



CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
CANTON, GEORGIA

Annual Comprehensive Financial Report

For the fiscal year ended August 31, 2022

Prepared by: Finance Department

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Part I

Introductory Section



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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended August 31, 2022

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Cherokee County Water & Sewerage Authority
Georgia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2021

Christopher P. Morill

Executive Director/CEO

Cherokee County Water & Sewerage Authority

Listing of Principal Officials and Consultants

CCWSA Board Members

Gary Winchester; Chairman

Eric Wilmarth; Vice-Chair

Lisa Woodruff; Secretary

Harry Johnston

Nancy Martin

Barry Mansell

Becky Dabbs

General Manager

Thomas Heard

Management

Keith Allen	<i>Development Compliance Manager</i>	Beth Jones	<i>Executive Manager of Finance/Accounting</i>
Wesley Banks	<i>Executive Manager of Financial Assurance/Billing/Records</i>	David Kubala	<i>Executive Manager of Environmental Affairs</i>
Clint Blackwell	<i>Executive Manager of Water Treatment</i>	Greg Long	<i>Special Projects Manager</i>
Gaye Blackwell	<i>Customer Service/Meter Technician Manager</i>	Ryan Sarks	<i>Executive Manager of Human Resources/Risk/Fleet/Safety/Admin Maintenance</i>
Joey Buice	<i>IT Manager</i>		
Sharon Clark	<i>Data Systems Analyst</i>	Mike Venters	<i>Wastewater Facilities Manager</i>
Mark Cochran	<i>Reservoir Manager</i>	Eric Wright	<i>Wastewater Collections/Lift Station Manager</i>
Dwayne Fowler	<i>Executive Manager of Construction & Development</i>		
Corey Ghorley	<i>Capital Improvements Manager</i>		
Jeff Hooper	<i>GPS/GIS Manager</i>		

Consultants and Professional Services

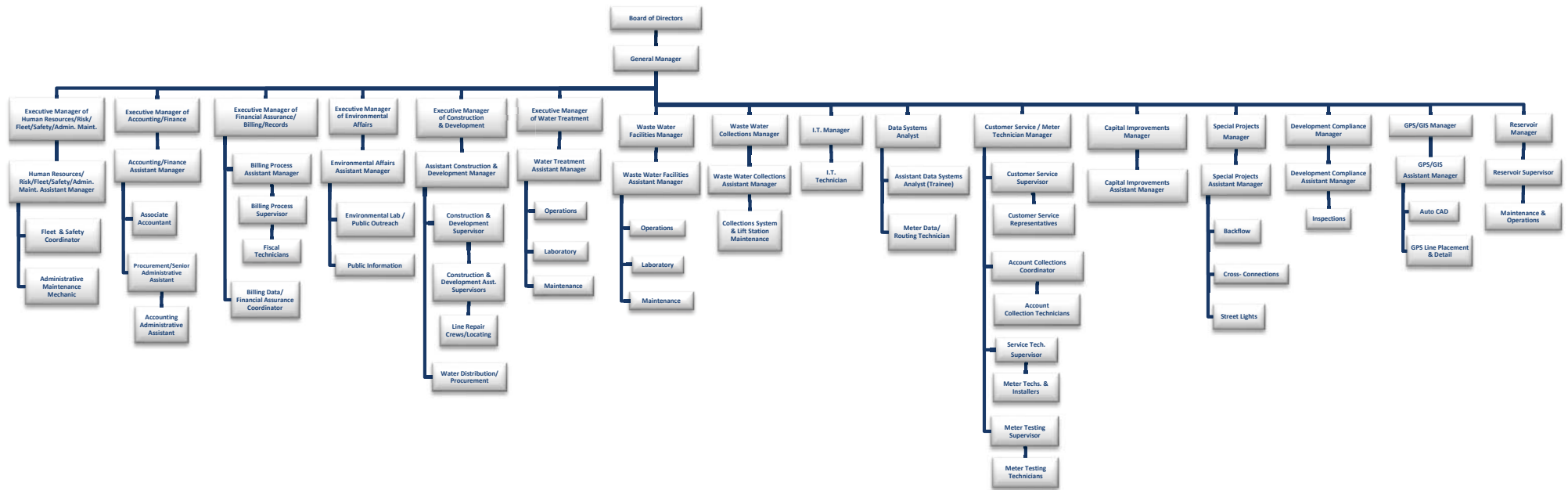
Legal Counsel:

Roach, Caudill & Frost, LLP, Canton, Georgia

Auditors:

Rushton, LLC

Cherokee County Water and Sewerage Authority



FY 2021-2022 Management Structure Chart



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Cherokee County Water & Sewerage Authority

November 11, 2022

Board of Directors, CCWSA
Customers of the Cherokee County Water & Sewerage Authority
And the Citizens of Cherokee County, Georgia

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Cherokee County Water and Sewerage Authority for the fiscal year ended August 31, 2022. Cherokee County Water and Sewerage Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

The Cherokee County Water & Sewerage Authority has established internal controls over financial reporting that provide reasonable assurance of proper recording of financial transactions and the preparation of financial statements and the accompanying information. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control network that is designed to protect its assets from theft, loss or misuse. The cost of a control should not exceed the benefits to be derived as the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

The firm Rushton, LLC, conducted an independent audit on the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Cherokee County Water and Sewerage Authority as of and for the year ended August 31, 2022 and the related notes to the financial statements, which collectively comprise Cherokee County Water and Sewerage Authority's basic financial statements. As a result, have issued a clean opinion on the financial statements of the Authority for the year ending August 31, 2022. The auditors' report is located at the front of the financial section of this report.

In accordance with Generally Accepted Accounting Principles, a narrative introduction, overview, and analysis accompany the basic financials statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the contents of the MD&A thus should be read in conjunction with it. Management's Discussion and Analysis is located immediately following the report of the independent auditors on pages 4-8.

It is anticipated that this Annual Comprehensive Financial Report (ACFR) may be read by a variety of users. The typical user of the Authority's financial report may vary greatly in terms of informational needs and expertise in governmental accounting.

Cherokee County Water & Sewerage Authority

Profile of Cherokee County Water & Sewerage Authority

The Cherokee County Water & Sewerage Authority (CCWSA) was established as a subdivision of the government of the State of Georgia by an act of the Georgia Legislature in 1955. This Authority was created for the express purpose of providing public drinking water and sanitary sewer services to the citizens of Cherokee County. CCWSA has performed this mission since establishment, adding infrastructure and treatment systems in response to growing demands for services.

CCWSA is a public not-for-profit governmental entity tasked with the provision of drinking water and sanitary sewer services to Cherokee County. The Authority has no taxing powers, is not a part of Cherokee County government, and does not receive any tax revenue from county or city governments. CCWSA sells the services of high-quality drinking water and efficient sewage conveyance and treatment, the charges for which go to pay on-going operations and maintenance costs. New customer connections fees are designed to repay any moneys the Authority borrows for capital improvement projects such as new or expanded water and sewer lines, or new or expanded treatment facilities.

The Authority owns and operates a water supply, treatment, distribution system, sanitary sewer treatment, and collection system. Currently the Authority pumps raw water from three separate raw water pump stations located on the Etowah River to a 15-acre pre-settling reservoir at the Etowah River Water Treatment Plant. Two of the intakes are located at the Water Treatment plant site, while the third raw water intake is located at the Riverbend Environmental Complex. The Riverbend raw water intake is located approximately 2,600 feet downstream from the Etowah River Water Treatment Plant and became operational in June 2016. The Authority currently owns three raw water pump stations located at each intake on the Etowah River with an aggregate raw water pumping capacity of 50 million gallons per day ("MGD"). The Authority maintains a pre-settling reservoir, with storage capacity of approximately 15 million gallons, a raw surface water supply with a daily allotment of water of up to 40.5 MGD, one water treatment plant with a rated capacity for treatment of raw water of 38 MGD, a finished water pump station rated capacity of 45 MGD and a cumulative distribution storage tank capacity of 17.15 million gallons. The Authority has a water distribution network of approximately 1,336 miles of pipeline. The water system serves an approximate 300 square mile area containing an estimated population in excess of 227,000 and has approximately 81,365 active water connections/customer accounts.

The sewerage system consists of three active wastewater treatment plants with an aggregate treatment capacity of 12 MGD and a wastewater collection system of 88 wastewater pumping stations and approximately 555 miles of collection sewers. The sewerage system serves an approximate 100 square mile area containing an estimated population in excess of 111,000 and has approximately 39,765 active sewer connections.

Cherokee County Water & Sewerage Authority

Governance

CCWSA is governed by a seven-person board of directors. The directors serve four-year terms and there is a term limit of two consecutive terms (8 years). A director who has served the term limit is eligible for reappointment after being off the Board for at least 4 years. The Board members are representative of the citizens of Cherokee County, and must be a customer of CCWSA. Cherokee County is divided into four districts for representation. A member is appointed from each of the four districts. Those members must be a CCWSA customer and represent one of the four respective districts.

Another member must be a CCWSA customer and is deemed the “at-large” member representing the county as a whole. Another member must be a CCWSA customer in one of the cities within the county that has consolidated its water and wastewater systems with the Authority. These six board members are appointed by the Grand Jury of Cherokee County. Candidates for appointment undergo questioning, qualification review and other scrutiny by the Grand Jury during the appointment process. This appointment process is somewhat unique since water/wastewater systems are most often part of a city or county government where appointees are either elected officials or political appointees. The apolitical appointment process has allowed the CCWSA Board to make decisions about water and sanitary sewer services for the citizens of Cherokee County based on need and economic viability instead of political expediency. The Chairman of the Cherokee County Commissioners is automatically the seventh board member by virtue of his/her elected position.

Accounting and Financial Reporting

The accounting and financial reporting treatment applied to governmental entities is determined by measurement focus. The Authority’s operations are accounted for entirely as a proprietary governmental fund type with an economic resources measurement focus. The financial statements are prepared in conformity with generally accepted accounting principles on the accrual basis of accounting whereby revenue is recognized when earned, expenses are recorded when incurred and all long-term assets, receivables, debt and other obligations are recognized.

Operating Budget

The Authority is not legally required to adopt a budget. The staff of the Authority, however, prepares an annual operating budget for management control purposes. The Authority uses the accrual basis of accounting in its annual operating budget. The Authority’s Board of Directors approves the budget and any changes made thereto.

Cherokee County Water & Sewerage Authority

Current Economic Environment

Local & National Environment

Cherokee County Water & Sewerage Authority supplies water to a geographic area of approximately 300 square miles containing a population in excess of 227,000. The population of Cherokee County is estimated to be in excess of 275,000. In addition, CCWSA provides sewer services to a geographic area of approximately 100 square miles containing a population in excess of 111,000. Prior to the national economic downturn, Cherokee County experienced rapid growth. As the economic downturn became even more evident nationally and in the region there was a significant decrease of growth in the area along with minimal construction activity. In return, the number of new meters set and sold declined in years 2011 thru 2012 significantly from the amount sold prior to the downturn of the economy. However, in 2013 Cherokee County began to experience a slow return of growth and an uptick in the construction activity in the area. As a result, there was a more substantial increase of new connections beginning in 2013 and continuing through 2022. Currently, there is every indication for the near future CCWSA will continue to see growth; however, the projection is at a slower rate than in years 2013 through 2022 due to the current state of the economy with inflation on the rise.

Continuous Improvement

The staff of the Authority has developed a multi-year capital improvements program and a plan to finance the program which relies on a combination of system revenues and proceeds of debt and investment earnings on such proceeds. The capital improvements program allows the staff of the Authority to plan, on a long-term basis, for future system capital needs. The capital improvements program is updated on an annual basis. Please refer to the Management's Discussion and Analysis (MD&A) on page 6 for more detailed information.

Long Term Financial Planning & Considerations

When the need arises, the Authority incurs capital financing debt through the issuance of revenue bonds. The Authority makes sinking fund deposits monthly for all issues. Annual totals are at least equal to the principal installments of and interest payable on the bonds in the current sinking fund year.

The various resolutions providing for the revenue bonds require that the Authority establish and maintain a schedule of rates, fees, and charges for services furnished by the systems to produce in each sinking fund year "net system revenues" in an amount at least equal to 1.20 times the highest annual amount of principal and interest payable on the bonds during any future sinking fund year. Effective with the issuance of the Series 2001 bonds, the Authority's annual net system revenues exclusive of water connection

Cherokee County Water & Sewerage Authority

and sewer tap fees must be no less than this highest annual amount of debt service payable during any future sinking fund year.

The Authority currently will continue to rely on operating revenues and connection fees contributions to fund capital improvements on a pay-as-you-go basis. If the need arises, the Authority's Capital Improvement Program will be funded through issuance of new debt.

Major Initiatives

The Cherokee County Water & Sewerage Authority continues to experience growth in its customer base. Current trends indicate that this growth will continue throughout the county, thereby requiring additional wastewater treatment capacity and other upgrades or expansions.

To satisfy present and future wastewater treatment needs, the Authority completed the Riverbend Wastewater Treatment Complex in September 2018 and continues towards completion of the Fitzgerald Creek Wastewater Treatment Facility expansion to 11.75 MGD.

The Riverbend Environmental Complex includes a 4.5 MGD fresh water withdrawal permit that has been converted from an Industrial permit to a 4.5 MGD potable water withdrawal permit. The Authority completed the raw water intake and pump station in June 2016. The intake is located approximately 2,600 feet downstream from the Authority's other two raw water intakes on the Etowah River. The improvements included an upgrade to the pumping station in order to tie the raw water delivery pipeline into the Authority's existing pre-settling reservoir and will provide an additional 4.5 MGD of raw water capacity. Currently, the Authority plans to upgrade the raw water intake screens at Riverbend with a completion date of 2024.

In addition to the Riverbend Wastewater Treatment facility and Environmental Complex completion and upgrade of the raw water intake, the Authority's capital improvement's program has several initiatives for the wastewater treatment facilities, the collection system, distribution system and water treatment facilities.

Specifically, the Authority is pursuing the expansion of up to 11.75 MGD at the Fitzgerald Creek Wastewater Treatment facility. The capital improvement program for the Authority includes this expansion and is currently in the construction phase with an expected completion date of fiscal year 2025. In addition to the expansion at Fitzgerald Creek, the Rose Creek facility continues to phase 3 of its odor control upgrades and is in the process of a UV disinfection system at the facility. Also, the CCWSA plans to begin engineering and construction on a sludge drying facility with a completion date of both construction and engineering by 2026.

Cherokee County Water & Sewerage Authority

The Authority's capital improvement program includes additional initiatives beginning in 2022-2023 including Etowah River Water Treatment Plant asset replacements of the plate settlers in multiple phases, a raw water expansion feasibility study and a high service redundancy pumping project.

The distribution system includes initiatives involving major road and highway relocations, line extensions, and improvements. Expansions of the construction complex was completed in 2021. Currently, the Authority is in the design phase of a new administrative office complex with a potential completion date of 2025.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cherokee County Water & Sewerage Authority for its annual comprehensive financial report for the fiscal year ended August 31, 2021. In order to be awarded a certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

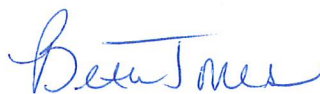
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

It is our pleasure to express gratitude to the management of each department of the Authority. Gratitude should also be expressed to the staff of the Finance Department for the dedication to the financial integrity of the Authority that makes this report possible. It truly is a commitment from each staff member to assist in compiling the information and assure that each transaction is properly and accurately accounted for. Finally, an enormous amount of thanks is expressed to the Board of the Authority. The Board of Directors' leadership, vision, and professionalism is of highest integrity. The support received from the Board is greatly appreciated and is of utmost importance to the financial integrity and operations of the Authority.

Respectfully,



Thomas A. Heard
General Manager



Beth Jones
Finance/Accounting Manager

Part II

Financial Section



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Independent Auditor's Report

To the Board of Directors
Cherokee County Water and Sewerage Authority
Canton, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cherokee County Water and Sewerage Authority, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Cherokee County Water and Sewerage Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cherokee County Water and Sewerage Authority, as of August 31, 2022, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cherokee County Water and Sewerage Authority and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 8 and 48 through 56, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cherokee County Water and Sewerage Authority's basic financial statements. The introductory section, schedules in the supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules in the supplementary information 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 schedules in the supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2022, on our consideration of Cherokee County Water and Sewerage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County Water and Sewerage Authority's internal control over financial reporting and compliance.

Rushton, LLC

Certified Public Accountants
Gainesville, Georgia
November 11, 2022

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Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

Our discussion and analysis of Cherokee County Water and Sewerage Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended August 31, 2022. Please read it in conjunction with the Authority's financial statements that begin on page 9.

USING THIS ANNUAL REPORT

This Annual Comprehensive Financial Report is presented in three sections: Introductory, Financial, Statistical and Other Reporting Section. The basic financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the Notes to the Financial Statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information about the activities of the Authority and present a long-term view of the Authority's finances.

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the fiscal year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority and about its activities in a way that helps answer this question. These two statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual basis of accounting, which is similar to the basis that is used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and the changes in it. You can think of the Authority's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the Authority.

THE AUTHORITY AS A WHOLE

The Authority's net position increased in fiscal year 2022 by approximately \$27.5 million, from the beginning of the fiscal year, from \$445.7 million to \$473.2 million. Approximately \$10.1 million of the increase in the current fiscal year was donated assets attributable to contributions by developers, primarily of water and sewer lines. In addition, the increase in net position can be attributed to sewer tap and water meter connections of approximately \$13.2 million. The following tables focus on the Authority's net position (Table 1) and changes in its net position (Table 2).

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

Table 1 - Condensed Statement of Net Position (in thousands)

	8/31/2022	8/31/2021	\$ Change	% Change
Current assets	\$ 67,458	\$ 83,510	\$ (16,052)	-19.2%
Capital assets	516,598	478,360	38,238	8.0%
Other noncurrent assets	7,272	0	7,272	N/A
Total assets	591,328	561,870	29,458	5.2%
Deferred outflows of resources	13,639	13,713	(74)	-0.5%
Current liabilities	24,722	18,745	5,977	31.9%
Noncurrent liabilities	95,476	110,172	(14,696)	-13.3%
Total liabilities	120,198	128,917	(8,719)	-6.8%
Deferred inflows of resources	11,582	979	10,603	1,083%
Net investment in capital assets	419,232	376,578	42,654	11.3%
Restricted net position	2,427	2,379	48	2.0%
Unrestricted net position	51,528	66,731	-15,203	-22.8%
Total net position	\$ 473,187	\$ 445,688	\$ 27,499	6.4%

Table 2 - Condensed Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	8/31/2022	8/31/2021	\$ Changes	% Change
Operating revenues:				
Water sales	\$ 33,190	\$ 31,333	\$ 1,857	5.9%
Wastewater treatment sales	20,294	19,476	818	4.2%
Connection fees	1,163	878	285	32.5%
Other	2,656	2,681	(25)	-0.9%
Non-operating revenues:				
Interest	291	156	135	86.5%
Other	2,035	2,374	(339)	-14.3%
Total revenues	59,629	56,898	2,731	4.8%
Operating expenses:				
Water purchases and production	4,188	4,251	(63)	-1.5%
Wastewater treatment	12,733	12,254	479	3.9%
Streetlights	1,216	1,163	53	4.6%
Distribution and administration	17,806	17,931	(125)	-0.7%
Depreciation	14,231	13,778	453	3.3%
Non-operating expenses:				
Interest	4,539	4,965	(426)	-8.6%
Other	714	1,194	(480)	-40.2%
Total expenses	55,427	55,536	(109)	-0.2%
Excess before contributions	4,202	1,362	2,840	208.5%
Capital contributions	23,297	18,431	4,866	26.4%
Increase in net position	27,499	19,793	7,706	38.9%
Net position, September 1	445,688	425,895	19,793	
Ending net position, August 31	\$ 473,187	\$ 445,688	\$ 27,499	

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

The Authority's revenues increased in 2022 by approximately \$2.7 million, or 4.8% (\$59.6 million in 2022 compared to \$56.9 million in 2021). Total expenses decreased approximately \$109,000 to approximately \$55.4 million, or an approximate 0.2% decrease in 2022 compared to the prior fiscal year. The factors driving these results include:

- The number of water customers in 2022 and 2021 grew by 1.9% and 2.4%, respectively. The wastewater customer growth rate was 3.5% in both 2022 and in 2021. The growth of the water and wastewater customers can be attributed to the consistent population growth and new construction activity that is occurring throughout Cherokee County specifically in the areas served by CCWSA's sewer system. The Authority's revenues as displayed in Table 2 above shows total revenues increasing by approximately \$2,731,000 or 4.8% in FY 2022. Water sales increased approximately 5.9% as compared with prior year and sewer sales revenue increased approximately 4.2% as compared with the prior year. Revenue for the Authority increased approximately 4.8% in 2022 compared to 2021 due to customer growth in the Authority's service area and higher than projected water and sewer sales during 2022. Weather patterns and environmental factors typically impact revenue results. The average daily water demand for 2022 was 18.6 MGD compared to 2021 the average daily water demand was 17.5 MGD. During fiscal year 2021 into 2022 the weather patterns were dryer with higher temperatures and longer periods of continuous heat in comparison to 2021. The most recent rate change and revision to the Water and Sewer Rate Structure was effective January 1, 2019 and prior to that date the most recent rate change and revision was May 1, 2014.
- Total expenses of the Authority decreased by approximately \$109,000 or 0.2% to \$55.4 million. In regard to departmental expense decreases or increases in FY 2022, distribution and administration decreased (0.7%). The slight decrease of distribution and administration expenses is relatively flat in comparison to expenses in 2021. Wastewater treatment facilities expenses increased (3.9%). Wastewater treatment facilities expenses increased from the prior year due to an increase in employee costs, operating supplies and chemical increases and maintenance increases. The water treatment plant facility expenses decreased approximately (1.5%) in FY 2022. The decrease is mainly due to specific maintenance performed in 2021 such as pond excavation, a retro fit of Riverbend pumps to potable flush water and repairs to raw and high service pumps in addition to the replacement of the chemical feed pumps that is not inclusive in the 2022 budget.
- Non-operating expenses include interest on debt service, loss on disposition of capital assets-net, amortization of deferred amount on refunding and cost of issuance expenses. Non-operating expenses consisting of interest expense on debt service decreased 8.6% due to the continued realized savings of the Series 2020 Refunding of the Series 2010 and Series 2011 bonds. Non-operating revenues consist of a change in the fair market value of the 1993 & 1995 debt service forward delivery agreements improved in the amount of (\$245,183) in FY 2022 and interest earnings increased compared to FY 2021 approximately 86.5%.
- The Authority has noted capital contributions revenues of approximately \$23.3 million for FY 2022. As a result of donated lines accepted by the Authority and other contributions, the Authority received donated assets valued at \$10.1 million in FY 2022. In addition to donated lines, the Authority noted sewer tap fees contributions of approximately \$10.4 million. Also, the Authority noted approximately \$2.8 million in meter connection fee contributions. The Authority notes an increase compared to prior year contributions of 26.4% primarily due to an increase in developer donated assets compared to FY 2021.

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

- Management of the Authority attributes the increase in the growth of net position in 2022 primarily to capital contributions which include developer contributions and easement valuations valued at \$10.1 million as well as water meter connections and sewer tap fees for approximately \$13.2 million. In addition, excess before contributions increased due to an overall slight decrease in expenses for all three divisions of the Authority in comparison to FY 2021 and an increase in total revenues in comparison to FY 2021 of 4.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2022 and 2021, the Authority had \$516.6 million and \$478.4 million, respectively, invested in a range of capital assets including equipment, buildings, land and water and sewer lines (see Table 3). This represents a net increase after additions and disposals of approximately \$38.2 million in 2022.

**Table 3 - Capital Assets at Fiscal Year End
(Net of Depreciation - in thousands)**

	8/31/2022	8/31/2021
Land and easements	\$ 13,660	\$ 10,670
Construction in progress, including structures, improvements & equipment not in service	39,898	8,875
Total nondepreciable	53,558	19,545
Structures and improvements	682,926	666,192
Machinery and equipment	17,648	16,186
Office furniture and equipment	379	380
Total depreciable	700,953	682,758
Less accumulated depreciation	(237,913)	(223,943)
Net capital assets	\$ 516,598	\$ 478,360

The staff of the Authority has developed a multi-year capital improvements program and a plan to finance the program, which relies on a combination of system revenues and proceeds of debt and investment earnings on such proceeds. The capital improvements program allows the staff of the Authority to plan, on a long-term basis, for future system capital needs. Each year the capital improvements program is updated.

The Authority's capital improvement program approved in May 2022 calls for it to spend \$34.7 million for capital projects in 2022-2023, principally for upgrades, improvements and additions to water & wastewater treatment facilities and for utility relocations within the water system. The extended capital improvement plan consists of \$97.0 million including the capital projects beginning in 2024-2025. The capital improvements program allows the staff of the Authority to plan, on a long-term basis, for future System capital needs. In connection with existing construction projects, the Authority has outstanding agreements with contractors for approximately \$22.8 million in future work at August 31, 2022. Capital disbursements will be financed by a combination of resources on hand, future system revenues and the proceeds from future revenue bonds. More detailed information about the Authority's capital assets is

Cherokee County Water & Sewerage Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

presented in Note 6 in the financial statements. Each year the capital improvements program is updated and reviewed on an ongoing basis throughout the year.

Debt Administration

At August 31, 2022 and 2021, the Authority had \$94.6 million and \$104.6 million (net of discounts and premiums) in revenue bonds outstanding, respectively. The net decrease of \$10.0 million is due primarily to the repayment of the Authority's previously issued debt. Additional information is presented in Notes 7 and 8 to the financial statements.

The Authority's Revenue Bonds have been assigned ratings by Moody's Investors Service, Inc. and Standard and Poor's Rating Services of Aa1 and AA, respectively. Standard & Poor's upgraded the Authority's rating from AA- to AA in May 2011. Moody's Investors Service reviewed, upgraded and assigned a rating of Aa1 to Cherokee County Water & Sewerage Authority Revenue Refunding Bonds Series 2020A and Series 2020B in June 2020. These very high ratings reflect the rating agencies' consideration of factors such as financial liquidity, debt service coverage and the growth rate of the Authority's customer base.

The Authority's other significant obligations include customer deposits, accounts payable, accrued interest, salaries and other expenses as can be seen on the Statement of Net Position.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The 2023 budget and capital improvement program have been prepared taking into account that economic and population growth for the Authority's service area will continue. It is expected to continue to see growth in the area although projected at a slightly slower pace than in prior years. Other factors affecting next year's and future budgets are listed below.

- Rates are analyzed on a regular basis and will be adjusted when deemed necessary. The Authority Board passed a rate increase effective as of January 1, 2019. The Authority anticipates the customer base to increase by adding approximately 1,400 new water customers to the system during the year at tap-on fees of \$1,700 for regular residential and sprinkler meters and commercial tap-ons sold at varying rates. The Authority estimates an addition of approximately 1,000 new wastewater treatment customers to the system during the year at tap-on fees starting at \$4,500.
- The Authority's Capital Improvement Program is funded through issuance of new debt, capital contributions from tap fees and developers, and operating revenue in excess of operating expenses and debt service expenses. The Authority will continue to rely on operating revenues to fund capital improvements on a pay-as-you-go basis. However, management and the Board of Directors will monitor on a regular basis the need to issue new debt to fund capital improvements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the office of the Authority's Finance Department at 140 W. Main Street, Canton, Georgia 30114.

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BASIC FINANCIAL STATEMENTS

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
August 31, 2022

ASSETS

Current assets

Cash and cash equivalents	\$ 50,734,674
Accounts receivable	7,352,102
Lease receivable	17,418
Prepaid expenses	375
Inventories	1,417,038
Restricted assets	
Cash and cash equivalents	7,491,258
Investments	445,501
	<hr/>
Total current assets	67,458,366

Noncurrent assets

Lease receivable	611,636
Net OPEB asset	6,660,407
Capital assets	
Land and easements	13,659,801
Construction in progress	39,897,690
Structures and improvements	682,926,453
Machinery and equipment	17,648,024
Office furniture and equipment	378,800
Accumulated depreciation	(237,913,154)
	<hr/>
Total noncurrent assets	523,869,657
	<hr/>
Total assets	591,328,023

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	3,954,717
Deferred outflows of resources - pension	8,397,624
Deferred outflows of resources - OPEB	1,286,491
	<hr/>
Total deferred outflows of resources	13,638,832

LIABILITIES

Current liabilities

Trade accounts payable	1,859,578
Construction accounts and retainage payable	6,615,927
Accrued salaries and other payroll liabilities	417,980
Compensated absences	1,111,669
Unearned revenues	411,840
Current liabilities payable from restricted assets	
Customer deposits payable	5,162,942
Accrued interest payable	346,996
Revenue bonds payable	8,795,000
	<hr/>
Total current liabilities	24,721,932

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
August 31, 2022

Noncurrent liabilities

Compensated absences	\$ 123,519
Unearned interest revenue	28,872
Net pension liability	9,185,757
Revenue bonds payable	85,804,235
Other noncurrent liabilities	333,451

Total noncurrent liabilities	95,475,834
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Total liabilities	120,197,766
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - leases	605,047
Deferred inflows of resources - pension	3,717,529
Deferred inflows of resources - OPEB	7,259,831

Total deferred inflows of resources	11,582,407
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NET POSITION

Net investment in capital assets	419,232,215
Restricted for debt service	750,922
Restricted for bond retirement	1,675,899
Unrestricted	51,527,646

Total net position	\$ 473,186,682
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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the fiscal year ended August 31, 2022

OPERATING REVENUES

Metered water sales	\$ 33,190,067
Wastewater treatment sales	20,293,850
Street light fees	1,548,419
Water connection fees	1,162,979
Transfer fees	200,400
Forfeited discounts and penalties	652,143
Customer repairs and service charges	254,993

Total operating revenues	57,302,851
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OPERATING EXPENSES

Water purchases and production	4,187,816
Wastewater treatment	12,733,034
Streetlights	1,216,385
Distribution and administration	17,805,964
Depreciation	14,231,108

Total operating expenses	50,174,307
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Operating income (loss)	7,128,544
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Non-operating revenues (expenses)

Interest revenue	
Sinking funds	38,861
Revenue funds	252,614
Interest expense	(4,538,860)
Change in fair value of derivative	(245,183)
Amortization of deferred amount on refunding	(468,565)
Amortization of bond premiums, net	1,625,844
Gain (loss) on disposition of capital assets	60,320
Miscellaneous revenues	348,670

Total non-operating revenues (expenses)	(2,926,299)
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Net income (loss) before capital contributions	4,202,245
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Capital contributions

Sewer tap fees	10,388,603
Water connection fees	2,811,321
Contributions of capital assets	10,096,914

Total capital contributions	23,296,838
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Change in net position	27,499,083
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Net position, September 1	445,687,599
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Net position, August 31	\$ 473,186,682
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CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
For the fiscal year ended August 31, 2022

Cash flows from operating activities:

Receipts from customers	\$ 57,184,281
Payments to suppliers	(16,480,753)
Payments to employees	<u>(21,260,152)</u>
Net cash provided (used) by operating activities	<u>19,443,376</u>

Cash flows from capital and related financing activities:

Receipts of sewer tap and water connection fees	13,199,924
Receipts of lease payments	46,288
Proceeds from sale and disposal of capital assets	105,502
Payments for acquisitions of capital assets	(35,696,168)
Payment of construction accounts and retainage payable	(1,580,392)
Principal payments on revenue bonds	(8,400,000)
Interest paid on revenue bonds	<u>(4,572,942)</u>
Net cash provided (used) by capital and related financing activities	<u>(36,897,788)</u>

Cash flows from investing activities:

Interest received	240,049
Payments for purchases of investments	<u>(445,500)</u>
Net cash provided (used) by investing activities	<u>(205,451)</u>

Net increase (decrease) in cash and cash equivalents (17,659,863)

Cash and cash equivalents, September 1 75,885,795

Cash and cash equivalents, August 31 \$ 58,225,932

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss) \$ 7,128,544

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation expense	14,231,108
Miscellaneous revenues	348,670
(Increase) decrease in accounts receivable	(625,129)
(Increase) decrease in inventories	(520,419)
(Increase) decrease in net OPEB asset	(6,660,407)
(Increase) decrease in deferred outflows of resources - leases	(39,247)
(Increase) decrease in deferred outflows of resources - pension	(72,511)
(Increase) decrease in deferred outflows of resources - OPEB	(321,608)
Increase (decrease) in trade accounts payable	101,160
Increase (decrease) in accrued salaries and other payroll liabilities	95,039
Increase (decrease) in compensated absences	91,499
Increase (decrease) in unearned revenues	37,732
Increase (decrease) in customer deposits	159,404
Increase (decrease) in net pension liability	(3,667,460)
Increase (decrease) in net OPEB liability	(841,736)
Increase (decrease) in deferred inflows of resources - pension	3,418,457
Increase (decrease) in deferred inflows of resources - OPEB	<u>6,580,280</u>

Total adjustments 12,314,832

Net cash provided (used) by operating activities \$ 19,443,376

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
For the fiscal year ended August 31, 2022

Cash and cash equivalents reconciliation:

Cash and cash equivalents	\$ 50,734,674
Restricted cash and cash equivalents	<u>7,491,258</u>
Total cash and cash equivalents	<u><u>\$ 58,225,932</u></u>

Noncash investing, capital and financing activities:

Contributions of capital assets	\$ 10,096,914
Acquisition of capital assets through accounts and retainage payable	6,720,881
Increase (decrease) in fair value of investment derivatives	(245,183)

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

1. Description of Authority

Cherokee County Water and Sewerage Authority (the Authority) is a public corporation and body, corporate and politic, an independent governmental unit created and existing under the laws of the State of Georgia. The Authority was created by an act of the General Assembly of the State of Georgia that became effective March 7, 1955. The Authority Act declared that the general purpose of the Authority is to acquire adequate sources of water supply, treat such water and distribute it to the water system throughout Cherokee and adjoining counties. The Authority Act states that this general purpose will not restrict the Authority from selling and delivering water directly to consumers in those areas where water distribution systems do not exist and where no other county or municipality deems it desirable or feasible to furnish water. The Authority Act also provides that the general purpose of the Authority includes sewerage projects.

The Authority Board is composed of seven members. Six members are appointed by the Cherokee County Grand Jury for staggered terms of four years and the seventh member is the current chair of the Cherokee County Commission. The Authority is a fiscally independent entity with self-sustaining operations. No other government is financially accountable for the Authority. The Authority has no taxing power; however, it does have the ability to establish the rates it charges customers. Thus, the Authority is considered a reporting entity in conformity with the Governmental Accounting Standards Board's (GASB) definition. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The more significant accounting policies of the Authority are described below.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The statement of net position and the statement of revenues, expenses and changes in net position display information in the format of a business-type activity. Such activities are financed through exchange transactions in whole or in part by fees charged to each participant. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings and interest expense, result from non-exchange transactions or ancillary activities.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity

The financial statements present the Authority as a business-type activity in accordance with Governmental Accounting Standards Board Statement No. 34.

C. Fund Financial Statements

The Authority is accounted for as an enterprise fund on a flow of economic resource measurement focus. The accounting objective is a determination of change in net position, financial position and changes in cash flows. All assets and liabilities associated with the Authority's activities are included in its Statement of Net Position.

Enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less.

F. Investments

Investments are reported at fair value and may include U.S. government and agency obligations, repurchase agreements and money market funds, including investment in a local government investment pool, interest rate management agreements and other investments as permitted by the laws of the State of Georgia, the Official Code of Georgia (OCGA). Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net position. The Authority has adopted an interest rate management plan meeting the requirements of OCGA §36-82-250 and approved the parameters within which interest rate swap agreements may be executed.

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices
- Level 3: Unobservable inputs

The Authority reports investments using net asset value (NAV) when NAV is calculated in a manner consistent with fair value measurement guidelines, fair value is not readily determinable, and it is not probable for the investment to be sold at an amount other than NAV.

G. Receivables and Revenue Recognition

The Authority bills its customers on a cyclical basis throughout the month based on meter readings taken during the previous month.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

G. Receivables and Revenue Recognition, continued

The Authority records receivables at the amount it expects to collect on balances due at the end of the year. Advance deposits are obtained from customers, but the Authority does not obtain collateral or other security for any of its trade accounts or other amounts receivable. Accordingly, it is exposed to credit losses in the event of nonperformance. Management closely monitors outstanding balances and writes off uncollectible amounts as of year-end in accordance with approved policies.

Billed accounts receivable represent charges for customer water and wastewater treatment usage billed to customers and not paid at August 31. Unbilled accounts receivable represent charges billed to customers after August 31 for services provided by the Authority prior to September 1.

Metered water and wastewater treatment sales and streetlight fees are based on rates established by the Authority Board.

H. Lease Receivable

The Authority lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid expenses using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the fiscal year in which services are consumed.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

J. Inventories

Inventories are stated at cost using specific identification.

K. Capital Assets

Capital assets include infrastructure acquired since 1959 and are stated at cost except for contributed water and sewer lines, which are recorded at acquisition value at the date they are accepted by the Authority. All acquisitions of property and equipment in excess of \$5,000 are capitalized and depreciated.

Expenses for maintenance and repairs not considered to substantially lengthen the property lives are charged to expense as incurred. The cost of incomplete construction and system improvement projects is reported as construction-in-progress and is not depreciated.

Depreciation of the water and sewer systems, machinery, equipment, and furnishings is computed using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life in Years</u>
Structures and improvements	20-50
Machinery and equipment	5-20
Office furniture and equipment	5

L. Capitalization of Salaries

The Authority capitalizes salaries of employees in distribution and administration who perform construction activities. The amount capitalized is based upon the portion of the respective employees' work hours that is spent performing these functions.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

M. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets also represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers.

N. Compensated Absences

Full time employees are granted vacation benefits in varying amounts depending on tenure with the Authority. An expense and liability are recognized for accrued vacation leave as it is earned. Unused leave is lost if not taken each year. Sick leave accrues to full-time employees to a specified maximum but does not vest and is paid only for an absence for medical-related causes. Since such future absences cannot be reasonably predicted, no liability for unused sick pay is recorded.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority reports deferred outflows of resources for deferred charges on bond refunding, defined benefit pension plan, and other postemployment benefit plan. A deferred charge on refunding results 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to their leases, defined benefit pension plan, and other postemployment benefit plan.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

P. Pension and OPEB Plans

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows/inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Georgia Municipal Employees Benefit System (GMEBS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by GMEBS. 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.

Q. Amortization

Amortization of bond premiums and discounts is computed using the effective interest method over the life of the bond issue for which the charges have been deferred. Amortization of the deferred amount on refunding is computed using the straight-line method over the shorter of the remaining life of the defeased debt had it not been refunded, or the life of the new debt.

R. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other components of net position are reported as unrestricted.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

2. Summary of Significant Accounting Policies (continued)

S. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as a capital contribution.

T. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

U. Operating Budget

The Authority is not legally required to adopt a budget. However, the staff of the Authority prepares an annual operating budget for management control purposes. The staff of the Authority uses the accrual basis of accounting in its annual operating budget, which is consistent with the basis of accounting used in the Authority's financial statements. The Authority's Board of Directors approves the budget and any changes made thereto.

The Authority's budget for the current fiscal year is included in the supplementary information to the accompanying financial statements. This budget is based upon certain assumptions and estimates of the staff of the Authority regarding future events, transactions and circumstances. Realization of the results projected in this budget will depend upon implementation by management of the Authority of policies and procedures consistent with the assumptions. There can be no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions or that the projected results will be achieved. Accordingly, the actual results achieved could materially vary from those projected in the budget.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned. The Authority's investment policy follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At the end of the current fiscal year, the Authority had no uninsured or uncollateralized deposits. These deposits are collateralized with securities not held in the Authority's name. These deposits are held by the pledging financial institution's agent, the Georgia Bankers Association, in the State of Georgia Pledging Pool. The State of Georgia Pledging Pool is collateralized by securities within the pool at 111% of deposits.

Interest Rate Risk

The Authority's investment policy limits investment maturities as a means of managing its exposure to fair values from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The Authority has not adopted a formal credit risk policy.

Concentration of Credit Risk

The Authority's policy does not limit the amount the Authority may invest in any one issuer, but it does require that the Authority monitor the credit worthiness of each institution at least annually.

The Authority participates in the State of Georgia Local Government Investment Pool (Georgia Fund 1). Assets in this pool are invested in the Georgia Fund 1, created by OCGA §36-83-8, which is a stable net asset investment pool that follows Standard and Poor's criteria for AAAf rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

3. Deposit and Investment Risk (continued)

The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share. Georgia Fund 1 is managed by the Georgia Office of the State Treasurer. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board.

The Georgia Fund 1 is rated AA+ by Standard & Poor's. The weighted average maturity at the end of the current fiscal year was 41 days. At the end of the current fiscal year, the Authority's balance in Georgia Fund 1 was \$4,648,652.

Foreign currency risk

The Authority has no investments denominated in a foreign currency.

At the end of the current fiscal year, the Authority had investments with recurring fair value measurements with the following maturities and credit ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Input Level</u>	<u>Average Maturity (in months)</u>	<u>Credit Rating (1)</u>
U.S. Treasury Note	\$ 445,500	1	11	Aaa
Repurchase agreement	1	2	35	N/A
Total	<u>\$ 445,501</u>			

(1) - Moody's

4. Accounts Receivable

Accounts receivable consists of \$3,596,336 billed and \$3,755,766 unbilled for a total receivable of \$7,352,102 at the end of the current fiscal year. All receivables are considered fully collectible. Therefore, no allowance for doubtful accounts has been established.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
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5. Lease Receivable

In 2013, the Authority entered into a five year lease with a cell phone service provider to provide the tenant the right to a portion of real property, together with the right to use the tower located thereon. The lease provides for four additional, five-year terms. Under the lease, the tenant paid the Authority a monthly payment of \$3,000 per month for the first 12 months of the lease. On the annual anniversary date of the commencement date, the monthly rent amount is increased by three percent of the rent paid in the previous year. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at an imputed discount rate of 4.87%. During the current fiscal year, the Authority recognized \$39,246 of lease revenue (reported as miscellaneous revenues on the statement of revenues, expenses, and changes in net position) and \$31,048 of interest revenue under the lease.

Annual requirements to maturity are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2023	\$ 17,418	\$ 30,258	\$ 47,676
2024	19,748	29,359	49,107
2025	22,238	28,342	50,580
2026	24,897	27,200	52,097
2027	27,735	25,926	53,661
2028-2032	188,260	105,177	293,437
2033-2037	292,682	47,490	340,172
2038	36,076	514	36,590
Totals	<u>\$ 629,054</u>	<u>\$ 294,266</u>	<u>\$ 923,320</u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
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6. Capital Assets

Capital asset activity for the current fiscal year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Land and easements	\$ 10,669,949	\$ 2,989,852	\$ 0	\$ 13,659,801
Construction in progress	8,875,167	36,424,508	(5,401,985)	39,897,690
Total non-depreciable assets	19,545,116	39,414,360	(5,401,985)	53,557,491
Depreciable assets:				
Structures and improvements	666,191,974	16,816,457	(81,978)	682,926,453
Machinery and equipment	16,185,621	1,685,131	(222,728)	17,648,024
Office furniture and equipment	380,434	0	(1,634)	378,800
Total depreciable assets	682,758,029	18,501,588	(306,340)	700,953,277
Less accumulated depreciation:				
Structures and improvements	(215,260,375)	(13,142,980)	55,251	(228,348,104)
Machinery and equipment	(8,340,972)	(1,082,777)	204,273	(9,219,476)
Office furniture and equipment	(341,857)	(5,351)	1,634	(345,574)
Total accumulated depreciation	(223,943,204)	(14,231,108)	261,158	(237,913,154)
Total depreciable assets, net	458,814,825	4,270,480	(45,182)	463,040,123
Capital assets, net	\$ 478,359,941	\$ 43,684,840	\$ (5,447,167)	\$ 516,597,614

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
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7. Long-Term Debt

Revenue Bonds

Revenue bonds issued are comprised of the following individual issues at the end of the current fiscal year:

In December 1993, the Authority issued \$28,460,000 in Water and Sewerage Revenue Bonds, Refunding and Improvements Series 1993 maturing in 2023 with interest rates from 5.30% to 5.50%, to advance refund all of the Series 1991 revenue bonds in the principal amount of \$10,000,000 and to provide funds to make certain additions and improvements to the water and sewerage systems. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately.

In December 1995, the Authority issued \$22,460,000 in Water and Sewerage Revenue Bonds Series 1995, maturing in 2025 with an interest rate of 5.20%, to provide funds to make certain additions and improvements to the water and sewerage systems. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately. A portion of this series was refunded by the Series 2001 revenue bonds.

In May 2001, the Authority issued \$70,505,000 in Refunding and Improvement Revenue Bonds Series 2001, maturing in 2030 with interest rates ranging from 3.25% to 5.125%, to advance refund portions of the Series 1991, 1995, 1997, and 1998 revenue bonds in the principal amount of \$38,765,000, to pay a surety bond premium to fund the bond Debt Service Reserve, and to provide funds to make certain additions, extensions, and improvements to the water and sewerage systems. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately. Portions of this series were refunded by the Series 2010 and Series 2011 revenue refunding bonds, and were called and redeemed in 2011.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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7. Long-Term Debt (continued)

Revenue Bonds (continued)

In May 2006, the Authority issued \$25,000,000 in Revenue Bonds Series 2006 as auction rate securities maturing in 2035. The bonds were issued to provide funds to make certain additions, extensions, and improvements to the water and sewerage systems. These bonds were remarketed in April 2008 in order to convert their interest rates to long-term fixed rates that range from 3.00% to 5.00%. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately. In 2016, \$18,880,000 of the outstanding bonds were refunded by the Series 2016 Revenue Refunding Bonds.

In June 2007, the Authority issued \$25,000,000 in Revenue Bonds Series 2007 as auction rate securities maturing in 2035. The bonds were issued to provide funds to make certain additions, extensions, and improvements to the water and sewerage systems. These bonds were remarketed in April 2008 in order to convert their interest rates to long-term fixed rates that range from 3.00% to 5.00%. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately. In 2016, \$18,880,000 of the outstanding bonds were refunded by the Series 2016 Revenue Refunding Bonds.

In April 2008, because of significant disruptions to the auction rate securities market, the Authority converted the interest rates on the Series 2006 and 2007 bonds from auction rates to long-term fixed rates. The Authority paid \$456,157 in remarketing fees and other costs in connection with the conversion and remarketing of the bonds. All were successfully remarketed in April 2008, resulting in a premium of \$268,023.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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7. Long-Term Debt (continued)

Revenue Bonds (continued)

In January 2010, the Authority issued \$39,710,000 in Water and Sewerage Revenue Refunding Bonds, Series 2010, maturing in 2028 with interest rates ranging from 3.00% to 5.00%. The bonds were issued by the Authority for the purpose of advance refunding the Authority's remaining Series 1997 and 1998 revenue bonds and a portion of the Series 2001 revenue bonds in the aggregate principal amount of \$39,645,000. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately. In 2020, \$27,685,000 of the outstanding bonds were refunded by the Series 2020 Revenue Refunding Bonds.

In June 2011, the Authority issued \$29,310,000 in Water and Sewerage Revenue Refunding Bonds, Series 2011, maturing in 2030 with interest rates ranging from 3.00% to 5.00%. The bonds were issued by the Authority for the purpose of advance refunding the Authority's Series 2001 revenue bonds and a portion of the Series 2003 revenue bonds in the aggregate principal amount of \$30,355,000. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately. In 2020, \$4,230,000 of the outstanding bonds were refunded by the Series 2020 Revenue Refunding Bonds.

In May 2013, the Authority issued \$16,260,000 in Water and Sewerage Revenue Refunding Bonds, Series 2013, maturing in 2033 with interest rates ranging from 3.25% to 5.00%. The bonds were issued by the Authority for the purpose of advance refunding a portion of the Authority's Series 2003 revenue bonds in the aggregate principal amount of \$18,970,000. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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7. Long-Term Debt (continued)

Revenue Bonds (continued)

In February 2016, the Authority issued \$32,980,000 in Water and Sewerage Revenue Refunding Bonds, Series 2016, maturing in 2035 at 5.00% interest. The bonds were issued by the Authority for the purpose of advance refunding a portion of each of the Authority's Series 2006 and 2007 revenue bonds in the aggregate principal amount of \$37,760,000. The cash flows required to service the Series 2020 bonds are approximately \$6.5 million less than those for the refunded bonds providing an economic gain from the refunding of approximately \$5.4 million. The Authority paid \$413,838 in underwriting fees and other issuance costs in connection with the refunding. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately.

In June 2020, the Authority issued \$26,600,000 in Water and Sewerage Revenue Refunding Bonds, Series 2020A and Series 2020B, maturing in 2030 at interest rates ranging between 1.13% and 5.00%. The bonds were issued by the Authority for the purpose of advance refunding a portion of each of the Authority's Series 2010 and 2011 revenue bonds in the aggregate principal amount of \$31,915,000. The cash flows required to service the Series 2020 bonds are approximately \$6.7 million less than those for the refunded bonds providing an economic gain from the refunding of approximately \$6.4 million. The Authority paid \$417,471 in underwriting fees and other issuance costs in connection with the refunding. The bonds are secured by a pledge and lien on net system revenues. Upon the happening and continuance of an event of default, the holders of not less than a majority in principal amount of the bonds then outstanding may declare the principal of all bonds outstanding to be due and payable immediately.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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7. Long-Term Debt (continued)

Revenue Bonds (continued)

The U.S. government securities purchased in connection with the defeased and advance refunded bonds are deposited in irrevocable trusts with escrow agents to provide for all future debt service payments of the affected bonds. As a result, the bonds are considered to be defeased and the liabilities for them have been removed from long-term debt. At the end of the current fiscal year, outstanding principal balances remain as follows:

<u>Series</u>	<u>Principal</u>
1998	<u>\$ 680,000</u>

The defeasance, advance refundings, and remarketing of the bonds described above resulted in differences between the reacquisition prices and the net carrying amounts of the old debt. The deferred amount on refunding, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations using the straight-line method of amortization. The amount remaining at the end of the current fiscal year is \$3,954,717.

The revenue bonds are secured by a pledge of the revenues derived by the Authority from the ownership and operation of the water and sewerage systems remaining after payment of the reasonable and necessary expenses of operating, maintaining, and repairing the systems (net system revenues). Payment of the principal of and interest on the revenue bonds, when due, is guaranteed by municipal bond insurance policies issued by Financial Guaranty Insurance Company and Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.).

The Authority makes sinking fund deposits monthly for all issues. Annual totals are at least equal to the principal installments of and interest payable on the bonds in the current sinking fund year.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

7. Long-Term Debt (continued)

Revenue Bonds (continued)

Annual debt service requirements for bonds payable are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2023	\$ 8,795,000	\$ 4,163,964	\$ 12,958,964
2024	9,220,000	3,732,233	12,952,233
2025	9,685,000	3,270,264	12,955,264
2026	10,165,000	2,784,622	12,949,622
2027	10,675,000	2,286,292	12,961,292
2028-2032	26,870,000	5,602,544	32,472,544
2033-2035	9,705,000	878,300	10,583,300
Totals	<u>\$ 85,115,000</u>	<u>\$ 22,718,219</u>	<u>\$ 107,833,219</u>

The various resolutions providing for the revenue bonds require that the Authority establish and maintain a schedule of rates, fees, and charges for services furnished by the systems to produce in each sinking fund year ("net system revenues") in an amount at least equal to 1.20 times the highest annual amount of principal and interest payable on the bonds during any future sinking fund year. The revenue bond coverage was 2.71 for the current fiscal year.

Effective with the issuance of the Series 2001 bonds, the Authority's annual net system revenues, exclusive of water connection and sewer tap fees, must be no less than the highest annual amount of debt service payable during any future sinking fund year. For the current fiscal year, this ratio was 1.61.

The Authority is also required to maintain a reserve account in an amount equal to the lesser of a three-prong test in the Authority's Bond Resolution: 10% of the principal amount of the Authority's outstanding bonds; the Authority's maximum annual debt service; or 125% of the Authority's average annual debt service. Currently, the debt service reserve requirement is 10% of the principal amount of the Authority's outstanding bonds, or \$8,511,500. The Authority satisfies the debt service reserve requirement using a combination of funds in the reserve account and surety bonds. At the end of the current fiscal year, the balances in the reserve account and the surety bonds exceed the debt service reserve requirement.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

8. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Authority for the current fiscal year:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 93,515,000	\$ 0	\$ (8,400,000)	\$ 85,115,000	\$ 8,795,000
Unamortized bond discounts	(27,859)	0	9,600	(18,259)	0
Unamortized bond premiums	11,137,938	0	(1,635,444)	9,502,494	0
Revenue bonds, net	104,625,079	0	(10,025,844)	94,599,235	8,795,000
Compensated absences	1,143,689	1,120,819	(1,029,320)	1,235,188	1,111,669
	<u>\$ 105,768,768</u>	<u>\$ 1,120,819</u>	<u>\$ (11,055,164)</u>	<u>\$ 95,834,423</u>	<u>\$ 9,906,669</u>

Amortization of bond discounts and premiums is computed using the effective interest method over the life of the bond issue for which the charges have been deferred. The total interest incurred and charged to expense for the current fiscal year was \$4,538,860.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
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9. Investment Derivative Financial Instruments

The Authority has entered into two debt service forward delivery agreements with Lehman Brothers Special Financing, Inc. (Lehman), which were assigned in March 2017 to CRC Bond Opportunity Trading Fund LP (CRC BOTF). Under these contracts, CRC BOTF has the option to require the Authority to use revenue bond sinking funds to purchase qualified U.S. Treasury securities that will mature by the semi-annual debt service payment dates from a Qualified Dealer (as defined in the agreements) chosen by CRC BOTF.

In exchange for these agreements, Lehman paid the Authority \$958,600, which represented the present value of the expected interest earnings in the sinking fund over the life of the related revenue bonds. The remaining balance of this unearned revenue is \$28,872 at the end of the current fiscal year and is being recognized on the straight-line basis over the life of each respective agreement.

The forward delivery agreements relate to the following bond series:

Dealer	Series	Cash Payment
Lehman	1993 Refunding & Improvement Bonds	\$ 740,600
Lehman	1995 Revenue Bonds	218,000

As the investments purchased by the Authority are U.S. Treasury securities and are held in the Authority's revenue bond sinking fund, there is no significant credit risk. Interest rate risk is limited to the effect of a change in rate on the value of the investments from the time of purchase through the next scheduled debt service payment date, which can be no more than one year.

The Authority entered into these agreements to obtain a higher long-term than short-term yield and not for the purpose of hedging any financial risk. Accordingly, these forward delivery arrangements are investment derivative financial instruments and classified as other noncurrent liabilities in the statement of net position. The gains or losses are reported as other revenues or expenses, respectively, on the statement of revenues, expenses, and changes in net position.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

9. Investment Derivative Financial Instruments (continued)

The fair value balance and notional amount of debt service forward delivery agreements outstanding at the end of the current fiscal year and the corresponding changes in fair value of such derivative instruments for the fiscal year then ended were as follows:

<u>Change in Fair Value</u>		<u>Fair Value</u>		
<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Change in fair value of derivative	\$ (245,183)	Other noncurrent liability	\$ (333,451)	\$ 18,192,717

10. Restricted Net Position

Net position restricted for debt service includes the excess of assets restricted for debt service on revenue bonds over the related liabilities. Net position restricted for bond retirement represents assets set aside for that purpose as required by the revenue bond resolutions (see Note 7).

11. Net Investment in Capital Assets

The net investment in capital assets reported on the statement of net position is calculated as follows at the end of the current fiscal year:

Cost of capital assets	\$ 754,510,768
Accumulated depreciation	(237,913,154)
Book value	516,597,614
Construction accounts and retainage payable	(6,615,927)
Other capital-related accounts payable	(104,954)
Revenue bonds payable	(94,599,235)
Deferred charge on refunding	3,954,717
Net investment in capital assets	<u><u>\$ 419,232,215</u></u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
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12. Retirement Plans

Defined Benefit Pension Plan

Plan Description. The Authority has established the Cherokee County Water and Sewerage Authority Retirement Plan (the Plan) and participates in the Georgia Municipal Employees Benefit System (GMEBS) to provide certain retirement and death benefits to Plan members and beneficiaries. Only the Authority may amend the benefit provisions of the Plan. GMEBS is an agent multiple-employer, statewide public employee pension plan established by the Georgia legislature and administered by a board of trustees. GMEBS issues a publicly available financial report that may be obtained by contacting the administrator, Georgia Municipal Association (GMA), The Burgess Building, 201 Pryor Street, SW, Atlanta, Georgia 30303.

All qualified employees are eligible to participate in the Plan with no waiting period. Officials are not covered by the Plan. Benefits vested at 100% after five years of service. Participants become eligible for early retirement with 10 years of service and attainment of age 55. Participants become eligible for normal retirement with 5 years of service and attainment of age 65. Participants also become eligible for normal retirement with combined service and age equal to at least 80, if still employed (the Rule of 80).

Current membership is as follows:

Retired participants and beneficiaries currently receiving benefits	52
Vested terminated participants entitled to but not yet receiving benefits	30
Active participants	<u>199</u>
Total number of participants	<u><u>281</u></u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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12. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

Benefits Provided. Upon eligibility for retirement at normal retirement age, the following benefit formula applies: 2.0% x Years of Credited Service (30 maximum) x Final Average Earnings (Annual average of 5 consecutive years preceding the most recent termination in which participant's earnings were the highest). Upon eligibility for retirement at early retirement age, the benefit formula above is reduced ranging from 93.3% to 50.0%. The Plan also provides benefits in the event of death before retirement and early retirement subject to certain early retirement reduction factors.

Contributions. Authority employees are not required to contribute to the Plan. The Authority is required to contribute amounts at least equal to the actuarially determined rate established by the GMEBS board of trustees. The Plan is also subject to the minimum funding standards of the OCGA, which will be met by the amount developed under the GMEBS actuarial funding policy. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contributions totaled \$2,442,235, or 17.94% of covered payroll, for the current fiscal year. The Authority's board of directors provides for the benefits and funding policy through Authority resolution and maintains the authority to change the policy.

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At the end of the current fiscal year, the Authority reported a net pension liability of \$9,185,757. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. For the current fiscal year, the Authority recognized pension expense of \$2,120,721.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

12. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

The components of the net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2020	\$ 40,029,778	\$ 27,176,561	\$ 12,853,217
Changes for the year:			
Service cost	567,331	0	567,331
Interest	2,939,988	0	2,939,988
Differences between expected and actual experience	1,418,321	0	1,418,321
Contributions - employer	0	2,005,997	(2,005,997)
Net investment income	0	6,633,039	(6,633,039)
Benefit payments, including refunds of employee contributions	(1,465,719)	(1,465,719)	0
Administrative expense	0	(45,936)	45,936
Net changes	<u>3,459,921</u>	<u>7,127,381</u>	<u>(3,667,460)</u>
Balances at September 30, 2021	\$ 43,489,699	\$ 34,303,942	\$ 9,185,757
Plan fiduciary net position as a percentage of the total pension liability		78.88%	
Covered payroll		\$ 12,691,300	
Net pension liability as a percentage of covered payroll		72.38%	

At the end of the current fiscal year, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to the measurement date	\$ 2,442,235	\$ 0
Differences between expected and actual experience	3,227,917	0
Changes of assumptions	2,727,472	0
Net difference between projected and actual earnings on pension plan investments	<u>0</u>	<u>(3,717,529)</u>
Totals	<u>\$ 8,397,624</u>	<u>\$ (3,717,529)</u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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12. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

The \$2,442,235 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending August 31	
2023	\$ 595,342
2024	562,721
2025	255,759
2026	370,456
2027	453,582
Totals	<u>\$ 2,237,860</u>

Actuarial Assumptions. The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Future salary increases	2.25% plus service based merit increases
Cost of living adjustments	N/A
Net investment rate of return	7.375%

Healthy mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The methods and assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the period of January 1, 2015 through June 30, 2019 conducted in November and December 2019.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

12. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.55%
International equity	20%	7.30%
Domestic fixed income	20%	0.40%
Real estate	10%	3.65%
Global fixed income	5%	0.50%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

12. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.375 percent) or one percentage-point higher (8.375 percent) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	6.375%	\$ 14,623,666
Current discount rate	7.375%	9,185,757
1% increase	8.375%	4,611,553

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

Deferred Compensation Plan

The Authority provides a governmental deferred compensation Section 457 plan (the 457 Plan) authorized by the Authority Board, which covers all employees. The 457 Plan is administered by the Variable Annuity Life Insurance Company. It does not allow for employer contributions. These defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Participants self-direct the investment of their contributions. Any expenses incurred in conjunction with their investments are paid by the participants. Amounts employees defer under the 457 Plan are immediately vested and subject to statutory limits. Employee deferrals totaled \$337,144 for the current fiscal year.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

13. Postemployment Benefits Other Than Pensions

Plan Description. The Cherokee County Water and Sewerage Authority Other Postemployment Benefits Plan (the OPEB Plan) is an agent multiple-employer defined benefit medical and prescription drug plan. The OPEB Plan is administered through the Georgia Municipal Employees Benefit System (GMEBS), an agent-multiple employer OPEB Plan administered by the Georgia Municipal Association (GMA). The benefit levels, employee contributions, and employer contributions are governed by the Authority and can be amended by the Authority. The Authority participates in the GMEBS OPEB Trust, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The GMEBS OPEB Trust issues separate financial statements that may be obtained by contacting the administrator, Georgia Municipal Association (GMA), The Burgess Building, 201 Pryor Street, SW, Atlanta, Georgia 30303.

At July 1, 2021, there were 222 participants consisting of the following:

Retired members or beneficiaries currently receiving benefits	23
Vested terminated members entitled to but not yet receiving benefits	0
Active members	199
	<hr/>
Total number of participants	222
	<hr/>

Benefits Provided. The Authority provides post-retirement health insurance benefits to all employees who retire after meeting age and tenure conditions and who do not have other coverage. Eligible retirees must meet the Rule of 80 (as described in the defined benefit pension plan note disclosure) regarding their combined age and years of service and have a minimum of 15 continuous years of service with the Authority. Employees must also meet other eligibility criteria as specified by the terms of the Plan. The retiree's spouse and dependent(s) may also receive coverage under certain circumstances. Retirees will pay 20% of the cost of their own coverage and 60% of spouse and dependent coverage. For retirees who qualify, the benefits are coordinated with Medicare.

Current Authority retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

13. Postemployment Benefits Other Than Pensions (continued)

Contributions. The Authority has elected to advance fund the OPEB Plan. The Authority's contributions totaled \$390,888, or 2.87% of covered payroll, for the current fiscal year. The Authority's board of directors provides for the benefits and funding policy through Authority resolution and maintains the authority to change the policy. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS.

OPEB Liability (Asset), OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. At the end of the current fiscal year, the Authority reported a net OPEB asset of \$6,660,407. The net OPEB asset was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation using data as of July 1, 2021. For the current fiscal year, the Authority recognized OPEB benefit of \$852,583.

The components of the net OPEB liability (asset) are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at August 31, 2020	\$ 13,503,181	\$12,661,445	\$ 841,736
Changes for the year:			
Service cost	277,513	0	277,513
Interest	1,011,220	0	1,011,220
Differences between expected and actual experience	534,006	0	534,006
Changes of assumptions	(5,714,056)	0	(5,714,056)
Contributions-employer	0	447,821	(447,821)
Net investment income	0	3,215,148	(3,215,148)
Benefit payments, including refunds of member contributions	(140,990)	(140,990)	0
Administrative expense	0	(52,143)	52,143
Net changes	<u>(4,032,307)</u>	<u>3,469,836</u>	<u>(7,502,143)</u>
Balances at August 31, 2021	\$ 9,470,874	\$16,131,281	\$ (6,660,407)
Plan fiduciary net position as a percentage of the total OPEB liability		170.33%	
Covered payroll		\$ 11,794,708	
Plan net OPEB liability (asset) as a percentage of covered payroll		-56.47%	

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

13. Postemployment Benefits Other Than Pensions (continued)

At the end of the current fiscal year, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to the measurement date	\$ 390,888	\$ 0
Differences between expected and actual experience	580,132	(170,630)
Changes of assumptions	315,471	(4,999,799)
Net difference between projected and actual earnings on OPEB plan investments	0	(2,089,402)
Totals	<u>\$ 1,286,491</u>	<u>\$ (7,259,831)</u>

The \$390,888 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending August 31	
2023	\$ (1,168,446)
2024	(1,085,734)
2025	(1,183,034)
2026	(1,035,733)
2027	(581,338)
Thereafter	<u>(1,309,943)</u>
Totals	<u>\$ (6,364,228)</u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

13. Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions. The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Projected salary increases	3.00% to 8.50%, including inflation
Actuarial cost method	Entry age level percent of pay
Discount rate	7.375%
Healthcare cost trend rates	Medical: -5.00% for the first year then 6.75% trended down to 4.50% by 2032
Healthy mortality rates	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25
Disabled mortality rates	Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
Amortization method	Closed 20 years, level dollar
Remaining amortization period	17 years
Asset valuation method	Market value

The actuarial assumptions used in the August 31, 2021 valuation were based on the results of an actuarial experience study for the period of January 1, 2015 to June 30, 2019.

Development of Long-Term Rate. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

13. Postemployment Benefits Other Than Pensions (continued)

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.55%
International equity	20%	7.30%
Domestic fixed income	20%	0.40%
Real estate	10%	3.65%
Global fixed income	5%	3.30%
Total	100%	

Discount Rate. The discount rate used to measure the total OPEB liability was 7.375%. The projection of cash flows used to determine the discount rate assume that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all projected benefit payments of current plan members.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.375%) or one percentage-point higher (8.375%) than the current rate. Also shown is the net OPEB liability as if it were calculated using healthcare cost trend rates that were one percentage-point lower or one percentage-point higher than the current healthcare trend rates:

Discount Rate		Net OPEB Liability (Asset)
1% decrease	6.375%	\$ (5,156,873)
Current discount rate	7.375%	(6,660,407)
1% increase	8.375%	(7,882,843)

Healthcare Cost Trend Rates		Net OPEB Liability (Asset)
1% decrease		\$ (7,987,600)
Current discount rate		(6,660,407)
1% increase		(5,005,194)

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

13. Postemployment Benefits Other Than Pensions (continued)

OPEB Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

14. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation; employee health care; errors and omissions; and natural disasters. The Authority has elected to manage its risk financing activities through the purchase of commercial insurance.

There have been no significant reductions in coverage from the prior year and there have been no insurance settlements exceeding insurance coverage for any of the past three fiscal years.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At the end of the current fiscal year, the Authority has no losses that are probable or estimable and, accordingly, has not recognized any liability.

15. Commitments and Contingencies

Commitments

At the end of the current fiscal year, the Authority has outstanding agreements with contractors for future work on existing construction projects in the approximate amount of \$22,837,734.

Contingencies

The Authority's legal counsel has stated there are presently no determinable lawsuits.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2022

16. Operations

The Authority produced approximately 99.8% of its customers' water needs during the current fiscal year, purchasing most of the remaining amount from the City of Waleska, Georgia, City of Woodstock, Georgia, Cobb-Marietta Water Authority, and Pickens County, Georgia. The Authority provided 94.1% of sewage treatment required during the current fiscal year, purchasing the remainder primarily from the City of Canton, Georgia, Cobb County Water System, and Fulton County, Georgia.

17. New Accounting Pronouncements

The Authority implemented GASB Statement No. 87, *Leases*, effective for the Authority's current fiscal year. The requirements of this statement are effective for periods beginning after June 15, 2021.

18. Changes in Beginning Balances

A prior period adjustment has been made to adjust the beginning balances of lease receivable and deferred inflows of resources - leases. This adjustment was required due to the implementation of GASB Statement No. 87, *Leases*. The adjustment did not change beginning net position.

Required Supplementary Information



CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2022
(Unaudited)

	Fiscal Year		
	2015	2016	2017
Total pension liability			
Service cost	\$ 416,262	\$ 384,036	\$ 404,668
Interest	1,374,131	1,505,560	1,688,560
Differences between expected and actual experience	565,359	1,068,153	1,539,214
Changes of assumptions	0	0	0
Benefit payments, including refunds of employee contributions	(485,554)	(557,037)	(635,902)
Other	(138,589)	0	0
Net change in total pension liability	1,731,609	2,400,712	2,996,540
Total pension liability - beginning	17,973,495	19,705,104	22,105,816
Total pension liability - ending (a)	\$ 19,705,104	\$ 22,105,816	\$ 25,102,356
Plan fiduciary net position			
Contributions - employer	\$ 1,232,688	\$ 1,283,819	\$ 1,305,137
Net investment income	1,421,199	135,060	1,735,345
Benefit payments, including refunds of employee contributions	(485,554)	(557,037)	(635,902)
Administrative expense	(16,290)	(21,095)	(19,282)
Net change in plan fiduciary net position	2,152,043	840,747	2,385,298
Plan fiduciary net position - beginning	12,260,401	14,412,444	15,253,191
Plan fiduciary net position - ending (b)	\$ 14,412,444	\$ 15,253,191	\$ 17,638,489
Net pension liability - ending : (a) - (b)	\$ 5,292,660	\$ 6,852,625	\$ 7,463,867
Plan fiduciary net position as a percentage of the total pension liability	73.14%	69.00%	70.27%
Covered payroll	\$ 8,586,584	\$ 9,276,547	\$ 9,924,068
Net pension liability as a percentage of covered payroll	61.64%	73.87%	75.21%

Note: Fiscal year 2015 was the first year of implementation. Therefore, fiscal years prior are not reported.

See accompanying notes to the required supplementary information.

Fiscal Year				
2018	2019	2020	2021	2022
\$ 422,034	\$ 391,796	\$ 430,777	\$ 530,782	\$ 567,331
1,910,997	2,041,795	2,187,243	2,690,718	2,939,988
357,188	591,609	1,230,725	1,520,368	1,418,321
448,898	0	0	0	0
(888,663)	(1,041,341)	(1,208,409)	(1,331,244)	(1,465,719)
0	0	4,642,149	0	0
2,250,454	1,983,859	7,282,485	3,410,624	3,459,921
25,102,356	27,352,810	29,336,669	36,619,154	40,029,778
<u>\$ 27,352,810</u>	<u>\$ 29,336,669</u>	<u>\$ 36,619,154</u>	<u>\$ 40,029,778</u>	<u>\$ 43,489,699</u>
\$ 1,430,342	\$ 1,587,016	\$ 1,604,041	\$ 1,632,256	\$ 2,005,997
2,696,020	2,090,459	729,308	2,391,728	6,633,039
(888,663)	(1,041,341)	(1,208,409)	(1,331,244)	(1,465,719)
(39,074)	(37,841)	(36,848)	(39,678)	(45,936)
3,198,625	2,598,293	1,088,092	2,653,062	7,127,381
17,638,489	20,837,114	23,435,407	24,523,499	27,176,561
<u>\$ 20,837,114</u>	<u>\$ 23,435,407</u>	<u>\$ 24,523,499</u>	<u>\$ 27,176,561</u>	<u>\$ 34,303,942</u>
<u>\$ 6,515,696</u>	<u>\$ 5,901,262</u>	<u>\$ 12,095,655</u>	<u>\$ 12,853,217</u>	<u>\$ 9,185,757</u>
76.18%	79.88%	66.97%	67.89%	78.88%
\$ 9,667,079	\$ 10,504,974	\$ 11,072,470	\$ 11,794,708	\$ 12,691,300
67.40%	56.18%	109.24%	108.97%	72.38%

See accompanying notes to the required supplementary information.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS
August 31, 2022
(Unaudited)

	Fiscal Year		
	2015	2016	2017
Actuarially determined contribution	\$ 1,282,799	\$ 1,295,035	\$ 1,416,256
Contributions in relation to the actuarially determined contribution	<u>(1,232,688)</u>	<u>(1,283,819)</u>	<u>(1,305,137)</u>
Contribution deficiency (excess)	<u>\$ 50,111</u>	<u>\$ 11,216</u>	<u>\$ 111,119</u>
Covered payroll	\$ 9,310,777	\$ 9,583,210	\$ 10,073,060
Contributions as a percentage of covered payroll	13.24%	13.40%	12.96%

Note: Fiscal year 2015 was the first year of implementation. Therefore, fiscal years prior are not reported.

Fiscal Year				
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 1,585,284	\$ 1,606,072	\$ 1,581,701	\$ 2,188,360	\$ 2,442,235
<u>(1,585,284)</u>	<u>(1,606,072)</u>	<u>(1,581,701)</u>	<u>(2,188,360)</u>	<u>(2,442,235)</u>
<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
\$ 10,976,683	\$ 11,344,107	\$ 11,965,679	\$ 12,393,339	\$ 13,615,094
14.44%	14.16%	13.22%	17.66%	17.94%

See accompanying notes to the required supplementary information.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS
LAST TEN FISCAL YEARS
August 31, 2022
(Unaudited)

	Fiscal Year				
	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 223,365	\$ 245,329	\$ 246,623	\$ 271,737	\$ 277,513
Interest	667,586	779,412	839,393	941,438	1,011,220
Change of benefit terms	913,976	0	0	0	0
Differences between expected and actual experience	(178,846)	(69,876)	180,597	(119,447)	534,006
Changes of assumptions	0	53,321	468,189	0	(5,714,056)
Benefit payments, including refunds of member contributions	(103,568)	(208,629)	(210,835)	(165,211)	(140,990)
Net change in total OPEB liability	1,522,513	799,557	1,523,967	928,517	(4,032,307)
Total OPEB liability - beginning	8,728,627	10,251,140	11,050,697	12,574,664	13,503,181
Total OPEB liability - ending (a)	\$ 10,251,140	\$ 11,050,697	\$ 12,574,664	\$ 13,503,181	\$ 9,470,874
Plan fiduciary net position					
Contributions - employer	\$ 877,568	\$ 1,105,037	\$ 582,334	\$ 450,347	\$ 447,821
Net investment income	937,625	1,074,058	173,027	1,534,799	3,215,148
Benefit payments, including refunds of member contributions	(103,568)	(208,629)	(210,835)	(165,211)	(140,990)
Administrative expense	(14,771)	(9,244)	(26,096)	(1,197)	(52,143)
Net change in plan fiduciary net position	1,696,854	1,961,222	518,430	1,818,738	3,469,836
Plan fiduciary net position - beginning	6,666,201	8,363,055	10,324,277	10,842,707	12,661,445
Plan fiduciary net position - ending (b)	\$ 8,363,055	\$ 10,324,277	\$ 10,842,707	\$ 12,661,445	\$ 16,131,281
Net OPEB liability (asset) - ending : (a) - (b)	\$ 1,888,085	\$ 726,420	\$ 1,731,957	\$ 841,736	\$ (6,660,407)
Plan fiduciary net position as a percentage of the total OPEB liability	81.58%	93.43%	86.23%	93.77%	170.33%
Covered payroll	\$ 10,073,060	\$ 10,976,683	\$ 11,344,107	\$ 11,684,430	\$ 11,794,708
Net OPEB liability (asset) as a percentage of covered payroll	18.74%	6.62%	15.27%	7.20%	-56.47%

Note: Fiscal year 2018 was the first year of implementation. Therefore, fiscal years prior are not reported.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS
August 31, 2022
(Unaudited)

	Fiscal Year				
	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 977,900	\$ 450,347	\$ 447,821	\$ 390,888	\$ 177,785
Contributions in relation to the actuarially determined contribution	<u>(1,105,037)</u>	<u>(582,334)</u>	<u>(450,347)</u>	<u>(447,821)</u>	<u>(390,888)</u>
Contribution deficiency (excess)	<u>\$ (127,137)</u>	<u>\$ (131,987)</u>	<u>\$ (2,526)</u>	<u>\$ (56,933)</u>	<u>\$ (213,103)</u>
Covered payroll	\$ 10,976,683	\$ 11,344,107	\$ 11,965,679	\$ 12,393,339	\$ 13,615,094
Contributions as a percentage of covered payroll	10.07%	5.13%	3.76%	3.61%	2.87%

Note: Fiscal year 2018 was the first year of implementation. Therefore, fiscal years prior are not reported.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2022

Pension Plan

1. Valuation Date

The actuarially determined contribution was determined as of January 1, 2022, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending August 31, 2023.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 11 years

Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Net investment rate of return = 7.375%

Future salary increases = 2.25% plus service based merit increases

Cost of living adjustments = N/A

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2022

Pension Plan (continued)

3. Changes in Benefits

Amounts reported for fiscal years ending in 2022 and later reflect that effective November 1, 2020, benefits will not be actuarially increased for late retirement for participants hired or rehired on or after November 1, 2020. This change had an immaterial impact on this year's valuation results.

4. Changes of Assumptions

There were no changes in assumptions in the last two fiscal years.

OPEB Plan

1. Valuation Date

The actuarially determined contribution rates are calculated as of August 31, 2021 and adjusted for timing.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Entry age level percent of pay

Amortization method = Closed 20 years, level dollar

Remaining amortization period = 17 years

Asset valuation method = Market value

Projected salary increases = 3.00% to 8.50%, including inflation

Inflation = 2.25%

Discount rate = 7.375%.

Healthcare cost trend rates = Medical: -5.00% for the first year then 6.75% trended down to 4.50% by 2032

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2022

OPEB Plan (continued)

2. Methods and Assumptions Used to Determine Contribution Rates (continued)

Mortality = Healthy mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

3. Changes in Benefits

There were no changes in benefit provisions in the last two fiscal years.

4. Changes of Assumptions

Healthcare claims cost and trend rates were updated to reflect recent experience.

Retiree contributions were updated to reflect recent experience.

The participation assumption for future retirees was reduced from 100% to 70%.

The marital assumption for future retirees was reduced from 50% to 30%.

Supplementary Information



CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF COSTS OF WATER PURCHASES AND PRODUCTION
For the fiscal year ended August 31, 2022

Purchased water	\$ 41,411
Water production	
Salaries and wages	1,329,948
Payroll taxes	97,341
Group insurance	269,479
Retirement	151,844
Other postemployment benefits	(62,289)
Billing and accounting	20,584
Computer equipment and maintenance	427
Continuing education	27,276
Insurance - other than group	41,586
Lab fees and supplies	41,701
Miscellaneous	397
Office supplies	2,425
Operating supplies	362,133
Postage	502
Power	1,381,638
Professional fees	3,194
Repair and maintenance	321,957
Small tools and equipment	9,683
Stream monitoring	77,150
Telephone	41,743
Uniforms	6,571
Vehicle	21,115
Total water production	<u>4,146,405</u>
Total water purchases and production before depreciation	4,187,816
Depreciation	<u>1,601,114</u>
Total water purchases and production cost	<u><u>\$ 5,788,930</u></u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF COSTS OF WASTEWATER TREATMENT
For the fiscal year ended August 31, 2022

Purchased wastewater treatment	\$ 855,392
Wastewater treatment	
Salaries and wages	3,691,124
Payroll taxes	267,726
Group insurance	837,935
Retirement	588,011
Other postemployment benefits	(241,370)
Billing and accounting	20,584
Computer equipment and maintenance	12,200
Continuing education	44,867
Insurance - other than group	161,052
Lab fees and supplies	100,042
Miscellaneous	5,066
Office supplies	5,950
Operating supplies	1,137,157
Postage	119
Power	1,769,495
Professional fees	15,919
Regulatory actions	0
Repair and maintenance	3,258,907
Small tools and equipment	20,382
Telephone	61,932
Uniforms	26,174
Vehicle	94,370
Total wastewater treatment	<u>11,877,642</u>
Total purchased treatment and wastewater treatment before depreciation	12,733,034
Depreciation	<u>3,562,088</u>
Total wastewater treatment cost	<u><u>\$ 16,295,122</u></u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF DISTRIBUTION AND ADMINISTRATION EXPENSES
For the fiscal year ended August 31, 2022

Salaries and wages	\$ 9,333,844
Payroll taxes	677,005
Group insurance	2,152,855
Retirement	1,337,176
Other postemployment benefits	(548,924)
Bad debts	47,564
Billing and accounting	421,027
Computer equipment and maintenance	50,079
Continuing education	100,235
Contract meter readers	813,532
Director fees and expenses	56,362
Equipment repairs and maintenance	1,033,231
Insurance - other than group	392,528
Lab fees and supplies	27,431
Legal and audit	102,258
Line and meter repairs	673,280
Miscellaneous	27,902
Office supplies	29,167
Operating supplies	87,742
Postage	9,886
Power	215,323
Professional fees	151,142
Public outreach	11,783
Real estate taxes	22,353
Service charges	619,490
Small tools and equipment	64,132
Stream monitoring	1,500
Telephone	150,810
Toilet rebates	1,275
Uniforms	45,520
Vehicle	470,322
	<hr/>
Subtotal	18,577,830
Less capitalized salaries	(771,866)
	<hr/>
Total distribution and administration expenses before depreciation	17,805,964
Depreciation	9,067,906
	<hr/>
Total distribution and administration expenses	<u><u>\$ 26,873,870</u></u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES
COMPARED WITH ACTUAL
For the fiscal year ended August 31, 2022

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Operating revenues			
Metered water sales	\$ 31,600,000	\$ 33,190,067	\$ 1,590,067
Wastewater treatment sales	19,600,000	20,293,850	693,850
Street light fees	1,572,000	1,548,419	(23,581)
Water connection fees	523,600	1,162,979	639,379
Transfer fees	205,000	200,400	(4,600)
Forfeited discounts and penalties	710,000	652,143	(57,857)
Customer repairs and service charges	238,000	254,993	16,993
Total operating revenues	<u>54,448,600</u>	<u>57,302,851</u>	<u>2,854,251</u>
Non-operating revenues			
Interest revenue			
Sinking funds	1,700	38,861	37,161
Revenue funds	118,000	252,614	134,614
Change in fair value of derivative	0	(245,183)	(245,183)
Amortization of bond premiums, net	1,624,953	1,625,844	891
Gain on disposition of capital assets	0	60,320	60,320
Miscellaneous	310,000	348,670	38,670
Total non-operating revenues	<u>2,054,653</u>	<u>2,081,126</u>	<u>26,473</u>
TOTAL REVENUES	<u>56,503,253</u>	<u>59,383,977</u>	<u>2,880,724</u>
EXPENSES			
Operating expenses			
Water purchases and production			
Purchased water	35,000	41,411	(6,411)
Water production			
Salaries and wages	1,397,800	1,329,948	67,852
Payroll taxes	106,930	97,341	9,589
Group insurance	316,100	269,479	46,621
Retirement	175,411	151,844	23,567
Other postemployment benefits	28,558	(62,289)	90,847
Billing and accounting	22,000	20,584	1,416
Computer equipment and maintenance	20,000	427	19,573
Continuing education	40,000	27,276	12,724
Insurance - other than group	41,700	41,586	114
Lab fees and supplies	65,000	41,701	23,299
Miscellaneous	2,500	397	2,103
Office supplies	2,000	2,425	(425)
Operating supplies	300,000	362,133	(62,133)
Postage	1,500	502	998
Power	1,400,000	1,381,638	18,362
Professional fees	10,000	3,194	6,806
Repair and maintenance	453,500	321,957	131,543
Small tools and equipment	10,000	9,683	317
Stream monitoring	70,000	77,150	(7,150)
Telephone	36,400	41,743	(5,343)
Uniforms	7,000	6,571	429
Vehicle	17,000	21,115	(4,115)
Operating expenses before depreciation	<u>4,558,399</u>	<u>4,187,816</u>	<u>370,583</u>
Depreciation	<u>1,606,100</u>	<u>1,601,114</u>	<u>4,986</u>
Total water purchases and production	<u>6,164,499</u>	<u>5,788,930</u>	<u>375,569</u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES
COMPARED WITH ACTUAL
For the fiscal year ended August 31, 2022

	BUDGET	ACTUAL	VARIANCE
Wastewater treatment			
Purchased wastewater treatment	\$ 824,000	\$ 855,392	\$ (31,392)
Wastewater treatment			
Salaries and wages	3,897,410	3,691,124	206,286
Payroll taxes	298,150	267,726	30,424
Group insurance	815,000	837,935	(22,935)
Retirement	679,717	588,011	91,706
Other postemployment benefits	110,662	(241,370)	352,032
Billing and accounting	22,000	20,584	1,416
Computer equipment and maintenance	35,000	12,200	22,800
Continuing education	56,200	44,867	11,333
Insurance - other than group	161,500	161,052	448
Lab fees and supplies	75,000	100,042	(25,042)
Miscellaneous	6,000	5,066	934
Office supplies	12,200	5,950	6,250
Operating supplies	1,150,000	1,137,157	12,843
Postage	2,200	119	2,081
Power	1,845,000	1,769,495	75,505
Professional fees	27,000	15,919	11,081
Regulatory actions	20,000	0	20,000
Repair and maintenance	3,573,000	3,258,907	314,093
Small tools and equipment	15,500	20,382	(4,882)
Telephone	51,000	61,932	(10,932)
Uniforms	25,000	26,174	(1,174)
Vehicle	75,000	94,370	(19,370)
Operating expenses before depreciation	13,776,539	12,733,034	1,043,505
Depreciation	3,532,100	3,562,088	(29,988)
Total wastewater treatment	17,308,639	16,295,122	1,013,517
Distribution and administration			
Salaries and wages	9,520,200	9,333,844	186,356
Payroll taxes	728,295	677,005	51,290
Group insurance	2,268,000	2,152,855	115,145
Retirement	1,545,807	1,337,176	208,631
Other postemployment benefits	251,668	(548,924)	800,592
Bad debts	100,000	47,564	52,436
Billing and accounting	415,000	421,027	(6,027)
Computer equipment and maintenance	72,300	50,079	22,221
Continuing education	121,000	100,235	20,765
Contract meter readers	831,000	813,532	17,468
Director fees and expenses	60,000	56,362	3,638
Equipment repairs and maintenance	1,123,000	1,033,231	89,769
Insurance - other than group	367,200	392,528	(25,328)
Lab fees and supplies	30,000	27,431	2,569
Legal and audit	95,000	102,258	(7,258)
Line and meter repairs	540,000	673,280	(133,280)
Miscellaneous	35,000	27,902	7,098
Office supplies	33,000	29,167	3,833
Operating supplies	95,000	87,742	7,258
Postage	12,000	9,886	2,114
Power	213,000	215,323	(2,323)
Professional fees	520,000	151,142	368,858
Public outreach	12,500	11,783	717

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF BUDGETED REVENUES AND EXPENSES
COMPARED WITH ACTUAL
For the fiscal year ended August 31, 2022

	BUDGET	ACTUAL	VARIANCE
Distribution and administration (continued)			
Real estate taxes	\$ 22,000	\$ 22,353	\$ (353)
Service charges	599,000	619,490	(20,490)
Small tools and equipment	90,000	64,132	25,868
Stream monitoring	10,000	1,500	8,500
Telephone	145,000	150,810	(5,810)
Toilet rebates	10,000	1,275	8,725
Uniforms	50,000	45,520	4,480
Vehicle	390,000	470,322	(80,322)
Less capitalized salaries	(673,835)	(771,866)	98,031
Operating expenses before depreciation	19,631,135	17,805,964	1,825,171
Depreciation	8,934,700	9,067,906	(133,206)
Total distribution and administration	28,565,835	26,873,870	1,691,965
Streetlights	1,187,000	1,216,385	(29,385)
Total operating expenses	53,225,973	50,174,307	3,051,666
Non-operating expenses			
Interest expense	4,538,860	4,538,860	0
Amortization of deferred amount on refunding	468,565	468,565	0
Total non-operating expenses	5,007,425	5,007,425	0
TOTAL EXPENSES	58,233,398	55,181,732	3,051,666
CAPITAL CONTRIBUTIONS			
Sewer tap fees	6,115,500	10,388,603	4,273,103
Water connection fees	2,094,400	2,811,321	716,921
Contributions of capital assets	0	10,096,914	10,096,914
TOTAL CAPITAL CONTRIBUTIONS	8,209,900	23,296,838	15,086,938
CHANGE IN NET POSITION	\$ 6,479,755	\$ 27,499,083	\$ 21,019,328

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF METERED WATER SALES, WASTEWATER TREATMENT SALES
AND NUMBER OF CUSTOMERS SERVED
For the fiscal years ended August 31,

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Metered water sales	<u>\$ 27,494,824</u>	<u>\$ 30,109,349</u>	<u>\$ 31,864,224</u>	<u>\$ 31,332,611</u>	<u>\$ 33,190,067</u>
Number of customers served	<u>73,610</u>	<u>75,273</u>	<u>77,916</u>	<u>79,809</u>	<u>81,365</u>
Sales per customer	<u>\$ 373.52</u>	<u>\$ 400.00</u>	<u>\$ 408.96</u>	<u>\$ 392.59</u>	<u>\$ 407.92</u>
Wastewater treatment sales	<u>\$ 17,007,346</u>	<u>\$ 18,318,463</u>	<u>\$ 19,420,526</u>	<u>\$ 19,475,876</u>	<u>\$ 20,293,850</u>
Number of customers served	<u>34,686</u>	<u>35,888</u>	<u>37,118</u>	<u>38,424</u>	<u>39,765</u>
Sales per customer	<u>\$ 490.32</u>	<u>\$ 510.43</u>	<u>\$ 523.21</u>	<u>\$ 506.87</u>	<u>\$ 510.34</u>

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF REVENUE BOND COVERAGE
For the fiscal years ended August 31,
(IN THOUSANDS)

	2018		2019		2020		2021		2022	
	With	Without	With	Without	With	Without	With	Without	With	Without
	Tap Fees	Tap Fees	Tap Fees	Tap Fees	Tap Fees	Tap Fees	Tap Fees	Tap Fees	Tap Fees	Tap Fees
Net revenue available for debt service	<u>\$ 30,832</u>	<u>\$ 17,376</u>	<u>\$ 31,579</u>	<u>\$ 22,690</u>	<u>\$ 31,341</u>	<u>\$ 21,229</u>	<u>\$ 29,910</u>	<u>\$ 18,543</u>	<u>\$ 35,200</u>	<u>\$ 20,837</u>
Highest annual debt service requirements	<u>\$ 14,215</u>	<u>\$ 14,215</u>	<u>\$ 13,997</u>	<u>\$ 13,997</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 13,181</u>	<u>\$ 13,181</u>	<u>\$ 12,973</u>	<u>\$ 12,973</u>
Revenue Bond Coverage:										
Actual	<u>2.17</u>	<u>1.22</u>	<u>2.26</u>	<u>1.62</u>	<u>2.24</u>	<u>1.52</u>	<u>2.27</u>	<u>1.41</u>	<u>2.71</u>	<u>1.61</u>
Required	<u>1.20</u>	<u>1.00</u>	<u>1.20</u>	<u>1.00</u>	<u>1.20</u>	<u>1.00</u>	<u>1.20</u>	<u>1.00</u>	<u>1.20</u>	<u>1.00</u>

Note: Net revenue available for debt service equals income from operations plus depreciation and other income less interest earned on construction funds and the value of contributed capital. Required revenue bond coverage is measured both including and excluding water connection and sewer tap fees.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF WATER, SEWER AND IRRIGATION RATES
As of August 31, 2022

CONSUMPTION (GALLONS)	WATER NET	SEWER NET	IRRIGATION NET
0	\$ 10.00	\$ 12.60	\$ 13.00
1,000	11.15	12.60	18.40
2,000	12.30	12.60	23.80
3,000	17.70	19.75	29.20
4,000	23.10	26.90	34.60
5,000	28.50	34.05	40.00
6,000	33.90	41.20	45.40
7,000	39.30	48.35	50.80
8,000	44.70	55.50	56.20
9,000	50.10	62.65	61.60
10,000	55.50	69.80	67.00
Over 10,000	Additional \$6.50 per 1,000	Additional \$7.15 per 1,000	Additional \$6.50 per 1,000

Note: There is a 10% penalty added when paid after due date. These rates apply only to 3/4" meters serving a single family dwelling. A larger minimum bill will apply to larger meters. Rates effective January 1, 2019.

CHEROKEE COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
As of August 31, 2022

TYPE OF COVERAGE	LIMITS OF LIABILITY
Public Officials E&O	\$1,000,000 Errors & Omissions - Each Wrongful Act \$3,000,000 Errors & Omissions - Aggregate
Employment Practices Legal Liability	\$1,000,000 Employment Practices - Each Offense \$3,000,000 Employment Practices - Aggregate Defense Inside Limit
Commercial Automobile	\$1,000,000 Liability Per Accident \$75,000 Uninsured/Underinsured Per Accident \$500,000 Bodily Injury Each Person \$700,000 Bodily Injury Statutory Cap Total Limit \$50,000 Property Damage Statutory Cap Total Limit
Crime	\$500,000 Employee Theft \$500,000 Forgery & Alteration \$500,000 On Premises \$500,000 In Transit \$500,000 Money Orders/Counterfeit Money \$500,000 Computer Fraud
Cyber Risk	\$1,000,000 Each Enterprise Security Event \$1,000,000 Privacy Breach Regulation \$500,000 Cyber Crime \$1,000,000 Policy Limit - Aggregate
Active Shooter	\$1,000,000 Act of Workplace Violence - Aggregate \$1,000,000 Expenses per Insured Event \$1,000,000 3rd Party Legal Liability per Insured Event
Fiduciary	\$1,000,000 Aggregate Limit of Liability
Commercial Property: Fire and Extended Coverage including boiler and machinery	\$320,783,633 Real Property - Buildings \$1,250,000 Business Personal Property \$5,593,059 Electronic Data Processing Equipment \$1,000,000 Business Income/Extra Expense
Inland Marine	\$2,070,795 Contractors Scheduled Equipment \$1,456,195 Misc. Scheduled Equipment
Workers Compensation	\$1,000,000 Bodily Injury - Each Accident \$1,000,000 Bodily Injury by Disease - Each Employee \$1,000,000 Bodily Injury by Disease - Limit
Commercial Umbrella	\$10,000,000 Each Occurrence \$10,000,000 Aggregate Limit
Commercial General Liability	\$3,000,000 for General Aggregate \$3,000,000 for Products and Completed Operations Aggregate \$1,000,000 for Personal and Advertising Injury \$1,000,000 for Damage to Premises Rented To You \$1,000,000 for Employee Benefits Liability - Each Claim \$3,000,000 for Employee Benefits Liability - Aggregate \$1,000,000 for Failure to Supply - Each Occurrence Defense Outside The Limit

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Part III

Statistical Section



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Cherokee County Water & Sewerage Authority

Introduction to the Statistical Section (UNAUDITED)

The contents of the statistical section of the annual comprehensive financial report presents information regarding financial trends, revenue capacity, debt service and debt capacity, demographic and economic information and operating information.

Financial Trends..... 68-73

These schedules should help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity..... 74-80

These schedules contain information in order for the reader to assess the Authority's most significant revenue sources.

Debt Capacity..... 81-83

These schedules contain information in order for the reader to assess the affordability of the Authority's current levels of outstanding debt and the ability for the Authority to issue additional debt in the future.

Demographic and Economic Information..... 84-85

These schedules offer demographic and economic indicators to help thte reader understand the environment within which the Authority's financial activities take place.

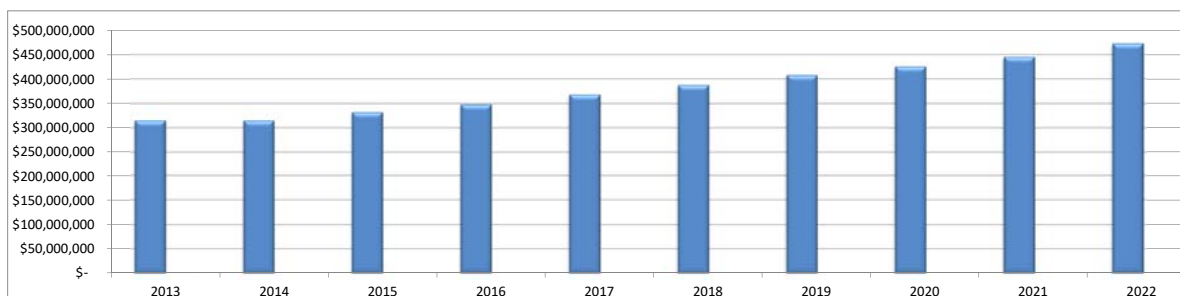
Operating Information..... 86-88

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Cherokee County Water & Sewerage Authority

Net Position by Component Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net investment in capital assets	\$ 276,087,369	\$ 281,151,583	\$ 291,424,715	\$ 301,934,404	\$ 322,548,060	\$ 344,442,124	\$ 353,878,057	\$ 362,691,050	\$ 376,577,752	\$ 419,232,215
Restricted for:										
Debt Service	4,868,422	4,931,244	4,949,250	1,925,221	1,944,936	1,990,865	2,056,144	2,359,556	2,379,361	2,426,821
Capital Projects	828,731	0	0	0	0	0	0	0	0	0
Unrestricted	33,403,218	29,486,065	36,238,725	44,623,874	42,725,573	40,878,271	52,023,688	60,844,351	66,730,486	51,527,646
Total Net Position	<u>\$ 315,187,740</u>	<u>\$ 315,568,892</u>	<u>\$ 332,612,690</u>	<u>\$ 348,483,499</u>	<u>\$ 367,218,569</u>	<u>\$ 387,311,260</u>	<u>\$ 407,957,889</u>	<u>\$ 425,894,957</u>	<u>\$ 445,687,599</u>	<u>\$ 473,186,682</u>

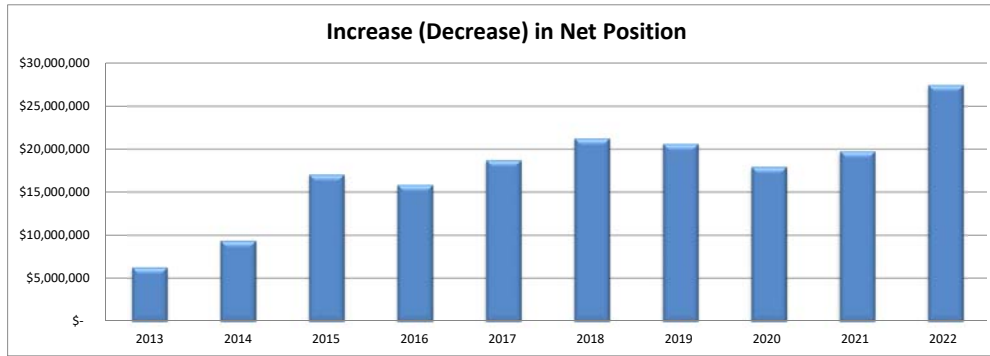


Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Changes in Net Position Last Ten Fiscal Years

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Revenues	\$ 38,674,973	\$ 41,382,200	\$ 44,442,890	\$ 47,196,424	\$ 47,948,092	\$ 47,906,897	\$ 51,727,171	\$ 54,368,446	\$ 54,367,934	\$ 57,302,851
Operating Expenses	34,426,663	35,600,188	36,947,246	38,320,683	40,017,439	42,718,664	42,175,041	47,196,084	49,377,035	50,174,307
Income from Operations	4,248,310	5,782,012	7,495,644	8,875,741	7,930,653	5,188,233	9,552,130	7,172,362	4,990,899	7,128,544
Non-Operating Revenues (Expenses)	(8,260,211)	(6,925,380)	(6,854,441)	(6,369,781)	(5,751,538)	(4,912,332)	(3,560,247)	(3,736,261)	(3,628,771)	(2,926,299)
Gain (Loss) Before Capital Contributions	(4,011,901)	(1,143,368)	641,203	2,505,960	2,179,115	275,901	5,991,883	3,436,101	1,362,128	4,202,245
Capital Contributions	10,278,080	10,515,135	16,402,595	13,364,849	16,555,955	21,001,692	14,654,746	14,500,967	18,430,514	23,296,838
Increase (decrease) in Net Position	<u>\$ 6,266,179</u>	<u>\$ 9,371,767</u>	<u>\$ 17,043,798</u>	<u>\$ 15,870,809</u>	<u>\$ 18,735,070</u>	<u>\$ 21,277,593</u>	<u>\$ 20,646,629</u>	<u>\$ 17,937,068</u>	<u>\$ 19,792,642</u>	<u>\$ 27,499,083</u>



Note:

See Operating Revenues statistical schedule for a detailed breakdown by revenue source.

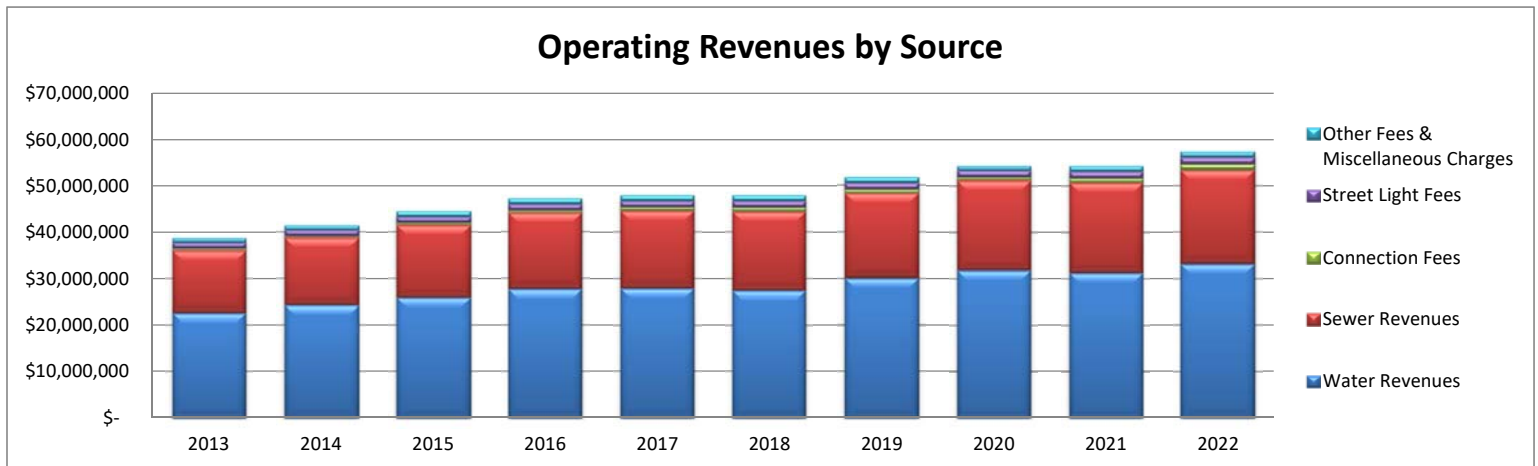
See the Non-Operating Revenue (Expenses) statistical schedule for a breakdown by non-operating revenue(expense) items.

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Operating Revenues by Source Last Ten Fiscal Years

Fiscal Year	Water Revenues	Sewer Revenues	Connection Fees	Street Light Fees	Other Fees & Miscellaneous Charges	Total
2013	\$ 22,544,851	\$ 13,529,139	\$ 412,715	\$ 1,288,766	\$ 899,502	\$ 38,674,973
2014	24,286,454	14,538,327	291,639	1,322,783	942,997	41,382,200
2015	25,980,155	15,607,818	373,344	1,342,068	1,139,505	44,442,890
2016	27,730,410	16,435,678	467,202	1,364,046	1,199,088	47,196,424
2017	27,941,584	16,717,722	718,183	1,405,888	1,164,715	47,948,092
2018	27,494,824	17,007,346	802,464	1,447,043	1,155,220	47,906,897
2019	30,109,349	18,318,463	659,955	1,474,998	1,164,406	51,727,171
2020	31,864,224	19,420,526	663,019	1,520,113	900,564	54,368,446
2021	31,332,611	19,475,876	878,491	1,535,771	1,145,185	54,367,934
2022	33,190,067	20,293,850	1,162,979	1,548,419	1,107,536	57,302,851

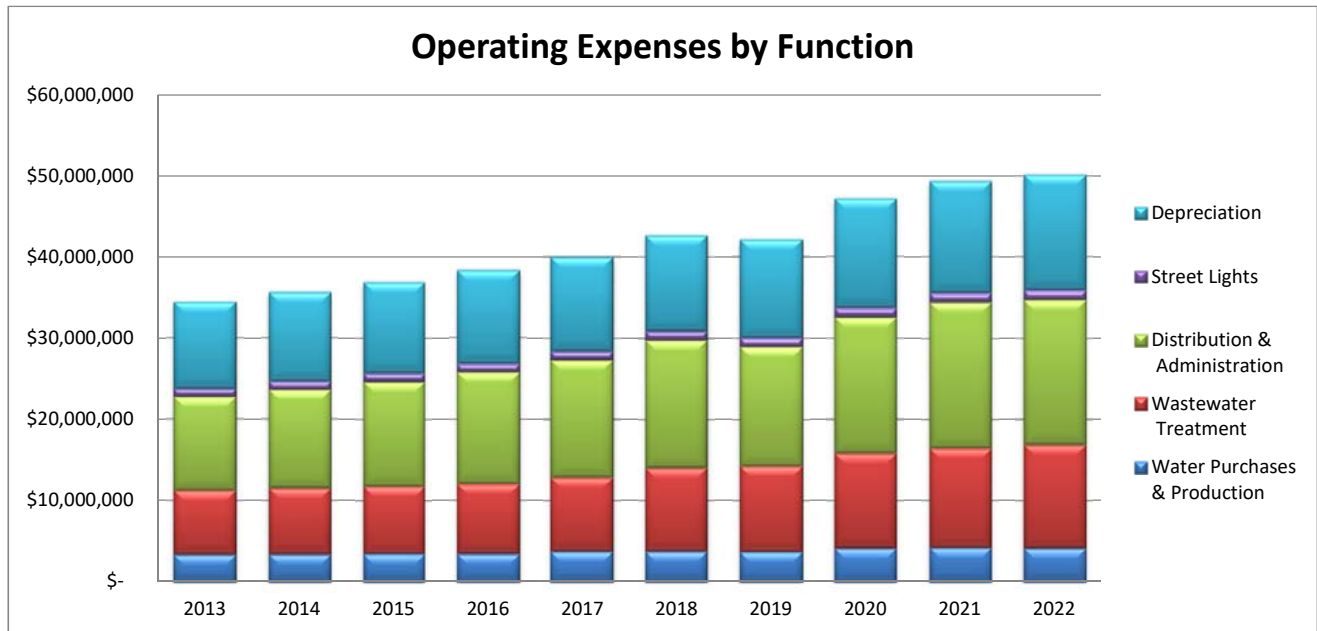


Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Operating Expenses by Function
Last Ten Fiscal Years

Fiscal Year	Water Purchases & Production	Wastewater Treatment	Distribution & Administration	Street Lights	Depreciation	Total Operating Expenses
2013	\$ 3,395,278	\$ 7,881,795	\$ 11,502,139	\$ 971,867	\$ 10,675,584	\$ 34,426,663
2014	3,415,804	8,123,714	12,101,019	1,036,563	10,923,088	35,600,188
2015	3,446,719	8,327,094	12,902,290	1,051,386	11,219,757	36,947,246
2016	3,472,663	8,594,347	13,710,183	1,063,994	11,479,496	38,320,683
2017	3,760,355	9,147,271	14,428,635	1,065,086	11,616,092	40,017,439
2018	3,782,823	10,294,946	15,721,580	1,089,476	11,829,839	42,718,664
2019	3,731,239	10,539,795	14,705,598	1,102,667	12,095,742	42,175,041
2020	4,186,772	11,672,661	16,746,825	1,141,839	13,447,987	47,196,084
2021	4,251,723	12,253,557	17,931,045	1,162,789	13,777,921	49,377,035
2022	4,187,816	12,733,034	17,805,964	1,216,385	14,231,108	50,174,307



Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Non-Operating Revenues (Expenses)
Last Ten Fiscal Years

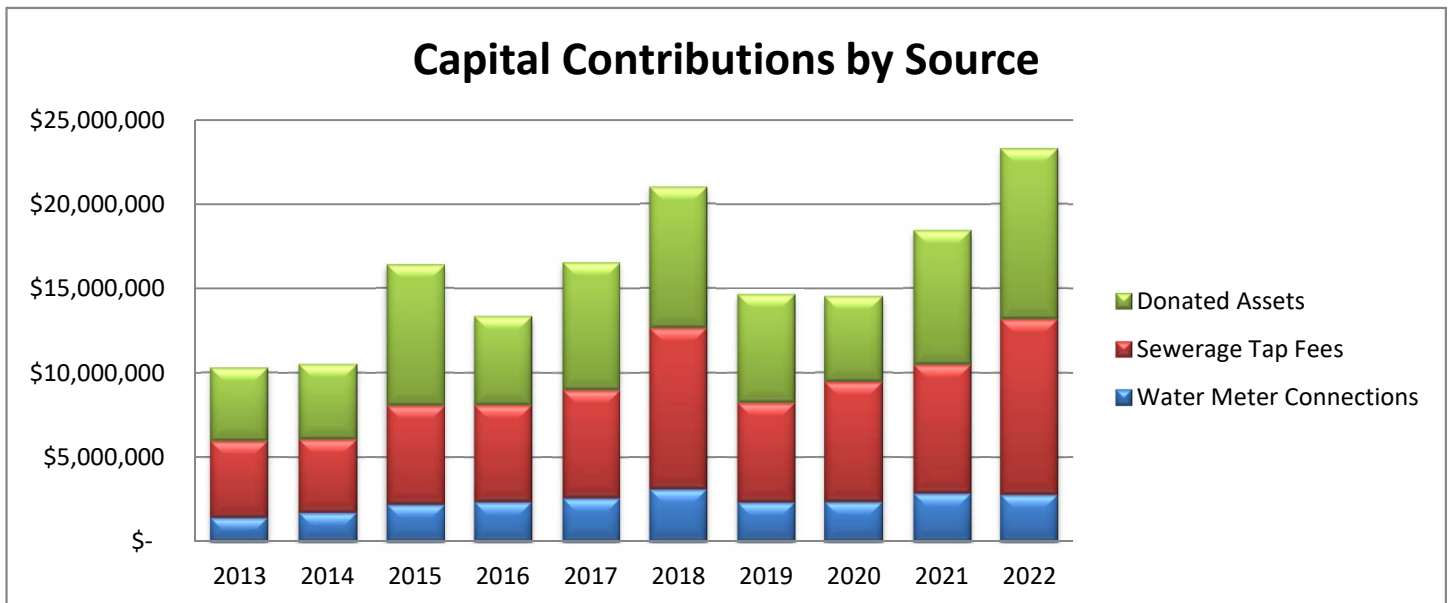
Fiscal Year	Interest Income	Change in Fair Value of Derivatives	Gain (Loss) on Disposal of Assets	Miscellaneous	Interest Expense & Other Fiscal Charges	Other	Total
2013	\$ 185,022	\$ (360,374)	\$ (54,257)	\$ 131,406	\$ (8,063,069)	\$ (98,939)	\$ (8,260,211)
2014	228,744	191,330	17,999	143,381	(7,845,282)	338,448	(6,925,380)
2015	146,925	178,641	(56,913)	133,766	(7,552,660)	295,800	(6,854,441)
2016	222,502	384,942	(83,118)	202,175	(7,521,999)	425,717	(6,369,781)
2017	411,959	43,590	(240,913)	192,624	(6,778,504)	619,706	(5,751,538)
2018	744,162	(181,957)	(22,940)	415,861	(6,429,880)	562,422	(4,912,332)
2019	1,151,051	205,017	81,366	551,069	(6,063,727)	514,977	(3,560,247)
2020	1,044,591	191,140	(98,391)	644,385	(5,513,158)	(4,828)	(3,736,261)
2021	155,588	(52,946)	31,601	497,050	(4,965,147)	705,083	(3,628,771)
2022	291,475	(245,183)	60,320	348,670	(4,538,860)	1,157,279	(2,926,299)

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Capital Contributions by Source Last Ten Fiscal Years

Fiscal Year	Water Meter Connections	Sewerage Tap Fees	Donated Assets	Total Capital Contributions
2013	\$ 1,442,985	\$ 4,515,196	\$ 4,319,899	\$ 10,278,080
2014	1,743,611	4,328,898	4,442,626	10,515,135
2015	2,224,156	5,847,315	8,331,124	16,402,595
2016	2,367,398	5,734,547	5,262,904	13,364,849
2017	2,589,017	6,403,784	7,563,154	16,555,955
2018	3,122,686	9,531,338	8,347,668	21,001,692
2019	2,341,316	5,888,075	6,425,355	14,654,746
2020	2,375,381	7,073,801	5,051,785	14,500,967
2021	2,873,659	7,614,960	7,941,895	18,430,514
2022	2,811,321	10,388,603	10,096,914	23,296,838



Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Water Capacity Compared with Annual Average Daily Flow and Maximum Flow
Last Ten Fiscal Years
(All Numbers Presented in Million Gallons Per Day)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Maximum Rated Capacity for the Plant <u>Treatment Plant</u>										
Etowah River Water Treatment Plant	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00
Average Daily Flow	14.00	14.61	14.91	16.14	16.22	16.26	16.58	17.65	17.59	18.60
Maximum Daily Flow	19.68	20.74	22.40	27.17	22.45	22.84	25.43	24.86	27.26	29.96

Source: Cherokee County Water & Sewerage Authority Historical Data Records

Cherokee County Water & Sewerage Authority

Sewerage Treatment Capacity Compared with Annual Monthly Average Flow and Peak Day Flows

Last Ten Fiscal Years

(All Numbers Presented in Million Gallons Per Day)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Permit Limit on Flows										
<u>Treatment Plants</u>										
Rose Creek	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Fitzgerald Creek	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Riverbend ⁽²⁾				1.0 ⁽²⁾	1.0 ⁽²⁾	1.0 ⁽²⁾	1.0 ⁽²⁾	1.0 ⁽²⁾	1.0 ⁽²⁾	1.0 ⁽²⁾
Total	11.0	11.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
<u>Rose Creek GA0046451</u>										
Monthly Average	2.82	2.47	2.39	2.31	2.10	2.52	2.88	2.84	2.71	2.76
Peak Day Flow	4.78	3.72	4.97	4.51	4.04	4.23	6.35	5.83	4.19	4.18
<u>Fitzgerald Creek GA0038555</u>										
Monthly Average	3.67	3.70	3.70	4.05	4.26	4.32	4.50	4.67	5.03	4.89
Peak Day Flow	8.42	5.88	5.13	6.32	5.62	5.97	8.91	9.81	7.50	8.40
<u>Riverbend GA0000728 ⁽²⁾</u>										
Monthly Average	0.0081 ⁽¹⁾	0.00	0.00	0.02	0.00	0.00	0.30	0.29	0.27	0.29
Peak Day Flow	0.1400 ⁽¹⁾	0.00	0.00	0.21	0.00	0.00	1.07	1.23	0.57	0.73

Source: Cherokee County Water & Sewerage Authority Historical Data Records

⁽¹⁾ 2013 for Riverbend is from August through December.

⁽²⁾ The Authority assumed the Industrial Permit for Riverbend in 2013 after the facility was purchased from a rendering plant.

There were no process flows other than rain water infiltration. The domestic permit has an initial permitted treatment capacity of 1.0 MGD. September 2018 to current is under permit number GA0050242.

Cherokee County Water & Sewerage Authority
New Connections Added to the System

New Water Meters Sold

Last Ten Fiscal Years

METER SIZE	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
3/4 INCH											
Residential	929	1,081	1,352	1,492	1,642	1,684	1,585	1,480	1,736	1,729	14,835
Commercial	6	6	11	11	10	21	16	9	14	21	
1 INCH											
Residential	1		6	6	9	3	3	17	69	86	306
Commercial	11	5	9	6	9	9	19	12	14	12	
1.5 INCH											
Residential		1			1			2	1	1	42
Commercial	4	3	4	4	3	4	2	5	3	4	
2 INCH											
Residential		2			2	3		4	1	1	73
Commercial	9	5	8	2	6	8	2	5	8	7	
3 INCH											
Residential				1						1	14
Commercial			2		7	1	1			1	
4 INCH											
Residential						1					4
Commercial				1			1			1	
6 INCH											
Residential						1					3
Commercial						1	1				
8 INCH											
Residential						2				1	6
Commercial				1				1	1		
TOTAL	960	1,103	1,392	1,524	1,689	1,738	1,630	1,535	1,847	1,865	15,283

New Sewer Taps Sold

Last Ten Fiscal Years

TYPE	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Residential	810	905	1,037	1,149	1,244	1,292	1,106	1,005	1,349	1,455	11,352
Commercial	15	12	16	18	14	14	17	16	27	22	171
TOTAL	825	917	1,053	1,167	1,258	1,306	1,123	1,021	1,376	1,477	11,523

Cherokee County Water & Sewerage Authority

Number of Customers
Last Ten Fiscal Years

Number of Water Connections

<u>Customer Class</u>	As of August 31									
	<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> ⁽¹⁾	<u>2022</u>
Residential	60,323	61,658	62,978	64,687	66,336	67,965	69,616	71,342	77,014	78,519
Commercial & Industrial	6,250	6,307	6,324	6,206	6,265	5,645	5,657	6,574	2,795	2,846
Total	66,573	67,965	69,302	70,893	72,601	73,610	75,273	77,916	79,809	81,365

Number of Sewer Connections

<u>Customer Class</u>	As of August 31									
	<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>	<u>2022</u>
Residential	28,401	29,449	30,467	31,489	32,724	33,979	35,164	36,359	37,654	38,973
Commercial & Industrial	543	563	577	685	689	707	724	759	770	792
Total	28,944	30,012	31,044	32,174	33,413	34,686	35,888	37,118	38,424	39,765

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

⁽¹⁾Note: Beginning in FY 2021, the Authority reclassified certain accounts from commercial to residential customer class; these accounts include multi-outlet accounts

Cherokee County Water & Sewerage Authority
Residential Water, Sewer and Irrigation Rates
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	*2019	2020	2021	2022
Water										
Base Rate	8.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00
3/4"										
1,000	1.10	1.10	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.15
2,000	1.10	1.10	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.15
3,000-10,000	5.00/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.40/1000	5.40/1000	5.40/1000	5.40/1000
>10,000	6.00/1000	6.30/1000	6.30/1000	6.30/1000	6.30/1000	6.30/1000	6.50/1000	6.50/1000	6.50/1000	6.50/1000
Minimum Charge:										
1"	50.20	53.20	53.20	53.20	53.20	53.20	55.50	55.50	55.50	55.50
1.5"	100.20	105.70	105.70	105.70	105.70	105.70	109.50	109.50	109.50	109.50
2"	170.20	179.20	179.20	179.20	179.20	179.20	185.10	185.10	185.10	185.10
3"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charge per 1,000 Gallons: Above Minimum										
	6.00	6.30	6.30	6.30	6.30	6.30	6.50	6.50	6.50	6.50
Sewerage										
Mimumum Charge:	11.60	12.60	12.60	12.60	12.60	12.60	12.60	12.60	12.60	12.60
1"	64.40	68.20	68.20	68.20	68.20	68.20	69.80	69.80	69.80	69.80
1.5"	130.40	137.70	137.70	137.70	137.70	137.70	141.30	141.30	141.30	141.30
2"	222.80	235.00	235.00	235.00	235.00	235.00	241.40	241.40	241.40	241.40
3"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charge per 1,000 Gallons: Above Minimum										
	6.60	6.95	6.95	6.95	6.95	6.95	7.15	7.15	7.15	7.15
Irrigation										
Base Rate:	11.00	12.00	12.00	12.00	12.00	12.00	13.00	13.00	13.00	13.00
Minimum Charge:										
3/4"										
1,000 Gallons	1.10	1.10	1.10	1.10	1.10	5.25	5.40	5.40	5.40	5.40
2,000 Gallons	1.10	1.10	1.10	1.10	1.10	5.25	5.40	5.40	5.40	5.40
3,000-10,000 Gallons	5.00/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.40/1000	5.40/1000	5.40/1000	5.40/1000
> 10,000 Gallons	6.00/1000	6.30/1000	6.30/1000	6.30/1000	6.30/1000	6.30/1000	6.50/1000	6.50/1000	6.50/1000	6.50/1000
1"	53.20	56.20	56.20	56.20	56.20	64.50	67.00	67.00	67.00	67.00
1.5"	103.20	108.70	108.70	108.70	108.70	117.00	121.00	121.00	121.00	121.00
2"	173.20	182.20	182.20	182.20	182.20	190.50	196.60	196.60	196.60	196.60
3"	233.20	245.20	245.20	245.20	245.20	n/a	n/a	n/a	n/a	n/a
4"	298.20	313.45	313.45	313.45	313.45	n/a	n/a	n/a	n/a	n/a
6"	423.20	444.70	444.70	444.70	444.70	n/a	n/a	n/a	n/a	n/a
8"	503.20	528.70	528.70	528.70	528.70	n/a	n/a	n/a	n/a	n/a
Charge per 1,000 Gallons: Above Minimum										
	6.00	6.30	6.30	6.30	6.30	6.30	6.50	6.50	6.50	6.50

Note: Rates are presented as of August 31 of each Fiscal Year, respectively

*Rate Change Effective January 1, 2019

Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority
Commercial Water, Sewer and Irrigation Rates
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	*2019	2020	2021	2022
Water										
Base Rate	8.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00
3/4"										
1,000	1.10	1.10	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.15
2,000	1.10	1.10	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.15
3,000-10,000	5.00/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.40/1000	5.40/1000	5.40/1000	5.40/1000
>10,000	5.00/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.40/1000	5.40/1000	5.40/1000	5.40/1000
Minimum Charge:										
1"	50.20	53.20	53.20	53.20	53.20	53.20	55.50	55.50	55.50	55.50
1.5"	100.20	105.70	105.70	105.70	105.70	105.70	109.50	109.50	109.50	109.50
2"	170.20	179.20	179.20	179.20	179.20	179.20	185.10	185.10	185.10	185.10
3"	230.20	242.20	242.20	242.20	242.20	242.20	249.90	249.90	249.90	249.90
4"	295.20	310.45	310.45	310.45	310.45	310.45	320.10	320.10	320.10	320.10
6"	420.20	441.70	441.70	441.70	441.70	441.70	455.10	455.10	455.10	455.10
8"	500.20	525.70	525.70	525.70	525.70	525.70	541.50	541.50	541.50	541.50
Charge per 1,000 Gallons:										
Above Minimum	5.00	5.25	5.25	5.25	5.25	5.25	5.40	5.40	5.40	5.40
Sewerage										
Mimumum Charge:	11.60	12.60	12.60	12.60	12.60	12.60	12.60	12.60	12.60	12.60
1"	64.40	68.20	68.20	68.20	68.20	68.20	69.80	69.80	69.80	69.80
1.5"	130.40	137.70	137.70	137.70	137.70	137.70	141.30	141.30	141.30	141.30
2"	222.80	235.00	235.00	235.00	235.00	235.00	241.40	241.40	241.40	241.40
3"	302.00	318.40	318.40	318.40	318.40	318.40	327.20	327.20	327.20	327.20
4"	387.80	408.75	408.75	408.75	408.75	408.75	420.15	420.15	420.15	420.15
6"	552.80	582.50	582.50	582.50	582.50	582.50	598.90	598.90	598.90	598.90
8"	658.40	693.70	693.70	693.70	693.70	693.70	713.30	713.30	713.30	713.30
Charge per 1,000 Gallons:										
Above Minimum	6.60	6.95	6.95	6.95	6.95	6.95	7.15	7.15	7.15	7.15
Irrigation										
Base Rate:	11.00	12.00	12.00	12.00	12.00	9.00	10.00	10.00	10.00	10.00
Minimum Charge:										
3/4"										
1,000 Gallons	1.10	1.10	1.10	1.10	1.10	5.25	5.40	5.40	5.40	5.40
2,000 Gallons	1.10	1.10	1.10	1.10	1.10	5.25	5.40	5.40	5.40	5.40
3,000-10,000 Gallons	5.00/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.25/1000	5.40/1000	5.40/1000	5.40/1000	5.40/1000
> 10,000 Gallons	6.00/1000	6.30/1000	6.30/1000	6.30/1000	6.30/1000	6.30/1000	6.50/1000	6.50/1000	6.50/1000	6.50/1000
1"	53.20	56.20	56.20	56.20	56.20	61.50	64.00	64.00	64.00	64.00
1.5"	103.20	108.70	108.70	108.70	108.70	114.00	118.00	118.00	118.00	118.00
2"	173.20	182.20	182.20	182.20	182.20	187.50	193.60	193.60	193.60	193.60
3"	233.20	245.20	245.20	245.20	245.20	250.50	258.40	258.40	258.40	258.40
4"	298.20	313.45	313.45	313.45	313.45	318.75	328.60	328.60	328.60	328.60
6"	423.20	444.70	444.70	444.70	444.70	450.00	463.60	463.60	463.60	463.60
8"	503.20	528.70	528.70	528.70	528.70	534.00	550.00	550.00	550.00	550.00
Charge per 1,000 Gallons:										
Above Minimum	6.00	6.30	6.30	6.30	6.30	6.30	6.50	6.50	6.50	6.50

Note: Rates are presented as of August 31 of each Fiscal Year, respectively

*Rate Change Effective January 1, 2019

Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority

Top Ten Customers by Type Current Year and Nine Years Ago

Fiscal Year	2022			2013			
Water Customers	Gallons Metered	Water Revenue	% of Water Revenue	Water Customers	Gallons Metered	Water Revenue	% of Water Revenue
Pilgrim Pride	247,984,000	\$510,845	1.54%	Pilgrim Pride	277,110,000	\$554,220	2.46%
City of Woodstock	156,887,000	\$386,400	1.16%	Cherokee County Board of Education	51,361,000	\$306,332	1.36%
Cherokee County Board of Education	54,865,000	\$351,323	1.06%	City of Woodstock	107,858,000	\$245,649	1.09%
Bartow County Water	99,531,000	\$309,899	0.93%	City of Waleska	64,725,000	\$146,089	0.65%
Yes Investors(Shadowood MHP)	46,869,000	\$262,915	0.79%	Yes Investors(Shadowood MHP)	26,901,000	\$137,585	0.61%
Pickens County Water	99,613,000	\$250,043	0.75%	Bartow County Water	52,995,000	\$121,928	0.54%
Cherokee County Board of Commisioner	40,454,000	\$243,747	0.73%	Towne Lake Apartments	23,568,000	\$119,329	0.53%
City of Waleska	73,316,000	\$176,232	0.53%	City of Canton	50,816,000	\$115,938	0.51%
City of Canton	66,261,000	\$166,847	0.50%	Colony Homes (River Park)	19,963,000	\$104,481	0.46%
The Palmer LLC	29,419,000	\$165,185	0.50%	Cherokee County Sheriff's Office	15,350,000	\$76,752	0.34%
Total	915,199,000	\$2,823,435	8.49%		690,647,000	\$1,928,303	8.55%

Fiscal Year	2022			2013			
Sewer Customers	Gallons Metered	Sewer Revenue	% of Sewer Revenue	Sewer Customers	Gallons Metered	Sewer Revenue	% of Sewer Revenue
Pilgrim Pride	254,573,000	\$524,420	2.58%	Pilgrim Pride	257,021,000	\$601,429	4.45%
Cherokee County Board of Education	42,255,000	\$327,465	1.61%	Cherokee County Board of Education	36,249,000	\$265,800	1.96%
Yes Investors(Shadowood MHP)	46,869,000	\$323,975	1.60%	Shadowood Mobile Home Park	26,901,000	\$169,400	1.25%
Cherokee Board of Commissioner	28,246,000	\$215,696	1.06%	Towne Lake Apartments	22,607,000	\$144,137	1.07%
City of Woodstock	47,479,000	\$202,532	1.00%	Colony Homes (River Park)	17,579,000	\$108,841	0.80%
The Palmer LLC	29,074,000	\$202,494	1.00%	Cherokee County Sheriff's Office (Jail)	15,350,000	\$101,291	0.75%
City of Ball Ground	48,999,000	\$166,213	0.82%	Pointe Development Group (HOA)	11,855,000	\$78,224	0.58%
Colony Homes (River Park)	20,860,000	\$141,519	0.70%	The Peaks at Bells Ferry	11,695,000	\$72,425	0.54%
Columbia Creek Limited	16,870,000	\$115,011	0.57%	Preston Glen at Bridgemill Apt	11,598,000	\$72,016	0.53%
Pointe Development (HOA)	15,305,000	\$103,556	0.51%	Gray Property (Brook Mill Apartments)	11,493,000	\$69,729	0.52%
Total	550,530,000	\$2,322,879	11.45%		422,348,000	\$1,683,292	12.45%

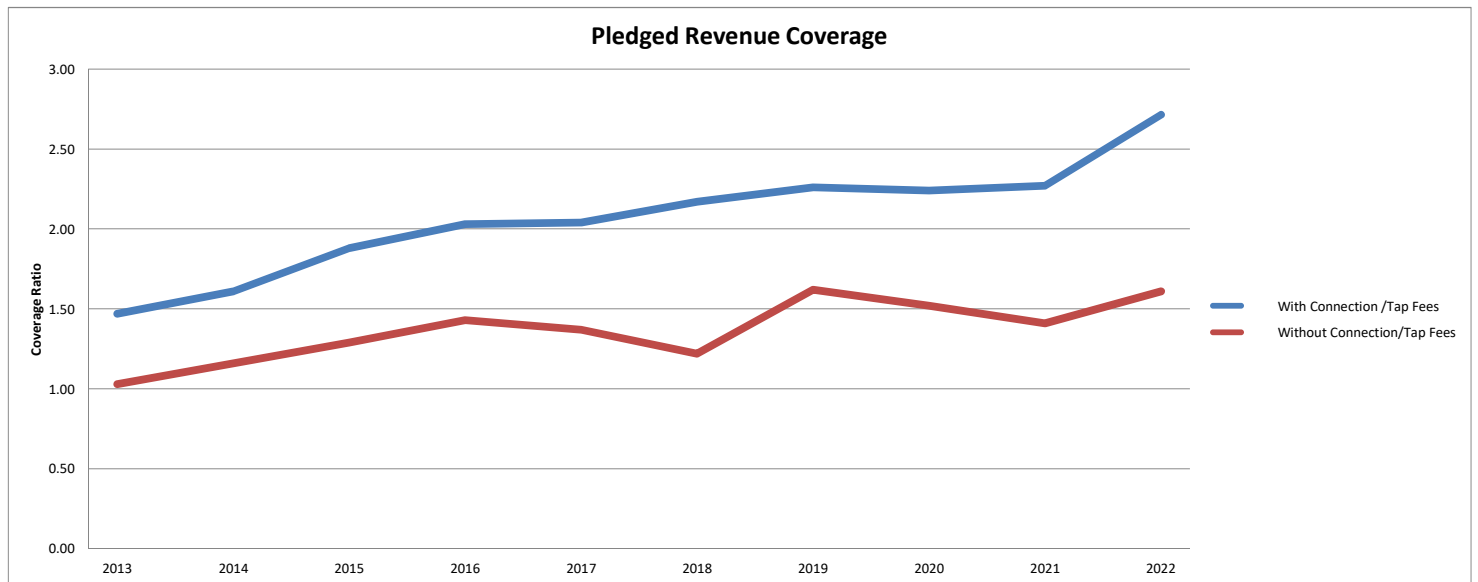
Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Schedule of Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Revenues	\$38,262,258	\$41,090,561	\$44,069,546	\$46,729,222	\$47,948,092	\$47,906,897	\$51,727,171	\$54,368,446	\$54,367,934	\$57,302,851
Connection Fees	6,370,896	6,364,148	8,444,815	8,569,147	8,992,801	12,654,024	8,229,391	9,449,182	10,488,619	13,199,924
Other Income	316,428	372,125	280,691	424,677	504,582	1,160,023	1,702,120	1,688,976	652,638	640,145
Gross Total Revenues	44,949,582	47,826,834	52,795,052	55,723,046	57,445,475	61,720,944	61,658,682	65,506,604	65,509,191	71,142,920
Less Operating Expenses Excluding Depreciation	23,751,079	24,677,100	25,727,489	26,841,187	28,401,347	30,888,825	30,079,299	34,165,568	35,599,114	35,943,199
Net Revenue Available	\$21,198,503	\$23,149,734	\$27,067,563	\$28,881,859	\$29,044,128	\$30,832,119	\$31,579,383	\$31,341,036	\$29,910,077	\$35,199,721
Total Highest Annual Debt Service	\$14,421,000	\$14,421,000	\$14,421,000	\$14,237,000	\$14,210,602	\$14,214,802	\$13,997,278	\$13,999,678	\$13,180,802	\$12,972,942

Coverage Ratio										
With Connection /Tap Fees	1.47	1.61	1.88	2.03	2.04	2.17	2.26	2.24	2.27	2.71
Without Connection/Tap Fees	1.03	1.16	1.29	1.43	1.37	1.22	1.62	1.52	1.41	1.61



Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Ratios of Revenue Bond Debt Outstanding Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Total Outstanding Debt	Debt to Number of Customers	Debt Per Capita	Debt as Share of Personal Income (%)
2013	\$ 163,133,456	\$ 163,133,456	2.45	725	1.81%
2014	163,242,202	163,242,202	2.40	707	1.71%
2015	155,712,493	155,712,493	2.25	674	1.63%
2016	150,672,578	150,672,578	2.13	639	1.46%
2017	142,043,354	142,043,354	1.96	588	1.26%
2018	133,136,415	133,136,415	1.81	538	1.10%
2019	124,131,922	124,131,922	1.65	488	0.96%
2020	114,651,420	114,651,420	1.47	444	0.88%
2021	104,625,079	104,625,079	1.31	391	0.73%
2022	94,599,235	94,599,235	1.16	348 ⁽¹⁾	0.60% ⁽²⁾

(1) 2021 Population data used to calculate debt per capita

(2) Personal Income Data used from 2021 to calculate debt as share of personal income

Note: The only outstanding debt is Revenue Bond debt

Sources: US Census Bureau, US Bureau of Economic Analysis

Cherokee County Water & Sewerage Authority

Schedule of Revenue Bonds Payable

Fiscal Year Ending August 31,	Principal	Interest	Total
2023	\$ 8,795,000	\$ 4,163,964	\$ 12,958,964
2024	9,220,000	3,732,233	12,952,233
2025	9,685,000	3,270,264	12,955,264
2026	10,165,000	2,784,622	12,949,622
2027	10,675,000	2,286,292	12,961,292
2028-2032	26,870,000	5,602,544	32,472,544
2033-2035	9,705,000	878,300	10,583,300
Total	<u>\$ 85,115,000</u>	<u>\$ 22,718,219</u>	<u>\$ 107,833,219</u>

Source: Cherokee County Water & Sewerage Authority Historical Financial Records

Cherokee County Water & Sewerage Authority

Principal Employers Prior Year and Nine Years Ago

2021			
Employer	Employees	Rank	% of Total County Employment
Cherokee County Schools	4,888	1	3.60%
Northside-Cherokee Hospital	3,400	2	2.50%
Cherokee County Government	1,615	3	1.19%
Publix Supermarkets	1,575	4	1.16%
Wal-Mart Associates, Inc.	1,124	5	0.83%
Inalfa Roof Systems	1,000	6	0.74%
Kroger Supermarkets	996	7	0.73%
Home Depot	762	8	0.56%
Pilgrims Pride	760	9	0.56%
Wellstar Health Systems	603	10	0.44%
Totals	<u>16,723</u>		<u>12.32%</u>

2013			
Employers	Employees	Rank	% of Total County Employment
Pilgrim's Pride Corporation	875	1	0.82%
Universal Alloy Corporation	270	2	0.25%
Chart, Inc	261	3	0.25%
Meyn America, LLC/Hill Parts	250	4	0.24%
Biz Chair/Belnic, Inc	250	5	0.24%
Piolax Corporation	225	6	0.21%
Chart BioMedical	212	7	0.20%
Roytec Industries	165	8	0.16%
Hydro-Chem	161	9	0.15%
International Thermocast Corp	100	10	0.09%
Totals	<u>2,769</u>		<u>2.61%</u>

Note: Most recent data available is presented in table

Note: Employers for 2013 are the ten largest private employers located in Cherokee County, GA

Source: Cherokee County Office of Economic Development

Cherokee County Water & Sewerage Authority

Demographic and Economic Statistics Last Ten Years

Year	Estimated Population	Personal Income (Amounts Expressed in Thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate %
2012	220,800	\$ 8,581,906	\$ 38,837	36.7	39,161	6.9
2013	225,106	8,988,534	39,930	36.0	39,324	6.0
2014	230,985	9,544,757	41,322	37.0	40,504	5.6
2015	235,900	10,350,744	30,299	36.0	41,169	4.6
2016	241,689	11,249,864	32,002	37.0	41,769	5.4
2017	247,573	12,147,718	32,002	37.0	43,122	3.4
2018	254,149	12,996,343	51,137	38.0	42,216	2.9
2019	258,773	12,996,343	51,137	38.3	42,200	2.7
2020	267,435	14,161,486	56,278	37.7	41,230	4.1
2021	272,130	15,314,932	56,278*	68.0	41,901	1.7

Note: Most recent data available is presented in table

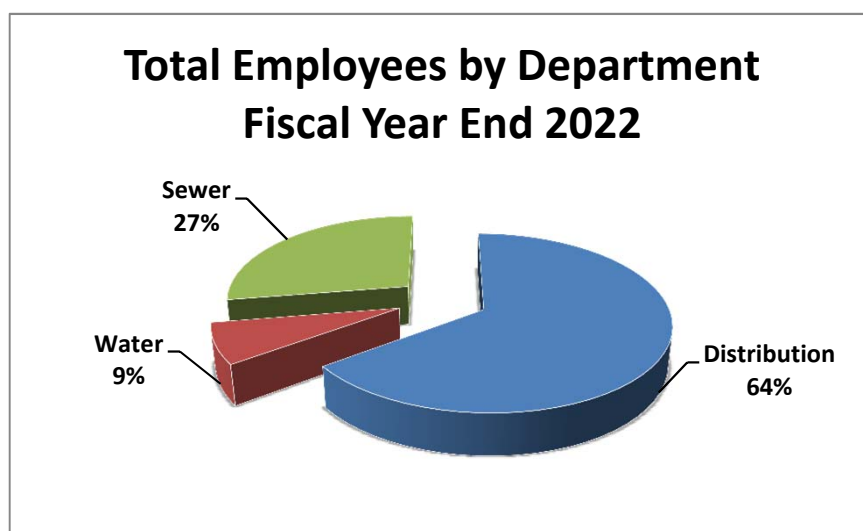
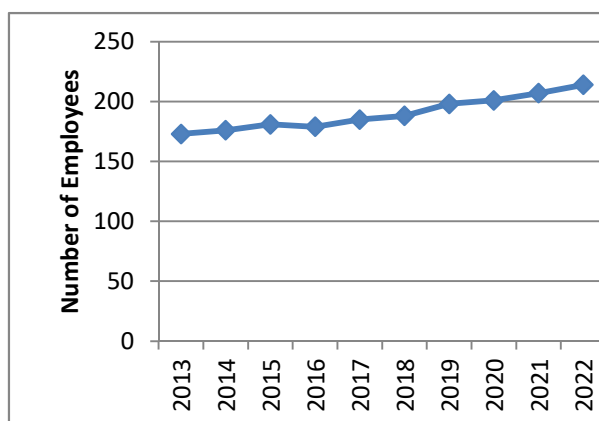
Sources: Georgia Labor Market Explorer and US Bureau of Economic Analysis

* Current Information is not yet available.

Cherokee County Water and Sewerage Authority

Full-Time Water and Sewer Authority Employees by Department Last Ten Fiscal Years

Fiscal Year End	<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>	<u>2022</u>
DISTRIBUTION:	111	113	119	118	119	123	127	128	132	139
WATER:	17	16	15	15	16	16	16	16	16	16
SEWER:	45	47	47	46	50	49	55	57	59	59
TOTAL EMPLOYEES:	173	176	181	179	185	188	198	201	207	214



Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority
Water Tank Storage Capacity

Last Ten Fiscal Years
(All Numbers are Presented in Million Gallons)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Ground Level Tanks										
Tunnel Hill 10 MG	10	10	10	10	10	10	10	10	10	10
Tunnel Hill 2 MG	2	2	2	2	2	2	2	2	2	2
Elevated Tanks										
Clayton	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Free Home	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Holly Springs	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Macedonia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nelson	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Rose Creek	1	1	1	1	1	1	1	1	1	1
Tyson	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Unviter #1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Univeter #2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Yellow Creek	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Storage at Water Plant										
Clearwells 1-4	3.865	3.865	3.865	3.865	3.865	3.865	3.865	3.865	3.865	3.865
Total Finished Water Storage	21.015	21.015	21.015	21.015	21.015	21.015	21.015	21.015	21.015	21.015

Source: Cherokee County Water & Sewerage Authority Historical Data

Cherokee County Water & Sewerage Authority
Raw Water Supply in Reservoir

Last Ten Fiscal Years
(All Numbers are Presented in Million Gallons)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Drought Contingency Reservoir										
Yellow Creek	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540
River										
Etowah	36	36	36	*40.5	40.5	40.5	40.5	40.5	40.5	40.5
Water Available for Use	3,576.0	3,576.0	3,576.0	3,540.0	3,580.5	3,580.5	3,580.5	3,580.5	3,580.5	3,580.5
Average Daily Flow										
Average Daily Production	13.91	14.71	14.79	16.14	16.22	16.26	16.58	17.65	17.59	18.6
Daily Release Down Stream	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Daily Flow	13.91	14.71	14.79	16.14	16.22	16.26	16.58	17.65	17.59	18.6
Number of Days Supply	257	243	242	222	221	220	216	203	203	193
Releases from Drought Contingency Reservoir⁽¹⁾										
Yellow Creek	0	0	0	0	728.3	0	0	0	0	0

Source: Cherokee County Water & Sewerage Authority Historical Data

*Riverbend intake & pump station in operation as of 6/22/2016 (permit # 028-1491-03)

⁽¹⁾ Represents the total gallons released during drought period

Part IV

Other Reporting Section



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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards***

To the Board of Directors
Cherokee County Water and Sewerage Authority
Canton, Georgia

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 Cherokee County Water and Sewerage Authority, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Cherokee County Water and Sewerage Authority's basic financial statements and have issued our report thereon dated November 11, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cherokee County Water and Sewerage 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Water and Sewerage Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Cherokee County Water and Sewerage Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton, LLC

Certified Public Accountants
Gainesville, Georgia
November 11, 2022