & Jenkins, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Authority's financial statements for the year ended June 30, 2021. The independent auditors report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF BEAUFORT-JASPER WATER AND SEWER AUTHORITY

The Authority was created under provisions of Act No. 784 - enacted during the 1954 Session of the General Assembly of the State of South Carolina - as a public, nonprofit corporation to acquire and distribute supplies of fresh water for industrial and domestic purposes within its service area. During its 1969 Session, the General Assembly enacted Act No. 598, which enlarged the functions and powers of the Authority to include the construction of facilities that provide for the collection, treatment, and disposal of wastewater in thickly populated areas of Beaufort County. In 1971, the General Assembly created the Jasper County Water and Sewer Authority to provide an entity capable of providing water and wastewater service in Jasper County for areas not served by municipal governments. In 1983, the Authority and the Jasper County Water and Sewer Authority were consolidated into the entity now called the Beaufort-Jasper Water and Sewer Authority. The Authority was governed by a Board that consisted of nine members appointed by the Governor of South Carolina, upon recommendation of the legislative delegations for Beaufort County and Jasper County. In May 2009, the South Carolina Legislature passed Act S793, which consolidated all past enabling legislation amendments relating to the powers, service area and membership of the Authority and adjusted its powers and duties to recognize the changed environment of the 21st century. As part of the Act, the Board membership was expanded from nine to eleven members. The two additional members are recommended to the Governor by the Jasper County Delegation. The Authority provides direct services to the citizens in the incorporated areas of the City of Beaufort, the Town of Bluffton, the City of Hardeeville, the Town of Port Royal, as well as to areas of unincorporated Beaufort and Jasper counties. Additionally, the Authority indirectly serves thousands of additional citizens in the Beaufort and Hilton Head Island areas through wholesale services provided to other water and sewer utilities.

The Authority's customer base as of June 30, 2021 was 63,190 retail water accounts and the following seven wholesale water customers: Military installations - Naval Hospital, Parris Island Recruit Depot, Marine Corps Air Station Beaufort, Laurel Bay Housing Facility; Utilities - Hilton Head Island PSD, Fripp Island PSD, Harbor Island Utilities, Callawassie/CUC, Inc., Moss Creek/Water Oak Utility, and Warsaw Eustis

Oaks Water Company. These wholesale customers resell and/or redistribute the Authority's water to their residents, resulting in total customers directly and indirectly serviced by the Authority in excess of 180,000. The Authority's headquarters are located on Highway 170, approximately thirteen miles south of the City of Beaufort.

The Authority provides reliable high quality supplies of potable water used for drinking, irrigation, fire protection, and other purposes. The Chelsea Water Treatment Plant, located on Highway 170 at the Authority's headquarters, and the Purrysburg Water Treatment Plant, located near the Savannah River north of the City of Hardeeville in Jasper County, are the principal treatment facilities, both utilizing the Savannah River as their source. Ground water systems supplement the main system during peak demand periods and also provide water to Point South and Palm Key in Jasper County.

The wastewater system serves 44,767 retail customers and two bulk/wholesale customers. The wastewater collection systems consist of gravity pipelines, lift stations, and force mains conveying wastewater to eight (8) treatment plants. The three largest wastewater treatment plants are Cherry Point Water Reclamation Facility, Port Royal Island Water Reclamation Facility, and the Hardeeville Wastewater Treatment Plant, with respective capacities of 7.5, 7.5, and 2.7 MGD (millions of gallons per day). The additional five plants' combined capacity is approximately 2.52 MGD. Other wastewater services include industrial pretreatment programs, water reclamation for irrigation, and sludge and septage disposal.

LOCAL ECONOMY

This coastal resort area, made up of a chain of barrier islands on the Atlantic Coast, is northeast of Savannah Georgia, and southwest of Charleston, South Carolina. Cities and towns include Hilton Head Island, Beaufort, Bluffton and Hardeeville. Beaufort and Jasper counties have a population of 215,908, living in 1,622 square miles – 44.3% of which is water.

Since 1969, the area is home to the RBC Heritage Golf Tournament, and possesses a brisk tourism and retirement population. Three military installations also add to the economy. Development is thriving, as families and retirees opt for the mild winters and beautiful scenery of this semi-tropical environment.

The Authority's planned capital improvements seek to remain ahead of anticipated growth. Major infrastructure investments include a \$39.4 million expansion to double capacity at the Purrysburg Water Treatment Plant, \$8.3 million to expand the diameter of a 36" water main in southern Beaufort County, and \$7.5 million to prioritize galvanized line replacement ahead of the 2024 Lead & Copper Rule revisions deadline. The Authority is completing the \$8.5 million cellular meter replacement project, which gives customers daily data monitoring on their usage.

LONG-TERM FINANCIAL PLANNING

The financial management policies of the Authority provide the framework and direction for financial reporting, planning, and decision making by management and the Board and ensuring the Authority maintains its solid fiscal health. The Authority's financial accounting system is based on the full accrual basis in accordance with generally accepted accounting principles in the United States of America (GAAP). The Authority has no taxing power. All activities of the Authority are accounted for within a single proprietary (enterprise) fund, which is utilized when the intent of the governing body is that the cost of providing goods or services to the general public be financed primarily through user charges. Operational and maintenance costs, including certain equipment purchases, are funded from customer fees and charges. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers, including other utilities and developers, Federal and State grants and loans, and customer revenues.

The Authority uses a one-year operating budget process with an additional three-year cash and debt coverage projections included to ensure a longer term planning and management perspective. Cash projections include annual expenditures to operate the system, capital related costs, principal and interest payments on debt, and contributions to specific reserves. Under the Authority's financial policies, four months operating cash is required to be available to support operations and cover debt service. The Authority's Board approves the annual operating budget for recommended rates, expenses, and capital outlay. The Authority produces a ten year capital improvement forecast and the Board adopts a three-year capital improvement funding plan that is incorporated into, but produced separately from the operating budget.

MAJOR INITIATIVES

The Authority is in the process of expanding the Purrysburg Water Treatment Plant. This expansion is in preparation to meet the growing water demand in southern Beaufort and Jasper counties and will bring the plant from its current capacity of 15 million gallons per day (MGD) to 30 MGD with considerations for an ultimate capacity of 45 MGD. The \$39.4 million project is being constructed in phases. Construction of the first phase, a clearwell and dewatering area, began in the fall of 2019 while the second phase is in design.

The Authority continues to implement its five-year strategic plan, Crystal Clear 2022, which was begun in 2018. The plan is based on the Effective Utility Management framework and centers around five target themes that address the Authority's opportunities to achieve best practices. Using the results from meticulous SWOT (Strengths, Weaknesses, Opportunities, Threats) analyses done by all departments, the Strategic Plan Core Group (senior leadership and management staff) and the Board, the 5 strategic themes were established and major goals identified for each theme. Each goal has an established timeline for completion and a listing of the types of resources needed to ensure success.

AWARDS AND ACKNOWLEDGEMENTS

Organizational Awards

The South Carolina Department of Health and Environmental Control (SCDHEC) Facilities Excellence Award is given for achieving excellence in all aspects of operations, maintenance, capital improvement planning and regulatory compliance for all of our wastewater systems. The Authority has received this award multiple times at all of the eight wastewater plants.

The SCDHEC Area Wide Optimization Program (AWOP) Award is an EPA-sponsored program that recognizes water utilities for continual production of superior quality water based on strict compliance with rigorous standards for turbidity removal. Both Chelsea and Purrysburg Water Treatment Plants have received more than a dozen AWOP awards.

The annual SCDHEC Sanitary Survey was completed in 2019 with a satisfactory rating for the sixteenth consecutive year. This inspection by our state regulators encompasses 39 areas of compliance and an inspection of critical components of the water system, including treatment plants, wells, tank sites, booster pump stations, and distribution system operations. For systems that have historically received satisfactory ratings, the survey was not conducted in 2020 due to COVID-19. BJWSA was one of those systems.

The National Association of Clean Water Agencies (NACWA) Peak Performance Award was again given to all eight of the Authority's wastewater facilities. The award is given in recognition of wastewater systems for outstanding compliance with National Pollutant Discharge Elimination System (NPDES) permits. In 2020 the Authority received five Platinum Peak Performance Awards and three Gold Peak Performance Awards. The Gold award is given for perfect compliance for the calendar year. The Platinum awards are given for five or more years of perfect compliance.

The Partnership for Safe Water is a drinking water optimization program with goals which exceed both state and federal regulations. Both the Chelsea and Purrysburg Water Treatment Plants have received the Phase IV Presidents Award and met the Phase III goals for more than a decade. Chelsea Water Treatment Plant received the Phase IV First Year Excellence in Water Treatment Award in 2021. The Partnership for Clean Water is the sister optimization program for wastewater plants. The Port Royal and Cherry Point Water Reclamation Facilities were in the inaugural class of Phase III Directors Award winners in 2019. The Partnership awards are based on optimization of the entire treatment plant: process control, administration, operations, and design

Financial Awards

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Beaufort-Jasper Water and Sewer Authority for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the seventeenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes that the current ACFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate

Acknowledgements

The preparation of this ACFR was made possible by the dedicated service of the entire staff of the Finance Department. We are thankful to all the employees of the Authority for their hard work and dedication. Additionally, we would like to recognize the Authority's General Manager and Board of Directors for their leadership, support, and continued commitment to excellence.

Respectfully submitted,



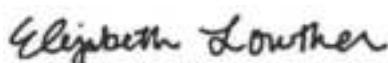
Nicholas Scott
Accountant IV



Steven Pecko
Accounting Manager



Sarah Linkimer, CPA
Deputy General Manager



Elizabeth Lowther
Chief of Finance and Support Services



Government Finance Officers Association

**Certificate of
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**Beaufort-Jasper Water & Sewer Authority
South Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Moriel

Executive Director/CEO

Board of Directors



BEAUFORT COUNTY
Jerry Schulze
Personnel Committee

BEAUFORT COUNTY
Donna L. Altman
Board Secretary/Treasurer
Executive Committee
Finance Committee - Chair

TOWN OF BLUFFTON
Michael L. Bell
Immediate Past Chair
Executive Committee
Capital Projects Committee

CITY OF HARDEEVILLE
Gregory A. Padgett
Vice Chair
Executive Committee
Finance Committee

JASPER COUNTY
Lorraine W. Bond
Capital Projects Committee

JASPER COUNTY
Dr. William Singleton
Personnel Committee

TOWN OF RIDGELAND
R. Thayer Rivers
Personnel Committee

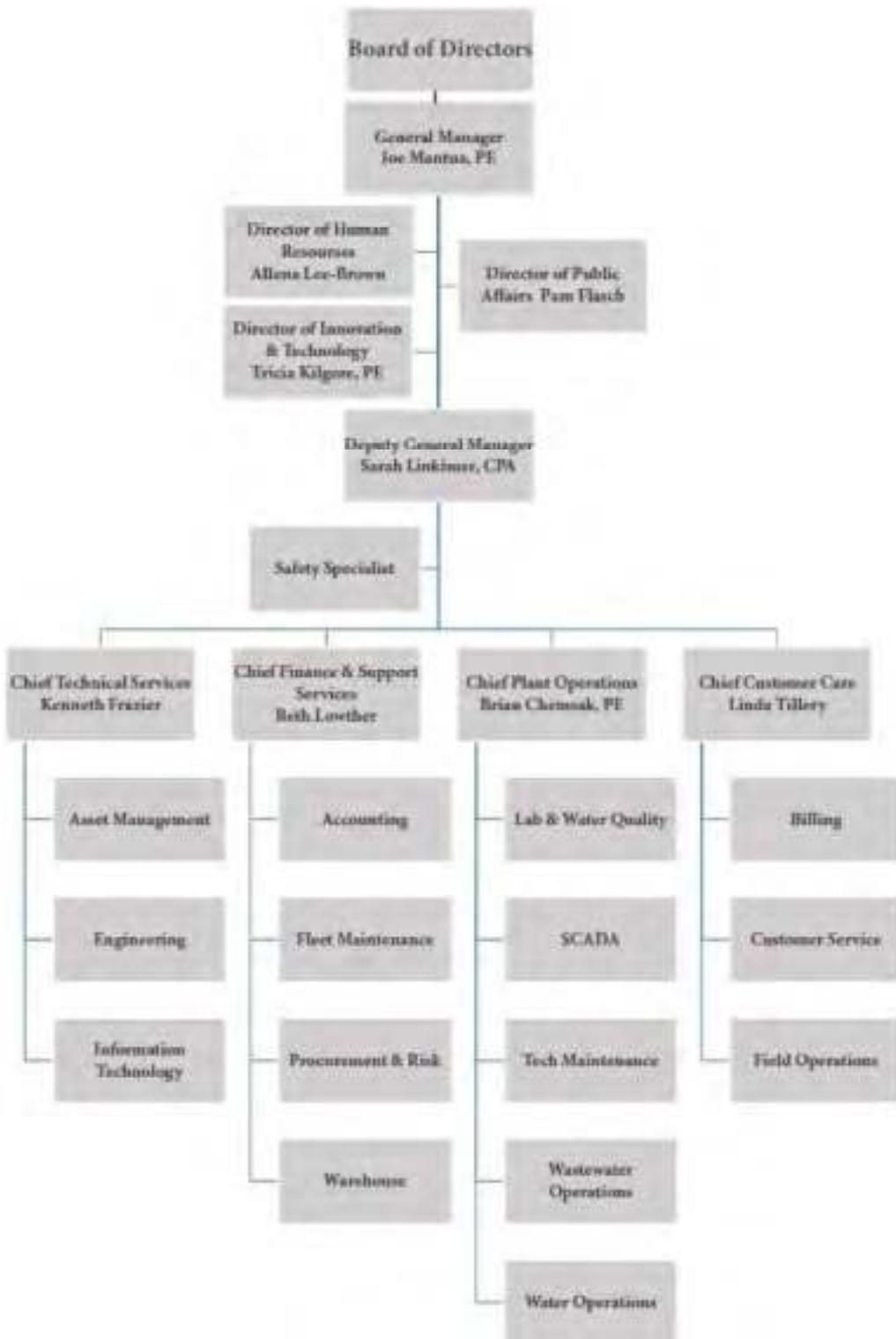
TOWN OF HILTON HEAD
James E. Baker
Chair
Executive Committee

CITY OF BEAUFORT
Andy Kinghorn
Capital Projects Committee - Chair

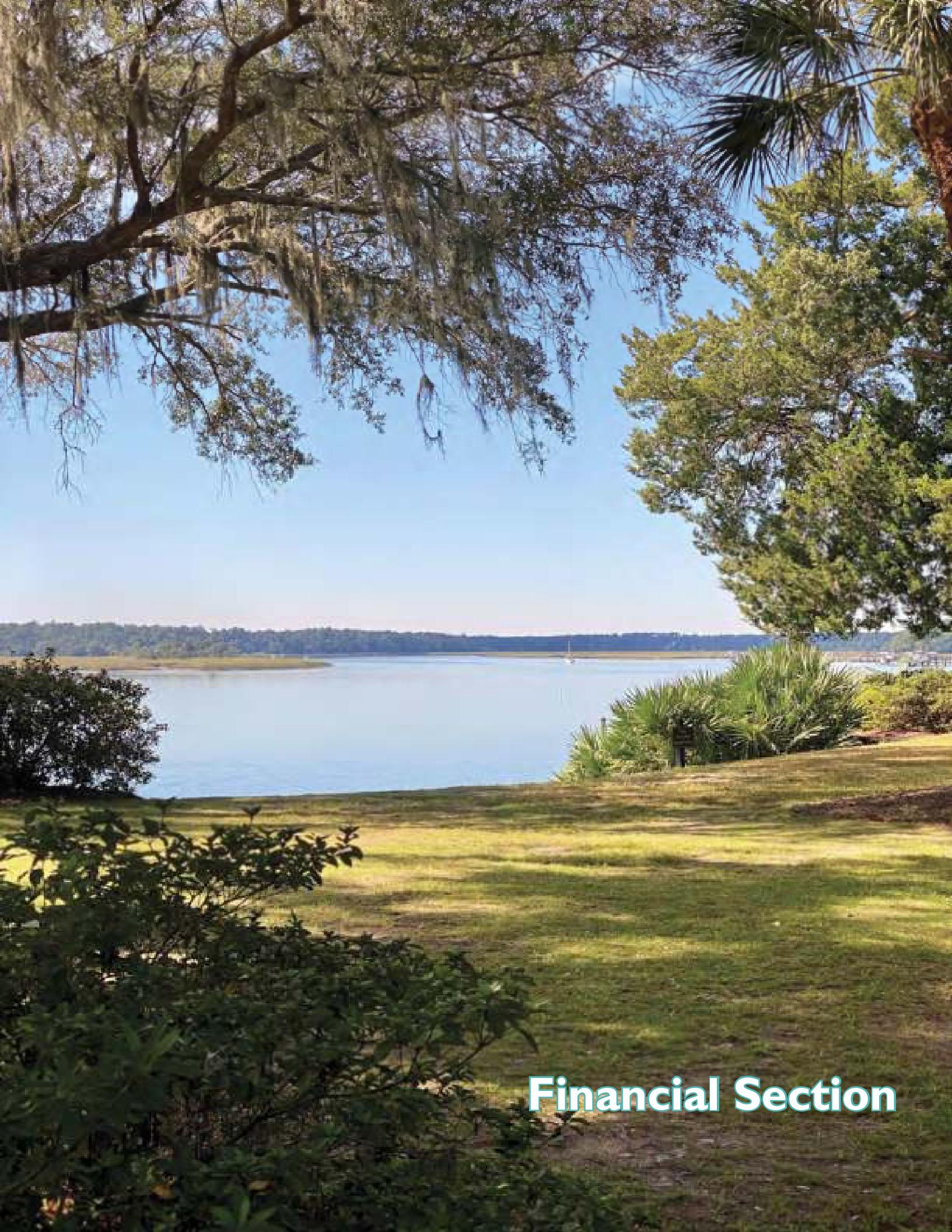
TOWN OF PORT ROYAL
Brandy M. Gray
Personnel Committee – Chair

BEAUFORT COUNTY
Robert McFee
Finance Committee

Organizational Chart



NOTE: Divisions are presented alphabetically.

A scenic landscape photograph featuring a large, gnarled tree with hanging moss on the left and a palm tree on the right. In the center, a body of water meets a distant, hilly shoreline under a clear blue sky.

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Beaufort
Jasper Water and Sewer Authority
Okatie, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the **Beaufort Jasper Water and Sewer Authority** (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 16 through 25), Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 58, Schedule of the Authority's Contributions to the South Carolina Retirement System – Last Ten Fiscal Years on page 58, and the Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the Budgetary Comparison Schedule for June 30, 2021, the Budgetary Comparison Schedule by Functional Classification for June 30, 2021, the Schedule of Expenses by Natural Classification-Budget and Actual for June 30, 2021, the Schedule of Net Earnings for Debt Service and Debt Coverage for June 30, 2021, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

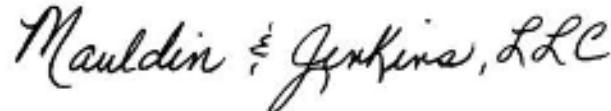
The Budgetary Comparison Schedule for June 30, 2021, the Budgetary Comparison Schedule by Functional Classification for June 30, 2021, the Schedule of Expenses by Natural Classification-Budget and Actual for June 30, 2021, the Schedule of Net Earnings for Debt Service and Debt Coverage for June 30, 2021 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule for June 30, 2021, the Budgetary Comparison Schedule by Functional Classification for June 30, 2021, the Schedule of Expenses by Natural Classification-Budget and Actual for June 30, 2021, the Schedule of Net Earnings for Debt Service and Debt Coverage for June 30, 2021 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The financial statements of the Authority as of and for the year ended June 30, 2020 were audited by other auditors, whose report dated November 20, 2020 expressed an unmodified opinion on those financial statements. The report of the other auditors, whose report dated November 20, 2020 stated that the supplementary information for the year ended June 30, 2020 was subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the supplementary information was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, 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 the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is cursive and fluid, with a slight flourish at the end.

Savannah, Georgia
November 23, 2021

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MANAGEMENT'S DISCUSSION & ANALYSIS

Overview

The following Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements of the Beaufort-Jasper Water and Sewer Authority (the Authority) for the fiscal years ended June 30, 2021 and 2020. The MD&A represents management's examination and analysis of the Authority's financial condition and performance and should be read in conjunction with the financial information of the transmittal letter in the introductory section, the financial statements as presented in the financial section of this report, and the supplementary financial data. The financial statements include: statements of net position; statements of revenues, expenses, and changes in net positions; statements of cash flows; and notes to the financial statements.

The **statements of net position** present financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Increases and decreases in net position may serve as an indicator of whether the financial position of the Authority is improving or deteriorating.

The **statements of revenues, expenses, and changes in net position** present the results of the business activities and information about how the net position changed during the course of the fiscal year. 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. This statement also provides certain information on the Authority's cost recovery. Rate setting policies use different methods of cost recovery not fully addressed by generally accepted accounting principles. These policies seek to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs.

The **statements of cash flows** present the cash activities of the Authority segregated in the following three major categories: operating, investing, and capital and related financing activities. This statement presents cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information essential to fully understand the data provided in the statements. **Required supplementary information** presents schedules concerning progress in funding the Authority's obligation to provide pension and OPEB benefits to its employees. **Supplementary information** contains additional financial data, such as budgetary comparisons, expenses by classification, and debt service coverage. Although not a required part of the financial statements, this data enhances information provided to users.

Financial Highlights

- **Financial Position** continues to be strong, with adequate cash and debt service coverage. Of the **\$51.6** million unrestricted net position, \$40.2 million is Board-designated for capital funding and \$11.4 million is available to provide for current operations. Unrestricted net position increased approximately \$9.9 million, or 24%, from prior year (as compared to an increase of approximately \$3.8 million, or 10%, from 2019 to 2020).
- **Debt service coverage** (excluding capacity fees) decreased from 228% to **199%** for fiscal year 2021. It continues to remain above the 125% requirement established by the Board. This decrease in debt service coverage (excluding capacity fees) is largely the result of an increase in principal and interest payments. Debt service coverage (including capacity fees) decreased from 304% in prior year to **271%**, exceeding the 120% required by the bond covenants.

- **Total operating revenues** for fiscal year 2021 were **\$66.6 million**, an increase of approximately 1.8%, or **\$1.2 million**, over the prior year primarily as a result of a rate increase combined with customer growth. The Authority reported an increase of 2,559 water customers and 2,474 wastewater customers at year end. Residential water consumption increased 3% or 135,000 kgals (thousands of gallons), while residential wastewater usage decreased 3% or 109,000 kgals from prior year. The average residential customer's monthly water consumption in kgals decreased from 6.60 to 6.52 this fiscal year.

Fiscal year 2020 total operating revenues were **\$65.4 million**, an increase of approximately 8.7%, or **\$5.2 million**, over the prior year primarily as a result of a rate increase combined with customer growth. The Authority reported an increase of 1,790 water customers and 1,594 wastewater customers at year end. Residential water consumption increased 13% or 516,000 kgals (thousands of gallons), while residential wastewater usage increased 15% or 417,000 kgals from prior year. The average residential customer's monthly water consumption in kgals increased from 6.00 to 6.60 this fiscal year.

- **Total operating expenses** for fiscal year 2021 were approximately **\$67.5 million**, an increase of 1.8%, or \$1.2 million, from the prior year. Depreciation expense accounted for \$30.3 million of total operating expense and was an increase of approximately \$600 thousand over prior year depreciation. Excluding depreciation, total operating expenses were **\$37.3 million**, an increase of 1.9%, or **\$691 thousand**, from the prior year. Excluding depreciation, water operating expenses increased 5.0%, or \$1.0 million, from the prior year, and wastewater operating expenses decreased 2.3%, or \$354 thousand, from the prior year. These changes are primarily attributed to increases in pension and other post retirement costs, professional fees, and chemical and power costs related to the increase in production.

Fiscal year 2020 total operating expenses were approximately **\$66.3 million**, an increase of 10.4%, or \$6.2 million, from the prior year. Depreciation expense accounted for \$29.7 million of total operating expense and was an increase of approximately \$2.0 million over prior year depreciation. Excluding depreciation, total operating expenses were **\$36.6 million**, an increase of 13.2%, or **\$4.2 million**, from the prior year. Excluding depreciation, water operating expenses increased 16.4%, or \$2.9 million, from the prior year, and wastewater operating expenses increased 9.0%, or \$1.3 million, from the prior year. These changes are primarily attributed to increases in wages and benefits due to benefits transition payouts and increases in pension and other post retirement costs; residuals management; professional fees associated with the closing of the revenue bond; and chemical and power costs related to the increase in production.

- **Operating loss** was **\$881 thousand** for 2021 compared to operating loss of \$857 thousand for 2020, a decrease in operating margin of approximately \$24 thousand. This decrease resulted from an increase in water and wastewater expenses from prior year. For fiscal year 2021, **\$1.79** was generated from operating revenues for every \$1.00 expensed (excluding depreciation and non-operating expenses), there was no change from prior year's operating ratio of \$1.79.

Fiscal year 2020 operating loss was **\$857 thousand** compared to operating income of \$141 thousand for 2019, a decrease in operating margin of approximately \$998 thousand. This decrease resulted from an increase in water and wastewater expenses from prior year. For fiscal year 2020, **\$1.79** was generated from operating revenues for every \$1.00 expensed (excluding depreciation and non-operating expenses), a decrease of \$0.07 or 4% from prior year's operating ratio of \$1.86.

- **Net cash provided by operating activities** for 2021 represented 49.9% of operating revenues compared to 47.3% in fiscal year 2020. The Authority generated \$33.2 million from operations to support capital and financing activities, an increase of \$2.2 million or 7.3% over prior year.

Fiscal year 2020 net cash provided by operating activities represented 47.3% of operating revenues compared to 48.1% in fiscal year 2019. The Authority generated \$31.0 million from operations to support capital and financing activities, an increase of \$2.0 million or 7% over prior year.

- **Capacity fees and developer contributions of systems** were **\$11.0 million and \$9.7 million**, respectively, for fiscal year 2021. Capacity fees increased \$1.0 million, or 9.9%, from prior year. Developer contributions, which were \$10.0 million in 2020, decreased 3.1% or \$313 thousand in the current year. The increase in capacity fees shows continued growth in the area.

Fiscal year 2020 capacity fees and developer contributions of systems were \$10.0 million and \$10.0 million, respectively. Capacity fees increased \$1.1 million, or 12.7%, from prior year. Developer contributions, which were \$9.0 million in 2019, increased 11.6% or \$1.0 million in the current year. The increase in capacity fees and developer contributions of systems shows continued growth in the area.

Financial Position

The following comparative condensed Statement of Net Position provides an analysis of the change in financial position from the previous fiscal years:

CONDENSED STATEMENTS OF NET POSITION

| | June 30, | | | 2020 to 2021 | | 2019 to 2020 | |
|--|----------------------|----------------------|----------------------|-----------------------|--------------|---------------------|---------------|
| | 2021 | 2020 | 2019 | Dollars | % | Dollars | % |
| Capital assets: | | | | | | | |
| Producing assets | \$393,697,646 | \$395,538,954 | \$390,429,894 | \$(-1,841,308) | -0.5% | \$5,109,060 | 1.3% |
| Construction in progress | 22,057,498 | 21,531,083 | 20,155,493 | 526,415 | 2.4% | 1,375,590 | 6.8% |
| Current assets (including designated & restricted) | 142,698,299 | 133,034,487 | 63,054,485 | 9,663,812 | 7.3% | 69,980,002 | 111.0% |
| Other noncurrent assets | 18,276,511 | 19,392,857 | 19,932,142 | (1,116,346) | -5.8% | (539,285) | -2.7% |
| Total assets | 576,729,954 | 569,497,381 | 493,572,014 | 7,232,573 | 1.3% | 75,925,367 | 15.4% |
| Total deferred outflows of resources | 9,526,736 | 6,976,117 | 6,604,589 | 2,550,619 | 36.6% | 371,528 | 5.6% |
| Current liabilities | 21,676,623 | 20,997,294 | 17,987,272 | 679,329 | 3.2% | 3,010,022 | 16.7% |
| Long term liabilities | 203,694,926 | 212,002,128 | 155,495,030 | (8,307,202) | -3.9% | 56,507,098 | 36.3% |
| Total liabilities | 225,371,549 | 232,999,422 | 173,482,302 | (7,627,873) | -3.3% | 59,517,120 | 34.3% |
| Total deferred inflows of resources | 1,372,869 | 1,255,596 | 2,218,338 | 117,273 | 9.3% | (962,742) | -43.4% |
| Net position: | | | | | | | |
| Net investment in capital assets | 307,512,533 | 300,078,540 | 286,186,370 | 7,433,993 | 2.5% | 13,892,170 | 4.9% |
| Restricted for: | | | | | | | |
| Capital activity | 415,244 | 415,244 | 415,247 | - | 0.0% | (3) | 0.0% |
| Unrestricted | 51,584,495 | 41,724,696 | 37,874,346 | 9,859,799 | 23.6% | 3,850,350 | 10.2% |
| Total net position | \$359,512,272 | \$342,218,480 | \$324,475,963 | \$17,293,792 | 5.1% | \$17,742,517 | 5.5% |

Total net position as of June 30, 2021 was \$359.5 million, representing an increase of 5.1% from the prior year. Total net position increased by \$17.3 million from fiscal year 2020, as a result of an increase in current assets. In 2020, total net position increased by \$17.7 million or 5.5% from prior year. This increase was due to an increase in current assets and producing assets. Of the \$51.6 million unrestricted net position, \$40.2 million is Board-designated for capital funding and \$11.4 million is available to provide for current operations.

Producing assets decreased a net \$1.8 million (compared to a \$5.1 million increase in 2020), which reflects additions of \$9.7 million from developer noncash contributions; \$13.4 million capitalized construction in progress (CIP) projects and \$5.3 million in capital purchases, as well as a decrease of \$30.3 million from depreciation. Major contributed capital additions include: Latitude Hilton Head (\$1.7 million); Hilton Head National Luxury RV Resort (\$983 thousand); Four Seasons at Carolina Oaks (\$962 thousand); and The Lakes at New Riverside (\$698 thousand). These developments included pump stations in addition to water and wastewater lines. The \$5.3 million operating capital purchases consisted of \$2.8 million in capitalized meters and transponders, \$1.8 million in equipment purchases and vehicles, and \$662 thousand in capitalized engineering salaries. The Authority disposed of \$228 thousand in assets. Disposals in fiscal year 2021 primarily consisted of vehicles.

Construction in progress increased a net of \$526 thousand over prior year (compared to a net increase of \$1.4 million in 2020). The Authority expended \$14.0 million on capital assets related to construction projects during fiscal year 2021, with \$13.4 million completed and moved to producing assets. Major projects completed during fiscal year 2021 include: Cherry Point Water Reclamation Facility Tank Replacement project (\$3.4 million); Bonaire Estates Sewer Extension project (\$3.3 million); Cherry Point Water Reclamation Facility UV Replacement project (\$1.7 million); and Rehab SS08 Collection System project (\$1.5 million).

Of the \$22 million in construction in progress at the end of fiscal year 2021, \$5.7 million is related to the Purrysburg Water Treatment Plant expansion project, \$4.1 million to the Galvanized Waterline Replacement project, \$3.4 million to the Highway 170 Water Main Extension project, and \$3 million to the Raw Water Canal Improvements project. Additional information on capital assets may be found in the footnotes to the financial statements.

Debt and Debt Coverage

Long-term liabilities decreased \$8.3 million net over the prior fiscal year due to no new debt incurred during the year. In 2020, long-term liabilities increased \$56.5 million net over the prior fiscal year primarily due to the addition of \$52.6 million in revenue bonds during the year.

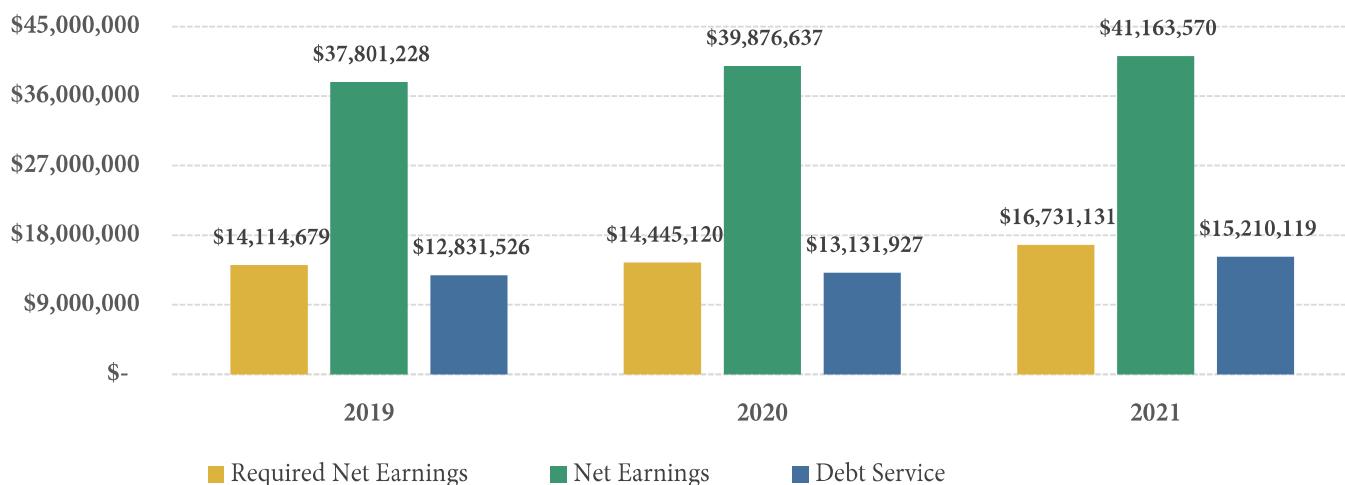
Net position to long-term debt increased from 2.03 for 2020 to 2.31 for 2021 as a result of the no new debt added during the year. This translates to each \$1 of long-term debt being represented by \$2.31 in net position. The Authority believes the ratio is appropriate for its current operations, and projects it increasing over the next fiscal year as scheduled principal payments are made.

In the bond resolutions the Authority covenants and agrees that it will, at all times, prescribe, maintain, and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual net earnings in the fiscal year equal to at least one hundred twenty percent (120%) of the sum of the annual debt service payments for all bonds outstanding. "Net Earnings" is defined by the bond resolution to mean, for the period in question, the net operating income of the system (i.e., the Authority) determined in accordance with generally accepted accounting principles, adding back depreciation, and including interest income not restricted to bond construction and cash capital contributions not received by government grants.

The rate covenant in the Bond Resolution obligates the Authority to review rates not less than once a year and to revise such rates and charges as necessary to meet the coverage test. The Authority further covenants in the bond resolution that it will maintain rates and charges that are at all times sufficient to provide for the payment of the bonds; to maintain the debt service funds, debt service reserve funds, and any other related funding instruments related to the debt of the system; to provide for the payment of administrative and operational expenses of the system, preserving the system in good repair and working order; and to build and maintain a reserve for depreciation of the system.

Although the Bond Resolutions allow the use of capacity fee revenue (i.e., cash capital contributions) in the calculation of debt service coverage, the Authority has adopted a more stringent internal policy of maintaining one hundred and twenty-five percent (125%) debt service coverage without consideration of capacity fee revenue. Revenue bond debt service coverage for 2021 and 2020 was 271% and 304%, respectively, including cash capital contributions, and 199% and 228%, without the contributions. The following table presents the required net earnings as defined by the bond covenants; actual net earnings, including capital contributions, available for debt service; and total annual debt service. Additional information on long-term debt may be found in Note 7 in the notes to the financial statements.

NET EARNINGS AVAILABLE FOR DEBT SERVICE



Revenues

Revenues from operations fall into three general categories: water service, wastewater service and ancillary charges. Ancillary charges include tap fees, account set up and penalty fees, engineering and inspection services, and charges for other miscellaneous services. The Authority has two classes of water and wastewater customers: wholesale and retail, with retail customers further subdivided into residential, commercial, and military.

The following condensed statements of revenues, expenses, and changes in net position, shows the results of operations for the current and the prior two fiscal years:

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Three year comparison – year ended June 30,

| | 2021 Actual | 2020 Actual | 2019 Actual | 2021 to 2020 Actual | | 2020 to 2019 Actual | |
|---|----------------------|----------------------|----------------------|------------------------|--------------|------------------------|----------------|
| | | | | Dollars | % | Dollars | % |
| Revenues: | | | | | | | |
| Water service revenues | \$33,292,262 | \$32,865,365 | \$30,302,563 | \$426,897 | 1.3% | \$2,562,802 | 8.5% |
| Other water revenues | 3,974,700 | 3,429,454 | 3,279,726 | 545,246 | 15.9% | 149,728 | 4.6% |
| Wastewater service revenues | 28,907,674 | 27,734,116 | 25,868,525 | 1,173,558 | 4.2% | 1,865,591 | 7.2% |
| Other wastewater revenues | 461,750 | 1,406,663 | 747,047 | (944,913) | -67.2% | 659,616 | 88.3% |
| Total operating revenues | 66,636,386 | 65,435,598 | 60,197,861 | 1,200,788 | 1.8% | 5,237,737 | 8.7% |
| Expenses: | | | | | | | |
| Operating, before depreciation, but including franchise fees | | | | | | | |
| Water operations | 13,537,403 | 13,000,277 | 11,522,056 | (537,126) | -4.1% | (1,478,221) | -12.8% |
| Wastewater operations | 9,656,077 | 10,293,246 | 9,983,780 | 637,169 | 6.2% | (309,466) | -3.1% |
| Depreciation - water | 13,014,417 | 12,845,015 | 12,550,945 | (169,402) | -1.3% | (294,070) | -2.3% |
| Depreciation - wastewater | 17,251,404 | 16,887,888 | 15,196,456 | (363,516) | -2.2% | (1,691,432) | -11.1% |
| General, administrative, customer service and engineering -water | 8,478,193 | 7,969,641 | 6,489,605 | (508,552) | -6.4% | (1,480,036) | -22.8% |
| General, administrative, customer service and engineering -wastewater | 5,579,464 | 5,296,681 | 4,313,803 | (282,783) | -5.3% | (982,878) | -22.8% |
| Total operating expenses | 67,516,958 | 66,292,748 | 60,056,645 | (1,224,210) | -1.8% | (6,236,103) | -10.4% |
| Operating income (loss) | (880,572) | (857,150) | 141,216 | (23,422) | -2.7% | (998,366) | -707.0% |
| Non-operating revenue (expense): | | | | | | | |
| Interest expense | (3,715,324) | (4,128,718) | (3,251,725) | 413,394 | 10.0% | (876,993) | -27.0% |
| Investment income | 807,184 | 1,016,662 | 1,057,393 | (209,478) | -20.6% | (40,731) | 3.9% |
| Bond interest income | 2,735 | 295,561 | - | (292,826) | -99.1% | 295,561 | 100.0% |
| Military construction revenue | - | - | - | - | 0.0% | - | 0.0% |
| Litigation settlement | 70,288 | 52,369 | - | 17,919 | 34.2% | 52,369 | 100.0% |
| Gain on sale of assets | 113,223 | 166,983 | 229,464 | (53,760) | -32.2% | (62,481) | 27.2% |
| Decrease in net position, before contributions | (3,602,466) | (3,454,293) | (1,823,652) | (148,173) | 4.3% | (1,630,641) | 89.4% |
| Capital contributions: | | | | | | | |
| Grants | 238,869 | 1,213,380 | 367,590 | (974,511) | -80.3% | 845,790 | 230.1% |
| Capacity fees | 10,971,337 | 9,984,422 | 8,855,418 | 986,915 | 9.9% | 1,129,004 | 12.7% |
| Developer contributions of systems | 9,686,052 | 9,999,008 | 8,956,572 | (312,956) | -3.1% | 1,042,436 | 11.6% |
| Total capital contributions | 20,896,258 | 21,196,810 | 18,179,580 | (300,552) | -1.4% | 3,017,230 | 16.6% |
| Increase(decrease) in net position | 17,293,792 | 17,742,517 | 16,355,928 | | | | |
| Net position at beginning of year | 342,218,480 | 324,475,963 | 308,120,035 | | | | |
| Cumulative effect of change in accounting principle | - | - | - | | | | |
| Total Net Position | \$359,512,272 | \$342,218,480 | \$324,475,963 | | | | |

Total operating revenues were \$66.6 million, an increase of 1.8%, or \$1.2 million, over the prior year primarily as a result of customer growth. From fiscal year 2020 to 2021, water customers increased 2,559 or 4.2% (compared to an increase of 1,790 or 3% from 2019 to 2020), and wastewater customers increased 2,474 or 5.8% (compared to an increase of 1,594 or 3.9% from 2019 to 2020). Retail residential and commercial water consumption figures, as measured by billings, increased 123,000 kgals (thousands of gallons) or 1.4% from prior year. Wastewater volume decreased 86,000 kgals or 2.1% from prior year.

The following chart shows the change in rates for an average customer (defined as 7 thousand gallons per month residential water usage) from fiscal year 2018 to fiscal year 2021, utilizing the fiscal year 2018, 2019, 2020, and 2021 rates as adopted.

MONTHLY WATER & WASTEWATER BILL FOR 7KGAL RESIDENTIAL CUSTOMER



The average usage for residential customers for water was 6.60 thousand gallons in 2020 and 6.52 thousand gallons in 2021, a decrease of 1.2%. The average usage for residential customers for wastewater was 6.67 thousand gallons in 2020 and 6.07 thousand gallons in 2021, a decrease of 9%.

Expenses

The Authority operates and maintains a potable water treatment and delivery system and a wastewater collection, treatment, and effluent disposal system. The bulk of the water production occurs at the two surface water treatment plants. Wells are also used for some remote service areas and for peak management in the main system. The wastewater collection systems consist of gravity pipelines, lift stations, and force mains conveying wastewater to eight treatment plants.

Total operating expenses were approximately \$67.5 million, an increase of 1.8%, or \$1.2 million from the prior year. Depreciation expense accounted for \$30.3 million of total operating expense and was an increase of approximately \$532 thousand over prior year. Excluding depreciation, total operating expenses were \$37.3 million, an increase of 1.9% or \$639 thousand from the prior year.

Excluding depreciation, water operating expenses increased 5% or \$1 million from the prior year. The significant increases from the prior year primarily related to the following expenses:

- Repairs and maintenance (increased \$202 thousand or 9.2%) primarily due to an increase in cleaning services as a result of COVID 19;
- Benefits and payroll taxes (increased \$259 thousand or 6.4%) due to increases in pension and other post retirement costs;
- Professional fees (increased \$589 thousand or 31.8%) mainly due to costs associated with additional contract labor to fix a large water main break.

Excluding depreciation, wastewater operating expenses decreased 2.3%, or \$354 thousand from the prior year. The significant decreases from the prior year primarily related to the following expenses:

- Salaries and wages, including overtime (decreased \$423 thousand or 7%) primarily due to 2020 included payouts related to the benefits transition;
- Supplies (decreased \$48 thousand or 6.7%) due to decreases in chemical purchases;
- Professional fees (decreased \$82 thousand or 7.7%) primarily due to 2020 included closing costs for new debt issued during the year.

Water expense per kgal (unit cost) excluding depreciation increased from \$2.90 in 2020 to \$2.95 in 2021, or 1.7%, due to expenses increasing at a greater rate than consumption during the fiscal year. Wastewater expense per kgal (unit cost) excluding depreciation decreased from \$3.73 in 2020 to \$3.72 in 2021 or 0.2%, due to a slight decrease in usage.

Operating Margin

The increase in total operating revenue compared to prior year of \$1.2 million, combined with the increase in operating expenses, excluding depreciation, of \$691 thousand, resulted in the operating margin to increase by \$509 thousand before depreciation. The actual 2021 operating loss was \$881 thousand compared to an operating loss of \$857 thousand in 2020, a decrease in operating margin of \$23 thousand.

For fiscal year 2021, \$1.79 was generated from operating revenues for every \$1.00 expensed (excluding depreciation and non-operating expenses), which decreased by \$0.00 or 0% compared to prior year. For comparative purposes, the operating ratios (operating revenues divided by operating expenses less depreciation) were 1.79, 1.79, 1.86, and 1.80 for fiscal years 2021, 2020, 2019, and 2018, respectively.

Cash Flow Activity

Cash was generated throughout the year from operating and non-operating activities to provide sufficient resources to cover operations and debt service. At year end, the unrestricted cash balances were above \$17.5 million, which represents four months coverage for both operating expenses and debt service. At the end of the fiscal year unrestricted cash and cash equivalents were \$28.0 million, as compared to \$19.4 million prior year.

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

| | IN THOUSANDS | | | 2021 to 2020 | 2020 to 2019 |
|--|--------------|----------|----------|--------------|--------------|
| | 2021 | 2020 | 2019 | Variance | Variance |
| Total operating revenues | \$66,636 | \$65,436 | \$60,198 | \$1,200 | \$5,238 |
| Net cash provided by operations | \$33,237 | \$30,983 | \$28,939 | \$2,254 | \$2,044 |
| Net operating cash as a % of operating revenue | 49.9% | 47.3% | 48.1% | | |

The Authority was able to generate \$33.2 million from operations to support capital and financing activities, as a result of an increase in revenue, compared to prior year, which generated \$31.0 million from operations. The Authority generated \$6.9 million net for investing activities in current year, compared to generating \$272 thousand net in prior year.

Cash payments for construction and acquisition of capital assets decreased from \$25.4 million in 2020 to \$19.7 million in 2021. The \$19.7 million in capital expenditures was funded by operating funds as well as capital funding from capacity fees, debt, and depreciation (renewal and replacement) funds. Total cash payments for debt service were \$10.5 million, compared to \$35.0 million in prior year. The \$33.2 million generated from operating activities combined with the \$16.6 million net payments for investing and financing activities, resulted in an increase in cash and cash equivalents of \$16.6 million for 2021, as compared to an increase of \$68.7 million for 2020.

Capacity Fees and Grants

The Authority collects water and wastewater capacity fees to ensure that current customers do not bear the entire burden of growth. These fees are paid by all new customers and represent, on a residential equivalent unit basis, the cost of the water and/or wastewater capacity represented by the new account.

On June 28, 2018, the Board adopted a change in capacity fees to be implemented over a three-year period beginning January 1, 2019 as follows:

Effective January 1, 2019:

| | |
|---------------------|---|
| Water Capacity | \$1,320/Residential Equivalent Unit (\$3.30/gpd x 400 gallons) |
| Wastewater Capacity | \$3,081/Residential Equivalent Unit (\$10.27/gpd x 300 gallons) |

Effective January 1, 2020:

| | |
|---------------------|---|
| Water Capacity | \$1,440/Residential Equivalent Unit (\$3.60/gpd x 400 gallons) |
| Wastewater Capacity | \$3,402/Residential Equivalent Unit (\$11.34/gpd x 300 gallons) |

Effective January 1, 2021:

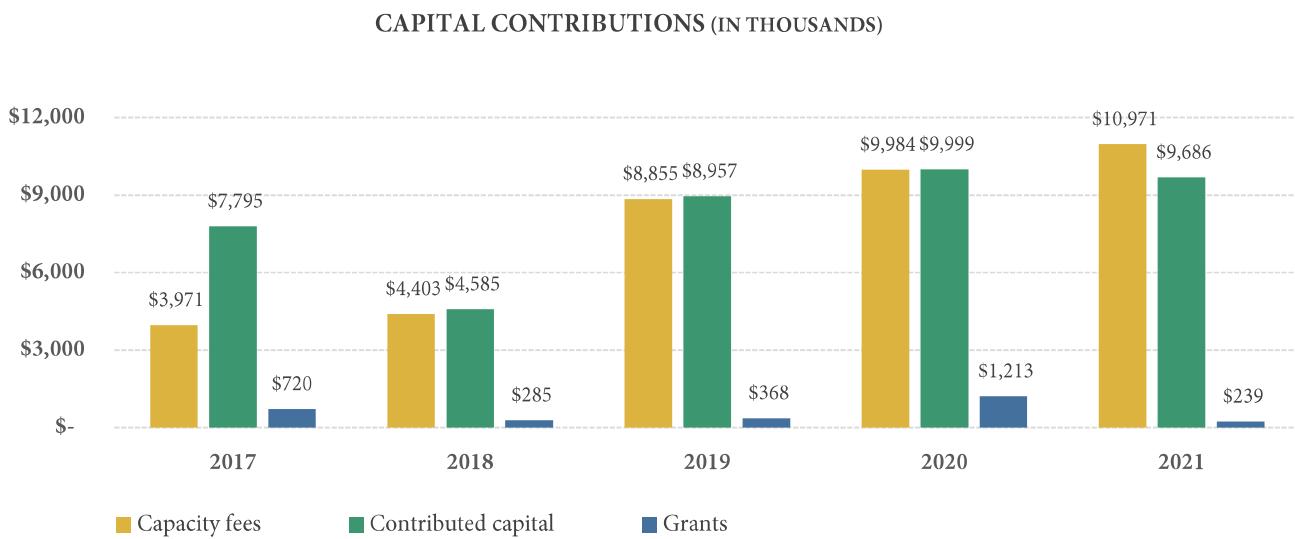
| | |
|---------------------|---|
| Water Capacity | \$1,560/Residential Equivalent Unit (\$3.90/gpd x 400 gallons) |
| Wastewater Capacity | \$3,720/Residential Equivalent Unit (\$12.40/gpd x 300 gallons) |

Prior to this fee increase, the cost per residential equivalent unit (REU) of water and wastewater was \$1,200 and \$2,760, respectively.

Capacity fee revenues increased 9.9% or \$1.0 million for 2021, as compared to 2020. The Authority restricts the use of capacity fee revenue to capital investment in growth related projects and these fees are reported in the statement of cash flows as a capital financing source.

Commercial and residential real estate developers also construct and then convey to the Authority water and wastewater systems that serve their developments. These fees are reported as non-operating revenues and require reporting the amounts through the statement of revenues, expenses and changes in net position. Developers contributed utility systems valued at \$9.7 million during fiscal year 2021. The developments at Latitude Hilton Head of \$1.7 million, Hilton Head National Luxury RV Resort of \$983 thousand, Four Seasons at Carolina Oaks of \$962 thousand and The Lakes at New Riverside of \$698 thousand accounted for 45% of system contributions. Developers convey primarily residential systems to the Authority upon completion in accordance with plans and specifications approved by the Authority.

The following chart depicts capital contribution activity for the last five fiscal years:



In fiscal year 2021 the Authority received \$238,869 in South Carolina Cares Act Grants. In fiscal year 2020 the Authority received \$950,000 in Community Development Block Grants and \$263,380 in Rural Infrastructure Authority Grants for Bonaire sewer extensions.

Capital Assets

During the year ended June 30, 2021, the Authority received approximately \$9.7 million in contributed capital, spent approximately \$14.0 million on the capital improvement program and spent \$5.3 million on operating capital (meters, equipment and vehicles). Disposals of assets were recorded in the amount of \$228 thousand, with a net gain on disposals of assets relating to equipment, vehicle and scrap sales for the year in the amount of \$113 thousand.

During the year ended June 30, 2020, the Authority received approximately \$10.0 million in contributed capital, spent approximately \$22.2 million on the capital improvement program and spent \$4.0 million on operating capital (meters, equipment and vehicles). Disposals of assets were recorded in the amount of \$521 thousand, with a net gain on disposals of assets relating to equipment, vehicle and scrap sales for the year in the amount of \$167 thousand.

Additional information in changes in capital assets can be found in Note 6 of the financial statements.

Economic Outlook and Final Comments

The economic outlook for both Beaufort and Jasper Counties continues to show positive trends in several areas despite the impacts of COVID-19 on the local economy. Despite Beaufort and Jasper Counties experiencing an increase in unemployment, both localities had rates lower than the national unemployment rate of 5.9% and comparable to the South Carolina unemployment rate of 3.3% as of June 30, 2021. Beaufort County has seen an increase of 2% in population, and Jasper County has seen an increase of 4% in population over this past year. Population increases in both counties mirror the positive trend the Authority has experienced in customer growth and usage. As evidenced by the increase in capacity fees received by the Authority in the prior year, both Beaufort and Jasper Counties are showing significant developer activity, which coincides with economic growth.

These positive economic indicators promote the financial health and sustainability of the Authority; however, uncertainty surrounding the COVID-19 pandemic still exists. Management believes the Authority's financial condition remains stable as a result of stringent financial planning and conservative budgeting. The Authority identifies and responds to external factors, while still maintaining a fiscally sound organization and delivering a high level of service to its customers.

Questions concerning this report or requests for additional information should be directed to Sarah Linkimer, Deputy General Manager, at 843-987-8081 or at 6 Snake Road, Okatie, South Carolina, 29909-3937.

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

| | June 30 | |
|---|--------------------|--------------------|
| | 2021 | 2020 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$28,034,027 | \$19,417,995 |
| Investments | - | 6,027,494 |
| Accounts receivable | 7,874,630 | 7,880,631 |
| Inventory and other assets | 996,648 | 1,905,427 |
| Total current assets (unrestricted) | 36,905,305 | 35,231,547 |
| Designated & restricted assets: | | |
| Cash and cash equivalents - Designated | 42,305,908 | 29,990,662 |
| Cash and cash equivalents - Restricted | 63,415,216 | 67,719,839 |
| Designated receivables | 71,870 | 92,439 |
| Total designated & restricted assets | 105,792,994 | 97,802,940 |
| Total current assets | 142,698,299 | 133,034,487 |
| Noncurrent Assets: | | |
| Capital assets | | |
| Land and land rights | 10,635,337 | 10,635,337 |
| Administrative facilities | 15,128,151 | 14,491,450 |
| Water systems | 320,216,664 | 313,139,431 |
| Wastewater systems | 442,292,558 | 423,602,920 |
| Equipment | 24,117,887 | 22,627,480 |
| Vehicles | 6,769,353 | 6,441,464 |
| Utility plant in service before depreciation | 819,159,950 | 790,938,082 |
| Less accumulated depreciation | (425,462,304) | (395,399,128) |
| Net utility plant in service | 393,697,646 | 395,538,954 |
| Construction work in progress | 22,057,498 | 21,531,083 |
| Total capital assets | 415,755,144 | 417,070,037 |
| Other Assets | | |
| Conservation Easements | 534,125 | 534,125 |
| ISM Receivable-Department of the Navy | 17,742,386 | 18,858,732 |
| Total other assets | 18,276,511 | 19,392,857 |
| Total noncurrent assets | 434,031,655 | 436,462,894 |
| Total assets | 576,729,954 | 569,497,381 |
| Deferred outflows of resources | | |
| Deferred amounts on advance refundings | 1,065,988 | 1,252,445 |
| Pensions | 4,540,797 | 3,297,023 |
| Other post retirement benefits | 3,919,951 | 2,426,649 |
| Total deferred outflows of resources | \$9,526,736 | \$6,976,117 |

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

STATEMENTS OF NET POSITION (continued)

| | June 30 | |
|---|----------------------|---------------|
| | 2021 | 2020 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$5,453,991 | \$5,350,548 |
| Accrued wages and benefits | 1,512,255 | 1,145,417 |
| Revenue bonds | 4,147,569 | 3,160,945 |
| State revolving fund | 2,088,359 | 2,092,615 |
| Notes payable | 599,958 | 571,389 |
| Total current liabilities (unrestricted) | 13,802,132 | 12,320,914 |
| Current liabilities payable from designated & restricted assets: | | |
| Accounts payable for capital items | 2,100,233 | 2,464,436 |
| Revenue bonds | 4,248,431 | 4,668,055 |
| State revolving fund | 4,319 | 4,221 |
| Interest payable | 1,521,508 | 1,539,668 |
| Total current liabilities payable from designated & restricted assets | 7,874,491 | 8,676,380 |
| Total current liabilities | 21,676,623 | 20,997,294 |
| Long term liabilities: | | |
| Revenue bonds | 114,932,502 | 125,633,555 |
| State revolving fund | 31,391,083 | 33,483,762 |
| Notes payable | 9,122,092 | 9,722,050 |
| Net pension liability | 27,714,948 | 25,272,686 |
| Other post retirement benefits liability | 20,120,667 | 17,476,441 |
| Unearned revenue-Levy projects | 413,634 | 413,634 |
| Total long term liabilities | 203,694,926 | 212,002,128 |
| Total liabilities | 225,371,549 | 232,999,422 |
| Deferred inflows of resources | | |
| Pensions | 475,283 | 181,554 |
| Other post retirement benefits | 897,586 | 1,074,042 |
| Total deferred inflows of resources | 1,372,869 | 1,255,596 |
| Net position: | | |
| Net investment in capital assets | 307,512,533 | 300,078,540 |
| Restricted for: | | |
| Capital activity | 415,244 | 415,244 |
| Unrestricted | 51,584,495 | 41,724,696 |
| Total net position | \$359,512,272 | \$342,218,480 |

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITIONS

| | | Year Ended June 30, | |
|---|---|----------------------|----------------------|
| | | 2021 | 2020 |
| Operating revenues: | | | |
| Water: | Wholesale | \$3,605,928 | \$3,525,136 |
| | Retail | 28,436,998 | 27,645,252 |
| | Military Retail | 1,249,336 | 1,694,976 |
| | Other | 3,974,700 | 3,429,454 |
| | Total water revenues | 37,266,962 | 36,294,818 |
| Wastewater: | Service | 26,086,906 | 24,794,728 |
| | Military Retail | 2,820,768 | 2,939,388 |
| | Other | 461,750 | 1,406,663 |
| | Total wastewater revenues | 29,369,424 | 29,140,779 |
| | Total operating revenues | 66,636,386 | 65,435,597 |
| Operating expenses: | | | |
| Water: | Source of supply | 825,986 | 693,264 |
| | Water treatment | 5,625,678 | 5,996,384 |
| | Transmission and distribution | 5,735,100 | 4,951,948 |
| | Laboratory and testing | 391,300 | 441,680 |
| | Franchise fee | 959,339 | 917,001 |
| | Depreciation | 13,014,417 | 12,845,015 |
| | General, administrative, customer service and other | 8,478,193 | 7,969,641 |
| | Total water operating expenses | 35,030,013 | 33,814,933 |
| Wastewater: | Collection and transmission | 4,481,210 | 5,016,643 |
| | Wastewater treatment | 3,278,321 | 3,438,614 |
| | Wastewater disposal | 292,702 | 254,298 |
| | Sludge management | 415,905 | 433,779 |
| | Laboratory and testing | 339,298 | 355,068 |
| | Franchise fee | 848,641 | 794,844 |
| | Depreciation | 17,251,404 | 16,887,888 |
| | General, administrative, customer service and other | 5,579,464 | 5,296,681 |
| | Total wastewater operating expenses | 32,486,945 | 32,477,815 |
| | Total operating expenses | 67,516,958 | 66,292,748 |
| Operating loss | | (880,572) | (857,150) |
| Non-operating revenue (expense): | | | |
| | Interest expense | (3,715,324) | (4,128,718) |
| | Investment income | 806,984 | 1,016,462 |
| | Bond interest income | 2,735 | 295,561 |
| | Easement revenue | 200 | 200 |
| | Litigation settlement | 70,288 | 52,369 |
| | Net gain on disposal of assets | 113,223 | 166,983 |
| | Total non-operating revenue (expense) | (2,721,894) | (2,597,143) |
| Decrease in net position, before capital contributions | | (3,602,466) | (3,454,293) |
| Capital contributions: | | | |
| | Grants | 238,869 | 1,213,380 |
| | Capacity fees, net of bad debt | 10,971,337 | 9,984,422 |
| | Developer contributions of systems | 9,686,052 | 9,999,008 |
| | Total capital contributions | 20,896,258 | 21,196,810 |
| Increase in net position | | 17,293,792 | 17,742,517 |
| Net position at beginning of year | | 342,218,480 | 324,475,963 |
| Net position at end of year | | \$359,512,272 | \$342,218,480 |

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

STATEMENTS OF CASH FLOWS

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Cash received from customers | \$66,642,386 | \$65,357,995 |
| Cash paid for wages and benefits | (17,108,182) | (18,489,625) |
| Cash paid to suppliers | (16,297,209) | (15,885,796) |
| Net cash provided by operating activities | 33,236,995 | 30,982,574 |
| Cash flows from investing activities: | | |
| Proceeds/(purchases) of investments | 6,131,821 | (1,155,008) |
| Interest and investment income | 730,563 | 1,427,206 |
| Net cash provided by investing activities | 6,862,384 | 272,198 |
| Cash flows from capital and related financing activities: | | |
| Purchase/construction of property, plant, and equipment | (19,689,926) | (25,380,291) |
| Proceeds from sale of assets | 148,895 | 178,411 |
| Proceeds from issuance of long term debt | - | 90,092,830 |
| Principal payments on debt | (10,497,225) | (35,038,915) |
| Interest paid on borrowings | (5,852,077) | (4,747,986) |
| Grant capital contributions | 259,438 | 1,213,380 |
| Military construction reimbursements | 1,116,346 | 1,073,410 |
| Litigation settlement payments | 70,288 | 52,369 |
| Proceeds from easements | 200 | 200 |
| Capacity fees, collected or received | 10,971,337 | 9,984,422 |
| Net cash provided by (used in) financing activities | (23,472,724) | 37,427,830 |
| Increase in cash and cash equivalents | 16,626,655 | 68,682,602 |
| Cash and cash equivalents at beginning of year | 117,128,496 | 48,445,894 |
| Cash and cash equivalents at end of year | 133,755,151 | 117,128,496 |
| Reconciliation to statements of net position: | | |
| Unrestricted cash and cash equivalents | 28,034,027 | 19,417,995 |
| Designated cash and cash equivalents | 42,305,908 | 29,990,662 |
| Restricted cash and cash equivalents | 63,415,216 | 67,719,839 |
| Total cash and cash equivalents | 133,755,151 | 117,128,496 |
| Reconciliation of operating loss to net cash provided by operating activities: | | |
| Operating loss | (880,572) | (857,150) |
| Adjustments: | | |
| Depreciation | 30,265,821 | 29,732,903 |
| Changes in assets and liabilities | | |
| Decrease (increase) in: | | |
| Receivables, excluding interest income | 6,001 | (77,602) |
| Inventory and other assets | 908,779 | (714,098) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 470,281 | 641,837 |
| Other Post Retirement Benefits deferred inflows/ | 974,468 | 713,753 |
| outflows and liability | | |
| Pension deferred inflows/outflows and liability | 1,492,217 | 1,542,931 |
| Net cash provided by operating activities | \$33,236,995 | \$30,982,574 |
| Noncash activities: | | |
| Developer contributions of systems | \$9,686,052 | \$9,999,008 |
| Principal reduction of note payable-Department of the Navy | (571,389) | (544,180) |

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

1. Description of Entity

The Beaufort-Jasper Water and Sewer Authority (“the Authority”) was established by an act of the General Assembly of the State of South Carolina on April 23, 1954. The Authority is a special purpose governmental entity engaged in business-type activities. The Authority provides water to various areas of Beaufort and Jasper Counties, South Carolina, and the three military installations, and wastewater services to several areas within the two counties.

2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING AND PRESENTATION

All activities of the Authority 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 or services to the general public on a continuing basis be financed or recovered primarily through user charges. Accordingly, the Authority’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

The Authority utilizes the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Authority applies the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (“AICPA”) Committee on Accounting Procedures; the provisions of GASB Statement No. 62 additionally eliminates the election provided in Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

These GASB statements require the presentation of Management’s Discussion and Analysis which precedes the financial statements, in addition to several changes to the financial statements such as: (1) the classification of the equity section of the balance sheet into net position with categories of net investment in capital assets, restricted, and unrestricted; (2) the statement of revenues, expenses and changes in net position formatted to report changes in net position in lieu of changes in retained earnings; and (3) additional note disclosures to the financial statements.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. Therefore, all assets and all liabilities associated with the operations are included on the statement of net position.

Comparative Data Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation. This reclassification had no effect on net position.

OPERATING/NONOPERATING REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing water and wastewater services. Non-operating revenues and expenses include capital, financing, investing, and other activities not related to the provision of water and wastewater services.

REVENUE RECOGNITION AND RECEIVABLES

All water and wastewater revenues are recognized on the accrual basis when the related services are provided and the earnings process is complete. Services are provided to customers under a rate structure designed to produce revenue sufficient for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage.

Customer receivables represent various volume, availability, impact, and special service fees earned, but not yet collected. Unbilled receivables have been estimated and accrued as revenue from the date of the last reading of the meters based on the billing cycle. Unbilled accounts receivable was approximately \$2.99 million and \$3.25 million as of June 30, 2021 and 2020, respectively. The allowance for doubtful accounts is determined by the following assumptions regarding the aging report: (1) accounts over ninety (90) days are deemed 90% uncollectible and (2) accounts over sixty (60) days are deemed 50% uncollectible. Payment plan amounts included in the delinquent accounts, which are considered collectible based upon the date of last payment, are added back to the allowance. The allowance for doubtful accounts was \$979 thousand and \$1.12 million as of June 30, 2021 and 2020, respectively.

BUDGETARY ACCOUNTING

The Authority adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with GAAP. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The Authority budgets depreciation expense based upon prior year actual and estimates of acquisitions and contributed capital. The capital budget details the plan to receive and expend cash capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

Management submits a proposed budget to the Authority's Board of Directors prior to the May Board meeting. A budget is adopted by resolution prior to July 1. During the year, management is authorized to transfer budgeted amounts between line items within the Authority's divisions.

CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at their fair value. Related changes in fair value of investments are included as an element of investment income. Investments of the Authority must comply with South Carolina Code Section 6-5-10, which include collateralized money market accounts and certificates of deposit, U.S. Treasury Bills and Notes, high quality obligations of certain U.S. agencies and instrumentalities, and local government investment pools.

DESIGNATED AND RESTRICTED ASSETS

Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, loan agreements, grant awards, or other agreements containing externally imposed constraints placed on use of the asset. Designated assets represent cash, investments, and receivables that have been designated formally by Board action for depreciation and contingency activities, and improvements and extensions to the utility systems. These funds are utilized to support the Board's approved capital improvement program budget, which is approved every three (3) years; includes estimates of anticipated capacity fees and set aside revenues; and projects capital funding required.

Capacity fees, or impact fees, which are held in water and wastewater capital funds, are considered designated assets. These fees are cash contributed capital received in exchange for the purchase of capacity in the system. The capacity certificate represents ownership of system capacity, and, as such, the Authority must ensure that the funds are utilized for growth infrastructure. Any receivables generated from extension of credit for capacity payments or construction reimbursements from front foot assessments are also considered designated.

During fiscal year 2000, the Authority began accepting letters of credit from certain developers and commercial customers for the payment of capacity fees. There were no receivables for capital contributions under letters of credit recorded in fiscal years ended June 30, 2021 and 2020.

INVENTORIES

Materials and supplies inventories are stated at lower cost.

CAPITAL ASSETS

Property acquired with an initial individual cost of \$5,000 or more and an estimated useful life (i.e., generates an economic benefit) in excess of one year are recorded at cost. Major outlays for construction of capital assets and improvements are capitalized at cost. Maintenance and repairs that do not significantly extend the value or life of property, plant, and equipment are expensed as incurred. During fiscal year 1999, the Authority began capitalizing meters as a result of using significantly more radio-read meters versus the less expensive standard meters. The Authority capitalizes meter transponder replacements for entire areas where the retrofit significantly adds to the estimated useful life of all meters for that development.

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. Utility systems acquired from other service providers are recorded at the lower of the prior service provider's net book value or fair value, with the cost and accumulated depreciation recorded. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion projects. Costs of studies that directly result in specific construction projects are capitalized.

Interest costs are capitalized on the construction of qualified assets, whether or not borrowings exist for such projects, to the extent of amounts funded by debt or operating results. Interest is not capitalized on project costs funded by contributed capital, such as grants, gifts, and impact fees. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds. Interest costs are not capitalized for small projects that will be constructed in less than six months or for those where the amounts are considered immaterial for purposes of interest capitalization.

Annualized depreciation expense, expressed as a percent of net depreciable capital assets, was 7.7% and 7.5% for fiscal years ended June 30, 2021 and 2020, respectively. The Authority utilizes the straight-line depreciation method and estimated useful lives of assets in service are as follows:

| | <u>Years</u> |
|--|--------------|
| Source of supply equipment | 15-50 |
| Water treatment plant | 10-50 |
| Wastewater treatment plant | 10-50 |
| Transmission and distribution systems | 10-50 |
| Equipment | 3-20 |
| Structures and improvements, including buildings | 10-50 |
| Office furniture, equipment and vehicles | 3-20 |
| Meters | 8 |

CAPITAL CONTRIBUTIONS

Contributions are recognized in the statement of revenues, expenses and changes in net position when earned. Contributions include capacity fees, developer contributed utility systems, capital grants, and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

LONG-TERM OBLIGATIONS AND COSTS

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums, discounts, and gains or losses on advance refunding and defeasances after June 30, 1994, are amortized over the life of the bonds. In accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, issuance costs are expensed in the reporting period in which the costs are incurred.

COMPENSATED ABSENCES

The Authority accounts for compensated absences by accruing a liability for employees' compensation for future absences. Compensated absences are classified as a current liability, because it is payable upon voluntary or involuntary termination and the use of accrued leave is unpredictable. In fiscal year 2021 compensated absences were \$699 thousand, an increase of 6.7%, or \$44 thousand, over the prior year

CLAIMS AND JUDGMENTS

These events and obligations are recorded on the accrual basis, when the event occurs and the obligation arises.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate statement of net position, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has deferred charges on advance refundings, which qualify for reporting in this category. Deferred charges on advance refundings result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Authority has deferred outflows related to pensions for contributions to the pension plan subsequent to the measurement date. These contributions will be a reduction of the collective net pension liability in the next reporting period. Deferred outflows related to pensions for the net difference between expected and actual experience are amortized over a four year period. Deferred outflows related to pensions for the net difference between projected and actual investment earnings are amortized over a five year period. Deferred outflows related to changes in pension assumptions are amortized over a four year period. Deferred outflows related to changes in proportionate share of plan contributions are amortized over a four year period. Additionally, the Authority has deferred outflows related to other post retirement contributions made subsequent to the measurement date. These contributions will be a reduction of the other post retirement benefits liability in the next reporting period. Deferred outflows related to the difference between expected and actual experience of the total other post retirement benefits liability is amortized over a nine year period. Deferred outflows related to changes in other post retirement benefit assumptions are amortized over a nine year period.

In addition to liabilities, the statement of net position contains a separate section for deferred inflows of resources. This separate net statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions for the net difference between expected and actual experience are amortized over a four year period. Deferred inflows related to changes in proportionate share of plan contributions are amortized over a four year period. Additionally, the Authority has deferred inflows related to changes in other post retirement benefit assumptions, which are amortized over a nine year period.

NET POSITION

Net position represents the difference between all other elements in a statement of net position and is displayed in the following three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributed to the acquisition, construction or improvement of the related assets (including any related deferred outflows or inflows of resources). Any significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount are not included in the calculation of net investment in capital assets. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

GENERAL AND ADMINISTRATIVE EXPENSE ALLOCATIONS

For the purposes of the statement of revenues, expenses and changes in net position, general and administrative expenses were allocated 60% and 40% to the water and wastewater divisions for fiscal years 2021 and 2020. This allocation is based on the number of proportionate water to wastewater customers and is reviewed each year during the budgeting process. The allocation of 60% and 40% will remain for fiscal year 2022.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that 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 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 may differ from those estimates.

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 plan and the additions to/deductions from the plan's fiduciary net position have been determined on the same basis as reported by the plan. 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.

3. Cash, Cash Equivalents, and Investments

Deposits include demand deposits and certificates of deposit in financial institutions. The carrying amounts were \$133,755,151 and \$117,128,496 at June 30, 2021 and 2020, respectively. The bank balances were \$135,009,574 and \$117,432,571 at June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, demand deposits were as follows:

| | June 30, 2021 | | | June 30, 2020 | | |
|---|----------------|---------------------|---------------------|----------------|---------------------|---------------------|
| | Interest Yield | Book Balance | Bank Balance | Interest Yield | Book Balance | Bank Balance |
| Demand Deposits | 0% | \$(723,095) | \$- | 0.00% | \$(120,942) | \$- |
| Demand Deposits | 0% | 71,477,074 | 71,239,803 | 0.00% | 49,943,643 | 49,461,397 |
| Total Demand Deposits | | \$70,753,979 | \$71,239,803 | | \$49,822,701 | \$49,461,397 |
| Collateral Held by Agent in Authority's Name | | | \$600,000* | | | \$50,005,815 |
| Trust Accounts - U. S. Gov't Agencies (Rule 2a-7) | 0% | 62,999,972 | 63,769,771 | 0.00% | 67,304,595 | 67,971,174 |
| Total Investments | | \$62,999,972 | \$63,769,771 | | \$67,304,595 | \$67,971,174 |

*The Authority was appropriately collateralized prior to June 30. An error on June 30 was rectified by the bank to place the Authority into a fully collateralized position.

The following reconciles deposits to cash and cash equivalents, as presented in the statement of net position:

| | June 30 | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| Disclosures regarding deposits: | | |
| Cash on Hand | \$1,200 | \$1,200 |
| Deposits | 70,753,979 | 49,822,701 |
| Debt service funds | 62,999,972 | 67,304,595 |
| Total | \$133,755,151 | \$117,128,496 |

Statement of net position and cash flow statement amounts:

| | | |
|--|----------------------|----------------------|
| Cash and cash equivalents | | |
| Unrestricted | \$28,034,027 | \$19,417,995 |
| Designated | 42,305,908 | 29,990,662 |
| Restricted | 63,415,216 | 67,719,839 |
| Total cash and cash equivalents | \$133,755,151 | \$117,128,496 |

INVESTMENTS

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

At June 30, 2021 and 2020, the Authority had the following investments which were uninsured, unregistered and held by the Authority's brokerage firm which is also the counterparty for those particular securities:

| | 2021 | 2020 |
|--------------------------|-------------------|--------------------|
| Investment Type: | Fair Value | Fair Value |
| Federal Home Loan Bank | \$- | \$3,017,439 |
| Federal Farm Credit Bank | \$- | \$1,005,013 |
| Total | \$- | \$4,022,452 |

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority 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, the Authority had certain investments which were rated by Standard and Poor's.

Concentration Rate of Risk - The risk of overexposure to a single asset or market. The Authority's investment policy is to maintain appropriate portfolio diversification. As presented in the schedule below, the Authority had certain investments with issuers that were as much as 80% of their investment portfolio.

Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy permits investment terms ranging from one year or less and intermediate-term securities of high credit quality with maturities no greater than five years.

As of June 30, 2021, the Authority had the following investments and maturities:

| Investment Type: | Investment Maturities (in years) | | | As a % of Total Investments |
|--------------------------|---|--------------------|----------------------|------------------------------------|
| | Fair Value | Less than 1 | Credit Rating | |
| U.S. Treasuries | \$- | \$- | AA+ | 0% |
| Federal Home Loan Bank | \$- | \$- | AA+ | 0% |
| Federal Farm Credit Bank | \$- | \$- | AA+ | 0% |
| Total | \$- | \$- | \$- | 0% |

As of June 30, 2020, the Authority had the following investments and maturities:

| Investment Type: | Investment Maturities (in years) | | | As a % of Total Investments |
|--------------------------|---|--------------------|----------------------|------------------------------------|
| | Fair Value | Less than 1 | Credit Rating | |
| U.S. Treasuries | \$2,005,042 | \$2,005,042 | AA+ | 33% |
| Federal Home Loan Bank | \$3,017,439 | \$3,017,439 | AA+ | 50% |
| Federal Farm Credit Bank | \$1,005,013 | \$1,005,013 | AA+ | 17% |
| Total | \$6,027,494 | \$6,027,494 | \$6,027,494 | 100% |

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.

The 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, 2021 and 2020.

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

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

| Debt Securities: | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|----------------|----------------|----------------|--------------|
| U.S. Treasuries | \$- | \$- | \$- | \$- |
| U.S. Agencies | \$- | \$- | \$- | \$- |
| Total | \$- | \$- | \$- | \$- |

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

| Debt Securities: | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|--------------------|----------------|----------------|--------------------|
| U.S. Treasuries | \$2,005,042 | \$- | \$- | \$2,005,042 |
| U.S. Agencies | \$4,022,452 | \$- | \$- | \$4,022,452 |
| Total | \$6,027,494 | \$- | \$- | \$6,027,494 |

4. Accounts Receivable

Accounts receivable were composed of the following:

| | June 30 | |
|--|--------------------|--------------------|
| | 2021 | 2020 |
| Wholesale and retail water and wastewater customers: | | |
| Billed services | \$5,269,237 | \$5,031,166 |
| Unbilled services | 2,989,619 | 3,249,393 |
| Allowance for doubtful accounts | (978,970) | (1,121,268) |
| Other receivables | 594,744 | 721,340 |
| Total | \$7,874,630 | \$7,880,631 |

5. Designated and Restricted Assets

Certain proceeds of revenue bonds and notes, as well as resources set aside for their repayment or to satisfy certain restrictive covenants of the bond agreements, are classified as restricted assets on the statement of net position because their use is limited by those covenants. The "debt service fund" accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "debt service reserve fund" accounts are used to report resources set aside to make up potential future deficiencies in revenue bond debt service funds or to effect whole or partial redemption of the bonds. Bond construction funds are restricted for the purposes of funding capital projects.

Designated assets are established by consistent Board action and are included in the funding sources available for Board approval of the capital improvement program budget. The "contingency and depreciation fund" accounts are used to accumulate resources to be used for contingencies and for improvements, betterments, and extensions of the system; the Authority establishes these amounts annually. The "capital projects fund" accounts are funds designated by Board approval of the capital projects budget.

The components of designated receivables at year end were as follows:

| | June 30 | |
|----------------------------------|----------|----------|
| | 2021 | 2020 |
| Front Foot Assessment receivable | \$71,870 | \$92,439 |

The components of the designated and restricted assets, and liabilities payable from designated and restricted assets as of June 30, 2021 and 2020 were as follows:

| | June 30, 2021 | | |
|--------------------------------------|--------------------------------------|---|---------------------|
| | Total Designated & Restricted Assets | Liabilities Payable from Designated & Restricted Assets | Excess |
| Board designated: | | | |
| Contingency and depreciation | \$17,387,104 | \$- | \$17,387,104 |
| Capital projects (incl. receivables) | 24,990,674 | (2,100,233) | 22,890,441 |
| Restricted: | | | |
| Capital projects-Levy | 415,244 | - | 415,244 |
| Debt service and reserves | 5,774,258 | (5,774,258) | - |
| Bond construction fund | 57,225,714 | - | 57,225,714 |
| | \$105,792,994 | \$(7,874,491) | \$97,918,503 |

| | June 30, 2020 | | |
|--------------------------------------|--------------------------------------|---|---------------------|
| | Total Designated & Restricted Assets | Liabilities Payable from Designated & Restricted Assets | Excess |
| Board designated: | | | |
| Contingency and depreciation | \$957,700 | \$- | \$957,700 |
| Capital projects (incl. receivables) | 29,125,401 | (2,464,435) | 26,660,966 |
| Restricted: | | | |
| Capital projects-Levy | 415,244 | - | 415,244 |
| Debt service and reserves | 6,211,945 | (6,211,945) | - |
| Bond construction fund | 61,092,650 | - | 61,092,650 |
| | \$97,802,940 | \$(8,676,380) | \$89,126,560 |

6. Capital Assets

Capitalized interest for construction reimbursement projects is determined at the repayment date and calculated based on the construction draws for the project, and added to the cost of the project at that time. No interest expense was capitalized for fiscal year 2021 or fiscal year 2020.

Construction in progress increased a net of approximately \$526 thousand primarily as a result of the Highway 170 Water Main Extension project. Of the \$22.0 million in construction in progress at the end of fiscal year 2021, \$5.7 million is related to the Purrysburg Water Treatment Plant expansion project, \$4.1 million to the Galvanized Waterline Replacement project, \$3.4 million to the Highway 170 Water Main Extension project, and \$3.0 million to the Raw Water Canal Improvements project. The Authority expended \$14.0 million on capital assets related to construction projects during fiscal year 2021, with approximately \$13.4 million completed and moved to producing assets.

Capital asset activity during the prior two fiscal years was as follows:

DETAILED SCHEDULE OF CHANGES IN CAPITAL ASSETS
Year ended June 30, 2021

| | 30-Jun-20 | System Contributions | O&M | Capital | | 30-Jun-21 |
|---|----------------------|----------------------|--------------------------|---------------------|--------------------|----------------------|
| | | | Additions & Depreciation | Improvement Program | Disposals | |
| Capital Assets, not being depreciated: | | | | | | |
| Land and Land Rights | \$10,635,337 | \$- | \$- | \$- | \$- | \$10,635,337 |
| Construction in Progress | 21,531,083 | - | 13,956,541 | (13,430,126) | - | 22,057,498 |
| Total capital assets, not being depreciated | 32,166,420 | - | 13,956,541 | (13,430,126) | - | 32,692,835 |
| Capital Assets, being depreciated: | | | | | | |
| Administrative Fac. & Improv. | 14,491,450 | - | - | 636,701 | - | 15,128,151 |
| Source of Supply | 13,341,759 | - | - | 159,984 | - | 13,501,743 |
| Water Treatment Plant | 59,974,285 | - | - | 96,710 | - | 60,070,995 |
| Wastewater Treatment Plant | 133,492,590 | - | - | 5,936,066 | - | 139,428,656 |
| Water System Transmission & Distribution | 239,823,387 | 3,440,206 | 3,230,178 | 150,155 | - | 246,643,926 |
| Wastewater System Collection & Transmission | 288,417,154 | 6,245,846 | 264,764 | 6,242,962 | - | 301,170,726 |
| Wastewater Disposal Systems | 1,693,176 | - | - | - | - | 1,693,176 |
| Other General Equipment | 22,627,480 | - | 1,364,814 | 207,548 | (81,955) | 24,117,887 |
| Vehicles | 6,441,464 | - | 473,754 | - | (145,865) | 6,769,353 |
| Total capital assets, being depreciated | 780,302,745 | 9,686,052 | 5,333,510 | 13,430,126 | (227,820) | 808,524,613 |
| Less accumulated depreciation: | | | | | | |
| Administrative Fac. & Improv. | (4,724,605) | - | (440,310) | - | - | (5,164,915) |
| Source of Supply | (9,599,004) | - | (360,477) | - | - | (9,959,481) |
| Water Treatment Plant | (32,061,926) | - | (1,784,219) | - | - | (33,846,145) |
| Wastewater Treatment Plant | (48,124,734) | - | (3,925,293) | - | - | (52,050,027) |
| Water System Transmission & Distribution | (127,236,555) | - | (11,250,684) | - | - | (138,487,239) |
| Wastewater System Collection & Transmission | (151,334,575) | - | (9,845,344) | - | - | (161,179,919) |
| Wastewater Disposal Systems | (871,525) | - | (65,733) | - | - | (937,258) |
| Other General Equipment | (16,190,220) | - | (1,931,744) | - | 56,780 | (18,065,184) |
| Vehicles | (5,255,984) | - | (662,017) | - | 145,865 | (5,772,136) |
| Total accumulated depreciation | (395,399,128) | - | (30,265,821) | - | 202,645 | (425,462,304) |
| Total capital assets, being depreciated, net | 384,903,617 | 9,686,052 | (24,932,311) | 13,430,126 | (25,175) | 383,062,309 |
| Total capital assets, net | \$417,070,037 | \$9,686,052 | \$(-10,975,770) | \$- | \$(-25,175) | \$415,755,144 |

DETAILED SCHEDULE OF CHANGES IN CAPITAL ASSETS
 Year ended June 30, 2020

| | 30-Jun-19 | System Contributions | O&M Depreciation | Additions & Depreciation | Capital Improvement Program | Capital Disposals | 30-Jun-20 |
|---|----------------------|----------------------|-----------------------|-----------------------------|-----------------------------------|----------------------|----------------------|
| Capital Assets, not being depreciated: | | | | | | | |
| Land and Land Rights | \$10,504,536 | \$- | \$- | \$130,801 | \$- | \$- | \$10,635,337 |
| Construction in Progress | 20,155,493 | - | 22,183,435 | (20,807,845) | - | - | 21,531,083 |
| Total capital assets, not being depreciated | 30,660,029 | - | 22,183,435 | (20,677,044) | - | - | 32,166,420 |
| Capital Assets, being depreciated: | | | | | | | |
| Administrative Fac. & Improv. | 14,418,275 | - | - | 73,175 | - | - | 14,491,450 |
| Source of Supply | 13,278,859 | - | - | 62,900 | - | - | 13,341,759 |
| Water Treatment Plant | 59,541,453 | - | - | 432,832 | - | - | 59,974,285 |
| Wastewater Treatment Plant | 133,388,301 | - | - | 104,289 | - | - | 133,492,590 |
| Water System Transmission & Distribution | 230,387,181 | 3,850,075 | 1,969,187 | 3,616,944 | - | - | 239,823,387 |
| Wastewater System Collection & Transmission | 266,118,074 | 6,148,933 | 420,428 | 15,729,719 | - | - | 288,417,154 |
| Wastewater Disposal Systems | 1,693,176 | - | - | - | - | - | 1,693,176 |
| Other General Equipment | 21,118,000 | - | 887,944 | 657,185 | (35,649) | - | 22,627,480 |
| Vehicles | 6,168,841 | - | 757,551 | - | (484,928) | - | 6,441,464 |
| Total capital assets, being depreciated | 746,112,160 | 9,999,008 | 4,035,110 | 20,677,044 | (520,577) | 780,302,745 | |
| Less accumulated depreciation: | | | | | | | |
| Administrative Fac. & Improv. | (4,318,483) | - | (406,122) | - | - | - | (4,724,605) |
| Source of Supply | (9,146,538) | - | (452,466) | - | - | - | (9,599,004) |
| Water Treatment Plant | (30,276,336) | - | (1,785,590) | - | - | - | (32,061,926) |
| Wastewater Treatment Plant | (44,365,743) | - | (3,758,991) | - | - | - | (48,124,734) |
| Water System Transmission & Distribution | (117,538,043) | - | (9,698,512) | - | - | - | (127,236,555) |
| Wastewater System Collection & Transmission | (140,542,293) | - | (10,792,282) | - | - | - | (151,334,575) |
| Wastewater Disposal Systems | (805,793) | - | (65,732) | - | - | - | (871,525) |
| Other General Equipment | (14,158,071) | - | (2,067,798) | - | 35,649 | - | (16,190,220) |
| Vehicles | (5,035,502) | - | (705,410) | - | 484,928 | - | (5,255,984) |
| Total accumulated depreciation | (366,186,802) | - | (29,732,903) | - | 520,577 | - | (395,399,128) |
| Total capital assets, being depreciated, net | 379,925,358 | 9,999,008 | (25,697,793) | 20,677,044 | - | - | 384,903,617 |
| Total capital assets, net | \$410,585,387 | \$9,999,008 | \$(-3,514,358) | \$- | \$- | \$417,070,037 | |

7. Long-Term Debt

Long-term debt includes various bonds, loans, and notes payable that have been issued or approved by the Authority for the improvement or acquisition of water and wastewater infrastructure, and defeasance of outstanding debt. General covenants, along with debt service requirements, are disclosed below. See Note 5, designated & restricted assets, for a discussion of the accounts used in accounting for proceeds and reserves pledged as a result of the issuance of the various forms of debt. The Authority does not have any direct borrowings or direct placements as of June 30, 2021.

Revenue bonds and State Revolving Loan payables are collateralized by an irrevocable pledge of income and revenues derived from the operation of the systems. The revenues derived from the operation of the respective systems are to be used for expenses in connection with the administration and operation of the systems.

The Authority's debt instruments contain various covenants and restrictions, which among other things, require the Authority to provide certain financial information and meet certain financial tests. The Authority's bond resolutions require that "net earnings" (as defined in the bond resolution) are equal to at least 120% of the annual principal and interest requirements of all series of bonds outstanding in that year. For the years ended June 30, 2021 and 2020, the Authority's "net earnings" were 271% and 304%, respectively, of its annual principal and interest requirements of all series of bonds. Management believes that the Authority was in compliance with all covenants and restrictions of all debt instruments at June 30, 2021 and 2020.

REVENUE BONDS:

Series 2010B, Waterworks and Sewer System Refunding Revenue Bonds, dated April 22, 2010, were issued in the original principal amount of \$38,065,000, taking advantage of the favorable interest rate to refund the Series 1999 and 2000 Revenue Bonds; Series 1994, 1996, 1998, 1998B, 1993 (COB), 2000B, 2000C, 2000D, 2002A, 2002B, 2003A, 2003B, and 2003C State Revolving Fund Loans; and 2002 City of Hardeeville and 2004 Beaufort County School District Notes Payable. Proceeds in the amount of \$5,991,206 (along with \$128,239 of the Authority's accrued debt service fund) were paid to Bank of America, N.A., the holder of the 1999 Bond, to pay the principal, accrued interest, and redemption premium due on the bond as of April 22, 2010. Proceeds in the amount of \$5,606,365 (along with \$130,767 of the Authority's accrued debt service fund) were paid to Wachovia Bank, the holder of the 2000 Bond, to pay the principal, accrued interest, and redemption premium due on the bond as of April 22, 2010. All State Revolving Fund Notes are held by the South Carolina Budget and Control Board. Proceeds of \$26,597,332 (along with \$494,328 in debt service reserve funds and \$2,239,955 of the Authority's accrued debt service fund) were paid to US Bank, trustee, to pay the principal and accrued interest due on all refunded State Revolving Fund Notes as of April 22, 2010. Proceeds in the amount of \$1,151,011 were paid to Branch Banking & Trust Co. (BB&T), the holder of the 2002 City of Hardeeville Note Payable, to pay the principal, accrued interest, and premium due as of April 22, 2010. Proceeds in the amount of \$966,938 were paid to the Beaufort County School District, as holder of the March 2004 note payable, to pay the principal and accrued interest due on the note as of April 22, 2010. The refunding transaction resulted in a deferred amount on the refunding of \$235,986, which was recorded as a deferred outflow of resources and is amortized using the straight-line interest method through fiscal year 2023, with amortization recorded in the amount of \$16,856 for fiscal years 2021 and 2020. The new bonds were issued at a premium of \$2,660,805, which was recorded as an increase in the carrying balance of the bonds payable and is amortized using the effective interest method through fiscal year 2023, with amortization recorded in the amount of \$70,449 and \$89,610 for fiscal years 2021 and 2020, respectively. Payments are due in annual principal installments ranging from \$1,060,000 to \$4,820,000 through 2023, with interest at 2.5% to 5.0%, due March 1 and September 1.

Series 2016A, Waterworks and Sewer System Refunding Revenue Bonds, dated February 11, 2016, were issued in the original principal amount of \$11,880,000, taking advantage of the favorable interest rate to advance refund a portion of the Authority's Waterworks and Sewer System Improvement and Refunding Revenue Bonds, Series 2006. Proceeds in the amount of \$14,370,578 (along with \$288,222 of the Authority's accrued debt service fund) were paid to U.S. Bank, N.A., the holder of the 2006 Bond, to pay the principal, accrued interest, and redemption premium due on a portion of the Series 2006 bond as of February 11, 2016. The refunding transaction resulted in a deferred amount on the refunding of \$943,645, which was recorded as a deferred outflow of resources and is amortized using the straight-line interest method through fiscal year 2031, with amortization recorded in the amount of \$58,978 for fiscal years 2021 and 2020. The new bonds were issued at a premium of \$2,864,185, which was recorded as an increase in the carrying balance of the bonds payable and is amortized using the effective interest method through fiscal year 2031, with amortization recorded in the amount of \$214,266 and \$210,903 for fiscal years 2021 and 2020, respectively. Payments are due in annual principal installments ranging from \$175,000 to \$2,375,000 through 2031, with interest at 5.0%, due March 1 and September 1. This refunding increased total debt service payments by \$569,747 and resulted in economic gain of \$652,723.

Series 2016B, Waterworks and Sewer System Refunding Revenue Bonds, dated December 6, 2016, were issued in the original principal amount of \$31,725,000, taking advantage of the favorable interest rate to advance refund a portion of the Authority's Waterworks and Sewer System Improvement and Refunding Revenue Bonds, Series 2006. Proceeds in the amount of \$35,804,026 (along with \$439,711 of the Authority's accrued debt service fund) were paid to U.S. Bank, N.A., the holder of the 2006 Bond, to pay the principal, accrued interest, and redemption premium due on a portion of the Series 2006 bond as of December 6, 2016. The refunding transaction resulted in a deferred amount on the refunding of \$995,609, which was recorded as a deferred outflow of resources and is amortized using the straight-line interest method through fiscal year 2025, with amortization recorded in the amount of \$110,623 for fiscal years 2021 and 2020. The new bonds were issued at a premium of \$4,244,434, which was recorded as an increase in the carrying balance of the bonds payable and is amortized using the effective interest method through fiscal year 2025, with amortization recorded in the amount of \$566,724 and \$622,615 for fiscal years 2021 and 2020, respectively. Payments are due in annual principal installments ranging from \$2,145,000 to \$5,830,000 through 2025, with interest at 5.0%, due March 1 and September 1. This refunding reduced total debt service payments by \$6,694,545 and resulted in an economic gain of \$4,412,989.

Series 2019, Waterworks and Sewer System Revenue Bonds, dated October 30, 2019, were issued in the original principal amount of \$52,565,000 to provide funds for 1) the capacity expansion of the existing Purrysburg Water Treatment Plant, 2) the extension of a water main and construction of an elevated water storage tank on Bluffton Parkway, 3) the installation of a transmission main along North Street in the City of Beaufort to provide additional water to one of the two water lines that feed Lady's Island in Beaufort County, and 4) the upgrading of the Authority's Cheery Point pump stations numbers 19 and 67 to increase pumping capacity. The new bonds were issued at a premium of \$11,736,396, which was recorded as an increase in the carrying balance of the bonds payable and is amortized using the effective interest method through fiscal year 2039, with amortization recorded in the amount of \$821,992 and \$545,402 for fiscal years 2021 and 2020, respectively. Payments are due in annual principal installments ranging from \$2,695,000 to \$4,915,000 through 2039, with interest at 3.0% to 5.0%, due March 1 and September 1.

Series 2020A, Waterworks and Sewer System Refunding Revenue Bonds, dated April 16, 2020, were issued in the original principal amount of \$25,543,000, taking advantage of the favorable interest rate to advance refund Series 2004, 2005, 2008, 2009A, 2011B, and 2012 State Revolving Fund Loans. All State Revolving Fund Notes are held by the South Carolina Rural Infrastructure Authority, Office of Local Government. Proceeds in the amount of \$25,543,000 (along with \$614,525 of the Authority's accrued debt service fund) were paid to U.S. Bank, N.A., trustee, to pay the principal and accrued interest due on all refunded State Revolving Fund Notes as of April 16, 2020. Payments are due in annual principal installments ranging from \$868,000 to \$2,921,000 through 2032, with interest at 1.45%, due August 1 and February 1. This refunding reduced total debt service payments by \$1,119,998 and resulted in an economic gain of \$908,165.

STATE REVOLVING LOANS PAYABLE TO THE STATE TREASURER OF SOUTH CAROLINA/ OFFICE OF LOCAL GOVERNMENT:

Series 2000 (COH), Waterworks and Sewer System Improvement Revenue Parity Bonds, originally dated 1990 of the City of Hardeeville ("COH"), were assumed by the Authority as part of the City of Hardeeville acquisition on January 25, 2002, original principal amount of \$875,085 (SC Water Pollution Control Revolving Fund Number 1-067-00-427-04). Funds were utilized to upgrade the Hardeeville pump stations. Interest is accrued at 3.75%, with principal and interest due in quarterly payments of \$15,586 through October 1, 2021. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$14,495.

Series 2001B, Waterworks and Sewer System Improvement Revenue Bonds, dated December 5, 2001, were issued in the original principal amount of \$875,458 and final draw amount of \$814,410 (SC Drinking Water Revolving Loan Fund Number 3-011-02-0720003-06) to provide funds for improvements to the aquifer storage recovery system. Interest, in the amount of \$6,005, was capitalized in 2003 when the project was substantially complete and payments became due on the loan. Interest is accrued at 3.75%, with principal and interest due in quarterly payments of \$14,623 through March 1, 2023. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$13,464.

Series 2004, Waterworks and Sewer System Improvement Revenue Bonds, dated June 25, 2004, were issued with an original principal amount of \$24,781,500 and final draw amount of \$24,263,937 (SC Water Pollution Control Revolving Loan Fund Number X1-093-04-520-17) to provide funds for the Port Royal Island Water Reclamation Facility expansion. Interest, in the amount of \$738,442, was capitalized in 2006 when the project was substantially complete and payments became due on the loan. Interest is accrued at 3%, with principal and interest due in quarterly payments of \$416,745 through August 1, 2026. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$395,486. In fiscal year 2020 \$25,543,000 was refunded with the issuance of the 2020A Revenue Bonds and the remaining balance of \$10,555,198 was paid in full.

Series 2005, Waterworks and Sewer System Improvement Revenue Bonds, dated June 24, 2005, were issued with an original principal amount of \$2,802,500 (SC Water Pollution Control Revolving Loan Fund Number X1-100-05-520-18), final draw amount of \$2,701,734, to provide funds for the Battery Creek crossing and Beaufort River Outfall effluent line and force main related to the Port Royal Island Water Reclamation Facility. No draws were made as of the payment initiation date, October 1, 2005, and, therefore, no interest was capitalized. Interest is accrued at 3.25%, with principal and interest due in quarterly payments of \$46,061 through October 1, 2025. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$43,104. In fiscal year 2020 \$25,543,000 was refunded with the issuance of the 2020A Revenue Bonds and the remaining balance of \$1,002,650 was paid in full.

Series 2008, Waterworks and Sewer System Improvement Revenue bonds, dated October 27, 2008, were issued with an original principal amount of \$2,561,486 and final draw amount of \$2,440,331 (SC Drinking Water Revolving Loan Fund Number 3-034-08-0720003-14) to provide funds for the construction of a Sodium Hypochlorite system and new communications tower at the Chelsea Water Treatment Plant. Interest is accrued at 3.00%, with principal and interest due in quarterly payments of \$40,676 through May 1, 2029. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$38,262. In fiscal year 2020 \$25,543,000 was refunded with the issuance of the 2020A Revenue Bonds and the remaining balance of \$1,367,105 was paid in full.

Series 2009A, Waterworks and Sewer System Improvement Revenue bonds, dated September 23, 2009, were issued with an original principal amount of \$3,331,410 and final draw amount of \$3,130,266 (SC Drinking Water Revolving Loan Fund Number X3-047-09-0720003-15) to provide funds for the construction of an aquifer storage and recovery system (ASR3) connected to the Authority's water system. Interest, in the amount of \$6,231, was capitalized as of the payment initiation date of June 1, 2010. Interest is accrued at 3.50%, with principal and interest due in quarterly payments of \$58,188 through June 1, 2030. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$49,106. In fiscal year 2020 \$25,543,000 was refunded with the issuance of the 2020A Revenue Bonds and the remaining balance of \$1,909,295 was paid in full.

Series 2010A, Waterworks and Sewer System Improvement Revenue bonds, dated February 26, 2010, were issued with an original principal amount of \$13,773,549 and final draw amount of \$13,244,155 (SC Drinking Water Pollution Control Revolving Loan Fund Number 1-132-10-520-20) to provide funds for the Consolidation of the Military Wastewater Treatment Plants. Interest, in the amount of \$90,154, was capitalized as of the payment initiation date of October 1, 2010. Interest is accrued at 3.50%, with principal and interest due in quarterly payments of \$241,696 through October 1, 2030. The interest was reduced to 2.25% in fiscal year 2012 resulting in remaining quarterly principal and interest payments of \$208,498.

Series 2011A, Waterworks and Sewer System Improvement Revenue bonds, dated September 23, 2011, were issued with an original principal amount of \$411,418 and final draw of \$411,228 (SC Drinking Water Pollution Control Revolving Loan Fund Number X1-146-11-520-28) to provide funds for the Tansi Village Sewer System Rehabilitation. Interest is accrued at 1.00%, with principal and interest due in quarterly payments of \$5,678 through April 1, 2032.

Series 2011B, Waterworks and Sewer System Improvement Revenue bonds, dated September 23, 2011, were issued with an original principal amount of \$4,013,125 and final draw of \$3,911,884 (SC Drinking Water Pollution Control Revolving Loan Fund Number X1-147-11-520-23) to provide funds for the Rehabilitation of Four Collection Systems. Interest is accrued at 3.00%, with principal and interest due in quarterly payments of \$66,892 through August 1, 2032. The interest was reduced to 2.25% on December 28, 2011 resulting in remaining quarterly principal and interest payments of \$60,858. In fiscal year 2020 \$25,543,000 was refunded with the issuance of the 2020A Revenue Bonds and the remaining balance of \$2,782,397 was paid in full.

Series 2012, Waterworks and Sewer System Improvement Revenue bonds, dated July 27, 2012, were issued with an original principal amount of \$14,084,900 and final draw of \$14,040,926 (SC Drinking Water Revolving Fund Number 3-052-12-0720003-18) to provide funds for the Purrysburg-Levy Water Line. Interest is accrued at 2.25%, with principal and interest due in quarterly payments of \$218,438 through April 1, 2033. In fiscal year 2020 \$25,543,000 was refunded with the issuance of the 2020A Revenue Bonds and the remaining balance of \$10,308,664 was paid in full.

Series 2016C, Waterworks and Sewer System Improvement Revenue bonds, dated September 23, 2016, were issued with an original principal amount of \$29,341,480 and final draw of \$29,724,340 (SC Water Pollution Control Revolving Loan Fund Number 1-180-16-520-29) to provide funds for the Hardeeville Water Reclamation Facility Expansion. In addition, interest in the amount of \$498,445, was capitalized as of the payment initiation date of October 1, 2018. Interest is accrued at 1.67% blended rate, with principal and interest due in quarterly payments of \$432,248 through October 1, 2038.

Series 2020B, Waterworks and Sewer System Improvement Revenue bonds, dated May 19, 2020, were issued with an original principal amount of \$6,542,800 (SC Drinking Water Revolving Loan Fund Number 3-087-19-0720003-19) to provide funds for the Highway 170 Water Line. As of June 30, 2021, no draws have been taken. Interest is accrued at 2.60%, with principal and interest due in quarterly payments of \$105,143 through April 1, 2041.

OTHER NOTES PAYABLE:

2008 Department of the Navy is an unsecured note payable between the Authority and the US Department of the Navy, in the original amount of \$15,039,628 to finance the purchase price of the water and wastewater assets on the 4 military installations (Naval Hospital, Parris Island, Air Station and Laurel Bay). Interest is accrued at 5% with monthly payments of principal and interest in the amount of \$90,505 through May 31, 2033.

CHANGES IN LONG-TERM LIABILITIES

A summary of the long-term liability activity for 2020 and 2021 is presented in the following table:

| Description | Rate | 6/30/2019 | 2020 | | 2021 | | 6/30/2021 | Current |
|------------------------------------|-------------|----------------------|-------------------|---------------------|----------------------|-----------|---------------------|----------------------|
| | | | Additions | Reductions | 6/30/2020 | Additions | Reductions | |
| Revenue Bonds: | | | | | | | | |
| Series 2010B | 2.5 to 5.0% | \$5,055,000 | \$- | \$(1,780,000) | \$3,275,000 | \$- | \$(1,060,000) | \$2,215,000 |
| Series 2016A | 5.0% | 11,880,000 | - | - | 11,880,000 | - | - | 11,880,000 |
| Series 2016B | 5.0% | 27,285,000 | - | (2,735,000) | 24,550,000 | - | (3,935,000) | 20,615,000 |
| Series 2019 | 3.0 to 5.0% | - | 52,565,000 | - | 52,565,000 | - | - | 52,565,000 |
| Series 2020A | 1.45% | - | 25,543,000 | - | 25,543,000 | - | (2,834,000) | 22,709,000 |
| | | 44,220,000 | 78,108,000 | (4,515,000) | 117,813,000 | - | (7,829,000) | 109,984,000 |
| Add: Bond Premiums | | 5,468,401 | 11,736,396 | (1,555,242) | 15,649,555 | - | (2,305,053) | 13,344,502 |
| Total Revenue Bonds | | 49,688,401 | 89,844,396 | (6,070,242) | 133,462,555 | - | (10,134,053) | 123,328,502 |
| | | | | | | | | 8,396,000 |
| State Revolving Fund Loans: | | | | | | | | |
| Series 2000 (COH) | 2.25% | 126,857 | - | (55,591) | 71,266 | - | (56,853) | 14,413 |
| Series 2001B | 2.25% | 193,153 | - | (49,929) | 143,224 | - | (51,062) | 92,162 |
| Series 2004 | 2.25% | 10,555,198 | - | (10,555,198) | - | - | - | - |
| Series 2005 | 2.25% | 1,002,650 | - | (1,002,650) | - | - | - | - |
| Series 2008 | 2.25% | 1,367,105 | - | (1,367,105) | - | - | - | - |
| Series 2009A | 2.25% | 1,909,295 | - | (1,909,295) | - | - | - | - |
| Series 2010A | 2.25% | 8,268,702 | - | (653,435) | 7,615,267 | - | (668,262) | 6,947,005 |
| Series 2011A | 1.00% | 271,554 | - | (20,071) | 251,483 | - | (20,273) | 231,210 |
| Series 2011B | 2.25% | 2,782,397 | - | (2,782,397) | - | - | - | - |
| Series 2012 | 2.25% | 10,308,664 | - | (10,308,664) | - | - | - | - |
| Series 2016C | 1.67% | 28,526,324 | 248,434 | (1,275,400) | 27,499,358 | - | (1,300,387) | 26,198,971 |
| Total State Revolving Loans | | 65,311,899 | 248,434 | (29,979,735) | 35,580,598 | - | (2,096,837) | 33,483,761 |
| | | | | | | | | 2,092,678 |
| Notes Payable | | | | | | | | |
| Department of Navy | 5.0% | 10,837,619 | - | (544,180) | 10,293,439 | - | (571,389) | 9,722,050 |
| Total Notes Payable | | 10,837,619 | - | (544,180) | 10,293,439 | - | (571,389) | 9,722,050 |
| | | | | | | | | 599,958 |
| Total Long Term Liabilities | | 125,837,919 | 90,092,830 | (36,594,157) | 179,336,592 | - | (12,802,279) | 166,534,313 |
| Less current portion | | (9,728,239) | | | (10,497,225) | | | (11,088,636) |
| Total Long-Term Debt | | \$116,109,680 | | | \$168,839,367 | | | \$155,445,677 |

CHANGES IN DEFERRED OUTFLOWS OF RESOURCES

Changes in deferred amounts on advance refundings for 2020 and 2021 are as follows:

| | 2020 | | | 2021 | | | 6/30/2021 | | |
|--|---------------------|-----------|------------|-----------|----------------------|------------|-----------|-----------|----------------------|
| | 6/30/2019 | Additions | Reductions | 6/30/2020 | Additions | Reductions | | | |
| Deferred outflows of resources: | | | | | | | | | |
| Deferred Amount on Refundings | \$1,438,902) | | \$- | \$186,457 | \$(1,252,445) | | \$- | \$186,457 | \$(1,065,988) |

REMAINING DEBT PAYMENTS

Remaining debt service payments at June 30, 2021, including annual sinking fund payments, are as follows:

| | <u>Revenue Bonds</u> | | <u>SRF Loans</u> | | <u>Notes Payable</u> | | <u>Total</u> | |
|-----------|----------------------|---------------------|---------------------|--------------------|----------------------|--------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | 8,396,000 | 4,461,410 | 2,092,678 | 584,013 | 599,958 | 486,102 | 11,088,636 | 5,531,525 |
| 2023 | 8,811,000 | 4,140,578 | 2,103,830 | 544,902 | 629,957 | 456,103 | 11,544,787 | 5,141,583 |
| 2024 | 8,710,000 | 3,800,387 | 2,102,469 | 505,871 | 661,454 | 424,606 | 11,473,923 | 4,730,864 |
| 2025 | 9,651,000 | 3,466,829 | 2,141,802 | 466,538 | 694,526 | 391,534 | 12,487,328 | 4,324,901 |
| 2026 | 5,747,000 | 3,088,294 | 2,181,901 | 426,439 | 729,253 | 356,807 | 8,658,154 | 3,871,540 |
| 2027-2031 | 32,549,000 | 11,928,094 | 10,909,894 | 1,506,313 | 4,231,067 | 1,199,233 | 47,689,961 | 14,633,640 |
| 2032-2036 | 21,880,000 | 5,573,397 | 8,091,921 | 683,290 | 2,175,835 | 177,336 | 32,147,756 | 6,434,023 |
| 2037-2041 | 14,240,000 | 1,103,000 | 3,859,266 | 81,364 | - | - | 18,099,266 | 1,184,364 |
| | \$109,984,000 | \$37,561,989 | \$33,483,761 | \$4,798,730 | \$9,722,050 | \$3,491,721 | \$153,189,811 | \$45,852,440 |

DEBT COMPONENTS

The components of the Statement of Net Position entitled revenue bonds, state revolving fund, and notes payable from current liabilities, current liabilities payable from restricted assets, and long-term liabilities for 2021 and 2020 are as follows:

| | <u>Principal</u> | <u>Premiums and Discounts</u> | <u>6/30/2021</u> |
|---|----------------------|-----------------------------------|----------------------|
| Current liabilities: | | | |
| Revenue Bonds | \$4,147,569 | \$- | \$4,147,569 |
| State Revolving Fund | 2,088,359 | - | 2,088,359 |
| Notes Payable | 599,958 | - | 599,958 |
| | <u>6,835,886</u> | | <u>6,835,886</u> |
| Current liabilities payable from designated & restricted assets: | | | |
| Revenue Bonds | 4,248,431 | - | 4,248,431 |
| State Revolving Fund | 4,319 | - | 4,319 |
| | <u>4,252,750</u> | | <u>4,252,750</u> |
| Long-term liabilities: | | | |
| Revenue Bonds | 101,588,000 | 13,344,502 | 114,932,502 |
| State Revolving Fund | 31,391,083 | - | 31,391,083 |
| Notes Payable | 9,122,092 | - | 9,122,092 |
| | <u>142,101,175</u> | <u>13,344,502</u> | <u>155,445,677</u> |
| TOTALS | \$153,189,811 | \$13,344,502 | \$166,534,313 |
| | | | |
| | <u>Principal</u> | <u>Premiums and Discounts</u> | <u>6/30/2020</u> |
| Current liabilities: | | | |
| Revenue Bonds | \$3,160,945 | \$- | \$3,160,945 |
| State Revolving Fund | 2,092,615 | - | 2,092,615 |
| Notes Payable | 571,389 | - | 571,389 |
| | <u>5,824,949</u> | - | <u>5,824,949</u> |
| Current liabilities payable from designated & restricted assets: | | | |
| Revenue Bonds | 4,668,055 | - | 4,668,055 |
| State Revolving Fund | 4,221 | - | 4,221 |
| | <u>4,672,276</u> | | <u>4,672,276</u> |
| Long-term liabilities: | | | |
| Revenue Bonds | 109,984,000 | 15,649,555 | 125,633,555 |
| State Revolving Fund | 33,483,762 | - | 33,483,762 |
| Notes Payable | 9,722,050 | - | 9,722,050 |
| | <u>153,189,812</u> | <u>15,649,555</u> | <u>168,839,367</u> |
| TOTALS | \$163,687,037 | \$- | \$179,336,592 |

8. Pension Plan

PLAN DESCRIPTION

BJWSA is a member of the South Carolina Retirement System (SCRS), which is administered by the South Carolina Public Employee Benefit Authority (PEBA). The Plan is a cost sharing multi-employer defined benefit pension plan, 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 allowances and other benefits for employees of the state, its public school districts, and political subdivisions. An Annual Comprehensive Financial Report containing financial statements and required supplementary information for the SCRS is publicly available on their website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA.

MEMBERSHIP

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

BENEFITS

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provision 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

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations. Employee contributions of 9.00% of earnable compensation were made through payroll deductions for both fiscal years June 30, 2021 and 2020. BJWSA, as a Class II employer, was required to contribute at a rate of 15.41%, 15.41%, and 14.41% employee earnable compensation for fiscal years June 30, 2021, 2020, and 2019, respectively. For years ended June 30, 2021, 2020, and 2019, wages of \$12,188,485, \$12,100,840, and \$11,687,439 were subject to retirement, representing 94.33%, 83.29%, and 94.01%, respectively, of total gross salaries. Total salaries were \$12,920,647, \$14,529,414, and \$12,432,048 for 2021, 2020, and 2019, respectively. BJWSA is also required to contribute 0.15% of earnable compensation to the system for group life insurance. BJWSA's contribution for retirement and life insurance for the fiscal years ended June 30, 2021, 2020 and 2019 were \$1,896,527, \$1,882,891, and \$1,701,692, respectively, which is 15.56%, 15.56%, and 14.56%, respectively, of covered salaries. BJWSA contributed 100% of its annual required contributions for fiscal years 2021, 2020, and 2019.

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

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

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

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

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

NET PENSION LIABILITY

At June 30, 2021, the Authority reported \$27,714,946 for its proportionate share of the collective net pension liability of SCRS. The net pension liability of the SCRS plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, projected forward to June 30, 2020. The Authority's proportionate share of the SCRS net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Authority's proportionate share of the SCRS plan was 0.108466%, a decrease of .00221 from the prior year.

DISCOUNT RATE

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

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

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

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|----------------------------------|-------------------------|---|--|
| Global Equity | 51.0% | | |
| Global Public Equity | 35.0% | 7.81% | 2.73% |
| Private Equity | 9.0% | 8.91% | 0.80% |
| Equity Options Strategies | 7.0% | 5.09% | 0.36% |
| Real Assets | 12.0% | | |
| Real Estate (Private) | 8.0% | 5.55% | 0.44% |
| Real Estate (REITs) | 1.0% | 7.78% | 0.08% |
| Infrastructure (Private) | 2.0% | 4.88% | 0.10% |
| Infrastructure (Public) | 1.0% | 7.05% | 0.07% |
| Opportunistic | 8.0% | | |
| Global Tactical Asset Allocation | 7.0% | 3.56% | 0.25% |
| Other Opportunistic Strategies | 1.0% | 4.41% | 0.04% |
| Diversified Credit | 15.0% | | |
| High Yield Bonds/ Bank Loans | 4.0% | 4.21% | 0.17% |
| Emerging Markets Debt | 4.0% | 3.44% | 0.14% |
| Private Debt | 7.0% | 5.79% | 0.40% |
| Conservative Fixed Income | 14.0% | | |
| Core Fixed Income | 13.0% | 1.60% | 0.21% |
| Cash and Short Duration (Net) | 1.0% | 0.56% | 0.01% |
| Total Expected Real Return | 100.0% | | 5.80% |
| Inflation for Actuarial Purposes | | | 2.25% |
| Total Expected Nominal Return | | | 8.05% |

SENSITIVITY ANALYSIS

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Authority's proportionate share of the net pension liability | \$34,349,277 | \$27,714,948 | \$22,175,199 |

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued SCRS financial report.

DEFERRED OUTFLOWS/(INFLows) OF RESOURCES

For the year ended June 30, 2021 and 2020, the Authority recognized pension expense of \$3,257,513 and \$3,342,306, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | 2021 | | 2020 | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$319,794 | \$104,802 | \$17,373 | \$181,554 |
| Net difference between projected and actual earnings on pension plan investments | 2,038,667 | - | 223,747 | - |
| Changes in pension assumptions | 33,955 | - | 509,281 | - |
| Changes in proportionate share of plan contributions | 251,854 | 370,481 | 663,731 | - |
| Contributions subsequent to the measurement date | 1,896,527 | - | 1,882,891 | - |
| Total | \$4,540,797 | \$475,283 | \$3,297,023 | \$181,554 |

Deferred outflows of resources of \$1,896,527 related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2020. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2020 was 3.984 years for SCRS.

Measurement Period ending June 30:

| | |
|--|--------------------|
| 2021 | \$429,857 |
| 2022 | 628,794 |
| 2023 | 590,112 |
| 2024 | 520,224 |
| Net Balance of deferred Outflows/(Inflows) of Resources | \$2,168,987 |

9. Other Postemployment Benefits

PLAN DESCRIPTION

Other postemployment benefits (OPEB) are part of the total compensation offered to attract and retain the services of qualified employees. The Authority provides other postemployment benefits under a single-employer benefit plan. There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. A retiring employee under the South Carolina Retirement System (SCRS) who has served at least five consecutive years in a full time, regular position, is eligible to elect post-retirement insurance coverage. An employee retiring under approved disability must have at least five years for Class Two retirees and eight years for Class Three retirees of earned service unless the disability is a result of an injury arising out of and in the course of their job duties.

In addition to the requirements shown below, retirees must also meet the class rules. Class Two employees are those employees hired prior to July 1, 2012. Class Three employees are those employees hired on or after July 1, 2012. Class Two employees must have 5 years of earned service and Class Three employees must have 8 years of earned service.

Normal (unreduced) Retirement Requirements

| Class Two | Class Three |
|---|---|
| Any age with 28 years of service; or at age 65 with at least 5 years of service | Rule of 90; or at age 65 with at least 8 years of service |

Early (reduced) Retirement Requirements

| Class Two | Class Three |
|---|---|
| Age 60 with at least 5 years of service; or at age 55 with at least 25 years of service | Age 60 with at least 8 years of service |

Employees hired before May 2, 2008

- At age 60 or with 5 years of earned service. The participant will pay Funded premium rates if the participant retired with at least 10 years of service.
- At age 55 with 25 years of service, 5 years which must be earned. Participant pays Non-Funded rates until age 60 or would have obtained 28 years of service, whichever is first, at which time they will pay the Funded premium rates.
- At any age with 28 years of service, 5 years must be earned. Participant will pay the Funded premium rates.
- At any age with approved disability by SCRS. The participant will pay Funded premium rates if the participant retired with at least 10 years of service.

Employees hired on or after May 2, 2008

- Employees hired on or after May 2, 2008 will be required to have 25 years of service to be eligible for the fully Funded premium rates and 15 years of service to be eligible for partially Funded premium rates (50% of the employer share)

The following table provides a summary of the number of participants in the plan as of June 30, 2020:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 42 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | - |
| Active Plan Members | 178 |
| Total Plan Members | 220 |

TOTAL OPEB LIABILITY

The Authority reported a total OPEB liability of \$20,120,667 at June 30, 2021. The total OPEB liability is based on an actuarial valuation performed as of June 30, 2019 and a measurement date of June 30, 2020.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs:

Valuation Date: June 30, 2019

Methods and Assumptions:

Actuarial cost method Individual Entry-Age

Discount Rate 2.45% as of June 30, 2020

Inflation 2.25%

Salary Increases 3.00% to 7.00%, including inflation

Demographic Assumptions Based on the experience study covering the five-year period ending June 30, 2015 as conducted for the South Carolina Retirement Systems (SCRS).

For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. The following multipliers are applied to the base tables: 100% for male SCRS members and 111% for female SCRS members.

Health Care Trend Rates Initial rate of 6.40% declining to an ultimate rate of 4.00% after 15 years.

90% for retirees eligible for fully Funded premium rates;
60% for retirees eligible for partially Funded premium rates;

Participation Rates 20% for retirees eligible for Non-Funded premium rates

Other Information:

Notes The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020.
Additionally, the health care trend rates were updated to reflect the plan's anticipated experience.

DISCOUNT RATE

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the Authority's valuation, the municipal bond rate is 2.45% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.13% as of the prior measurement date.

CHANGES IN TOTAL OPEB LIABILITY

The below schedule shows the changes in the total OPEB liability for fiscal year ending June 30, 2021:

| | |
|--|---------------------|
| Balance at June 30, 2020 | \$17,476,441 |
| Changes for the year: | |
| Service Cost | 729,483 |
| Interest | 550,563 |
| Differences between expected and actual experience | 40,485 |
| Changes in pension assumptions | 1,826,320 |
| Benefit payments | (502,625) |
| Net changes | 2,644,226 |
| Balance at June 30, 2021 | \$20,120,667 |

Changes of assumptions reflect a change in the discount rate from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020.

The benefit payments during the measurement period were determined as follows:

| | |
|----------------------------|-----------|
| Explicit benefit payments | \$387,529 |
| Implicit benefit payments* | 115,096 |
| Total benefit payments | \$502,625 |

*Explicit benefit payments multiplied by a factor of 0.297, which equals the ratio of the expected implicit subsidy to the expected explicit costs.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATE

The following presents the plan's total OPEB liability, calculated using a discount rate of 2.45%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

| | Current Discount | | |
|-----------------------------|------------------|-----------------|--------------|
| | 1% Decrease | Rate Assumption | 1% Increase |
| | 1.45% | 2.45% | 3.45% |
| Total OPEB liability | \$23,734,008 | \$20,120,667 | \$17,231,941 |

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| | Current Healthcare Cost | | |
|-----------------------------|-------------------------|-----------------------|--------------|
| | 1% Decrease | Trend Rate Assumption | 1% Increase |
| | 16,519,314 | \$20,120,667 | \$24,872,958 |
| Total OPEB liability | | | |

OPEB EXPENSE AND DEFERRED OUTFLOWS/(INFLows) OF RESOURCES RELATED TO OPEB

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 1,995 years. Additionally, the total plan membership (active employees and inactive employees) was 220. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 9.0678 years.

For the year ended June 30, 2021 and 2020, the Authority recognized OPEB expense of \$1,548,280 and \$1,216,378, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

| | 2021 | | 2020 | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$573,751 | \$- | \$614,197 | \$- |
| Changes in assumptions | 2,772,388 | 897,586 | 1,309,827 | 1,074,042 |
| Contributions subsequent to the measurement date | 573,812 | - | 502,625 | - |
| Total | \$3,919,951 | \$897,586 | \$2,426,649 | \$1,074,042 |

The deferred outflow of \$573,812 for benefits paid after the measurement date consists of \$442,415 of explicit subsidies and \$131,397 of implicit subsidies. The implicit subsidy was estimated by multiplying the explicit costs by 0.297. The 0.297 factor equals the ratio of the expected implicit subsidy to the expected explicit costs. The deferred outflow of \$573,812 will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2021.

Year ending June 30:

| | |
|--|--------------------|
| 2022 | \$268,234 |
| 2023 | 268,234 |
| 2024 | 268,234 |
| 2025 | 268,234 |
| 2026 | 267,656 |
| Thereafter | 1,107,961 |
| Net Balance of deferred Outflows/(Inflows) of Resources | \$2,448,553 |

10. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The net position amounts for fiscal years ended June 30, 2021 and 2020 were as follows:

| | June 30 | |
|--|-----------------------------|-----------------------------|
| | 2021 | 2020 |
| Net investment in capital assets | | |
| Net property, plant and equipment in service | \$415,755,144 | \$417,070,037 |
| Less: Debt as disclosed in note 7 | (153,189,811) | (163,687,037) |
| Premiums on bonds | (13,344,502) | (15,649,555) |
| Deferred amount on refunding | 1,065,988 | 1,252,445 |
| Bond Construction Fund proceeds unspent | 57,225,714 | 61,092,649 |
| | <u>307,512,533</u> | <u>300,078,539</u> |
| Restricted for capital activity and debt service: | | |
| Restricted cash and cash equivalents | 63,415,216 | 67,719,839 |
| Less: Debt service liabilities | (5,774,258) | (6,211,945) |
| Bond Construction Fund proceeds unspent | (57,225,714) | (61,092,649) |
| | <u>415,244</u> | <u>415,245</u> |
| Unrestricted | <u>51,584,495</u> | <u>41,724,696</u> |
| Total Net Position | <u>\$359,512,272</u> | <u>\$342,218,480</u> |

11. Commitments and Contingencies

CONSTRUCTION COMMITMENTS

In the normal course of its business, BJWSA has numerous contracts for construction and other activities related to the capital improvement program that it is committed to complete and pay. As of June 30, 2021, BJWSA had open contracts (purchase orders) of \$24,082,305, including \$717,075 retainage payable, to be paid upon further progress by contractors. As of June 30, 2020, BJWSA had open contracts (purchase orders) of \$2,982,082, including \$582,107 retainage payable, to be paid upon further progress by contractors.

SERVICE CONTRACTS

The Authority has entered into various long-term contracts to provide water and wastewater treatment services to retail and wholesale customers, including other local governments and utilities. Contracts vary as to the system's capacity allocations and periodic revision in service rates.

GRANTS

Amounts received or receivable from government agencies are subject to audit and adjustment by those agencies. The Authority has never experienced noncompliance and has never been subject to adjustments or refunds as a result of such audits.

12. Risk Management

The Authority is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related injuries or illnesses to employees; natural disasters and employee health and accident. To insure against casualty risks the Authority is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments in South Carolina.

The Authority acquires insurance from the Accident Fund Insurance Company of America for job related injury and illness (workers' compensation) to its employees. Through June 30, 2021, medical insurance coverage, encompassing health, dental, life and other medical benefits to employees and their dependents, was obtained via the State's group insurance program.

During 2021 and 2020, the Authority did not experience any significant uninsured claims. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provision for claims not filed is necessary.

13. Major Customers

Revenues from the largest three customers represented 4.02% and 4.39% of total operating revenues for fiscal years 2021 and 2020, respectively. No sales to a single major customer exceeded 10% of total operating revenues.

14. Department of the Navy

In 1997 the Department of the Navy (Navy) solicited proposals for the privatization of the water and sewer utilities on the Marine Corp Air Station (MCAS), Parris Island Marine Corp Recruit Depot (PI), Laurel Bay Housing (LB), and Naval Hospital Beaufort (NH). After several years of negotiation, the Authority's proposal was accepted by the Navy in late 2007. In February 2008 the Authority and the Navy signed a 50-year, \$252 million contract to privatize the water and sewer utilities effective September 1, 2008.

Under the terms of the contract, the Authority purchased the water and sewer facilities and agreed to provide operations and maintenance (O&M) services to the four installations for a set annual charge (facility charge). The facility charge is a flat monthly charge based on cost of service which can be re-determined every three years. On September 1, 2008, the Authority began providing O&M services to the four installations. The Authority recognized \$1.2 million and \$1.7 million in Military Retail Water revenue in fiscal years 2021 and 2020, respectively. The Authority recognized \$2.82 million and \$2.94 million in Military Retail Wastewater revenue in fiscal years 2021 and 2020, respectively.

The Authority purchased the Navy water and sewer facilities for \$15.3 million through a liability payable over 25 years at 5% interest. Payments began in September 2008, will end on August 31, 2033 and are made as a credit (purchase price credit) on the Navy's monthly Facility charge invoice. During the years ended June 30, 2021 and 2020, the Navy liability was reduced by \$571 thousand and \$544 thousand, respectively, via purchase price credits with an ending balance of \$9.7 million and \$10.3 million, respectively.

The Navy agreed to pay the Authority \$42.1 million to bring the military water and wastewater systems up to industry standards. These construction projects are Initial System Modifications (ISMs) and represent a receivable for the Authority. The ISMs will be reimbursed by the Navy in the following manner: (1) \$8.97 million at commencement of contract which is the Navy's share of the completed Port Royal Island Water Reclamation Facility (PRIWRF) plant expansion, (2) \$7.32 million when consolidation construction is completed (paid September 2010) and (3) \$11.99 million paid over 20 years at 4% interest with partial payments beginning in fiscal year 2012 and full payments starting in fiscal year 2015. In fiscal year 2010, the receivable and unearned revenue for the ISMs were reduced by a price adjustment of \$1.33 million. In fiscal year 2011, the receivable and unearned revenue for the ISMs were increased by a price adjustment of \$959 thousand. The Authority received principal payments of \$1.1 million for fiscal years 2021 and 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*

| | Authority's proportion of the net pension liability | Authority's proportionate share of the net pension liability | Authority's covered payroll | Authority's proportionate share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-----------|--|---|------------------------------------|--|---|
| 6/30/2014 | 0.100025% | \$17,940,917 | \$9,582,742 | 187.22% | 56.40% |
| 6/30/2015 | 0.100025% | 17,220,989 | 9,080,983 | 189.64% | 59.90% |
| 6/30/2016 | 0.099187% | 18,811,293 | 9,299,952 | 202.27% | 57.00% |
| 6/30/2017 | 0.102607% | 21,916,704 | 9,936,160 | 220.58% | 52.90% |
| 6/30/2018 | 0.108375% | 24,396,955 | 10,934,654 | 223.12% | 53.30% |
| 6/30/2019 | 0.108634% | 24,341,398 | 11,257,491 | 216.22% | 54.10% |
| 6/30/2020 | 0.110679% | 25,272,686 | 11,687,439 | 216.24% | 54.40% |
| 6/30/2021 | 0.108466% | 27,714,948 | 12,100,840 | 229.03% | 50.70% |

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO SCRS - LAST 10 FISCAL YEARS

| | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Authority's covered payroll | Contributions as a percentage of covered payroll |
|-----------|--|---|---|------------------------------------|---|
| 6/30/2012 | 906,127 | (906,127) | - | 9,503,163 | 9.54% |
| 6/30/2013 | 1,015,771 | (1,015,771) | - | 9,582,742 | 10.60% |
| 6/30/2014 | 962,583 | (962,583) | - | 9,080,983 | 10.60% |
| 6/30/2015 | 1,013,693 | (1,013,693) | - | 9,299,952 | 10.90% |
| 6/30/2016 | 1,098,939 | (1,098,939) | - | 9,936,160 | 11.06% |
| 6/30/2017 | 1,264,045 | (1,264,045) | - | 10,934,654 | 11.56% |
| 6/30/2018 | 1,526,515 | (1,526,515) | - | 11,257,491 | 13.56% |
| 6/30/2019 | 1,701,692 | (1,701,692) | - | 11,687,439 | 14.56% |
| 6/30/2020 | 1,882,891 | (1,882,891) | - | 12,100,840 | 15.56% |
| 6/30/2021 | 1,896,527 | (1,896,527) | - | 12,188,485 | 15.56% |

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS*

| Fiscal Year Ending June 30, | 2021 | 2020 | 2019 | 2018 |
|--|------------------|------------------|------------------|------------------|
| Service Cost | \$729,483 | \$621,304 | \$578,685 | \$670,360 |
| Interest on the total OPEB liability | 550,563 | 532,712 | 502,665 | 433,430 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | 40,485 | 670,246 | 22,968 | - |
| Changes of assumptions | 1,826,320 | 1,472,179 | (132,152) | (1,456,580) |
| Benefit payments | (502,625) | (450,318) | (344,631) | (305,468) |
| Net change in total OPEB liability | 2,644,226 | 2,846,123 | 627,535 | (658,258) |
| Total OPEB liability - beginning | 17,476,441 | 14,630,318 | 14,002,783 | 14,661,041 |
| Total OPEB liability - ending | 20,120,667 | 17,476,441 | 14,630,318 | 14,002,783 |
| Covered-employee payroll | \$14,529,414 | \$12,432,048 | \$11,913,076 | \$11,717,123 |
| Total OPEB liability as a percentage of covered-employee payroll | 138.48% | 140.58% | 122.81% | 119.51% |

Notes to Schedule:

FYE21 - The health care trend rates were updated to reflect the repeal of the excise tax on high-cost employer health plans.

FYE20 - The health care trend assumption was modified.

Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| FYE | Discount Rate |
|-------------|----------------------|
| 2021 | 2.45% |
| 2020 | 3.13% |
| 2019 | 3.62% |
| 2018 | 3.56% |

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY FINANCIAL DATA

The following system schedules and analysis are furnished solely as supplementary information and are not required by GAAP.

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2021

(with comparative amounts for the fiscal year ended June 30, 2020)

| | 2021 | | 2020 | | Variance of FY 2021 Actual Data To | | | |
|--|---------------------|--------------------|---------------------|---------------------|------------------------------------|--------------------|--------------|---|
| | Actual | Budget | Actual | Budget | 2020 | | 2020 Actual | |
| | | | | | Dollars | % | Dollars | % |
| Operating revenues | | | | | | | | |
| Civilian wholesale | \$2,481,071 | \$2,534,000 | \$2,374,179 | \$(52,929) | -2.1% | \$106,892 | 4.5% | |
| Military wholesale | 1,124,857 | 1,168,000 | 1,150,958 | (43,143) | -3.7% | (26,101) | -2.3% | |
| Retail | 29,686,334 | 29,325,000 | 29,340,228 | 361,334 | 1.2% | 346,106 | 1.2% | |
| Other | 3,974,700 | 3,118,000 | 3,429,454 | 856,700 | 27.5% | 545,246 | 15.9% | |
| Total water operating revenues | 37,266,962 | 36,145,000 | 36,294,819 | 1,121,962 | 3.1% | 972,143 | 2.7% | |
| Wastewater service | 28,907,674 | 27,780,000 | 27,734,116 | 1,127,674 | 4.1% | 1,173,558 | 4.2% | |
| Other | 461,750 | 316,000 | 1,406,663 | 145,750 | 46.1% | (944,913) | -67.2% | |
| Total wastewater operating revenues | 29,369,424 | 28,096,000 | 29,140,779 | 1,273,424 | 4.5% | 228,645 | 0.8% | |
| Total operating revenues | 66,636,386 | 64,241,000 | 65,435,598 | 2,395,386 | 3.7% | 1,200,788 | 1.8% | |
| Operating expenses | | | | | | | | |
| Water operating expenses: | | | | | | | | |
| Source of supply | 825,986 | 740,600 | 693,264 | (85,386) | -11.5% | (132,722) | -19.1% | |
| Water treatment | 5,625,678 | 5,345,500 | 5,996,384 | (280,178) | -5.2% | 370,706 | 6.2% | |
| Transmission and distribution | 5,735,100 | 4,416,600 | 4,951,948 | (1,318,500) | -29.9% | (783,152) | -15.8% | |
| Laboratory and testing | 391,300 | 402,800 | 441,680 | 11,500 | 2.9% | 50,380 | 11.4% | |
| Engineering & construction services | 601,227 | 501,400 | 362,450 | (99,827) | -19.9% | (238,777) | -65.9% | |
| Franchise fee | 959,339 | 931,000 | 917,001 | (28,339) | -3.0% | (42,338) | -4.6% | |
| Customer service & billing | 1,935,100 | 2,238,400 | 2,128,793 | 303,300 | 13.5% | 193,693 | 9.1% | |
| General and administrative | 5,941,866 | 5,559,700 | 5,478,398 | (382,166) | -6.9% | (463,468) | -8.5% | |
| Total water operating expenses (excl. depr.) | 22,015,596 | 20,136,000 | 20,969,918 | (1,879,596) | -9.3% | (1,045,678) | -5.0% | |
| Wastewater operating expenses: | | | | | | | | |
| Collection & transmission | 4,481,210 | 4,531,200 | 5,016,643 | 49,990 | 1.1% | 535,433 | 10.7% | |
| Wastewater treatment | 3,278,321 | 3,013,200 | 3,438,614 | (265,121) | -8.8% | 160,293 | 4.7% | |
| Wastewater disposal | 292,702 | 279,500 | 254,298 | (13,202) | -4.7% | (38,404) | -15.1% | |
| Sludge management | 415,905 | 429,100 | 433,779 | 13,195 | 3.1% | 17,874 | 4.1% | |
| Laboratory and testing | 339,298 | 337,500 | 355,068 | (1,798) | -0.5% | 15,770 | 4.4% | |
| Engineering & construction services | 387,560 | 335,100 | 241,473 | (52,460) | -15.7% | (146,087) | -60.5% | |
| Franchise fee | 848,641 | 787,800 | 794,844 | (60,841) | -7.7% | (53,797) | -6.8% | |
| Customer service & billing | 1,269,206 | 1,491,800 | 1,404,658 | 222,594 | 14.9% | 135,452 | 9.6% | |
| General and administrative | 3,922,698 | 3,699,200 | 3,650,550 | (223,498) | -6.0% | (272,148) | -7.5% | |
| Total wastewater operating expenses (excl. depr.) | 15,235,541 | 14,904,400 | 15,589,927 | (331,141) | -2.2% | 354,386 | 2.3% | |
| Operating expenses before depreciation | 37,251,137 | 35,040,400 | 36,559,845 | (2,210,737) | -6.3% | (691,292) | -1.9% | |
| Depreciation - Water | 13,014,417 | 13,229,700 | 12,845,015 | 215,283 | 1.6% | (169,402) | -1.3% | |
| Depreciation - Wastewater | 17,251,404 | 16,732,900 | 16,887,888 | (518,504) | -3.1% | (363,516) | -2.2% | |
| Total operating expenses | 67,516,958 | 65,003,000 | 66,292,748 | (2,513,958) | -3.9% | (1,224,210) | -1.8% | |
| Operating loss | (880,572) | (762,000) | (857,150) | (118,572) | -15.6% | (23,422) | -2.7% | |
| Non-operating revenues (expenses), net | (2,721,894) | (4,121,000) | (2,597,142) | 1,399,106 | 34.0% | (124,752) | -4.8% | |
| Increase (decrease) in net position, | | | | | | | | |
| before capital contributions | (3,602,466) | (4,883,000) | (3,454,293) | 1,280,534 | 26.2% | (148,174) | -4.3% | |
| Capital contributions | 20,896,258 | 8,500,000 | 21,196,810 | 12,396,258 | 145.8% | (300,552) | -1.4% | |
| Increase (decrease) in net position | \$17,293,792 | \$3,617,000 | \$17,742,517 | \$13,676,792 | 378.1% | \$(448,726) | -2.5% | |

BUDGETARY COMPARISON SCHEDULE BY FUNCTIONAL CLASSIFICATION

Year ended June 30, 2021

(with comparative amounts for the fiscal year ended June 30, 2020)

| | 2021 | | 2020 | | Variance of FY 2021 Actual Data To | | | |
|---|---------------------|--------------------|---------------------|---------------------|------------------------------------|---|--------------------|--------------|
| | | | | | Budget | % | Dollars | % |
| | Actual | Budget | Actual | | Favorable (Unfavorable) | | | |
| Operating revenues | | | | | | | | |
| Civilian wholesale | \$2,481,071 | \$2,534,000 | \$2,374,179 | \$ (52,929) | -2.1% | | \$106,892 | 4.5% |
| Military wholesale | 1,124,857 | 1,168,000 | 1,150,958 | (43,143) | -3.7% | | (26,101) | -2.3% |
| Retail | 29,686,334 | 29,325,000 | 29,340,228 | 361,334 | 1.2% | | 346,106 | 1.2% |
| Other | 3,974,700 | 3,118,000 | 3,429,454 | 856,700 | 27.5% | | 545,246 | 15.9% |
| Total water operating revenues | 37,266,962 | 36,145,000 | 36,294,819 | 1,121,962 | 3.1% | | 972,143 | 2.7% |
| Wastewater service | 28,907,674 | 27,780,000 | 27,734,116 | 1,127,674 | 4.1% | | 1,173,558 | 4.2% |
| Other | 461,750 | 316,000 | 1,406,663 | 145,750 | 46.1% | | (944,913) | -67.2% |
| Total wastewater operating revenues | 29,369,424 | 28,096,000 | 29,140,779 | 1,273,424 | 4.5% | | 228,645 | 0.8% |
| Total operating revenues | 66,636,386 | 64,241,000 | 65,435,598 | 2,395,386 | 3.7% | | 1,200,788 | 1.8% |
| Operating expenses by Function | | | | | | | | |
| Source of supply | 825,986 | 740,600 | 693,264 | (85,386) | -11.5% | | (132,722) | -19.1% |
| Water treatment | 5,625,678 | 5,345,500 | 5,996,384 | (280,178) | -5.2% | | 370,706 | 6.2% |
| Transmission and distribution | 5,735,100 | 4,416,600 | 4,951,948 | (1,318,500) | -29.9% | | (783,152) | -15.8% |
| Collection & transmission | 4,481,210 | 4,531,200 | 5,016,643 | 49,990 | 1.1% | | 535,433 | 10.7% |
| Wastewater treatment | 3,278,321 | 3,013,200 | 3,438,614 | (265,121) | -8.8% | | 160,293 | 4.7% |
| Wastewater disposal | 292,702 | 279,500 | 254,298 | (13,202) | -4.7% | | (38,404) | -15.1% |
| Sludge management | 415,905 | 429,100 | 433,779 | 13,195 | 3.1% | | 17,874 | 4.1% |
| Laboratory and testing | 730,598 | 740,300 | 796,748 | 9,702 | 1.3% | | 66,150 | 8.3% |
| Franchise fee | 1,807,980 | 1,718,800 | 1,711,845 | (89,180) | -5.2% | | (96,135) | -5.6% |
| Engineering & construction services | 988,787 | 836,500 | 603,923 | (152,287) | -18.2% | | (384,864) | -63.7% |
| Customer service & billing | 3,204,306 | 3,730,200 | 3,533,451 | 525,894 | 14.1% | | 329,145 | 9.3% |
| General and administrative | 9,864,564 | 9,258,900 | 9,128,948 | (605,664) | -6.5% | | (735,616) | -8.1% |
| Operating expenses before depreciation | 37,251,137 | 35,040,400 | 36,559,845 | (2,210,737) | -6.3% | | (691,292) | -1.9% |
| Depreciation | 30,265,821 | 29,962,600 | 29,732,903 | (303,221) | -1.0% | | (532,918) | -1.8% |
| Total operating expenses | 67,516,958 | 65,003,000 | 66,292,748 | (2,513,958) | -3.9% | | (1,224,210) | -1.8% |
| Operating loss | (880,572) | (762,000) | (857,150) | (118,572) | -15.6% | | (23,422) | -2.7% |
| Non-operating revenues (expenses), net | (2,721,894) | (4,121,000) | (2,597,142) | 1,399,106 | 34.0% | | (124,752) | -4.8% |
| Increase (decrease) in net position, | | | | | | | | |
| before capital contributions | (3,602,466) | (4,883,000) | (3,454,293) | 1,280,534 | 26.2% | | (148,174) | -4.3% |
| Capital contributions | 20,896,258 | 8,500,000 | 21,196,810 | 12,396,258 | 145.8% | | (300,552) | -1.4% |
| Increase (decrease) in net position | \$17,293,792 | \$3,617,000 | \$17,742,517 | \$13,676,792 | 378.1% | | \$448,726 | -2.5% |

Budget Summary

Operating revenues were \$66.6 million, an increase of 1.8% or \$1.2 million compared to prior year actual, and 3.7% or \$2.4 million over budget. The increase in revenue over budget is primarily due to an increase in both residential and commercial retail customers in addition to an increase in water and wastewater rates.

Total water operating revenues were \$37.3 million, an increase of 2.7% or \$972 thousand compared to prior year actual, and 3.1% or \$1.1 million over budget. The overage to budget is due to an increase in both residential and commercial customers, which led to total usage being higher than anticipated. Total usage budgeted for residential and commercial customers was 5.8 million kgals compared to actual for this fiscal year of 5.9 million kgals.

Total wastewater operating revenues were \$29.4 million, an increase of 0.8% or \$229 thousand over prior year actual, and 4.5% or \$1.3 million over budget. The increase over budget is attributed to an increase in both commercial and residential customers, which led to total usage being higher than predicted. Total usage budgeted for residential and commercial customers was 3.8 million kgals compared to actual for this fiscal year of 3.9 million kgals.

Direct operational costs for water (excluding depreciation) were over budget 9.3% or \$1.9 million. Over budget expenditures for water primarily related to the following functions and accounts:

- Transmission and distribution - \$1.3 million over budget due to the benefits transition payouts, expenses associated with recognition of the Authority's proportionate share of the pension expense.
- Water treatment - \$280 thousand over budget due to the benefits transition payouts, expenses associated with recognition of the Authority's proportionate share of the pension expense, and additional work performed with residuals management.
- General and administrative - \$382 thousand over budget primarily due to the benefits transition payouts and expenses associated with recognition of the Authority's proportionate share of the pension expense.

Direct operational costs for wastewater (excluding depreciation) were over budget 2.2% or \$331 thousand. Over budget expenditures for wastewater primarily related to the following functions and accounts:

- Wastewater treatment - \$265 thousand over budget primarily due to the benefits transition payouts and expenses associated with recognition of the Authority's proportionate share of the pension expense.
- General and administrative - \$223 thousand over budget primarily due to the benefits transition payouts and expenses associated with recognition of the Authority's proportionate share of the pension expense.

The increase of total operating expenses (excluding depreciation) of \$691 thousand, combined with the increase in operating revenues of \$1.2 million compared to prior year, resulted in no change in the Authority's operating margin this fiscal year. As compared to the \$1.79 generated in fiscal year 2020, \$1.79 was generated for every \$1.00 expensed in 2021.

**SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
BUDGET AND ACTUAL**

Year ended June 30, 2021

(with comparative actual amounts for the fiscal year ended June 30, 2020)

| | 2021 | | Variance Favorable (Unfavorable) | 2020 Actual | Increase (Decrease) from 2020 to 2021 |
|--|---------------------|---------------------|--|---------------------|---|
| | Budget | Actual | | | |
| | | | | | |
| Salaries and wages | \$12,970,700 | \$12,519,880 | \$450,820 | \$12,957,687 | -3.4% |
| Payroll taxes and benefits | 6,481,500 | 7,421,822 | (940,322) | 7,159,814 | 3.7% |
| Repairs and maintenance | 2,632,800 | 3,870,558 | (1,237,758) | 3,400,806 | 13.8% |
| Supplies | 2,111,700 | 2,327,756 | (216,056) | 2,271,518 | 2.5% |
| Professional services | 2,664,200 | 3,420,922 | (756,722) | 2,913,335 | 17.4% |
| Utilities | 3,322,100 | 3,408,896 | (86,796) | 3,418,914 | -0.3% |
| Operating leases, fees, memberships | 1,247,600 | 1,156,919 | 90,681 | 1,180,511 | -2.0% |
| Franchise fees, licenses and permits | 1,832,600 | 1,912,936 | (80,336) | 1,813,773 | 5.5% |
| Safety training, supplies & services | 90,700 | 92,778 | (2,078) | 72,007 | 28.8% |
| Travel and training | 339,400 | 212,859 | 126,541 | 139,233 | 52.9% |
| Insurance | 746,000 | 708,759 | 37,241 | 647,130 | 9.5% |
| Other expense | 601,100 | 197,052 | 404,048 | 585,117 | -66.3% |
| Depreciation expense | 29,962,600 | 30,265,821 | (303,221) | 29,732,903 | 1.8% |
| Before interest expense & amortization | 65,003,000 | 67,516,958 | (2,513,958) | 66,292,748 | 1.8% |
| Interest expense and amortization | 5,050,000 | 3,715,324 | 1,334,676 | 4,128,718 | |
| Total expenses | \$70,053,000 | \$71,232,282 | \$(1,179,282) | \$70,421,466 | |

SCHEDULE OF NET EARNINGS FOR DEBT SERVICE AND DEBT COVERAGE

Years ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Operating loss | \$(880,572) | \$(857,150) |
| Adjustments to derive net earnings: | | |
| Depreciation expense | 30,265,821 | 29,732,903 |
| Contributed capital - cash | 10,971,337 | 9,984,422 |
| Interest income, excluding bond interest income | 806,984 | 1,016,462 |
| Net earnings per bond resolution | \$41,163,570 | \$39,876,637 |
| Total debt service paid | \$15,210,119 | \$13,131,927 |
| Debt coverage | 2.71 | 3.04 |
| Debt coverage without capacity fees | 1.99 | 2.28 |

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Statistical Section

STATISTICAL CONTENTS

| | | |
|---|---|-------|
| Financial Trends and Debt Capacity | These schedules contain trend information showing the changes in the Authority's financial performance over time, the affordability of current levels of outstanding debt and the Authority's ability to manage debt in the future. | 67-70 |
| Capital Assets | These schedules contain infrastructure data which shows how the Authority's financial reports relate to its activities. | 71 |
| Revenue Capacity | These schedules contain information identifying the factors affecting the Authority's ability to generate revenue. | 72-78 |
| Demographic and Economic Information | These schedules offer demographic and economic indicators showing the environment in which the Authority operates. | 79-84 |
| Other Operational Information | These schedules contain operational and service information to convey how the Authority's financial reports relate to its services. | 85-87 |

SCHEDULE OF CHANGES IN REVENUES AND EXPENSES, AND DEBT SERVICE COVERAGE

Last ten fiscal years

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue | | | | | | | | | | |
| Wholesale water | \$3,743,344 | \$3,374,870 | \$3,138,992 | \$3,426,385 | \$2,983,939 | \$4,078,291 | \$3,733,234 | \$3,834,863 | \$3,525,136 | \$3,605,928 |
| Retail water | 20,773,081 | 19,845,166 | 20,044,497 | 20,988,978 | 21,579,605 | 25,453,028 | 24,957,014 | 26,467,700 | 29,340,228 | 29,686,334 |
| Retail sewer | 19,084,644 | 19,124,744 | 19,655,554 | 21,441,148 | 22,457,571 | 24,350,709 | 24,660,914 | 25,868,525 | 27,734,117 | 28,907,674 |
| Other revenue | 2,198,266 | 2,393,179 | 3,242,743 | 3,326,497 | 3,575,594 | 3,479,418 | 4,341,533 | 4,026,773 | 4,836,117 | 4,436,450 |
| Operating expense | | | | | | | | | | |
| Water | 45,799,335 | 44,737,959 | 46,041,786 | 49,183,008 | 50,596,709 | 57,361,446 | 57,672,695 | 60,197,861 | 65,435,598 | 66,636,386 |
| Source of supply | | | | | | | | | | |
| Water treatment | 618,147 | 555,671 | 578,280 | 587,704 | 628,088 | 682,336 | 718,262 | 631,112 | 693,264 | 693,264 |
| Transmission and distribution | 4,190,573 | 4,223,477 | 4,061,399 | 4,256,822 | 4,251,192 | 4,697,085 | 4,974,749 | 4,670,514 | 5,996,384 | 5,625,678 |
| Laboratory and testing | 3,658,777 | 3,461,589 | 3,495,858 | 3,752,210 | 4,010,835 | 4,470,738 | 5,233,862 | 5,009,118 | 4,951,948 | 5,775,100 |
| Franchise fee | 341,217 | 364,699 | 358,114 | 438,368 | 384,868 | 447,323 | 402,883 | 374,293 | 441,680 | 391,300 |
| Depreciations | 620,100 | 637,516 | 645,787 | 671,997 | 713,142 | 799,341 | 798,800 | 837,019 | 917,001 | 959,339 |
| General and administrative | 10,132,598 | 10,297,106 | 10,613,176 | 10,931,496 | 11,293,048 | 11,868,983 | 12,550,945 | 12,845,015 | 13,014,417 | |
| Wastewater | 4,524,092 | 4,790,255 | 4,465,804 | 4,541,340 | 4,996,528 | 5,881,978 | 6,052,314 | 6,489,605 | 7,969,641 | 8,478,193 |
| Collection and transmission | 3,409,170 | 3,525,964 | 3,510,061 | 3,801,994 | 3,915,355 | 4,154,221 | 4,802,973 | 4,784,992 | 5,016,643 | 4,481,210 |
| Wastewater treatment | 2,893,497 | 2,866,574 | 2,686,591 | 2,947,760 | 2,936,791 | 2,898,779 | 3,462,234 | 3,450,755 | 3,438,614 | 3,278,321 |
| Wastewater disposal | 222,731 | 171,846 | 247,053 | 258,804 | 258,642 | 259,152 | 243,494 | 280,543 | 254,298 | 292,702 |
| Sludge management | 321,885 | 350,759 | 297,313 | 379,719 | 364,870 | 367,946 | 406,463 | 424,643 | 433,779 | 415,905 |
| Laboratory and testing | 377,156 | 396,148 | 294,310 | 273,314 | 274,773 | 315,821 | 306,502 | 305,905 | 355,068 | 359,298 |
| Franchise fee | 489,156 | 517,373 | 536,290 | 576,595 | 612,997 | 668,070 | 694,254 | 736,942 | 794,844 | 888,641 |
| Depreciation | 13,341,478 | 13,376,619 | 13,401,852 | 13,627,402 | 13,848,428 | 14,051,485 | 14,484,051 | 15,196,456 | 16,887,888 | 17,251,404 |
| General and administrative | 3,047,829 | 3,186,531 | 2,978,723 | 3,018,483 | 3,318,370 | 3,935,910 | 4,032,213 | 4,313,803 | 5,296,681 | 5,579,464 |
| | 48,088,406 | 48,663,127 | 47,828,425 | 49,745,688 | 51,446,375 | 54,923,233 | 58,482,037 | 60,056,645 | 66,292,748 | 67,516,958 |
| Operating income (loss) | (2,289,071) | (3,925,168) | (1,786,639) | (562,680) | (849,666) | 2,438,213 | (809,342) | 141,216 | (857,150) | (880,572) |
| Add non operating revenues: | | | | | | | | | | |
| Investment income | 372,869 | 349,851 | 341,168 | 820,629 | 984,401 | 920,657 | 920,466 | 1,057,193 | 1,016,462 | 806,984 |
| Capacity Fees - cash | 1,857,518 | 1,027,950 | 1,136,817 | 3,196,319 | 5,036,468 | 3,971,040 | 4,403,030 | 8,956,572 | 9,984,422 | 10,971,337 |
| Add depreciation | 23,574,076 | 23,614,725 | 23,672,842 | 24,240,578 | 24,779,924 | 25,344,533 | 26,353,034 | 27,747,401 | 29,732,903 | 30,265,821 |
| Net income available for debt service | \$23,315,392 | \$21,067,358 | \$23,364,188 | \$27,694,846 | \$29,951,127 | \$32,674,443 | \$30,867,188 | \$37,902,382 | \$39,876,637 | \$41,163,570 |
| Actual annual debt service | | | | | | | | | | |
| on debt | \$12,339,200 | \$12,871,730 | \$13,489,221 | \$12,986,139 | \$15,174,583 | \$14,663,429 | \$11,469,959 | \$12,831,526 | \$13,131,927 | \$15,210,119 |
| Principal and interest coverage on debt | 1.89 | 1.64 | 1.73 | 2.13 | 1.97 | 2.23 | 2.69 | 2.95 | 3.04 | 2.71 |
| Required coverage per bond | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.20 | 1.20 |
| Principal and interest coverage on debt w/o CC fees (1) | 1.74 | 1.56 | 1.65 | 1.89 | 1.64 | 1.96 | 2.31 | 2.26 | 2.28 | 1.99 |

(1) These figures represent the actual debt service paid by the Authority (excluding nonparity) and the associated principal and interest coverage ratio during the fiscal years noted.

SCHEDULE OF CHANGES IN NET POSITION
Last ten fiscal years

| | 2012 | 2013 | 2014 | 2015* | 2016 | 2017 | 2018** | 2019 | 2020 | 2021 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating income (loss) | \$(2,289,971) | \$(3,925,168) | \$(\$1,786,639) | \$(\$562,680) | \$(\$849,666) | \$2,438,213 | \$(\$809,342) | \$141,216 | \$(\$857,150) | \$(880,572) |
| Non-operating revenue (expense) | 475,464 | 1,600,614 | (7,456,806) | (2,616,284) | (3,104,083) | (2,758,681) | (2,277,565) | (1,964,868) | (2,597,143) | (2,721,894) |
| Capital Contributions | 3,684,445 | 4,905,490 | 4,185,345 | 6,364,038 | 12,293,230 | 12,485,749 | 9,273,969 | 18,179,580 | 21,196,810 | 20,896,258 |
| Increase (decrease) in net position | 1,870,838 | 2,580,936 | (5,058,101) | 3,185,074 | 8,339,481 | 12,166,281 | 6,187,062 | 16,355,928 | 17,742,517 | 17,293,792 |
| Net position at beginning of the year | 303,663,369 | 305,534,207 | 308,115,144 | 303,057,043 | 306,242,117 | 297,603,265 | 309,769,546 | 315,956,608 | 324,475,963 | 342,218,880 |
| Net position at end of year | \$305,534,207 | \$308,115,144 | \$303,057,043 | \$306,242,117 | \$314,581,598 | \$309,769,546 | \$315,956,608 | \$332,312,536 | \$342,218,480 | \$359,512,272 |

*Fiscal year 2015 includes a beginning net position adjustment of \$16,978,333 as a result of implementing GASB 68.

**Fiscal year 2018 includes a beginning net position adjustment of \$7,836,573 as a result of implementing GASB 75.

NET POSITION AT END OF YEAR

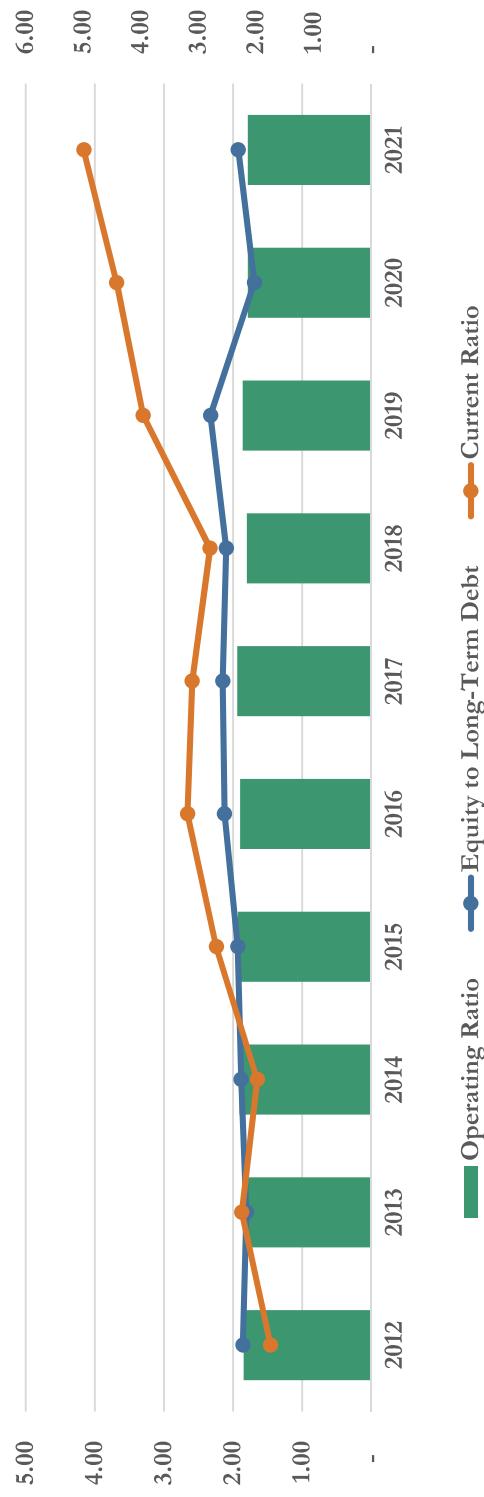


■ Net position at end of year

NET POSITION BY COMPONENT
Last ten fiscal years

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net investment in capital assets | \$267,441,463 | \$261,093,026 | \$257,448,074 | \$253,854,486 | \$258,909,868 | \$267,805,915 | \$277,318,037 | \$286,186,370 | \$300,078,539 | \$307,512,533 |
| Restricted | 1,509,006 | 414,520 | 414,779 | 414,821 | 414,829 | 414,894 | 414,915 | 415,247 | 415,245 | 415,244 |
| Unrestricted | 36,583,738 | 46,607,597 | 45,194,190 | 34,994,477 | 38,278,568 | 41,548,737 | 30,387,083 | 37,874,346 | 41,724,696 | 51,584,495 |
| Total Net Position | \$305,534,207 | \$308,115,143 | \$303,057,043 | \$289,263,784 | \$297,603,265 | \$309,769,546 | \$308,120,035 | \$324,475,963 | \$342,218,480 | \$359,512,272 |

RATIO ANALYSIS



■ Operating Ratio ● — Current Ratio — Equity to Long-Term Debt

RATIO OF OUTSTANDING DEBT BY TYPE

| Fiscal Year | Revenue | | SRF | | Notes Payable | | Total Outstanding Debt | | Total Debt Per Customer |
|-------------|--------------|--------------|-------|--------------|---------------|------|------------------------|------|-------------------------|
| | Bonds | Loans | Loans | Payable | Debt | Debt | Debt | Debt | |
| 2012 | \$89,858,199 | \$40,227,389 | | \$15,202,882 | | | \$145,288,470 | | \$1,802 |
| 2013 | 83,878,065 | 52,966,046 | | 14,428,642 | | | 151,272,753 | | 1,866 |
| 2014 | 77,743,038 | 51,859,932 | | 13,618,395 | | | 143,221,365 | | 1,713 |
| 2015 | 71,934,370 | 49,626,256 | | 12,767,253 | | | 134,327,879 | | 1,555 |
| 2016 | 66,242,331 | 46,522,943 | | 12,319,555 | | | 125,084,829 | | 1,349 |
| 2017 | 61,497,718 | 54,976,522 | | 11,849,472 | | | 128,323,712 | | 1,304 |
| 2018 | 55,674,132 | 64,690,237 | | 11,355,885 | | | 131,720,254 | | 1,371 |
| 2019 | 49,688,401 | 65,311,899 | | 10,837,619 | | | 125,837,919 | | 1,264 |
| 2020 | 133,462,555 | 35,580,598 | | 10,293,439 | | | 179,336,592 | | 1,742 |
| 2021 | 123,328,502 | 33,483,761 | | 9,722,050 | | | 166,534,313 | | 1,543 |

DEBT SERVICE COVERAGE ANALYSIS



DETAILED SCHEDULE OF CHANGES IN CAPITAL ASSETS

Last ten fiscal years

| | 30-Jun-12 | Contributions | System | Utility | Acquisitions | Purchases | Program | Disposals | Reclass | System | 30-Jun-21 | |
|--|----------------------|---------------------|--------|----------------------|-----------------------|--------------------|----------------------|-------------|------------------|----------------------|--------------|-------------|
| Land and land rights | \$9,901,251 | \$491,040 | | \$- | | \$- | \$243,046 | | \$- | | \$10,635,337 | |
| Administrative facilities & improvements | 9,413,817 | - | | - | | - | 5,714,34 | | - | | 15,128,151 | |
| Source of supply | 12,689,762 | - | | - | | - | 811,981 | | - | | 13,501,743 | |
| Water treatment plant | 57,106,279 | - | | - | | - | 2,964,716 | | - | | 60,070,995 | |
| Wastewater treatment plant | 100,603,004 | - | | - | | 42,826 | 40,267,160 | (1,484,334) | | - | | 139,128,656 |
| Water system transmission & distribution | 167,900,913 | 22,169,571 | | 16,247,304 | | 40,439,115 | (172,077) | | - | | 246,643,926 | |
| Wastewater system collection & transmission | 216,552,736 | 35,426,398 | | 2,538,784 | | 46,951,105 | (298,297) | | - | | 301,170,726 | |
| Wastewater Disposal Systems | 1,633,176 | - | | - | | - | | | - | | 1,693,176 | |
| Other general equipment | 8,774,826 | - | | 9,793,980 | | 6,261,513 | (712,432) | | - | | 24,117,887 | |
| Vehicles | 3,887,868 | - | | - | 6,020,959 | - | (3,139,474) | | - | | 6,769,353 | |
| Property, plant and equipment in service | 588,582,732 | 58,087,009 | | 34,643,853 | 143,652,970 | (5,806,614) | | | - | 819,159,950 | | |
| Accumulated depreciation | (193,733,086) | - | | (235,750,576) | - | 4,021,358 | | | - | (425,462,304) | | |
| Property, plant and equipment in service, net | 394,849,646 | 58,087,009 | | (201,106,723) | 143,652,970 | (1,785,256) | | | - | 393,897,646 | | |
| Construction in progress | 16,275,471 | - | | 149,237,240 | (143,590,180) | - | 134,967 | | - | 22,057,498 | | |
| Net property, plant and equipment | \$411,125,117 | \$58,087,009 | | \$- | \$(51,869,483) | \$62,790 | \$(1,785,256) | | \$134,967 | \$415,755,144 | | |

SCHEDULE OF TOTAL CAPITAL ASSETS

Last ten fiscal years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Utility plant in service | \$588,582,733 | \$608,585,027 | \$636,097,746 | \$646,087,755 | \$662,626,983 | \$683,472,505 | \$703,477,891 | \$756,616,696 | \$790,938,082 | \$819,159,950 |
| Accumulated depreciation | (193,733,087) | (216,739,096) | (235,709,457) | (263,512,277) | (287,767,345) | (312,675,913) | (338,871,202) | (366,186,802) | (395,399,128) | (425,462,304) |
| Net utility plant in service | 394,849,646 | 391,845,931 | 396,388,289 | 382,575,478 | 374,859,638 | 370,796,592 | 364,606,689 | 390,429,894 | 395,538,954 | 393,897,646 |
| Construction in progress | 16,275,471 | 19,107,871 | 3,019,092 | 4,494,748 | 7,448,295 | 23,521,219 | 42,806,243 | 20,155,493 | 21,531,083 | 22,057,498 |
| Total capital assets | \$411,125,117 | \$410,953,802 | \$399,407,381 | \$387,070,226 | \$382,307,933 | \$394,317,811 | \$407,412,932 | \$410,585,387 | \$417,070,037 | \$415,755,144 |

WHOLESALE AND RETAIL WATER SALES VOLUME HISTORICAL DATA

The following table sets forth the gallons, in thousands, purchased by each of the Authority's wholesale customers and by all of its retail customers for the ten fiscal years ended June 30:

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Hilton Head PSD | 1,240,631 | 1,003,131 | 776,286 | 852,633 | 538,925 | 1,125,264 | 1,039,001 | 985,829 | 603,904 | 638,084 |
| Fripp Island PSD | 195,859 | 178,817 | 180,969 | 175,230 | 156,681 | 157,088 | 167,894 | 159,788 | 174,275 | 214,928 |
| Water Oak Utility(Moss Creek) | 150,595 | 145,958 | 147,776 | 140,791 | 142,268 | 166,714 | 144,978 | 150,205 | 158,461 | 167,515 |
| Callawassie | 104,891 | 89,914 | 80,664 | 73,970 | 60,334 | 98,998 | 82,940 | 87,630 | 95,775 | 96,155 |
| Harbor Island Utilities | 30,551 | 32,573 | 30,569 | 28,410 | 28,349 | 29,203 | 25,867 | 30,791 | 26,481 | 37,364 |
| Warsaw-Eustis-Oaks | 29,553 | 27,267 | 24,983 | 24,502 | 26,005 | 30,968 | 31,542 | 28,065 | 28,136 | 33,149 |
| Total Wholesale, excluding Navy | 1,752,080 | 1,477,660 | 1,241,247 | 1,295,536 | 952,562 | 1,608,235 | 1,492,222 | 1,442,308 | 1,087,032 | 1,187,194 |
| US Department of the Navy: | | | | | | | | | | |
| Parris Island Recruit Depot | 314,205 | 324,468 | 305,477 | 296,484 | 295,094 | 344,306 | 211,363 | 216,772 | 225,301 | 238,761 |
| Laurel Bay Housing | 149,246 | 129,302 | 129,110 | 123,592 | 90,288 | 85,396 | 85,744 | 81,560 | 76,063 | 76,590 |
| MCAS Beaufort | 58,686 | 69,284 | 81,746 | 73,171 | 59,071 | 80,812 | 95,729 | 80,542 | 85,237 | 60,220 |
| Naval Hospital | 21,901 | 22,932 | 21,281 | 22,933 | 24,300 | 25,212 | 24,456 | 26,159 | 21,542 | 19,261 |
| Total Navy | 544,038 | 545,986 | 537,614 | 516,180 | 468,753 | 535,726 | 417,292 | 405,033 | 408,143 | 394,832 |
| Total Wholesale | 2,296,118 | 2,023,646 | 1,778,861 | 1,811,716 | 1,421,315 | 2,143,961 | 1,909,514 | 1,817,341 | 1,495,175 | 1,582,025 |
| Total Retail | 6,262,992 | 6,110,012 | 5,665,051 | 5,709,576 | 5,942,612 | 7,062,716 | 6,636,672 | 6,834,704 | 7,563,073 | 7,598,919 |
| Total Volume (thousands of gallons) | 8,559,110 | 8,133,658 | 7,443,912 | 7,521,292 | 7,363,927 | 9,206,677 | 8,546,186 | 8,682,045 | 9,058,248 | 9,180,944 |

RETAIL WATER SALES VOLUME HISTORICAL DATA

The following table sets forth the gallons, in thousands, purchased by retail customers by area from the Authority for the fiscal years ended June 30:

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| City of Beaufort | 456,109 | 476,838 | 470,068 | 467,670 | 458,725 | 531,839 | 490,311 | 499,750 | 543,891 | 561,332 |
| Burton/Gray's Hill | 389,652 | 389,513 | 391,476 | 398,052 | 384,809 | 408,382 | 426,395 | 414,130 | 436,673 | 447,278 |
| Lady's Island/Cat Island | 421,410 | 430,805 | 423,876 | 412,959 | 400,275 | 493,296 | 468,105 | 490,913 | 516,077 | 521,617 |
| Point South | 17,586 | 15,586 | 13,824 | 15,761 | 16,203 | 19,702 | 19,677 | 17,955 | 17,842 | 16,682 |
| St. Helena/Dataw Island | 299,250 | 282,604 | 282,849 | 274,002 | 255,311 | 314,767 | 300,397 | 304,926 | 311,007 | 314,195 |
| Bluffton (1) | 1,743,526 | 1,627,104 | 1,594,519 | 1,677,349 | 1,765,489 | 2,278,375 | 2,130,221 | 2,230,772 | 2,558,104 | 2,625,305 |
| Palm Key | 1,125 | 1,119 | 1,312 | 1,406 | 1,516 | 1,188 | 1,386 | 2,053 | 1,874 | 1,778 |
| Okatie | 740,508 | 626,691 | 578,073 | 575,677 | 541,520 | 719,738 | 570,310 | 580,836 | 659,871 | 648,928 |
| Hardeeville/SoJasperCty | 266,496 | 252,671 | 271,964 | 286,387 | 286,251 | 344,985 | 339,009 | 360,016 | 415,807 | 431,386 |
| Town of Port Royal | 193,993 | 203,135 | 207,038 | 219,256 | 224,853 | 245,109 | 243,975 | 262,068 | 276,678 | 313,261 |
| Other/Special Commercial | 1,733,337 | 1,803,946 | 1,430,052 | 1,380,157 | 1,609,660 | 1,704,835 | 1,646,886 | 1,671,285 | 1,825,249 | 1,717,156 |
| Total Volume (thousands of gallons) | 6,262,992 | 6,110,012 | 5,665,051 | 5,709,576 | 5,942,612 | 7,062,716 | 6,636,672 | 6,834,704 | 7,563,073 | 7,598,919 |

(1) Includes Town of Bluffton and Bluffton, Ashley Plantation Apts., Belfair, Chelsea, Colleton River, Pritchardville, Rose Hill, etc.

WHOLESALE WATER REVENUES BY AREA AND AVERAGE REVENUE PER KGAL

| Last ten fiscal years | | | | | | | | | | | |
|--|------------------|--------------------|--------------|------------------|--------------------|--------------|------------------|--------------------|--------------|------------------|--------------------|
| 2012 | | | 2013 | | | 2014 | | | 2015 | | |
| <u>Avg.</u> | | | <u>Avg.</u> | | | <u>Avg.</u> | | | <u>Avg.</u> | | |
| <u>Kgals</u> | <u>Revenue</u> | <u>per kgal</u> | <u>Kgals</u> | <u>Revenue</u> | <u>per kgal</u> | <u>Kgals</u> | <u>Revenue</u> | <u>per kgal</u> | <u>Kgals</u> | <u>Revenue</u> | |
| Hilton Head PSD | 1,240,631 | \$1,472,569 | \$1.19 | 1,003,131 | \$1,183,047 | \$1.18 | 776,286 | \$984,044 | \$1.27 | 852,633 | \$1,110,409 |
| Fripp Island PSD | 195,859 | 456,287 | 2.33 | 178,817 | 415,161 | 2.32 | 180,969 | 420,924 | 2.33 | 175,230 | 446,222 |
| Water Oak Utility(Moss Creek) | 150,595 | 346,369 | 2.30 | 145,958 | 335,703 | 2.30 | 147,776 | 339,885 | 2.30 | 140,791 | 357,609 |
| Callawassie | 104,891 | 216,076 | 2.06 | 89,914 | 185,225 | 2.06 | 80,664 | 166,164 | 2.06 | 73,970 | 167,172 |
| Harbor Island Utilities | 30,551 | 82,569 | 2.70 | 32,573 | 87,947 | 2.70 | 30,569 | 82,536 | 2.70 | 28,410 | 83,240 |
| Warsaw-Eustis-Oaks | 29,553 | 70,336 | 2.38 | 27,267 | 64,895 | 2.38 | 24,983 | 59,460 | 2.38 | 24,502 | 64,195 |
| Total Wholesale, excluding Navy | 1,752,080 | 2,644,206 | 1.51 | 1,477,660 | 2,271,978 | 1.54 | 1,241,247 | 2,053,013 | 1.65 | 1,295,536 | 2,228,847 |
| US Department of the Navy: | | | | | | | | | 1.72 | 952,562 | 1,872,996 |
| Parris Island Recruit Depot | 314,205 | 634,694 | 2.02 | 324,468 | 655,425 | 2.02 | 305,477 | 617,064 | 2.02 | 296,484 | 687,843 |
| Laurel Bay Housing | 149,246 | 301,656 | 2.02 | 129,302 | 261,190 | 2.02 | 129,110 | 260,802 | 2.02 | 123,592 | 286,733 |
| MCAS Beaufort | 58,686 | 118,548 | 2.02 | 69,284 | 139,953 | 2.02 | 81,746 | 165,125 | 2.02 | 73,171 | 169,757 |
| Naval Hospital | 21,901 | 44,240 | 2.02 | 22,932 | 46,323 | 2.02 | 21,281 | 42,988 | 2.02 | 22,933 | 53,205 |
| Total Navy | 544,038 | 1,099,138 | 2.02 | 545,986 | 1,102,892 | 2.02 | 537,614 | 1,035,979 | 2.02 | 516,180 | 1,197,538 |
| TOTAL WHOLESALE | 2,296,118 | \$3,743,344 | | 2,023,646 | \$3,374,870 | | 1,778,861 | \$3,138,992 | | 1,811,716 | \$3,426,385 |
| | | | | | | | | | 2.32 | 468,753 | 1,110,943 |
| | | | | | | | | | 2.37 | 1,421,315 | \$2,983,939 |
| 2017 | | | | | | | | | | | |
| 2018 | | | 2019 | | | 2020 | | | 2021 | | |
| <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | <u>Avg.</u> | |
| <u>Kgals</u> | <u>Revenue</u> | <u>per kgal</u> | <u>Kgals</u> | <u>Revenue</u> | <u>per kgal</u> | <u>Kgals</u> | <u>Revenue</u> | <u>per kgal</u> | <u>Kgals</u> | <u>Revenue</u> | |
| Hilton Head PSD | 1,125,264 | \$1,555,262 | \$1.38 | 1,039,001 | \$1,460,476 | \$1.41 | 985,829 | \$1,471,892 | \$1.49 | 603,904 | \$982,118 |
| Fripp Island PSD | 157,088 | 407,923 | 2.60 | 167,894 | 432,577 | 2.58 | 159,788 | 448,405 | 2.81 | 174,275 | 508,066 |
| Water Oak Utility(Moss Creek) | 166,714 | 433,457 | 2.60 | 144,978 | 395,790 | 2.73 | 150,205 | 422,077 | 2.81 | 158,461 | 454,785 |
| Callawassie | 98,998 | 230,665 | 2.33 | 82,940 | 206,521 | 2.49 | 87,630 | 228,714 | 2.61 | 95,775 | 258,595 |
| Harbor Island Utilities | 29,203 | 87,609 | 3.00 | 25,867 | 80,968 | 3.13 | 30,791 | 93,692 | 3.04 | 26,481 | 88,176 |
| Warsaw-Eustis-Oaks | 30,968 | 82,994 | 2.68 | 31,542 | 88,633 | 2.81 | 28,065 | 80,547 | 2.87 | 28,136 | 82,438 |
| Total Wholesale, excluding Navy | 1,608,235 | 2,797,910 | 1.74 | 1,492,222 | 2,664,965 | 1.79 | 1,442,308 | 2,745,327 | 1.90 | 1,087,032 | 2,374,178 |
| US Department of the Navy: | | | | | | | | | 2.18 | 1,187,194 | 2,478,996 |
| Parris Island Recruit Depot | 344,306 | 822,894 | 2.39 | 211,363 | 541,089 | 2.56 | 216,772 | 583,116 | 2.69 | 225,301 | 635,349 |
| Laurel Bay Housing | 85,396 | 204,095 | 2.39 | 85,744 | 219,504 | 2.56 | 81,560 | 219,596 | 2.69 | 76,063 | 214,496 |
| MCAS Beaufort | 80,812 | 193,136 | 2.39 | 95,729 | 245,070 | 2.56 | 80,542 | 216,656 | 2.69 | 85,237 | 240,363 |
| Naval Hospital | 25,212 | 60,256 | 2.39 | 24,456 | 62,606 | 2.56 | 26,159 | 70,568 | 2.69 | 21,542 | 60,750 |
| Total Navy | 535,726 | 1,280,381 | 2.39 | 417,292 | 1,068,269 | 2.56 | 405,033 | 1,089,536 | 2.69 | 408,143 | 1,150,958 |
| TOTAL WHOLESALE | 2,143,961 | \$4,078,291 | | 1,909,514 | \$3,733,234 | | 1,847,341 | \$3,824,863 | | 1,495,175 | \$3,525,136 |
| | | | | | | | | | 2.82 | 394,832 | 1,124,857 |
| | | | | | | | | | 2.85 | 1,582,025 | \$3,603,853 |

WHOLESALE CUSTOMER SALES TO TOTAL BILLINGS

The following table sets forth the total billings by the Authority to each of its wholesale customers for the fiscal years ended June 30:

2012 2013

2019 2018 2017

| 2023 | | | | | | | | | | | | 2024 | | | | | | | | | | | | | | | | | |
|---|------------------|--------------------|------------------|--------------------|---------------------|------------------|--------------------|------------------|--------------------|---------------------|------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|-------------|--|
| Q1 | | | | | | Q2 | | | | | | Q3 | | | | | | Q4 | | | | | | Q1 | | | | | |
| Revenue | | | Billings | | | Revenue | | | Billings | | | Revenue | | | Billings | | | Revenue | | | Billings | | | Revenue | | | Billings | | |
| % of Total Wholesale | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Billings | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Billings | % of Total Water | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | % of Total Water | % of Total Revenue | | |
| Hilton Head No. 1 PSD | \$1,555,262 | 38.1% | 5.5% | 2.7% | \$1,460,476 | 39.1% | 5.4% | 2.5% | \$1,471,892 | 38.4% | 5.1% | 2.4% | \$982,118 | 27.9% | 3.2% | 1.5% | \$1,030,216 | 28.6% | 3.2% | 1.5% | \$1,030,216 | 28.6% | 3.2% | 1.5% | \$1,030,216 | 28.6% | 3.2% | 1.5% | |
| Tripp Island PSD | 407,923 | 10.0% | 1.4% | 0.7% | 432,577 | 11.6% | 1.6% | 0.8% | 448,405 | 11.7% | 1.6% | 0.7% | 508,066 | 14.4% | 1.6% | 0.8% | 515,820 | 14.3% | 1.6% | 0.8% | 515,820 | 14.3% | 1.6% | 0.8% | 515,820 | 14.3% | 1.6% | 0.8% | |
| Moss Creek/Water Oak Utility | 433,457 | 10.6% | 1.5% | 0.8% | 395,790 | 10.6% | 1.5% | 0.7% | 422,077 | 11.0% | 1.5% | 0.7% | 454,785 | 12.9% | 1.5% | 0.7% | 480,767 | 13.3% | 1.5% | 0.7% | 480,767 | 13.3% | 1.5% | 0.7% | 480,767 | 13.3% | 1.5% | 0.7% | |
| Callawassie Island | 230,665 | 5.7% | 0.8% | 0.4% | 206,521 | 5.5% | 0.8% | 0.4% | 228,714 | 6.0% | 0.8% | 0.4% | 258,595 | 7.3% | 0.8% | 0.4% | 259,617 | 7.2% | 0.8% | 0.4% | 259,617 | 7.2% | 0.8% | 0.4% | 259,617 | 7.2% | 0.8% | 0.4% | |
| Harbor Island | 87,609 | 2.1% | 0.3% | 0.2% | 80,968 | 2.2% | 0.3% | 0.1% | 93,692 | 2.4% | 0.3% | 0.2% | 88,176 | 2.5% | 0.3% | 0.1% | 95,450 | 2.6% | 0.3% | 0.1% | 95,450 | 2.6% | 0.3% | 0.1% | 95,450 | 2.6% | 0.3% | 0.1% | |
| Warsaw Eustis & Oaks | 82,994 | 2.0% | 0.3% | 0.1% | 88,633 | 2.4% | 0.3% | 0.2% | 80,547 | 2.1% | 0.3% | 0.1% | 82,439 | 2.3% | 0.3% | 0.1% | 97,126 | 2.7% | 0.3% | 0.1% | 97,126 | 2.7% | 0.3% | 0.1% | 97,126 | 2.7% | 0.3% | 0.1% | |
| Total Wholesale Excluding Navy | 2,797,910 | 68.6% | 9.9% | 4.9% | 2,664,965 | 71.4% | 9.9% | 4.6% | 2,745,327 | 71.6% | 9.6% | 4.6% | 2,374,179 | 67.3% | 7.6% | 3.6% | 2,478,996 | 68.8% | 7.7% | 3.7% | 2,478,996 | 68.8% | 7.7% | 3.7% | 2,478,996 | 68.8% | 7.7% | 3.7% | |
| United States Department of Navy | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Parris Island Recruit Depot | 822,894 | 20.2% | 2.9% | 1.4% | 541,089 | 14.5% | 2.0% | 0.9% | 583,116 | 15.2% | 2.0% | 1.0% | 635,349 | 18.0% | 2.0% | 1.0% | 680,152 | 18.9% | 2.1% | 1.0% | 680,152 | 18.9% | 2.1% | 1.0% | 680,152 | 18.9% | 2.1% | 1.0% | |
| Laurel Bay Housing | 204,095 | 5.0% | 0.7% | 0.4% | 219,504 | 5.9% | 0.8% | 0.4% | 219,396 | 5.7% | 0.8% | 0.4% | 214,495 | 6.1% | 0.7% | 0.3% | 218,261 | 6.1% | 0.7% | 0.3% | 218,261 | 6.1% | 0.7% | 0.3% | 218,261 | 6.1% | 0.7% | 0.3% | |
| MCAS-Beaufort | 193,136 | 4.7% | 0.7% | 0.3% | 245,070 | 6.6% | 0.9% | 0.4% | 216,656 | 5.6% | 0.8% | 0.4% | 240,363 | 6.8% | 0.8% | 0.4% | 171,591 | 4.8% | 0.5% | 0.3% | 171,591 | 4.8% | 0.5% | 0.3% | 171,591 | 4.8% | 0.5% | 0.3% | |
| Naval Hospital | 60,256 | 1.5% | 0.2% | 0.1% | 62,606 | 1.7% | 0.2% | 0.1% | 70,368 | 1.8% | 0.2% | 0.1% | 60,750 | 1.7% | 0.2% | 0.1% | 54,854 | 1.5% | 0.2% | 0.1% | 54,854 | 1.5% | 0.2% | 0.1% | 54,854 | 1.5% | 0.2% | 0.1% | |
| Total Navy | 1,280,381 | 31.4% | 4.5% | 2.2% | 1,068,269 | 28.6% | 3.9% | 1.9% | 1,089,536 | 28.4% | 3.8% | 1.8% | 1,150,957 | 32.7% | 3.7% | 1.8% | 1,124,857 | 31.2% | 3.5% | 1.7% | 1,124,857 | 31.2% | 3.5% | 1.7% | 1,124,857 | 31.2% | 3.5% | 1.7% | |
| Total Wholesale | 4,078,291 | 100.0% | 14.4% | 7.1% | 3,733,234 | 100.0% | 13.8% | 6.5% | 3,834,863 | 100.0% | 13.4% | 6.4% | 3,525,136 | 100.0% | 11.3% | 5.4% | 3,603,853 | 100.0% | 11.2% | 5.4% | 3,603,853 | 100.0% | 11.2% | 5.4% | 3,603,853 | 100.0% | 11.2% | 5.4% | |

RETAIL WATER REVENUES BY AREA AND AVERAGE REVENUE PER KGAL

Last ten fiscal years

| | 2012 | | | 2013 | | | 2014 | | | 2015 | | | 2016 | | | | |
|------------------------------|------------------|---------------------|---------|------------------|---------------------|--------|------------------|---------------------|----------|------------------|---------------------|---------|------------------|---------------------|---------|---------|----------|
| | Avg | | Revenue | Revenue | per kgal | Kgals | Revenue | Revenue | per kgal | Kgals | Revenue | Revenue | per kgal | Kgals | Revenue | Revenue | per kgal |
| City of Beaufort | 456,109 | \$1,964,933 | \$4.31 | 476,838 | \$2,047,673 | \$4.29 | 470,068 | \$2,030,787 | \$4.32 | 467,670 | \$2,120,332 | \$4.53 | 458,725 | \$2,126,856 | \$4.64 | | |
| Burton/Gray's Hill | 389,652 | 1,740,067 | 4.47 | 389,513 | 1,747,700 | 4.49 | 391,476 | 1,760,258 | 4.50 | 398,952 | 1,869,030 | 4.68 | 384,809 | 1,850,905 | 4.81 | | |
| Lady's Island/Cat Island | 421,410 | 1,787,751 | 4.24 | 430,805 | 1,830,937 | 4.25 | 423,876 | 1,813,271 | 4.28 | 412,959 | 1,845,986 | 4.47 | 400,275 | 1,834,889 | 4.58 | | |
| Point South | 17,586 | 62,414 | 3.55 | 15,586 | 55,725 | 3.58 | 13,824 | 49,445 | 3.58 | 15,761 | 57,104 | 3.62 | 16,203 | 59,544 | 3.67 | | |
| St. Helena/Dataw Island | 299,250 | 1,319,848 | 4.41 | 282,604 | 1,269,591 | 4.49 | 282,849 | 1,271,322 | 4.49 | 274,002 | 1,298,072 | 4.74 | 253,311 | 1,249,207 | 4.93 | | |
| Bluffton (1) | 1,743,526 | 7,029,190 | 4.03 | 1,627,104 | 6,695,086 | 4.11 | 1,594,519 | 6,633,803 | 4.16 | 1,677,349 | 7,222,143 | 4.31 | 1,765,489 | 7,714,893 | 4.37 | | |
| Palm Key | 1,125 | 6,987 | 6.21 | 1,119 | 7,663 | 6.85 | 1,312 | 8,479 | 6.46 | 1,406 | 9,350 | 6.65 | 1,516 | 9,844 | 6.49 | | |
| Okatie | 740,508 | 3,138,355 | 4.24 | 626,691 | 2,768,199 | 4.42 | 578,073 | 2,605,319 | 4.51 | 575,677 | 2,713,923 | 4.71 | 541,520 | 2,635,227 | 4.87 | | |
| Hardeeville/SoJasperCity | 266,496 | 1,056,727 | 3.97 | 252,671 | 1,049,601 | 4.15 | 271,964 | 1,155,586 | 4.25 | 286,387 | 1,278,191 | 4.46 | 286,251 | 1,314,968 | 4.59 | | |
| Town of Port Royal | 193,993 | 827,793 | 4.27 | 203,135 | 869,263 | 4.28 | 207,038 | 893,910 | 4.32 | 219,256 | 982,738 | 4.48 | 224,853 | 1,026,252 | 4.56 | | |
| Others/Special Commercial | 1,733,337 | 357,791 | 0.21 | 1,803,946 | 360,058 | 0.20 | 1,430,052 | 395,421 | 0.28 | 1,380,157 | 387,441 | 0.28 | 1,609,660 | 402,859 | 0.25 | | |
| Total Retail Revenues | 6,262,992 | \$19,291,856 | | 6,110,012 | \$18,701,496 | | 5,665,051 | \$18,617,601 | | 5,709,576 | \$19,784,310 | | 5,942,612 | \$20,225,444 | | | |

| | 2017 | | | 2018 | | | 2019 | | | 2020 | | | 2021 | | | | |
|------------------------------|------------------|---------------------|---------|------------------|---------------------|--------|------------------|---------------------|----------|------------------|---------------------|---------|------------------|---------------------|-------------|---------|----------|
| | Avg | | Revenue | Revenue | per kgal | Kgals | Revenue | Revenue | per kgal | Kgals | Revenue | Revenue | per kgal | Kgals | Revenue | Revenue | per kgal |
| City of Beaufort | 531,839 | \$2,435,761 | \$4.58 | 490,311 | \$2,319,771 | \$4.73 | 499,750 | \$2,407,624 | \$4.82 | 543,891 | \$2,672,329 | \$4.91 | 561,332 | 2,755,857 | \$4.91 | | |
| Burton/Gray's Hill | 408,382 | 1,979,104 | 4.85 | 426,395 | 2,059,341 | 4.83 | 414,130 | 2,062,823 | 4.98 | 436,673 | 2,226,991 | 5.10 | 447,278 | 2,281,298 | 5.10 | | |
| Lady's Island/Cat Island | 493,296 | 2,199,676 | 4.46 | 468,105 | 2,131,502 | 4.55 | 490,913 | 2,259,398 | 4.60 | 516,077 | 2,433,643 | 4.72 | 521,617 | 2,475,245 | 4.75 | | |
| Point South | 19,702 | 70,961 | 3.60 | 19,677 | 70,911 | 3.60 | 17,955 | 67,960 | 3.79 | 17,842 | 67,640 | 3.79 | 16,682 | 63,746 | 3.82 | | |
| St. Helena/Dataw Island | 314,767 | 1,507,648 | 4.79 | 300,397 | 1,478,813 | 4.92 | 304,926 | 1,537,088 | 5.04 | 311,007 | 1,622,781 | 5.22 | 314,195 | 1,647,763 | 5.24 | | |
| Bluffton (1) | 2,278,875 | 9,693,751 | 4.25 | 2,130,221 | 9,349,454 | 4.39 | 2,230,772 | 9,948,127 | 4.46 | 2,558,104 | 11,609,285 | 4.54 | 2,625,305 | 12,018,772 | 4.58 | | |
| Palm Key | 1,188 | 9,126 | 7.68 | 1,386 | 9,981 | 7.20 | 2,053 | 13,625 | 6.64 | 1,874 | 12,529 | 6.69 | 1,778 | 12,343 | 6.94 | | |
| Oktie | 719,738 | 3,319,832 | 4.61 | 570,310 | 2,829,032 | 4.96 | 580,836 | 2,935,159 | 5.05 | 659,871 | 3,337,138 | 5.06 | 648,928 | 3,312,648 | 5.10 | | |
| Hardeeville/SoJasperCity | 344,985 | 1,562,849 | 4.53 | 339,009 | 1,573,330 | 4.64 | 360,016 | 1,707,724 | 4.74 | 415,807 | 2,031,622 | 4.89 | 431,386 | 2,155,517 | 5.00 | | |
| Town of Port Royal | 245,109 | 1,122,142 | 4.58 | 243,975 | 1,133,815 | 4.65 | 262,068 | 1,221,951 | 4.66 | 276,678 | 1,329,405 | 4.80 | 313,261 | 1,492,143 | 4.76 | | |
| Others/Special Commercial | 1,704,835 | 418,033 | 0.25 | 1,646,886 | 470,998 | 0.29 | 1,671,285 | 466,746 | 0.28 | 1,825,249 | 463,527 | 0.25 | 1,717,156 | 355,530 | 0.21 | | |
| Total Retail Revenues | 7,062,716 | \$24,318,883 | | 6,636,672 | \$23,426,948 | | 6,834,704 | \$24,628,225 | | 7,563,073 | \$27,806,890 | | 7,598,919 | \$28,550,861 | | | |

(1) includes Town of Bluffton and Bluffton, Ashley Plantation Apts., Belfair, Chelsea, Colleton River, Pritchardville, Rose Hill, etc.

WASTEWATER FLOWS AND CAPACITIES BY PLANT

Last ten fiscal years

| Plant | 2012 | | | 2013 | | | 2014 | | | 2015 | | | 2016 | | | |
|----------------------|------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|-----------|
| | Average | Max Daily | Average | Average | Peak Flow | Capacity | Daily Flow | Average | Peak Flow | Daily Flow | Capacity | Average | Peak Flow | Daily Flow | Average | Peak Flow |
| Cherry Point/Oukatie | 3,539,433 | 7,500,000 | 4,210,000 | 3,844,898 | 7,500,000 | 4,940,000 | 3,941,065 | 7,500,000 | 4,870,000 | 3,866,242 | 7,500,000 | 4,480,000 | 3,936,150 | 7,500,000 | 5,670,000 | |
| Hardeeville | 363,483 | 1,010,000 | 1,400,000 | 483,353 | 1,010,000 | 1,750,000 | 474,263 | 1,010,000 | 1,850,000 | 429,300 | 1,010,000 | 1,350,000 | 413,800 | 1,010,000 | 1,790,000 | |
| Laurel Bay | 327,574 | 750,000 | 560,000 | 371,353 | 750,000 | 810,000 | 323,160 | 750,000 | 500,000 | 336,966 | 750,000 | 640,000 | 405,200 | 750,000 | 970,000 | |
| Moss Creek | 40,485 | 328,000 | - | 328,000 | - | - | 328,000 | - | - | 328,000 | - | - | - | - | - | - |
| Palm Key | 3,882 | 66,000 | 54,000 | 3,536 | 66,000 | 190,000 | 3,301 | 66,000 | 89,000 | 2,933 | 66,000 | 25,000 | 3,950 | 66,000 | 44,000 | |
| Palmetto Bluff | 53,083 | 500,000 | 162,000 | 53,641 | 500,000 | 215,000 | 57,985 | 500,000 | 236,000 | 62,558 | 500,000 | 225,000 | 68,250 | 500,000 | 211,000 | |
| Point South | 39,811 | 600,000 | 428,000 | 43,576 | 600,000 | 265,000 | 58,076 | 600,000 | 1,974,000 | 50,725 | 600,000 | 257,000 | 69,700 | 600,000 | 599,000 | |
| Port Royal Is. WRF | 3,037,195 | 7,500,000 | 4,030,000 | 3,708,422 | 7,500,000 | 4,850,000 | 3,772,115 | 7,500,000 | 3,370,000 | 4,128,316 | 7,500,000 | 3,730,000 | 4,240,250 | 7,500,000 | 4,580,000 | |
| St. Helena | 333,539 | 600,000 | 640,000 | 343,195 | 600,000 | 690,000 | 333,451 | 600,000 | 590,000 | 334,200 | 600,000 | 620,000 | 405,200 | 600,000 | 940,000 | |
| | 18,854,000 | 11,484,000 | | 18,854,000 | 13,710,000 | | 18,854,000 | 13,479,000 | | 18,854,000 | 13,327,000 | | 18,526,000 | 14,804,000 | | |
| Plant | 2017 | | | 2018 | | | 2019 | | | 2020 | | | 2021 | | | |
| | Average | Max Daily | Average | Average | Peak Flow | Capacity | Daily Flow | Average | Peak Flow | Daily Flow | Capacity | Average | Max Daily | Average | Max Daily | |
| Cherry Point/Oukatie | 4,139,678 | 7,500,000 | 5,850,000 | 5,052,993 | 7,500,000 | 7,070,000 | 5,432,573 | 7,500,000 | 8,490,000 | 5,649,069 | 7,500,000 | 8,402,200 | 5,858,978 | 7,500,000 | 6,958,500 | |
| Hardeeville | 464,359 | 1,010,000 | 2,410,000 | 531,254 | 2,700,000 | 2,010,000 | 489,247 | 2,700,000 | 2,050,000 | 556,461 | 2,700,000 | 2,309,300 | 525,297 | 2,700,000 | 1,884,800 | |
| Laurel Bay | 397,378 | 750,000 | 770,000 | 389,915 | 750,000 | 790,000 | 395,381 | 750,000 | 760,000 | 350,719 | 750,000 | 799,000 | 313,899 | 750,000 | 548,000 | |
| Moss Creek | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Palm Key | 3,661 | 66,000 | 38,000 | 2,543 | 66,000 | 28,000 | 4,378 | 66,000 | 34,000 | 9,607 | 66,000 | 30,100 | 3,317 | 66,000 | 115,000 | |
| Palmetto Bluff | 93,737 | 500,000 | 878,000 | 96,378 | 500,000 | 524,000 | 121,521 | 500,000 | 927,000 | 202,251 | 500,000 | 451,200 | 136,027 | 500,000 | 283,500 | |
| Point South | 53,514 | 600,000 | 345,000 | 62,160 | 600,000 | 725,000 | 54,685 | 600,000 | 243,000 | 59,326 | 600,000 | 256,500 | 54,256,16 | 600,000 | 173,800 | |
| Port Royal Is. WRF | 2,782,526 | 7,500,000 | 4,390,000 | 3,055,761 | 7,500,000 | 5,110,000 | 3,115,015 | 7,500,000 | 5,080,000 | 3,385,257 | 7,500,000 | 6,182,500 | 3,184,528 | 7,500,000 | 4,104,100 | |
| St. Helena | 496,687 | 600,000 | 770,000 | 500,225 | 600,000 | 1,120,000 | 382,341 | 600,000 | 710,000 | 208,533 | 600,000 | 455,672 | 177,326 | 600,000 | 343,064 | |
| | 18,526,000 | 15,451,000 | | 20,216,000 | 17,377,000 | | 20,216,000 | 18,294,000 | | 20,216,000 | 18,886,472 | | 20,216,000 | 14,410,764 | | |

WASTEWATER CUSTOMER BASE BY PLANT

Last ten fiscal years

| Plant | 2012 | | | 2013 | | | 2014 | | | 2015 | | | 2016 | | |
|---------------------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Residential | Commercial | Total |
| Cherry Point/Okontakte(1) | 18,270 | 1,216 | 19,486 | 9,122 | 1,270 | 20,392 | 19,811 | 1,321 | 21,132 | 20,612 | 1,342 | 21,954 | 21,442 | 1,391 | 22,833 |
| Hardeeville | 1,385 | 247 | 1,632 | 1,643 | 254 | 1,897 | 1,830 | 254 | 2,084 | 2,040 | 258 | 2,298 | 2,268 | 261 | 2,529 |
| Moss Creek | 311 | 18 | 329 | - | - | - | - | - | - | - | - | - | - | - | - |
| Palm Key | 32 | - | 32 | 55 | - | 55 | 55 | - | 55 | 54 | - | 54 | - | - | 54 |
| Point South | - | 19 | 19 | - | 19 | 19 | - | 18 | 18 | - | 20 | 20 | - | - | 20 |
| Port Royal Is. WRF | 6,493 | 1,059 | 7,552 | 6,685 | 1,070 | 7,755 | 6,887 | 1,079 | 7,966 | 7,068 | 1,083 | 8,151 | 7,208 | 1,121 | 8,329 |
| St. Helena | 1,684 | 202 | 1,886 | 1,749 | 211 | 1,960 | 1,780 | 217 | 1,997 | 1,825 | 223 | 2,048 | 1,915 | 222 | 2,137 |
| | 28,175 | 2,761 | 30,936 | 29,254 | 2,824 | 32,078 | 30,363 | 2,889 | 33,252 | 31,599 | 2,926 | 34,525 | 32,887 | 3,015 | 35,902 |
| Plant | 2017 | | | 2018 | | | 2019 | | | 2020 | | | 2021 | | |
| | Residential | Commercial | Total |
| Cherry Point/Okontakte(1) | 22,428 | 1,430 | 23,358 | 23,500 | 1,493 | 24,993 | 24,358 | 1,537 | 25,895 | 24,988 | 1,550 | 26,578 | 26,159 | 1,650 | 27,809 |
| Hardeeville | 2,458 | 271 | 2,729 | 2,696 | 290 | 2,986 | 3,131 | 290 | 3,421 | 3,649 | 305 | 3,954 | 4,362 | 323 | 4,685 |
| Moss Creek | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Palm Key | 54 | - | 54 | 54 | - | 54 | 56 | - | 56 | 56 | - | 56 | 55 | - | 55 |
| Point South | - | 20 | 20 | - | 20 | 20 | - | 19 | 19 | - | 19 | 19 | - | - | 19 |
| Port Royal Is. WRF | 7,354 | 1,132 | 8,486 | 7,524 | 1,142 | 8,666 | 7,750 | 1,177 | 8,927 | 8,055 | 1,201 | 9,256 | 8,426 | 1,237 | 9,663 |
| St. Helena | 2,003 | 224 | 2,227 | 2,088 | 226 | 2,314 | 2,178 | 203 | 2,381 | 2,228 | 202 | 2,430 | 2,327 | 209 | 2,536 |
| | 34,297 | 3,077 | 37,374 | 35,862 | 3,171 | 39,033 | 37,473 | 3,226 | 40,699 | 38,976 | 3,317 | 42,293 | 41,329 | 3,438 | 44,767 |

(1) Cherry Point/Okontakte Plant includes Palmetto Bluff customers, which are not separated for that system.

WASTEWATER REVENUES BY AREA AND AVERAGE REVENUE PER KGAL BILLED

| Last ten fiscal years | | | | | | | | | | 2016 | | |
|--|------------------|-------------------|-------------|------------------|-------------------|-------------|------------------|-------------------|--------------|------------------|-------------------|-------------|
| 2012 | | | | | 2013 | | | | | 2014 | | |
| Billed Kgals | | Revenue | | per kgal | Billed Kgals | | Revenue | per kgal | Billed Kgals | | Revenue | |
| <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | |
| Naval Hospital | - | \$- | \$- | \$- | 5,00 | 4,140 | 20,700 | 5,00 | 4,732 | 23,666 | 5,00 | 6,441 |
| Palmetto Apartments | 3,414 | 17,970 | 5,00 | 4,140 | - | - | - | 5,00 | - | 34,139 | 5,30 | 7,097 |
| Resort Services | 32,145 | 152,909 | 4,76 | 34,846 | 170,008 | 4,88 | 30,927 | 5,00 | 154,707 | 162,104 | 5,14 | 27,459 |
| Tansi Village | 4,139 | 20,693 | 5,00 | - | - | - | - | - | - | - | - | - |
| Total Bulk Revenues | 39,698 | 190,672 | 4,80 | 38,986 | 190,708 | 4,89 | 35,659 | 178,373 | 5,00 | 37,949 | 196,243 | 5,17 |
| <i>Retail:</i> | | | | | | | | | | | | |
| City of Beaufort (incl. Battery Shores) | 367,401 | 2,271,932 | 6,18 | 385,591 | 2,393,772 | 6,21 | 380,726 | 2,404,788 | 6,32 | 384,942 | 2,627,860 | 6,83 |
| Burton (incl. Gray's Hill, Irongate & Habersham) | 89,354 | 490,164 | 5,49 | 90,159 | 500,978 | 5,56 | 90,807 | 515,273 | 5,67 | 98,820 | 589,586 | 5,97 |
| Lady's Island (incl. Cat Island) | 86,887 | 452,230 | 5,20 | 92,034 | 481,623 | 5,23 | 95,110 | 507,124 | 5,33 | 90,874 | 527,242 | 5,80 |
| Point South | 17,153 | 104,399 | 6,09 | 15,122 | 92,860 | 6,14 | 13,579 | 83,451 | 6,15 | 15,638 | 97,383 | 6,23 |
| St. Helena (includes Datasw) | 67,574 | 338,285 | 5,01 | 65,773 | 350,469 | 5,47 | 64,714 | 365,238 | 5,64 | 60,555 | 391,456 | 6,46 |
| Bluffton | 1,404,094 | 6,387,664 | 4,55 | 1,344,585 | 6,679,946 | 4,97 | 1,338,449 | 6,880,286 | 5,14 | 1,413,276 | 7,763,512 | 5,49 |
| Palm Key | 1,041 | 8,721 | 8,38 | 1,111 | 10,110 | 9,10 | 1,312 | 11,448 | 8,73 | 1,406 | 13,550 | 9,64 |
| Oktie | 630,155 | 3,083,763 | 4,89 | 500,636 | 3,035,731 | 5,51 | 511,048 | 2,976,619 | 5,82 | 507,188 | 3,268,948 | 6,45 |
| Hardeeville (incl. SoJasperCity) | 186,010 | 1,087,263 | 5,85 | 163,338 | 1,003,566 | 6,14 | 193,910 | 1,212,228 | 6,25 | 210,148 | 1,409,332 | 6,71 |
| Shell Point | 835 | 5,271 | 6,31 | 560 | 3,591 | 6,41 | 527 | 3,406 | 6,46 | 623 | 4,132 | 6,63 |
| Town of Port Royal | 141,189 | 851,874 | 6,03 | 153,813 | 923,385 | 6,00 | 160,378 | 986,301 | 6,15 | 172,445 | 1,139,407 | 6,61 |
| Other /Revenue Adjustment (1) | 160,736 | 75,217 | 137,337 | 70,106 | 108,839 | 62,982 | 89,768 | 58,214 | 93,747 | 175,671 | 1,199,388 | 6,83 |
| Total Retail Revenues | 3,152,429 | 15,156,783 | 4,81 | 2,999,959 | 15,555,137 | 5,19 | 2,959,399 | 16,009,144 | 5,41 | 3,045,683 | 17,390,622 | 5,87 |
| Total Wastewater | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| 2017 | | | | | | | | | | 2018 | | |
| 2017 | | | | | 2018 | | | | | 2019 | | |
| Billed Kgals | | Revenue | | per kgal | Billed Kgals | | Revenue | per kgal | Billed Kgals | | Revenue | per kgal |
| <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | Billed Kgals | | <i>Bulk</i> | <i>Bulk</i> | Billed Kgals | | <i>Bulk</i> | <i>Bulk</i> |
| Naval Hospital | - | \$- | \$- | \$- | 5,35 | 7,709 | 43,476 | 5,64 | 11,522 | 66,193 | 5,74 | - |
| Palmetto Apartments | 5,579 | 29,848 | 5,19 | 18,565 | 97,172 | 5,23 | 21,307 | 113,834 | 5,34 | 18,116 | 99,262 | 5,48 |
| Resort Services | 23,954 | 124,321 | - | - | - | - | - | - | - | - | - | - |
| Total Bulk Revenues | 29,533 | 154,169 | 5,22 | 26,274 | 140,648 | 5,35 | 32,829 | 180,027 | 5,48 | 24,462 | 136,491 | 5,58 |
| <i>Retail:</i> | | | | | | | | | | | | |
| City of Beaufort (incl. Battery Shores) | 410,965 | 2,854,372 | 6,95 | 401,073 | 2,907,022 | 7,25 | 399,333 | 2,956,444 | 7,40 | 411,358 | 3,082,208 | 7,49 |
| Burton (incl. Gray's Hill, Irongate & Habersham) | 108,575 | 672,787 | 6,20 | 110,716 | 717,324 | 6,48 | 111,419 | 742,347 | 6,66 | 123,931 | 833,237 | 6,72 |
| Lady's Island (incl. Cat Island) | 115,246 | 640,552 | 5,56 | 119,384 | 700,735 | 5,87 | 131,573 | 742,648 | 5,64 | 143,273 | 774,563 | 5,41 |
| Point South | 19,427 | 124,829 | 6,43 | 19,243 | 123,957 | 6,44 | 15,208 | 98,695 | 6,49 | 17,562 | 118,473 | 6,75 |
| St. Helena (includes Datasw) | 70,307 | 436,626 | 6,21 | 68,581 | 463,850 | 6,76 | 68,407 | 469,182 | 6,86 | 66,262 | 460,847 | 6,95 |
| Bluffton | 1,886,892 | 9,299,425 | 4,93 | 1,783,662 | 9,740,341 | 5,46 | 1,860,848 | 10,304,703 | 5,54 | 2,118,792 | 11,274,487 | 5,52 |
| Palm Key | 1,188 | 13,374 | 11,26 | 1,386 | 15,409 | 11,12 | 1,621 | 16,756 | 10,34 | 1,874 | 17,203 | 9,18 |
| Oktie | 631,912 | 3,744,649 | 5,93 | 503,297 | 3,547,684 | 7,05 | 507,527 | 3,628,096 | 7,15 | 577,698 | 3,958,107 | 6,82 |
| Hardeeville (incl. SoJasperCity) | 267,128 | 1,761,744 | 6,60 | 260,202 | 1,853,559 | 7,12 | 282,770 | 2,066,755 | 7,31 | 318,176 | 2,348,171 | 7,38 |
| Shell Point | 674 | 4,658 | 6,91 | 508 | 3,668 | 7,22 | 539 | 3,862 | 7,17 | 416 | 3,085 | 7,42 |
| Town of Port Royal | 193,993 | 1,297,784 | 6,69 | 197,908 | 1,377,341 | 6,96 | 218,366 | 1,498,151 | 6,86 | 233,658 | 1,631,404 | 6,98 |
| Other /Revenue Adjustment (1) | 141,097 | 70,610 | 101,535 | 61,155 | 117,430 | 65,129 | - | - | - | 145,864 | 72,238 | - |
| Total Retail Revenues | 3,847,404 | 20,921,410 | 5,44 | 3,567,495 | 21,512,045 | 6,03 | 3,715,041 | 22,592,768 | 6,08 | 4,158,864 | 24,554,023 | 5,90 |
| Total Wastewater | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| 2019 | | | | | | | | | | 2020 | | |
| 2019 | | | | | 2020 | | | | | 2021 | | |
| Billed Kgals | | Revenue | | per kgal | Billed Kgals | | Revenue | per kgal | Billed Kgals | | Revenue | per kgal |
| <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | Billed Kgals | | <i>Bulk</i> | <i>Bulk</i> | Billed Kgals | | <i>Bulk</i> | <i>Bulk</i> |
| Naval Hospital | - | \$- | \$- | \$- | 5,35 | 7,709 | 43,476 | 5,64 | 11,522 | 66,193 | 5,74 | - |
| Palmetto Apartments | 5,579 | 29,848 | 5,19 | 18,565 | 97,172 | 5,23 | 21,307 | 113,834 | 5,34 | 18,116 | 99,262 | 5,48 |
| Resort Services | 23,954 | 124,321 | - | - | - | - | - | - | - | - | - | - |
| Total Bulk Revenues | 29,533 | 154,169 | 5,22 | 26,274 | 140,648 | 5,35 | 32,829 | 180,027 | 5,48 | 24,462 | 136,491 | 5,58 |
| <i>Retail:</i> | | | | | | | | | | | | |
| City of Beaufort (incl. Battery Shores) | 410,965 | 2,854,372 | 6,95 | 401,073 | 2,907,022 | 7,25 | 399,333 | 2,956,444 | 7,40 | 411,358 | 3,082,208 | 7,49 |
| Burton (incl. Gray's Hill, Irongate & Habersham) | 108,575 | 672,787 | 6,20 | 110,716 | 717,324 | 6,48 | 111,419 | 742,347 | 6,66 | 123,931 | 833,237 | 6,72 |
| Lady's Island (incl. Cat Island) | 115,246 | 640,552 | 5,56 | 119,384 | 700,735 | 5,87 | 131,573 | 742,648 | 5,64 | 143,273 | 774,563 | 5,41 |
| Point South | 19,427 | 124,829 | 6,43 | 19,243 | 123,957 | 6,44 | 15,208 | 98,695 | 6,49 | 17,562 | 118,473 | 6,75 |
| St. Helena (includes Datasw) | 70,307 | 436,626 | 6,21 | 68,581 | 463,850 | 6,76 | 68,407 | 469,182 | 6,86 | 66,262 | 460,847 | 6,95 |
| Bluffton | 1,886,892 | 9,299,425 | 4,93 | 1,783,662 | 9,740,341 | 5,46 | 1,860,848 | 10,304,703 | 5,54 | 2,118,792 | 11,274,487 | 5,52 |
| Palm Key | 1,188 | 13,374 | 11,26 | 1,386 | 15,409 | 11,12 | 1,621 | 16,756 | 10,34 | 1,874 | 17,203 | 9,18 |
| Oktie | 631,912 | 3,744,649 | 5,93 | 503,297 | 3,547,684 | 7,05 | 507,527 | 3,628,096 | 7,15 | 577,698 | 3,958,107 | 6,82 |
| Hardeeville (incl. SoJasperCity) | 267,128 | 1,761,744 | 6,60 | 260,202 | 1,853,559 | 7,12 | 282,770 | 2,066,755 | 7,31 | 318,176 | 2,348,171 | 7,38 |
| Shell Point | 674 | 4,658 | 6,91 | 508 | 3,668 | 7,22 | 539 | 3,862 | 7,17 | 416 | 3,085 | 7,42 |
| Town of Port Royal | 193,993 | 1,297,784 | 6,69 | 197,908 | 1,377,341 | 6,96 | 218,366 | 1,498,151 | 6,86 | 233,658 | 1,631,404 | 6,98 |
| Other /Revenue Adjustment (1) | 141,097 | 70,610 | 101,535 | 61,155 | 117,430 | 65,129 | - | - | - | 145,864 | 72,238 | - |
| Total Retail Revenues | 3,847,404 | 20,921,410 | 5,44 | 3,567,495 | 21,512,045 | 6,03 | 3,715,041 | 22,592,768 | 6,08 | 4,158,864 | 24,554,023 | 5,90 |
| Total Wastewater | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| 2021 | | | | | | | | | | Avg | | |
| 2021 | | | | | Avg | | | | | Avg | | |
| Billed Kgals | | Revenue | | per kgal | Billed Kgals | | Revenue | per kgal | Billed Kgals | | Revenue | per kgal |
| <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | <i>Bulk</i> | Billed Kgals | | <i>Bulk</i> | <i>Bulk</i> | Billed Kgals | | <i>Bulk</i> | <i>Bulk</i> |
| Naval Hospital | - | \$- | \$- | \$- | 5,35 | 7,709 | 43,476 | 5,64 | 11,522 | 66,193 | 5,74 | - |
| Palmetto Apartments | 5,579 | 29,848 | 5,19 | 18,565 | 97,172 | 5,23 | 21,307 | 113,834 | 5,34 | 18,116 | 99,262 | 5,48 |
| Resort Services | 23,954 | 124,321 | - | - | - | - | - | - | - | - | - | - |
| Total Bulk Revenues | 29,533 | 154,169 | 5,22 | 26,274 | 140,648 | 5,35 | 32,829 | 180,027 | 5,48 | 24,462 | 136,491 | 5,58 |
| <i>Retail:</i> | | | | | | | | | | | | |
| City of Beaufort (incl. Battery Shores) | 410,965 | 2,854,372</td | | | | | | | | | | |

CUSTOMER STATISTICS
Number of customers at fiscal year-end

| Year | Number of Customers | | | | Ratio of Customers with Both services |
|-------------|----------------------------|-----------------|-------------------|-----------------|--|
| | Water | % Change | Wastewater | % Change | |
| 2007 | 43,502 | | 27,232 | | 62.60% |
| 2008 | 45,314 | 4.2% | 28,786 | 5.7% | 63.53% |
| 2009 | 45,467 | 0.3% | 28,483 | -1.1% | 62.65% |
| 2010 | 46,282 | 1.8% | 29,214 | 2.6% | 63.12% |
| 2011 | 46,788 | 1.1% | 29,928 | 2.4% | 63.97% |
| 2012 | 47,804 | 2.2% | 30,936 | 3.4% | 64.71% |
| 2013 | 48,992 | 2.5% | 32,078 | 3.7% | 65.48% |
| 2014 | 50,371 | 2.8% | 33,252 | 3.7% | 66.01% |
| 2015 | 51,876 | 3.0% | 34,525 | 3.8% | 66.55% |
| 2016 | 53,507 | 3.1% | 35,902 | 4.0% | 67.10% |
| 2017 | 55,139 | 3.1% | 37,374 | 4.1% | 67.78% |
| 2018 | 57,012 | 3.4% | 39,033 | 4.4% | 68.46% |
| 2019 | 58,841 | 3.2% | 40,699 | 4.3% | 69.17% |
| 2020 | 60,631 | 3.0% | 42,293 | 3.9% | 69.75% |
| 2021 | 63,190 | 4.2% | 44,767 | 5.8% | 70.85% |

BILLINGS AT FISCAL YEAR-END
Reported in kgals (thousands of gallons)

| Year | Water | % Change | Wastewater | % Change |
|-------------|--------------|-----------------|-------------------|-----------------|
| 2007 | 8,538,526 | | 2,871,476 | |
| 2008 | 8,046,684 | -5.8% | 3,091,499 | 7.7% |
| 2009 | 7,726,434 | -4.0% | 2,942,817 | -4.8% |
| 2010 | 7,583,604 | -1.8% | 2,878,369 | -2.2% |
| 2011 | 8,553,637 | 12.8% | 3,141,176 | 9.1% |
| 2012 | 8,559,110 | 0.1% | 3,192,127 | 1.6% |
| 2013 | 8,133,658 | -5.0% | 3,038,945 | -4.8% |
| 2014 | 7,443,912 | -8.5% | 2,995,058 | -1.4% |
| 2015 | 7,521,292 | 1.0% | 3,083,632 | 3.0% |
| 2016 | 7,363,927 | -2.1% | 3,131,220 | 1.5% |
| 2017 | 9,206,677 | 25.0% | 3,876,937 | 23.8% |
| 2018 | 8,546,186 | -7.2% | 3,593,769 | -7.3% |
| 2019 | 8,682,045 | 1.6% | 3,747,870 | 4.3% |
| 2020 | 9,058,248 | 4.3% | 4,183,326 | 11.6% |
| 2021 | 9,180,944 | 1.4% | 4,097,543 | -2.1% |

WATER SALES AND CUSTOMER HISTORY



WASTEWATER SALES AND CUSTOMER HISTORY



WATER RATE COMPARISONS

Effective date

| | | FY22 | | | | | | | | | |
|--------------------|---------------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
| | | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | Budget |
| Commercial | Minimum Usage | \$6.00 | \$6.00 | \$9.00 | \$9.00 | \$12.00 | \$12.00 | \$13.00 | \$13.40 | \$13.40 | \$13.40 |
| | | \$3.46 | \$3.46 | \$3.46 | \$3.51 | \$3.41 | \$3.41 | \$3.41 | \$3.58 | \$3.58 | \$3.58 |
| Residential | Minimum Usage | \$6.00 | \$6.00 | \$7.00 | \$7.00 | \$8.00 | \$8.00 | \$8.50 | \$8.75 | \$8.75 | \$9.25 |
| | | \$3.46 | \$3.46 | \$3.46 | \$3.51 | \$3.41 | \$3.41 | \$3.41 | \$3.55 | \$3.55 | \$3.55 |

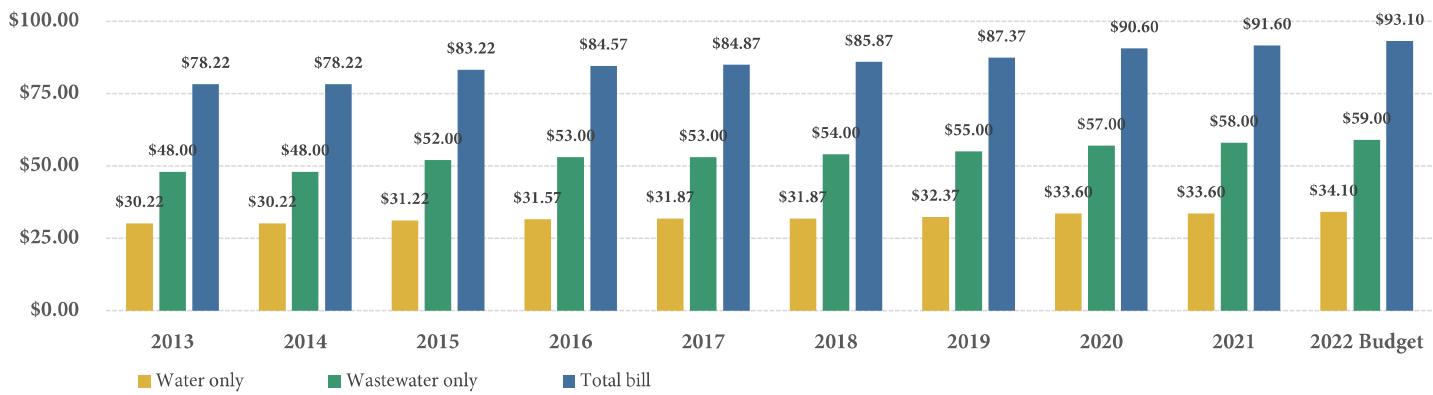
WASTEWATER RATE COMPARISONS

Effective date

| | | FY22 | | | | | | | | | |
|--------------------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | Budget |
| Commercial | Minimum Per thousand gallons | \$6.00 | \$6.00 | \$9.00 | \$9.00 | \$12.00 | \$13.00 | \$14.00 | \$14.00 | \$14.00 | \$14.00 |
| | | \$6.05 | \$6.05 | \$6.10 | \$6.28 | \$6.28 | \$6.28 | \$6.59 | \$6.59 | \$6.59 | \$6.59 |
| Residential | Minimum | \$6.00 | \$6.00 | \$9.00 | \$9.00 | \$10.00 | \$11.00 | \$12.00 | \$12.00 | \$13.00 | \$14.00 |
| | | \$6.05 | \$6.05 | \$6.10 | \$6.28 | \$6.18 | \$6.18 | \$6.18 | \$6.49 | \$6.49 | \$6.49 |
| | Maximum per month | \$48.00 | \$48.00 | \$52.00 | \$53.00 | \$53.00 | \$54.00 | \$55.00 | \$57.00 | \$58.00 | \$59.00 |

MONTHLY WATER & WASTEWATER BILL FOR 7KGAL RESIDENTIAL CUSTOMER

The following chart shows the change in rates for an average customer (defined as 7 thousand gallons per month residential water usage) from fiscal year 2013 to fiscal year 2022 Budget, utilizing the fiscal year 2013 through 2021 rates as adopted, and the budgeted rate effective July 1, 2021, for fiscal year 2022.

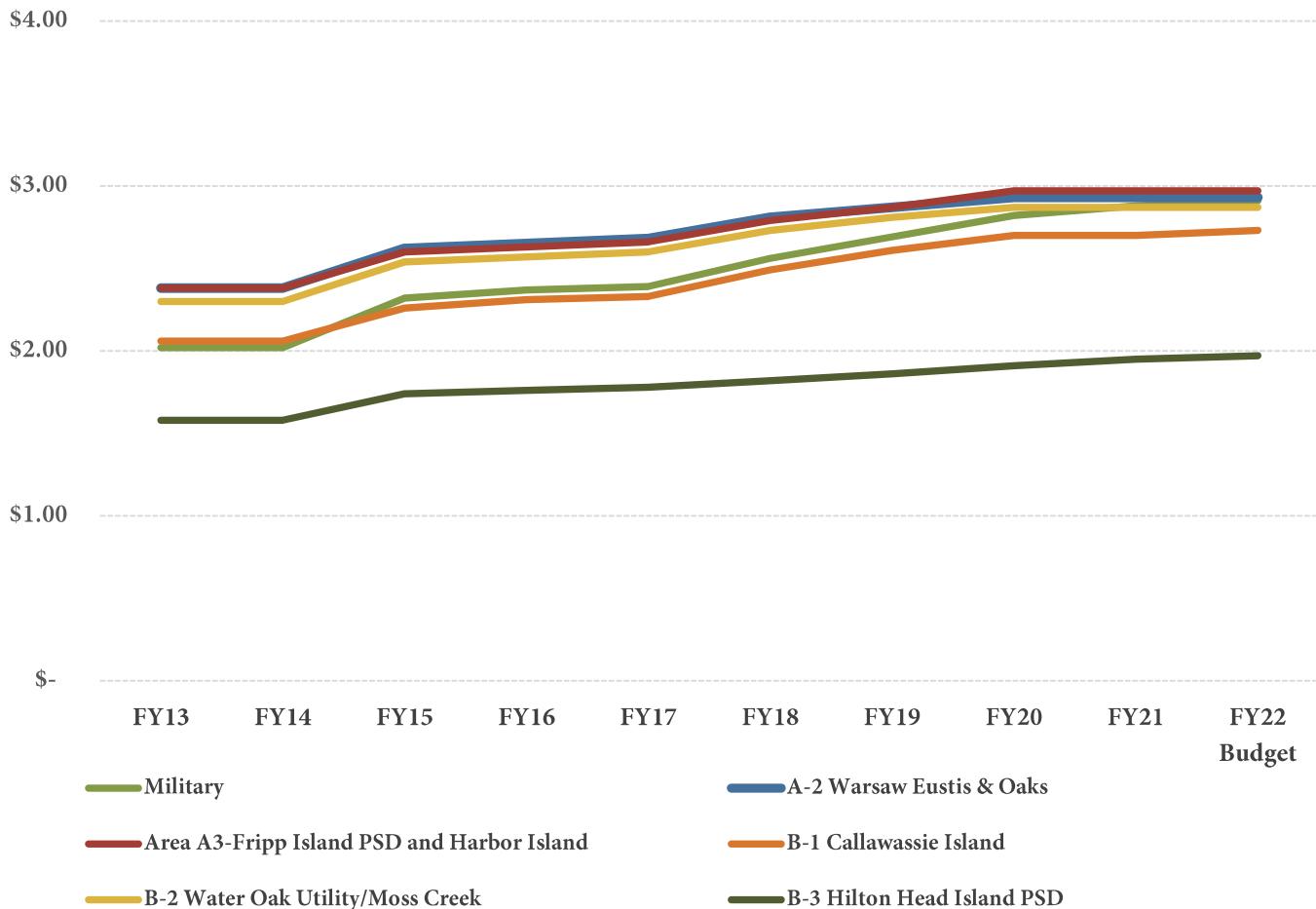


WHOLESALE WATER RATES BY AREA

Effective date

| <u>Area</u> | <u>FY13</u> | <u>FY14</u> | <u>FY15</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> | <u>Budget</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Military | \$2.02 | \$2.02 | \$2.32 | \$2.37 | \$2.39 | \$2.56 | \$2.69 | \$2.82 | \$2.88 | \$2.91 | |
| A-2 Warsaw Eustis & Oaks | 2.38 | 2.38 | 2.62 | 2.65 | 2.68 | 2.81 | 2.87 | 2.93 | 2.93 | 2.93 | |
| Area A3-Fripp Island PSD and Harbor Island | 2.38 | 2.38 | 2.60 | 2.63 | 2.66 | 2.79 | 2.87 | 2.97 | 2.97 | 2.97 | |
| B-1 Callawassie Island | 2.06 | 2.06 | 2.26 | 2.31 | 2.33 | 2.49 | 2.61 | 2.70 | 2.70 | 2.73 | |
| B-2 Water Oak Utility/Moss Creek | 2.30 | 2.30 | 2.54 | 2.57 | 2.60 | 2.73 | 2.81 | 2.87 | 2.87 | 2.87 | |
| B-3 Hilton Head Island PSD | 1.58 | 1.58 | 1.74 | 1.76 | 1.78 | 1.82 | 1.86 | 1.91 | 1.95 | 1.97 | |

WHOLESALE WATER RATE COMPARISON



POPULATION/PER CAPITA INCOME

Last ten available years

| | South Carolina | | Beaufort County | | Jasper County | |
|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Year</u> | <u>Population</u> | <u>Per Capita</u> | <u>Population</u> | <u>Per Capita</u> | <u>Population</u> | <u>Per Capita</u> |
| 2010 | 4,625,364 | 32,193 | 155,550 | 41,194 | 23,634 | 22,715 |
| 2011 | 4,673,348 | 34,183 | 164,684 | 43,584 | 25,195 | 23,110 |
| 2012 | 4,723,417 | 35,056 | 168,049 | 45,122 | 25,833 | 23,033 |
| 2013 | 4,771,929 | 35,831 | 171,569 | 45,222 | 26,710 | 23,747 |
| 2014 | 4,829,160 | 36,860 | 175,852 | 46,137 | 27,170 | 24,301 |
| 2015 | 4,894,834 | 38,783 | 179,589 | 48,134 | 27,824 | 25,951 |
| 2016 | 4,959,822 | 40,312 | 183,149 | 50,078 | 28,071 | 26,274 |
| 2017 | 5,024,369 | 41,633 | 186,844 | 52,763 | 28,458 | 27,762 |
| 2018 | 5,084,127 | 43,702 | 188,715 | 56,711 | 28,971 | 29,242 |
| 2019 | 5,148,714 | 45,438 | 192,122 | 59,318 | 30,073 | 31,488 |

Sources: U.S. Census Bureau and Bureau of Economic Analysis

WAGE/SALARY EMPLOYMENT NUMBER OF JOBS BY COUNTY (COMPARED TO STATE)

Last ten available years

| | South | Beaufort | % of | Jasper | % |
|-------------|-----------------|---------------|-----------------------|---------------|-----------------------|
| <u>Year</u> | <u>Carolina</u> | <u>County</u> | <u>South Carolina</u> | <u>County</u> | <u>South Carolina</u> |
| 2012 | 1,947,936 | 60,067 | 3.08% | 9,672 | 0.50% |
| 2013 | 1,991,908 | 61,016 | 3.07% | 9,842 | 0.50% |
| 2014 | 2,050,128 | 63,123 | 3.08% | 10,231 | 0.50% |
| 2015 | 2,112,034 | 68,118 | 3.23% | 11,162 | 0.53% |
| 2016 | 2,185,181 | 71,435 | 3.27% | 11,836 | 0.54% |
| 2017 | 2,213,831 | 72,842 | 3.29% | 12,088 | 0.55% |
| 2018 | 2,226,062 | 74,515 | 3.35% | 12,316 | 0.55% |
| 2019 | 2,291,363 | 78,558 | 3.43% | 12,743 | 0.56% |
| 2020 | 2,222,144 | 76,246 | 3.43% | 12,373 | 0.56% |
| 2021 | 2,307,087 | 76,995 | 3.34% | 12,863 | 0.56% |

Source: SC Department of Employment and Workforce

ECONOMIC STATUS – UNEMPLOYMENT RATE

Last ten fiscal years

| | <u>South Carolina</u> | <u>Beaufort County</u> | <u>Jasper County</u> |
|-------------|-----------------------|------------------------|----------------------|
| <u>Year</u> | | | |
| 2012 | 9.4% | 8.8% | 9.2% |
| 2013 | 8.1% | 7.9% | 8.1% |
| 2014 | 5.3% | 5.6% | 5.3% |
| 2015 | 6.6% | 6.0% | 5.9% |
| 2016 | 5.4% | 5.2% | 5.0% |
| 2017 | 4.0% | 4.0% | 3.6% |
| 2018 | 3.8% | 3.4% | 3.1% |
| 2019 | 3.5% | 3.3% | 3.3% |
| 2020 | 8.7% | 7.4% | 7.3% |
| 2021 | 3.3% | 3.7% | 2.5% |

Source: SC Department of Employment and Workforce

PRINCIPAL EMPLOYERS

Current year and nine years ago

| BEAUFORT COUNTY | 2021 | | | 2012 | | |
|--|----------------------------|-------------|--|----------------------------|-------------|--|
| | Number of Employees | Rank | Percentage of Total County Employment | Number of Employees | Rank | Percentage of Total County Employment |
| (20 Largest Employers Listed Alphabetically) | | | | | | |
| ATLANTIC PERSONNEL, INC. | * | * | * | * | * | * |
| BEAUFORT COUNTY SCHOOL DISTRICT | * | * | * | * | * | * |
| BEAUFORT MEMORIAL HOSPITAL | * | * | * | * | * | * |
| CARECORE NATIONAL LLC | * | * | * | * | * | * |
| COUNTY OF BEAUFORT | * | * | * | * | * | * |
| DEPARTMENT OF DEFENSE | * | * | * | * | * | * |
| GREGORY M PARKER INC | * | * | * | * | * | * |
| HARGRAY COMMUNICATIONS GROUP INC | * | * | * | * | * | * |
| LOWES HOME CENTERS INC | * | * | * | * | * | * |
| MARINE CORPS COMMUNITY SERVICES | * | * | * | * | * | * |
| MARRIOTT RESORTS HOSP CORP | * | * | * | * | * | * |
| MONTAGE PALMETTO BLUFF | * | * | * | * | * | * |
| PUBLIX SUPER MARKETS INC | * | * | * | * | * | * |
| SEA PINES RESORT LLC | * | * | * | * | * | * |
| SITEL OPERATING CORPORATION | * | * | * | * | * | * |
| TENET PHYSICIAN SVCS OF HILTON HEAD | * | * | * | * | * | * |
| THE GREENERY INC | * | * | * | * | * | * |
| THE KROGER COMPANY | * | * | * | * | * | * |
| UNIVERSITY OF SOUTH CAROLINA | * | * | * | * | * | * |
| WAL-MART ASSOCIATES INC | * | * | * | * | * | * |

Source: SC Department of Employment & Workforce

* Specific information related to those employers was deemed confidential by the South Carolina Department of Employment & Workforce.

| JASPER COUNTY | 2021 | | | 2012 | | |
|--|----------------------------|-------------|--|----------------------------|-------------|--|
| | Number of Employees | Rank | Percentage of Total County Employment | Number of Employees | Rank | Percentage of Total County Employment |
| (20 Largest Employers Listed Alphabetically) | | | | | | |
| AMERIGAS PROPANE INC | * | * | * | * | * | * |
| CITY OF HARDEEVILLE | * | * | * | * | * | * |
| CLELAND SITE PREP INC | * | * | * | * | * | * |
| COASTAL CAROLINA MEDICAL CENTER INC | * | * | * | * | * | * |
| COASTAL STATES AUTOMOTIVE GROUP MAN | * | * | * | * | * | * |
| COMPASSION HEALTHCARE INC | * | * | * | * | * | * |
| CONGAREE GOLF PARTNERS LLC | * | * | * | * | * | * |
| COUNTY OF JASPER | * | * | * | * | * | * |
| EUROVIA ATLANTIC COAST LLC | * | * | * | * | * | * |
| EYM PIZZA OF SC LLC | * | * | * | * | * | * |
| JASPER CO BD OF DISABILITIES | * | * | * | * | * | * |
| JASPER COUNTY SCHOOL DISTRICT | * | * | * | * | * | * |
| MYERS EDGE INC | * | * | * | * | * | * |
| O C WELCH FORD LINCOLN MERCURY INC | * | * | * | * | * | * |
| PALMETTO ELECTRIC CO OP INC | * | * | * | * | * | * |
| PUBLIX SUPER MARKETS INC | * | * | * | * | * | * |
| RIDGELAND NC LLC | * | * | * | * | * | * |
| SC DEPARTMENT OF CORRECTIONS | * | * | * | * | * | * |
| SMYRNA READY MIX CONCRETE LLC | * | * | * | * | * | * |
| WAL-MART ASSOCIATES INC. | * | * | * | * | * | * |

Source: SC Department of Employment & Workforce

* Specific information related to those employers was deemed confidential by the South Carolina Department of Employment & Workforce.

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last ten fiscal years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Water | | | | | | | | | | |
| Water Source of Supply | 2.4 | 2.3 | 2.4 | 2.5 | 2.6 | 2.6 | 2.9 | 3.0 | 2.4 | 1.7 |
| Water Treatment Ops | 21.0 | 20.5 | 17.0 | 19.8 | 20.3 | 20.3 | 20.3 | 21.6 | 23.0 | 25.3 |
| Transmission & Distribution | 26.1 | 26.6 | 26.4 | 27.0 | 28.7 | 33.9 | 32.2 | 31.8 | 30.9 | 35.8 |
| Wastewater | | | | | | | | | | |
| Wastewater Treatment Ops | 13.1 | 15.5 | 12.2 | 11.9 | 14.3 | 14.5 | 15.8 | 15.4 | 14.8 | 15.2 |
| Collection & Transmission | 30.5 | 30.1 | 30.3 | 32.1 | 33.2 | 37.8 | 35.3 | 35.7 | 33.4 | 37.5 |
| Sludge Management Ops | 1.9 | 1.0 | 0.7 | 0.7 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| Laboratory and Testing | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 4.5 | 4.5 | 4.5 | 4.5 |
| Engineering | 15.0 | 11.0 | 12.0 | 12.0 | 13.0 | 10.0 | 12.0 | 13.0 | 13.0 | 15.0 |
| Customer Service | 17.0 | 17.0 | 17.0 | 14.0 | 15.0 | 14.0 | 15.0 | 14.0 | 16.0 | 15.0 |
| Billing and Meter Reading | 6.0 | 7.0 | 7.0 | 11.0 | 11.0 | 4.0 | 8.0 | 8.0 | 8.0 | 9.0 |
| Financial and Support Services | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 11.0 | 9.0 | 8.0 | 12.0 | 12.0 |
| General & Administrative | 12.0 | 11.0 | 11.0 | 12.0 | 12.0 | 12.0 | 13.0 | 13.0 | 13.0 | 14.0 |
| Asset Management | - | - | - | - | - | - | - | - | 3.0 | 3.0 |
| Information Technology | 4.0 | 5.0 | 5.0 | 5.0 | 4.0 | 7.0 | 9.0 | 9.0 | 6.0 | 7.0 |
| Total | 162.0 | 160.0 | 154.0 | 161.0 | 168.0 | 174.0 | 178.0 | 178.0 | 181.0 | 196.0 |

TEN LARGEST WASTEWATER USERS

Fiscal year ended June 30, 2021

Ten largest wastewater users and any user representing 5.0% or
more of total annual billed revenues

| User Name | User's Service Or Business | 2021 Billed Revenues | % of Total 2021 Billed Revenues |
|-----------------------------------|----------------------------|----------------------|---------------------------------|
| 1 Resort Services (bulk customer) | Laundry | \$100,804 | 0.39% |
| 2 NEPSA Admin Service | Multifamily Residential | 100,771 | 0.39% |
| 3 CR Bluestone, LLC | Multifamily Residential | 97,546 | 0.37% |
| 4 Estate at Westbury | Multifamily Residential | 95,858 | 0.37% |
| 5 Palmetto Bluff | Residential Community | 91,783 | 0.35% |
| 6 PRG Port Royal LP | Multifamily Residential | 89,153 | 0.34% |
| 7 Palms Association | Multifamily Residential | 88,733 | 0.34% |
| 8 Azalea Square | Multifamily Residential | 85,520 | 0.33% |
| 9 Powers Properties | Multifamily Residential | 83,765 | 0.32% |
| 10 Bluffton Otwo LLC | Multifamily Residential | 81,786 | 0.31% |
| Other | | 25,171,186.91 | 96.50% |
| Total wastewater revenues | | \$26,086,906 | |

Bulk sewer customers:

| | |
|------------------------------------|--------------|
| Total bulk customers | 2 |
| Total operating revenues | \$26,086,906 |
| Wholesale (bulk) customer revenues | \$130,955 |
| % of billed revenue | 0.5% |

TEN LARGEST WATER USERS

Fiscal year ended June 30, 2021

Ten largest water users (not including bulk customers) and any user representing 5.0% or more of total annual billed revenues

| User Name | User's Service Or Business | 2021 Billed Revenues | % of Total 2021 Billed Revenues |
|----------------------------------|----------------------------|----------------------|---------------------------------|
| 1 Dominion Energy | Regulated Utility | \$437,087 | 1.36% |
| 2 Sun City Community Association | Residential Community (IR) | 76,822 | 0.24% |
| 3 Palmetto Bluff | Residential Community | 74,766 | 0.23% |
| 4 Palmetto Bluff | Residential Community (IR) | 68,216 | 0.21% |
| 5 NEPSA Admin Service | Multifamily Residential | 55,787 | 0.17% |
| 6 CR Bluestone, LLC | Multifamily Residential | 54,313 | 0.17% |
| 7 Estate at Westbury | Residential Community | 53,257 | 0.17% |
| 8 Beaufort Memorial | Hospital | 52,794 | 0.16% |
| 9 Palms Association | Multifamily Residential | 52,411 | 0.16% |
| 10 Hampton Hall Club | Residential Community (IR) | 51,204 | 0.16% |
| Other (including Bulk Customers) | | 31,066,269 | 96.95% |
| Total water revenues | | \$32,042,926 | |

IR - Denotes Irrigation service meters

Bulk Water Users:

| | | | |
|--|-------------------------|---------------------|---------------|
| Hilton Head PSD | Public Service District | \$1,030,216 | 3.22% |
| Parris Island Recruit Depot | Military Installation | 680,152 | 2.12% |
| Fripp Island PSD | Public Service District | 525,380 | 1.64% |
| Moss Creek/Water Oak Utility | Private Utility | 480,767 | 1.50% |
| Callawassie CUC, Inc. | Private Utility | 259,617 | 0.81% |
| MCAS Beaufort | Military Installation | 171,591 | 0.54% |
| Laurel Bay Housing | Military Installation | 218,261 | 0.68% |
| Harbor Island | Private Utility | 95,450 | 0.30% |
| Warsaw-Eustis & Oaks | Private Utility | 89,640 | 0.28% |
| Naval Hospital | Military Installation | 54,854 | 0.17% |
| Total wholesale revenues | | 3,605,928 | 11.25% |
| Other water operating revenues | | 28,436,998 | |
| Total water revenues, including other | | \$32,042,926 | |

Bulk water customers:

| | |
|------------------------------------|--------------|
| Total bulk customers | 7 |
| Total operating revenues | \$32,042,926 |
| Wholesale (bulk) customer revenues | \$3,605,928 |
| % of billed revenue | 11.3% |

NOTE: Customers under one contract (i.e., military installations) are considered one bulk customer in total number of bulk customers. Military retail charge not included in Total Water Revenues.

INSURANCE IN FORCE

| Type of Coverage & Insurance Provider | Policy Number Policy Period | Details of Coverage | Limits of Liability |
|--|---|--|---|
| COMMERCIAL CRIME BOND | | | |
| Selective Insurance Co. of America | B6012126 1/23/21–1/23/2022 | Employee dishonesty & theft of money and securities | \$100,000 bond \$40,000 inside premise \$20,000 outside premise |
| DATA PROCESSING | | | |
| SC State Budget & Control Board Insurance Reserve Fund | D130079722 1/24/21–1/24/2022 | “All risk” coverage on computer equipment | \$3,448,000 limit \$1,000 deductible |
| BUILDING & PERSONAL PROPERTY | | | |
| SC State Budget & Control Board Insurance Reserve Fund | F130079722; F130079722A 1/24/21–1/24/2022 | “All risk” coverage for direct physical loss or damage to covered property | \$5,000 per boiler/machinery accident; \$100,000 per ordinance & law; \$3,000 deductible |
| AUTOMOBILE LIABILITY & COLLISION | | | |
| SC State Budget & Control Board Insurance Reserve Fund | L130079722; C130079722 1/24/21–1/24/2022 | Vehicle comprehensive, collision & liability | \$1,000,000 each accident; \$500 deductible per occurrence; \$1,000 medical each person |
| INLAND MARINE (MOBILE EQUIPMENT AND WELLS & BRIDGE LINES) | | | |
| SC State Budget & Control Board Insurance Reserve Fund | M130079722; M130079722A; MI30079722B 1/24/21–1/24/2022 | Heavy equipment, trailers, pumps and generators, wells & bridge lines, water craft | \$2,934,912 limit; deductible of 2% with \$500 minimum per occurrence; \$500 deductible per occurrence (wells & bridge lines) |
| CYBER LIABILITY | | | |
| Travelers Insurance Enterprise Development | 106307514 9/21/21–7/4/2022 | Network & information security, communications & media liability, regulatory defense expenses | \$1,000,000 network & information Security; \$1,000,000 communications & media liability; \$1,000,000 regulatory defense |
| GENERAL TORT LIABILITY | | | |
| SC State Budget & Control Board Insurance Reserve Fund | T130079721 1/24/21–1/24/2022 | Person injured, reputation marred, property damaged | \$1,000,000 per occurrence; \$250 deductible; \$15,000 basic legal defense; \$5,000 max sewer backup |
| WORKER'S COMPENSATION | | | |
| Accident Fund Ins. Co. of America | WCV6178632 1/1/21–1/1/2022 | Employee injured on the job | Statutory coverage pursuant to Article 1, Chapter 7, title 42 of the SC Code of Laws |
| POLLUTION LEGAL LIABILITY | | | |
| Starr Surplus Lines Willis Group | 1000067665211 8/1/21–8/1/2024 | Environmental liability | \$25,000 deductible each incident & \$10,000,000 limit each incident |
| MANAGEMENT LIABILITY POLICY | | | |
| Travelers Insurance Enterprise Development | 107281816 7/4/21–7/4/2022 | Not for Profit individual and organization management liability declarations including employment practices claims | \$5,000,000 aggregate limit all loss; \$50,000 excess benefit transaction excise taxes; \$5,000,000 employment practices and other claims |

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A scenic view of a lake with a wooden pier and a green gazebo, framed by large trees in the foreground.

Compliance Section

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

**To the Board of Directors of the Beaufort
Jasper Water and Sewer Authority
Okatie, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Beaufort Jasper Water and Sewer Authority** (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

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

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

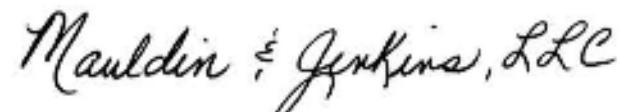
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is cursive and fluid, with "Mauldin" and "Jenkins" connected by a horizontal line.

Savannah, Georgia

November 23, 2021



BEAUFORT-JASPER WATER AND SEWER AUTHORITY

843-987-9292 | 6 SNAKE ROAD | OKATIE, SOUTH CAROLINA 29909

www.bjwsa.org