**Lowcountry Regional Water System**

**513 Elm St West**

**Hampton, SC 29924**

**Annual Report**

**For Fiscal Year Ending**

**September 30th, 2019**

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**Table of Contents**

ORGANIZATION INFORMATION

[MISSION STATEMENT 4](#_Toc443992439)

[MEMBERSHIP 5](#_Toc443992440)

[ORGANIZATIONAL STRUCTURE](#_Toc443992441) 6

FINANCIAL INFORMATION

[MANAGEMENT’S DISCUSSION and ANALYSIS 7](#_Toc443992442)

[INFRASTRUCTURE HIGHLIGHTS](#_Toc443992443) 8

[BUDGETARY PROCEDURES 9](#_Toc443992444)

[BUDGET 9](#_Toc443992445)

[OUTSTANDING INDEBTEDNESS 10](#_Toc443992446)

[RATES, FEES & CHARGES 11](#_Toc443992447)

STATISTICAL INFORMATION

[TOTAL CUSTOMER COUNT BY TOWN 12](#_Toc443992448)

[TOTAL CUSTOMER COUNT BY CONSUMPTION 13](#_Toc443992449)

[TOWN OF BRUNSON CUSTOMER COUNT BY CONSUMPTION 14](#_Toc443992450)

[TOWN OF GIFFORD CUSTOMER COUNT BY CONSUMPTION 15](#_Toc443992451)

[TOWN OF HAMPTON CUSTOMER COUNT BY CONSUMPTION 16](#_Toc443992452)

[TOWN OF VARNVILLE CUSTOMER COUNT BY CONSUMPTION 17](#_Toc443992453)

[TOWN OF YEMASSEE CUSTOMER COUNT BY CONSUMPTION 18](#_Toc443992454)

[ANNUAL WATER PRODUCTION 19](#_Toc443992455)

[ANNUAL WASTEWATER TREATED](#_Toc443992456) 19

[DAILY WATER & WASTEWATER PRODUCTION & SALES AVERAGES 20](#_Toc443992457)

[INFRASTRUCTURE 21](#_Toc443992458)

[SYSTEM CAPACITIES 22](#_Toc443992459)

[BILLINGS and COLLECTIONS 23](#_Toc443992460)

[WATER & SEWER CHARGES 24](#_Toc443992461)

[COMPARED WITH OTHER SYSTEMS 24](#_Toc443992462)

[DEBT PER CUSTOMER](#_Toc443992463) 24

STATISTICAL INFORMATION CONT'D

[DEMOGRAPHIC and ECONOMIC STATISTICS 25](#_Toc443992464)

[TOP TEN WATER USERS 26](#_Toc443992465)

[TOP TEN EMPLOYERS 27](#_Toc443992466)

[Appendix A 31](#_Toc443992467)

[AUDITED FINANCIAL STATEMENTS 31](#_Toc443992468)

**INTRODUCTION**

This annual report of the Lowcountry Regional Water System is submitted to the governing bodies of its members as provided by Section 6-25-140 of the Code of Laws of South Carolina, 1976, as amended and by Article X Section 4 of the Bylaws of the Lowcountry Regional Water System.

This report is the fifth annual report prepared by Lowcountry Regional Water System since its creation in 2012 and represents the forth full year of operations. All information and data contained herein is the best known information at the time of compilation. The financial statements were audited by The Brittingham Group, L.L.P., Certified Public Accountants.

**FINANCIAL INFORMATION**

The Audited Financial Statement for Fiscal Year 2018-2019 is included as part of this Annual Report and may be found as Appendix A.

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## **MISSION STATEMENT**

The mission of the Lowcountry Regional Water System is to provide the Lowcountry Region’s water needs to improve quality of life, economic development, and improve the viability of providing safe, clean and reliable water services to the citizens of the region.

**Vision**

Create and sustain a viable and competitive regional water system for Hampton County created by enabling legislation known as the Joint Authority Water and Sewer Act.

**Operating Philosophy and Values**

* Excellence in Customer Service
* Professional Management
* Well Trained Staff
* Operational Excellence in System Operations
* Regulatory compliance with Local, State and Federal Regulations
* Implementation of Industry Best Practices
* Technical Expertise with a Commitment to Technical Training and Certification for Employees
* Forward Looking as Evidenced by Long Term Master Planning for Operations, Capital and Growth
* Financially Strong in Managing Revenue, Expenses, assets and Liabilities
* Independent Rate Setting By the Board of Commissioners that Each Charter Town Appoints
* Cost Based Rates for Water and Wastewater Utilities
* Alignment of Infrastructure Master Plans with Growth Plans of Hampton County Future Interconnections between Towns Where Beneficial
* Commitment to Capital Improvement Plans for System Operations with Externally Generated Funding to Ensure Long Term Viability
* Committed to the Community as a Corporate Citizen and a Key Player in Economic Development of the Region
* LRWS has a Leadership Role in the Economic Development of the County and Region. The Availability of Water and Sewer Service is a key Factor in the Site Selection Process for New and Expanding economic Development Projects.
* Committed to Safety in LRWS Operations and in Enhancing Public Safety for the Communities Through Improved Water quality and Fire Protection

## 

## **MEMBERSHIP**

The Lowcountry Regional Water System was officially chartered February 17, 2012 with the issuance of its Corporate Certificate by the State of South Carolina through the Office of Secretary of State. The governing bodies of the Town of Brunson, Town of Hampton, Town of Varnville, Town of Yemassee and the County of Hampton resolved to form a Joint System under the Joint Authority Water and Sewer Systems Act for the purpose of creating a regional water and sewer system for Hampton County and surrounding areas by consolidating the operations of certain water and sewer providers in the area, and by acquiring water and sewer systems and extending service to new customers, and otherwise exercising all other powers available to the Joint System under law. On October 31, 2012 the Corporate Certificate was amended to include the Town of Gifford as a member of the Lowcountry Regional Water System.

The Lowcountry Regional Water System Board of Commissioners shall consist of a representative of each participating member. The governing bodies of each participating member shall by resolution appoint one Commissioner to serve as its representative. Additionally, each governing body may designate an alternate to serve in the absence of the member’s Commissioner.

Additionally, if the Member’s municipal or county administrators or managers (Administrators) or their counterparts, are not appointed by the Member as a Commissioner or Alternate Commissioner representing the Member, the Member’s Administrators, or their counterparts, shall serve as ex-officio Members of the Commission with seat and voice but not vote.

**Member Appointments**

|  |  |
| --- | --- |
| Town of Brunson | Rocky Hudson |
| Town of Brunson | Terry Wright- Alternate |
| Town of Gifford | Horny Mitchell |
| Town of Hampton | James Bilka |
| Town of Varnville |  |
| Town of Varnville | Nathaniel Shaffer- Alternate |
| Town of Yemassee | Peggy O’Banner |
| Town of Yemassee | Wayne Ezell- Alternate |
| County of Hampton | Clay Bishop |
| County of Hampton | Rose Dobson Elliott- Alternate |

**Commissioners**

|  |  |
| --- | --- |
| Town of Brunson | Rocky Hudson- Chairman |
| Town of Hampton | James Bilka- Vice Chairman |
| Town of Gifford | Horny Mitchell- Commissioner |
| Town of Varnville |  |
| Town of Yemassee | Peggy O’Banner- Commissioner |
| County of Hampton | Clay Bishop- Commissioner |

**ORGANIZATIONAL STRUCTURE**

**MANAGEMENT’S DISCUSSION and ANALYSIS**

This section presents management’s analysis of the Lowcountry Regional Water System’s financial condition and activities for the year.

**Financial Highlights**

The financial information in this report represents the **SIXTH** full year of operation since the Lowcountry Regional Water System officially took over physical operations on June 01, 2013.

Management and Staff are committed to finding ways to create efficiencies and promote savings. Utilizing basic principles and concepts of LEAN, we constantly review our operations and services to eliminate waste and effectively deliver value by incorporating changes or modifications to procedures, operations, personnel and equipment.

* Operating Revenues were $2,501,030
* Operating Expenses were ($3,049,330)
* Operating Income was: ($548,300)
* Non-Operating Revenues were: $1,067,280
* Non-Operating Expenses were: ($126,231)
* Net Position, Beginning of the Year: $12,924,777
* Net Position, End of Year: $13,317,526
* Operating income was reported in the amount of $($548,300) prior to capital contributions. This income includes $685,638 in depreciation expenses.

**Departmental Highlights★**

* Construction was completed on the Salkehatchie Sewer Upgrade in the Town of Yemassee. This project upgraded the condition and capacity of the sewer collection mains that serve many residents throughout the Town and also receives wastewater from Hampton County’s I-95 interchange and industrial area.
* Construction began on a project to rehabilitate sewer infrastructure along Lightsey St, Lightsey St Extension and Kinard Lane in the Town of This project, which was funded by CDBG, repaired or replaced a portion of old broken and damaged sewer pipes in the town. The project utilized trenchless technologies such as pipe bursting and cured in place pipe lining techniques to minimize disturbance and disruption.
* Construction began on water system improvements that were included as part of the Town of Hampton’s Nix Street Neighborhood Revitalization. The project included approximately 4,800 LF of 6” water mains and 10 fire hydrants designed

to improve available fire flow and system pressure. The project was funded by

CDBG.

* Construction continued on a mutli-division water and wastewater improvements project funded by a USDA loan/grant totaling $8,344,000. The project includes removal of biosolids from the Hampton and Yemassee WWTPs, sewer infrastructure rehab in the Town of Hampton, a system wide metering upgrade, and rehab of elevated tanks in Yemassee and Gifford.

**INFRASTRUCTURE HIGHLIGHTS**

Many projects are being implemented for the improvement of water and wastewater infrastructure. The following table provides information on these improvements.

|  |  |  |  |
| --- | --- | --- | --- |
| Project Description | Estimated Cost | Funding Status | Project Status |
| Salkehatchie Sewer Upgrade | $875,000 | Funded | Completed |
| Water & Sewer System Improvements Including  Div. I- Sludge Removal at Hampton & Yemassee WWTP  Div. II-Hampton Sewer Main Rehab  Div. III- Metering System Upgrade  Div. IIII- Yemassee & Gifford Tank Rehab Operations Equipment Purchases | $8,344,000 | Funded | Construction |
| Town of Brunson Wastewater Treatment & Sewer Rehab | $7,541,600 | Funded | Design/Permitting |
| Nix St Neighborhood Revitalization | $375,700 | Funded | Construction |
| Lightsey/Kinard Sewer Rehab | $552,000 | Funded | Construction |
|  |  |  |  |
| Gifford Waterline Extension | $460,900 | Funded | Design/Permitting |
| Elevated Tank Renovations & Electrical Upgrades (Holly St, Palmetto and LRIP) | $768,000 | Funded | Development |
| Sewer Service Extension | $700,000 | Unfunded | Development |
| Total Amount of All Projects | $19,617,200 |  |  |
| Total Amount of Funded Projects | $700,000 |  |  |
| Total Amount of Unfunded Projects | $18,917,200 |  |  |

**BUDGETARY PROCEDURES**

The Lowcountry Regional Water System Fiscal Year begins October 1st of each year and ends on September 30th of the subsequent calendar year.

The annual operations budget is developed under the guidance of the General Manager. In June of each calendar year, department heads are provided preliminary information for review and development of their departments projected operational and capital needs for the ensuing fiscal year. These requests will be reviewed, compiled and developed into a preliminary budget document. This preliminary budget document will then be reviewed by the General Manager. Internal discussions with the Department Heads will be held to insure and clarify the needs of the departments and a final draft will be developed. Once a final draft is developed the General Manager will submit this draft with supporting information to the Commission of the Lowcountry Regional Water System. The Commission will review the draft budget and make a determination if a rate adjustment beyond any pre-approved adjustments may be required. If a rate adjustment may be required, the General Manager shall provide a proposed rate adjustment to the full Commission for review, approval and adoption.

**BUDGET**

The following table represents the Commission adopted budgeted operating revenues and expenditures and the actual operating revenues and expenditures for Fiscal Year 2018-2019.

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Budgeted** | **Actual** | **Variance** |
| **Revenues** |  |  |  |
| Water Revenue | $1,094,726 | $1,095,489 | $76,300 |
| Wastewater Revenue | $1,398,282 | $1,386,866 | -$11,416 |
| Operating Revenue | $366,057 | $7,461 | -$358,596 |
| **Totals** | **$2,859,065** | **$2,489,816** | **($293,712)** |
| **Item** | **Budgeted** | **Actual** | **Variance** |
| **Expenditures** |  |  |  |
| Water Treatment | $163,114 | $326,805 | $163,691 |
| Water Distribution | $709,753 | $568,636 | -$141,117 |
| Wastewater Treatment | $784,901 | $806,529 | $21,628 |
| Wastewater Collection | $346,575 | $474,896 | $128,321 |
| Administrative | $854,722 | $922,698 | $67,976 |
| **Totals** | **$2,859,065** | **$3,099,564** | **$240,499** |

**OUTSTANDING INDEBTEDNESS**

The following table presents information on the debt obligations of the Lowcountry Regional Water System as of September 30, 2019.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Town/ LRWS | Lien Holder/ Issuer | Year/ Series | Original Notes/Bonds | Outstanding Notes/Bonds 9/30/19 | Interest Rate | Final Maturity |
| LRWS | Carter Bank | 2016A | $2,417,000 | $2,122,000 | 2.70% | 2036 |
|  |  |  |  |  |  |  |
| LRWS | Palmetto State Bank  USDA | 2018 | 6,480,000 | $6,480,000 | 2.875% | 2059 |
|  |  |  |  |  |  |  |
| Total | **Original Notes & Bonds** | | | **Outstanding Notes & Bonds as of September 30, 2019** | | |
| **$8,897,000.00** | | | **$8,602,000** | | |

**RATES, FEES & CHARGES**

**LOWCOUNTRY REGIONAL WATER SYSTEM**

**WATER & WASTEWATER RATE SCHEDULE**

**EFFECTIVE AS OF OCTOBER 2019**

|  |  |  |
| --- | --- | --- |
| **Description** |  | **RESIDENTIAL**  **COMMERCIAL[[1]](#footnote-1)** |
|  |
|  |  |  |
| **WATER** |  | **WATER** |
| **SYSTEM** |  | **Monthly Base Charge:** |
| Brunson |  | $ 13.50 | |
| Gifford |  | $ 13.50 | |
| Hampton |  | $ 13.50 | |
| Varnville |  | $ 13.50 | |
| Yemassee |  | $ 13.50 | |
|  |  |  | |
| **SYSTEM** |  | **Volumetric Rate ($/1,000):** | |
| Brunson |  | $ 3.57 |
| Gifford |  | $ 3.57 |
| Hampton |  | $ 3.57 |
| Varnville |  | $ 3.57 |
| Yemassee |  | $ 3.57 |
|  |  |  | |
| **WASTEWATER** |  | **WASTEWATER** | |
| **SYSTEM** |  | **Monthly Base Charge:** | |
| Brunson |  | $ 17.50 |
| Gifford |  | $ 17.50 |
| Hampton |  | $ 17.50 |
| Varnville |  | $ 17.50 |
| Yemassee |  | $ 17.50 |
|  |  |  | |
| **SYSTEM** |  | **Volumetric Rate ($/1,000):** | |
| Brunson |  | $ 6.12 |
| Gifford |  | $ 6.12 |
| Hampton |  | $ 6.12 |
| Varnville |  | $ 6.12 |
| Yemassee |  | $ 6.12 |

The residential sewer volumetric charge is capped at 8,000 gallons. The maximum residential sewer charge based on 8,000 gallons is $66.46. At the discretion of the Commission, the rates and charges for commercial customers whose anticipated use exceeds 100,000 gallons per month may be established by individual contracts negotiated with those customers.

## 

## **TOTAL CUSTOMER COUNT BY TOWN**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Town** | **Residential Water Customers** | **Commercial Water Customers** | **Total** | **% of Residential Water Customers** | **% of Commercial Water Customers** | **% of Water customers By System Total** |
| **Brunson** | 221 | 19 | 240 | 92% | 8% | 7% |
| **Gifford** | 109 | 8 | 117 | 93% | 7% | 3% |
| **Hampton** | 1195 | 229 | 1424 | 83% | 17% | 45% |
| **H County** | 0 | 5 | 5 | 0 | 100% |  |
| **Varnville** | 742 | 103 | 845 | 87% | 13% | 27% |
| **Yemassee** | 438 | 60 | 498 | 87% | 13% | 15% |
| **Total** | **2705** | **424** | **3129** | **87%** | **13%** |  |

Source: QS1 Billing Reports & Operational Report as of September 30, 2019. Includes accounts that were final billed. Also includes bills for garbage only accounts.

## **TOTAL CUSTOMER COUNT BY CONSUMPTION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gallons** | **Residential** | **%** | **%** | **Commercial** | **%** | **%** | **Total** | **%** | **%** |
| 0-999 | 353 | 13% | **64%** | 165 | 40% | **68%** | 518 | 17% | **64%** |
| 1,000-1,999 | 456 | 18% | 56 | 14% | 512 | 17% |
| 2,000-2,999 | 448 | 17% | 31 | 8% | 479 | 16% |
| 3,000-3,999 | 405 | 16% | 27 | 6% | 432 | 14% |
| 4,000-4,999 | 316 | 11% |  | 15 | 3% |  | 331 | 10% |  |
| 5,000-5,999 | 212 | 7% |  | 13 | 3% |  | 225 | 7% |  |
| 6,000-6,999 | 162 | 6% |  | 6 | 1% |  | 168 | 5% |  |
| 7,000-7,999 | 85 | 3% |  | 7 | 1% |  | 92 | 2% |  |
| 8,000 + | 255 | 9% |  | 101 | 24% |  | 356 | 12% |  |
| **Total** | **2692** |  |  | **421** |  |  | **3113** |  |  |

Source: QS1-History reports of active accounts September 1, 2019 through September 31, 2019

**TOWN OF BRUNSON CUSTOMER COUNT BY CONSUMPTION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gallons** | **Residential** | **%** | **%** | **Commercial** | **%** | **%** | **Total** | **%** | **%** |
| 0-999 | 32 | 14% | **65%** | 7 | 41% | **67%** | 39 | 17% | **67%** |
| 1,000-1,999 | 29 | 13% | 3 | 16% | 32 | 14% |
| 2,000-2,999 | 25 | 11% | 1 | 5% | 26 | 11% |
| 3,000-3,999 | 55 | 27% | 1 | 5% | 56 | 25% |
| 4,000-4,999 | 26 | 12% |  | 0 | 0% |  | 26 | 11% |  |
| 5,000-5,999 | 16 | 7% |  | 1 | 5% |  | 17 | 7% |  |
| 6,000-6,999 | 12 | 5% |  | 1 | 5% |  | 13 | 5% |  |
| 7,000-7,999 | 7 | 3% |  | 0 | 0% |  | 7 | 2% |  |
| 8,000 + | 18 | 8% |  | 4 | 23% |  | 22 | 8% |  |
| **Total** | **220** |  |  | **18** |  |  | **238** |  |  |

Source: QS1-History reports of active accounts September 1, 2019 through September 31, 2019.

**TOWN OF GIFFORD CUSTOMER COUNT BY CONSUMPTION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gallons** | **Residential** | **%** | **%** | **Commercial** | **%** | **%** | **Total** | **%** | **%** |
| 0-999 | 18 | 17% | **65%** | 5 | 63% | **100%** | 23 | 20% | **67%** |
| 1,000-1,999 | 16 | 15% | 0 | 0% | 16 | 13% |
| 2,000-2,999 | 18 | 17% | 2 | 25% | 20 | 18% |
| 3,000-3,999 | 17 | 16% | 1 | 12% | 18 | 16% |
| 4,000-4,999 | 13 | 12% |  | 0 | 0% |  | 13 | 11% |  |
| 5,000-5,999 | 12 | 11% |  | 0 | 0% |  | 12 | 10% |  |
| 6,000-6,999 | 7 | 6% |  | 0 | 0% |  | 7 | 6% |  |
| 7,000-7,999 | 0 | 0% |  | 0 | 0% |  | 0 | 0% |  |
| 8,000 + | 7 | 6% |  | 0 | 0% |  | 7 | 6% |  |
| **Total** | **108** |  |  | **8** |  |  | **116** |  |  |

Source: QS1-History reports of active accounts September 1, 2019 through September 31, 2019.

**TOWN OF HAMPTON CUSTOMER COUNT BY CONSUMPTION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gallons** | **Residential** | **%** | **%** | **Commercial** | **%** | **%** | **Total** | **%** | **%** |
| 0-999 | 163 | 14% | **63%** | 90 | 40% | **68%** | 253 | 18% | **64%** |
| 1,000-1,999 | 205 | 18% | 33 | 16% | 238 | 17% |
| 2,000-2,999 | 200 | 17% | 16 | 6% | 216 | 16% |
| 3,000-3,999 | 155 | 14% | 16 | 6% | 171 | 13% |
| 4,000-4,999 | 144 | 12% |  | 6 | 2% |  | 150 | 10% |  |
| 5,000-5,999 | 97 | 8% |  | 7 | 3% |  | 104 | 7% |  |
| 6,000-6,999 | 83 | 7% |  | 5 | 2% |  | 88 | 6% |  |
| 7,000-7,999 | 32 | 2% |  | 4 | 1% |  | 36 | 2% |  |
| 8,000 + | 103 | 8% |  | 55 | 24% |  | 158 | 11% |  |
| **Total** | **1182** |  |  | **232** |  |  | **1414** |  |  |

Source: QS1-History reports of active accounts September 1, 2019 through September 31, 2019.

**TOWN OF VARNVILLE CUSTOMER COUNT BY CONSUMPTION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gallons** | **Residential** | **%** | **%** | **Commercial** | **%** | **%** | **Total** | **%** | **%** |
| 0-999 | 75 | 9% | **58%** | 36 | 36% | **60%** | 111 | 13% | **57%** |
| 1,000-1,999 | 118 | 16% | 14 | 14% | 132 | 15% |
| 2,000-2,999 | 125 | 17% | 6 | 6% | 131 | 15% |
| 3,000-3,999 | 117 | 16% | 4 | 4% | 121 | 14% |
| 4,000-4,999 | 82 | 11% |  | 7 | 7% |  | 89 | 10% |  |
| 5,000-5,999 | 61 | 8% |  | 2 | 2% |  | 63 | 7% |  |
| 6,000-6,999 | 48 | 6% |  | 0 | 0% |  | 48 | 5% |  |
| 7,000-7,999 | 31 | 4% |  | 3 | 3% |  | 34 | 3% |  |
| 8,000 + | 94 | 13% |  | 28 | 28% |  | 122 | 14% |  |
| **Total** | **751** |  |  | **100** |  |  | **851** |  |  |

Source: QS1-History reports of active accounts September 1, 2019 through September 31, 2019.

**TOWN OF YEMASSEE CUSTOMER COUNT BY CONSUMPTION**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gallons** | **Residential** | **%** | **%** | **Commercial** | **%** | **%** | **Total** | **%** | **%** |
| 0-999 | 65 | 16% | **71%** | 27 | 43% | **70%** | 92 | 19% | **71%** |
| 1,000-1,999 | 88 | 21% | 6 | 10% | 94 | 20% |
| 2,000-2,999 | 80 | 19% | 6 | 10% | 86 | 18% |
| 3,000-3,999 | 61 | 15% | 5 | 7% | 66 | 14% |
| 4,000-4,999 | 51 | 11% |  | 2 | 3% |  | 53 | 10% |  |
| 5,000-5,999 | 26 | 6% |  | 3 | 4% |  | 29 | 5% |  |
| 6,000-6,999 | 12 | 2% |  | 0 | 0% |  | 12 | 2% |  |
| 7,000-7,999 | 15 | 3% |  | 0 | 0% |  | 15 | 3% |  |
| 8,000 + | 33 | 7% |  | 14 | 23% |  | 47 | 9% |  |
| **Total** | **431** |  |  | **63** |  |  | **494** |  |  |

Source: QS1-History reports of active accounts September 1, 2019 through September 31, 2019.

**ANNUAL WATER PRODUCTION**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **System** | **Gallons Produced** | **Gallons Residential Sales** | **Gallons Commercial Sales** | **Total Gallons From Sales** | **Gallons Unaccounted** | **% Unaccounted** |
| **Brunson** | 4,558,730 | 9,815,146 | 6,535,911 | 16,351,057 | (11,792,327) | -259% |
| **Gifford** | 23,194,950 | 4,457,949 | 320,064 | 4,778,013 | 18,416,937 | 79% |
| **Hampton** | 90,670,410 | 52,830,647 | 24,087,251 | 76,917,898 | 13,752,512 | 15% |
| **Hampton Cnty** | 1,453,173 | 0 | 552,004 | 552,004 | 901,169 | 62% |
| **Varnville** | 74,089,110 | 37,643,676 | 19,702,978 | 57,346,654 | 16,742,456 | 23% |
| **Yemassee** | 55,264,302 | 18,890,487 | 14,127,351 | 33,017,838 | 17,412,537 | 32% |
| **Total** | **249,230,675** | **123,637,905** | **65,325,559** | **188,963,464** | **67,225,611** |  |

**ANNUAL WASTEWATER TREATED**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **System** | **Gallons Treated** | **Gallons Residential Sales** | **Gallons Commercial Sales** | **Gallons MISC** | **Total Gallons Res/Com/Misc** | **Gallons Unaccounted Sources** | **% Unaccounted** |
| **Brunson** | 47,842,100 | 8,748,393 | 5,790,547 | 4,884,252 | 19,423,192 | 28,418,908 | 59% |
| **Gifford** | 4,611,193 | 4,291,129 | 320,064 | 0 | 4,611,193 | 0 |  |
| **Hampton** | 183,090,200 | 48,582,857 | 19,880,422 | 106,629 | 68,569,908 | 114,520,292 | 63% |
| **Hampton Cnty** | 552,004 | 0 | 552,004 | 0 | 552,044 | 0 |  |
| **Varnville** | 95,964,800 | 31,092,673 | 18,512,002 | 0 | 49,604,675 | 46,360,125 | 48% |
| **Yemassee** | 67,690,900 | 13,607,043 | 12,195,571 | 4,833,927 | 30,636,541 | 37,054,359 | 55% |
| **Total** | **399,751,197** | **106,322,095** | **57,250,610** | **9,824,808** | **173,397,553** | **226,353,684** |  |

## **DAILY WATER & WASTEWATER PRODUCTION & SALES AVERAGES**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **System** | **Gallons Water Produced** | **Gallons Water Sold Residential** | **Gallons Water Sold Commercial** | **Gallons Wastewater Treated** | **Gallons Wastewater Received Residential** | **Gallons Wastewater Received Commercial** |
| **Brunson** | 12,490 | 26,891 | 17,907 | 131,074 | 23,968 | 15,865 |
| **Gifford** | 63,548 | 12,214 | 877 | 12,633 | 11,757 | 877 |
| **Hampton** | 248,412 | 144,741 | 65,992 | 501,617 | 133,104 | 54,467 |
| **Hampton Cnty** | 3,981 | 0 | 1,512 | 1,512 | 0 | 1,512 |
| **Varnville** | 202,984 | 103,133 | 53,981 | 262,917 | 85,185 | 50,718 |
| **Yemassee** | 151,409 | 51,755 | 38,705 | 185,455 | 37,280 | 33,413 |
| **Total** | **682,824** | **338,734** | **178,974** | **1,095,208** | **291,294** | **156,852** |

## **INFRASTRUCTURE**

|  |  |
| --- | --- |
| **Infrastructure Description** | **Quantity** |
| Elevated Water Storage Tanks | 9 |
| Hydro-pneumatic Water Storage Tanks | 1 |
| Potable Water Production Wells | 13 |
| Process Water Production Wells | 1 |
| Wastewater Treatment Facilities | 3 |
| Wastewater Lift Stations | 22 |
| Water Distribution Mains (Miles) | 100 |
| Wastewater Collection Mains (Miles) | 96 |
| Ground Storage Tanks | 1 |
| Fire Pump | 1 |
| Fire Hydrants | 447 |

****

**SYSTEM CAPACITIES**

**WATER PRODUCTION CAPACITY**

|  |  |
| --- | --- |
| **System** | **Production Capacity (Gallons Per Day)** |
| Town of Brunson | 122,000 |
| Town of Gifford | 432,000 |
| Town of Hampton | 919,000 |
| Hampton County  (Lowcountry Regional Industrial Park)  (Southern Carolina Industrial Campus) | 288,000 |
| Town of Varnville | 458,000 |
| Town of Yemassee | 203,000 |
| **Total Production Capacity of All Systems** | **2,422,000** |

**WASTEWATER TREATMENT CAPACITY**

|  |  |
| --- | --- |
| **System** | **Production Capacity (Gallons Per Day)** |
| Town of Brunson | 110,000 |
| Town of Hampton | 2,000,000 |
| Town of Yemassee | 500,000 |
| **Total Production Capacity of All Systems** | **2,610,000** |

## **BILLINGS and COLLECTIONS**

Water Billings and Collections Summary for Past 5 Years

|  |  |  |  |
| --- | --- | --- | --- |
| Fiscal Year Ending | Billings | Collections | Collection Rate |
| 2019 | $3,027,021.85 | $3,013,303.38 | 99% |
| 2018 | $2,754,464.74 | $2,753,013.59 | 99.94% |
| 2017 | $2,768,567.27 | $2,769,550.27 | 100.03% |
| 2016 | $2,715,843.93 | $2,716,046.84 | 100.01% |
| 2015 | $2,696,640.52 | $2,673,184.80 | 99.13% |

*Source:* LRWS QS1 Billing Software and LRWS Operations and Financial Report

**WATER & SEWER CHARGES**

**COMPARED WITH OTHER SYSTEMS**

Residential Water & Sewer Charges Based on 5,000 Gallons per Month Usage

|  |  |  |  |
| --- | --- | --- | --- |
| Utility System | Water Charges | Sewer Charges | Total |
| Lowcountry Regional Water System | $31.00 | $46.50 | $77.50 |
| Town of Estill | $28.67 | $38.66 | $67.33 |
| City of Walterboro | $15.60 | $21.55 | $37.15 |
| Town of Fairfax | $20.93 | $25.90 | $46.83 |
| Town of Allendale | $24.46 | $30.70 | $55.16 |
| Beaufort Jasper W&S Authority | $26.50 | $44.85 | $71.35 |
| City of Bamberg | $34.55 | $49.32 | $83.87 |
| City of Charleston | $21.42 | $67.15 | $88.57 |
| City of Columbia | $18.84 | $36.33 | $55.17 |
| Lexington Cty. Joint Municipal W&S | $44.09 | $45.97 | $90.06 |
| Newberry County W&S Authority | $49.50 | $57.00 | $106.50 |
| McCormick County Water & Sewer | $37.50 | $57.50 | $95.00 |

*Source:* SC Rural Infrastructure Authority Office of Local Government 2018 Municipal Water and Sewer Rate Survey

**DEMOGRAPHIC and ECONOMIC STATISTICS**

Hampton County Demographic and Economic Statistics Summary for Past 5 Years

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year Ending | Population | Total Personal Income ($000’s) | Per Capita Personal Income | Household Median Income | Unemployment Rate Annual Average | Percent At or Below Poverty Level |
| 2019 | 19,559 | Unavailable | Unavailable | Unavailable | 2.1% | Unavailable |
| 2018 | 19,351 | $628,382 | $32,473 | $35,871 | 3.8% | 17.5% |
| 2017 | 19,602 | $608,720 | $31,054 | $32,147 | 4.1% | 18.4% |
| 2016 | 19,922 | $572,227 | $28,723 | $31,734 | 5.8% | 17.5% |
| 2015 | 20,056 | $550,763 | $27,461 | $31,410 | 8.5% | 20.8% |

*Source:* US Census Bureau; US Bureau of Economic Analysis; US Department of Labor – Bureau of Labor Statistics; SC Department of Employment & Workforce

2019: Population information based on surveys. Some information for 2019 unavailable as of March 2020.

**TOP TEN WATER USERS**

**2018 Compared to 2019**

Water Consumption for 12 Consecutive Months

|  |  |  |  |
| --- | --- | --- | --- |
| Customer | Water Used  Annually 2019 | Customer | Water Used  Annually 2018 |
| Alpha Genesis, Inc. | 6,703,321 | Brunson Laundry | 6,766,837 |
| Brunson Laundry | 6,021,086 | Hampton Regional Medical | 6,101,000 |
| Hampton Regional Medical | 5,555,920 | Alpha Genesis Inc. | 5,498,000 |
| Varnville Area housing | 2,954,727 | Varnville Area Housing | 3,202,000 |
| Southeastern Housing | 2,740,770 | Southeastern Housing | 2,155,000 |
| Love’s Travel Stop | 1,873,756 | HC Courthouse- Irrigation | 2,021,000 |
| Open Arms Fellowship | 1,855,829 | Varnville Area Housing | 1,419,000 |
| HC Law Enforcement Center | 1,446,610 | HC Law Enforcement Center | 1,057,000 |
| Varnville Area Housing #2 | 1,416,930 | Varnville Laundry & Car Wash | 978,000 |
| Anderson Oil Co. | 946,274 | Hari Aum. Inc. | 916,000 |

*Source:* LRWS QS1 Billing Software

**TOP TEN EMPLOYERS**

Top Ten Employers Served by LRWS during 2018-2019

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Customer | # of Employees  2019 | % of Total County Employment 2019 | Customer | # of Employees  2018 | % of Total County Employment  2018 |
| Hampton County School District #1 | 418 | 5.17% | Hampton County School District #1 | 418 | 5.23% |
| Hampton Regional Medical | 291 | 3.60% | Hampton Regional Medical | 292 | 3.65% |
| County of Hampton | 254 | 3.14% | County of Hampton | 245 | 3.06% |
| LeCreuset of America | 202 | 2.50% | LeCreuset of America | 190 | 2.37% |
| Alpha Genesis (1) |  |  | Alpha Genesis(1) | 146 | 1.82% |
| Loves Travel Stop | 60 | 0.74% | Love’s Travel Stop | 70 | 0.87% |
| R&L Carriers | 55 | 0.68% | R&L Carriers | 60 | 0.75% |
| Nupi Americas | 37 | 0.45% | Brunson Laundry/Lowcountry Medical Linens | 46 | 0.57% |
| Spencer Industries | 23 | 0.28% | J.R Wilson Construction | 42 | 0.52% |
| Precision Machined Components | 16 | 0.19% | Spencer Industries | 23 | 0.28% |

*Source:* Hampton County Economic & Development Office, SCWorks.org (2019) **Total Employed in Hampton County: 7991 (2018) & 8070 (2019)**

1. Alpha Genesis is in Beaufort County in the Town of Yemassee and Served by LRWS

**Appendix A**

**AUDITED FINANCIAL STATEMENTS**



THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

# FAX: (803) 791-0834

The Honorable Chairman and Members of the Board of Commissioners

Lowcountry Regional Water System

513 Elm Street West

Hampton, South Carolina 29924

We are pleased to have the opportunity to provide you with this executive summary of the audit of the Lowcountry Regional Water System’s (the “System”) financial statements dated September 30, 2019. Our opinion dated January 23, 2020 on the September 30, 2019 financial statements was unmodified. Auditing standards require that certain matters related to the conduct of our audit be communicated to the Board of Commissioners. Those matters requiring communication are as follows:

# The Brittingham Group, L.L.P.’s Responsibility under Auditing Standards Generally Accepted in the United States of America

We conducted our audit in accordance with auditing standards generally accepted in the United States of America which are designed to provide reasonable assurance that the financial statements are free of material misstatement. We also obtained a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of the tests to be performed.

**Major Issues Discussed with Management Prior to Retention**

There were no major issues discussed with management prior to retention.

**The Adoption of, or a Change in, an Accounting Principle**

There were no matters that are required to be reported for this item.

**Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas**

There were no matters that are required to be reported for this item.

# Sensitive Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# Significant Audit Adjustments

An audit adjustment, whether or not recorded by the entity based on materiality to the financial statements taken as a whole, is a proposed correction of the financial statements that, in the auditor’s judgment, may not have been detected except through the auditing procedures performed.

No significant audit adjustments were posted as a result of our procedures. However, several significant adjustments were made known to us by management during the course of the audit. These adjustments were prepared in order to account for certain items that are reported in the annual financial statements but are not included in interim financial reporting. The more significant of these items include adjustments for pension liability and depreciation expense.

**Disagreements with Management**

There were no disagreements with management.

# Consultations with Other Accountants

We are not aware of any instances in which management consulted with other accountants about significant accounting, auditing and reporting matters.

# Difficulties Encountered in Dealing with Management When Performing the Audit

There were no difficulties encountered in dealing with management when performing the audit.

**\* \* \* \* \***

This report is intended solely for the information and use of the Commissioners, management and others within the organization.



West Columbia, South Carolina

January 23, 2020

LOWCOUNTRY REGIONAL WATER SYSTEM   
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

AUDITED FINANCIAL STATEMENTS   
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

YEAR ENDED SEPTEMBER 30, 2019

WITH

INDEPENDENT AUDITORS’ REPORT

CONTENTS

Independent Auditors’ Report ………… 1

Management’s Discussion and Analysis (Unaudited) 4

Basic Financial Statements:

Statement of Net Position 9

Statement of Revenues, Expenses, and Changes in Net Position 10

Statement of Cash Flows 11

Notes to Financial Statements 13

Required Supplementary Information (Unaudited):

Schedule of Proportionate Share of the South Carolina

Retirement Systems Net Pension Liabilities 25

Schedule of the South Carolina Retirement Systems Contributions 26

Single Audit Act Requirements:

Schedule of Expenditures of Federal Awards…… 27

Notes to the Schedule of Expenditures of Federal Awards 28

Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance

And other Matters Based on an Audit of Financial Statements Performed in Accordance

With *Governmental Auditing Standards*………………………………..………………………………….29 Independent Auditors’ Report on Compliance for Each Major Program and on Internal

Control over Compliance Required by the Uniform Guidance 31

Schedule of Findings and Questioned Costs 33

Other Financial Information:

Schedule of Revenues, Expenses and Changes in Net Position -

Water Service, Sewer Service and Unallocated 34

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SC 29171   
 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_   
 PHONE: (803) 739-3090

FAX: (803) 791-0834

INDEPENDENT AUDITORS’ REPORT

Mr. William Hudson, Chairman of the Board of Commissioners

Lowcountry Regional Water System 513 Elm Street West

Hampton, South Carolina 29924

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Lowcountry Regional Water System (the “System”), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements as listed in the table of contents.

*Management’s Responsibility for the Financial Statements*

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

*Auditors’ Responsibility*

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

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

1

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

*Opinions*

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

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s   
discussion and analysis on pages 4 - 8, the Schedule of Proportionate Share of the South Carolina   
Retirement Systems Net Pension Liabilities on page 25, and the Schedule of the South Carolina   
Retirement Systems Contributions on page 26 be presented to supplement the basic financial statements   
be presented to supplement the basic financial statements. Such information, although not a part of the   
basic financial statements, is required by the Governmental Accounting Standards Board, who considers it   
to be an essential part of financial reporting for placing the basic financial statements in an appropriate   
operational, economic, or historical context. We have applied certain limited procedures to the required   
supplementary information in accordance with auditing standards generally accepted in the United States   
of America, which consisted of inquiries of management about the methods of preparing the information   
and comparing the information for consistency with management’s responses to our inquiries, the basic   
financial statements, and other knowledge we obtained during our audit of the basic financial statements.   
We do not express an opinion or provide any assurance on the information because the limited procedures   
do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively   
comprise the Authority’s basic financial statements. The Schedule of Expenditures of Federal Awards is   
presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*   
(CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*   
*Federal Awards*, and is not a required part of the basic financial statements. Additionally, the Schedule of   
Revenues, Expenses and Changes in Net Position - Water Service, Sewer Service and Unallocated is   
presented for purposes of additional analysis as required by the United States Department of Agriculture’s   
Rural Development Administration and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards on page 27 and the Schedule of Revenues, Expenses   
and Changes in Net Position - Water Service, Sewer Service and Unallocated on page 34 are the   
responsibility of management and was 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 schedule of expenditures of federal awards and the   
Schedule of Revenues, Expenses and Changes in Net Position - Water Service, Sewer Service and

2



Unallocated are fairly stated in all material respects in relation to the basic financial statements as a   
whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23,   
2020 on our consideration of the System’s internal control over financial reporting and on our tests of its   
compliance with certain provisions of laws, regulations, contracts, and grant agreements and other   
matters. The purpose of that report is to describe the scope of our testing of internal control over financial   
reporting and compliance and the results of that testing, and not to provide an opinion on internal control   
over financial reporting or on compliance. That report is an integral part of an audit performed in   
accordance with *Government Auditing Standards* in considering the System’s internal control over   
financial reporting and compliance.

West Columbia, South Carolina January 23, 2020

3

Management’s Discussion and Analysis

*Overview of the Financial Statement and Financial Analysis*

This management’s discussion and analysis of the Lowcountry Regional Water System’s (the “System”) financial statements provide an overview of its financial activities for the year. In accordance with Government Accounting Standards, the System produces three primary financial statements: (1) The Statement of Net Position, (2) The Statement of Revenues, Expenses and Changes in Net Position, and (3) The Statement of Cash Flows.

*Statement of Net Position*

The Statement of Net Position presents the assets, liabilities and equity of the System as of the end of   
the fiscal year. The Statement of Net Position presents end-of-year data concerning assets as well as   
liabilities (current and non-current). Our current assets are those, which are reasonably expected to be,   
realized in one year. Current liabilities are obligations whose liquidation is expected to require the use   
of current assets.

*Condensed Statements of Net Position*

September 30,

2019 2018 Variance

Assets and Deferred Outflows of Resources:

Cash and cash equivalents $ 1,949,509 $ 1,650,441 $ 299,068

Receivables 260,088 211,858 48,230

Inventory 52,602 55,333 (2,731)

Capital assets, net 21,450,886 19,806,470 1,644,416

Deferred outflows of resources 318,563 244,603 73,960

Total assets and deferred outflows of resources $ 24,031,648 $ 21,968,705 $ 2,062,943

Liabilities and Deferred Inflows of Resources:

Current liabilities $ 713,109 $ 770,456 $ (57,347)

Long-term debt 8,409,934 6,766,137 1,643,797

Pension liability 1,463,261 1,374,334 88,927

Deferred inflows of resources 127,818 133,001 (5,183)

Total liabilities and deferred inflows of resources 10,714,122 9,043,928 1,670,194

Net Position:

Invested in capital assets 12,848,886 12,892,370 (43,484)

Restricted for debt service 1,379,324 975,048 404,276

Unrestricted (910,684) (942,641) 31,957

TOTAL NET POSITION $ 13,317,526 $ 12,924,777 $ 392,749

4

*Statement of Revenues, Expenses and Changes in Net Position*

The purpose of the statement is to present the revenues earned by the System, operating and non-  
operating, and the expenses incurred by the System. Non-operating revenues are those for which goods or services are not provided.

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting attempts to record the financial effects of transactions of an entity in the period in which those transactions occur, rather than in the period in which cash is received. Revenues are recognized when goods or services are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

*Condensed Statement of Revenues, Expenses and Changes in Net Position*

Year Ended September 30,

2019 2018 Variance

Operating revenues $ 2,501,030 $ 2,828,805 $ (327,775)

Operating expenses (3,049,330) (2,736,228) (313,102)

Operating income (loss) (548,300) 92,577 (640,877)

Non-operating revenues 1,067,280 1,639,485 (572,205)

Non-operating expenses (126,231) (177,435) 51,204

Non-operating loss 941,049 1,462,050 (521,001)

Capital contributions - 7,950 (7,950)

Change in net position 392,749 1,562,577 $ (1,169,828)

Net position - beginning of year 12,924,777 11,362,200

Net position - end of year $ 13,317,526 $12,924,777

*Statement of Cash Flows*

The final statement presented by the System is the Statement of Cash Flows. The Statement of Cash   
Flows presents detailed information about the cash activity during the year. The statement is divided   
into four parts. The first part deals with operating cash flows and reports the net cash flows from the   
operating activities of the Fund. The second section reports the cash activity related to financing for   
capitalized items. The third section reflects cash flows from investing activities and shows the interest   
received from investing activities. The fourth section reconciles the net cash provided or used by   
operating activities to the operating income displayed on the Statement of Revenues, Expenses and   
Changes in Net Position.

5

*Condensed Statement of Cash Flows*

Year Ended September 30,

2019 2018 Variance

Cash provided (used) by:

Operating activities $ 172 $ 1,052,590 $ (1,052,418)

Capital and related financing activities 295,914 (874,362) 1,170,276

Investing activities 2,982 2,323 659

Net change in cash 299,068 180,551 118,517

Cash and cash equivalents - beginning of year 1,650,441 1,469,890 180,551

Cash and cash equivalents - end of year $ 1,949,509 $ 1,650,441 $ 299,068

*Capital Assets*

The System’s investment in capital assets as of September 30, 2019, amounts to $21,453,886 (net of accumulated depreciation). The investment in capital assets includes land, construction in process, buildings and equipment as well as water and sewer systems. The total increase in capital assets for the current year was approximately 8.30 percent.

Year Ended September 30,

2019 2018 Variance

Land $ 246,180 153,239 $ 92,941

Construction in Process 6,767,688 6,301,883 465,805

Buildings 163,398 163,398 -

Equipment 627,525 554,859 72,666

Vehicles 557,626 126,797 430,829

Water systems 12,569,454 12,393,363 176,091

Sewer systems 15,756,857 14,665,135 1,091,722

Less: accumulated depreciation (15,237,842) (14,552,204) (685,638)

$ 21,450,886 $ 19,806,470 $ 1,644,416

Major Capital asset events during the current fiscal year included the following:

• The following projects are currently in various stages of development/construction at year-  
 end:

o Brunson Wastewater Treatment Plant and Sewer Rehab

o Lightsey Kinard Sewer Upgrade

o Town of Gifford Water System

o Improvement Projects Divisions 1 - 3

• The following projects were completed during the fiscal year

o Salkehatchie Sewer Upgrade

o Sander’s Branch Water and Sewer Replacements

6

Additional information on the System’s capital assets can be found in Note 3 of this report.

*Debt Administration*

At the end of fiscal year 2019, the System had total current and long-term debt outstanding of $8,602,000. The entire amount is payable to three revenue bonds, all of which are backed by the net revenues of the water and sewer system.

Current and Long-Term Debt

Year Ended September 30,

2019 2018 Variance

Revenue bonds payable $ 8,602,000 $ 6,914,100 $ 1,687,900

$ 8,602,000 $ 6,914,100 $ 1,687,900

The System’s total long-term debt increased by $1,687,900, or 24.41 percent, during the current fiscal year. This increase was caused by incurring more debt from USDA funded project.

Additional information on the System’s long-term debt can be found in Note 4 of this report.

*Business Overview*

The Board of Commissioners is composed of six individuals who are appointed by the Members of the System. Additionally, if the Member’s municipal or county administrators or managers (Administrators) or their counterparts, are not appointed by the Member as a Commissioner or Alternate Commissioner representing the Member, the Member’s Administrators, or their counterparts, shall serve as ex-officio Members of the Commission with seat and voice but not vote.

The General Manager is charged with the day-to-day operations of the System. Monthly reports are provided to the Board of Commissioners providing updates concerning financial information, news, environmental regulatory changes and spotlights on potential economic growth.

The System has a full staff of 1 part-time and 17 full-time employees. Included are 8 administrative staff including the General Manager, Deputy General Manager, Engineer, Finance and Human Resource Director, Customer Service and Billing Manager, Meter Technician and 2 Customer Service Representatives. The water distribution and wastewater collection staff include a Field Operations Manager and 5 Utility Technicians. The water and wastewater treatment staff include a Treatment Operations Manager, Local Coordinator and 3 Treatment Facility Operators.

At the close of the fiscal year, the System had 422 commercial customers, 2,656 residential water customers, 382 commercial sewer customers and 2,390 residential sewer customers. No single customer or group of customers represents a significant concentration.

*Economic Outlook*

The principal challenge facing the System is to retain current customers and at the same time, gain new   
water and sewer customers as to spread the fixed cost of operating the water and sewer system. The   
other significant challenge the System faces is to manage the environmental infractions that arise from   
time to time over the normal course of business when providing environmentally sensitive services to   
the public. The System’s goal is to provide excellent water and sewer service with effective

7

environmental controls, while ensuring that the System is in a sound financial position to pay all its   
liabilities.

The System is not aware of any facts, decisions, or conditions that can reasonably be expected to have   
a material impact on the System’s economic outlook during the fiscal year beginning October 1, 2019.

*Contacting the System’s Management*

This financial report is designed to provide our citizens, customers and creditors with a general overview of the System’s finances and to demonstrate the System’s accountability for the resources it receives. If you have questions about this report or need additional information, contact the Lowcountry Regional Water System, 513 Elm Street West, Hampton, SC 29924. The System’s telephone number is (803) 943-1006.

8

LOWCOUNTRY REGIONAL WATER SYSTEM   
 STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

Assets and Deferred Outflows of Resources:

Current assets:

Cash and cash equivalents $ 570,185

Restricted cash and cash equivalents 1,379,324

Accounts receivable, net 260,088

Inventory 52,602

Total current assets 2,262,199

Non-current assets:

Capital assets, not being depreciated 7,013,868

Capital assets, net of accumulated depreciation 14,437,018

Total non-current assets 21,450,886

Deferred outflows of resources - pension plan 318,563

Total assets and deferred outflows of resources 24,031,648

Liabilities and Deferred Inflows of Resources:

Current liabilities:

Accounts payable 261,323

Accrued liabilities 24,883

Accrued compensated absences 68,799

Accrued interest payable 39,398

Due to other governments 126,640

Revenue bonds payable - current portion 192,066

Total current liabilities 713,109

Other liabilities:

Revenue bonds payable - non-current portion 8,409,934

Pension liability 1,463,261

Total long-term liabilities 9,873,195

Deferred inflows of resources - pension plan 127,818

Total liabilities and deferred inflows of resources 10,714,122

Net Position:

Net investment in capital assets 12,848,886

Restricted for debt service 1,379,324

Unrestricted - unfunded pension liability (1,272,516)

Unrestricted - other 361,832

Total net position $ 13,317,526

*See accompanying notes.*

9

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF REVENUES, EXPENSES,   
 AND CHANGES IN NET POSITION

YEAR ENDED SEPTEMBER 30, 2019

Operating Revenues:

Water service $ 1,095,488

Sewer service 1,386,866

Penalties, reconnection fees and miscellaneous 18,676

Total operating revenues 2,501,030

Operating Expenses:

Personnel services 1,135,555

Contract sewer treatment 14,400

Repairs and maintenance 167,588

Utilities 353,804

Supplies, materials and chemicals 76,619

Professional, engineering, lab and legal fees 307,244

Insurance 41,865

Vehicle and fuel expenses 35,548

Postage, printing and advertising 20,702

Building and equipment rental 41,256

Dues, licenses and permits 47,754

Bad debts 56,106

Bank charges 32,864

Depreciation 685,638

Miscellaneous 32,387

Total operating expenses 3,049,330

Operating income (548,300)

Non-Operating Revenues (Expenses):

Grant income 1,064,298

Interest income 2,982

Interest expense (126,231)

Net non-operating revenue (expense) 941,049

Change in net position 392,749

Net position, beginning of year 12,924,777

Net position, end of year $ 13,317,526

*See accompanying notes.*

10

LOWCOUNTRY REGIONAL WATER SYSTEM   
 STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

Cash Flows From Operating Activities:

Cash received from customers $ 2,452,801

Cash payments for personnel services (1,105,157)

Cash payments for operating and contractual services (14,400)

Cash payments for suppliers (1,333,072)

Net cash flows provided by operating activities 172

Cash Flows From Capital and Related Financing Activities:

Grant income 1,064,298

Acquisition and construction of capital assets (2,330,053)

Proceeds from issuance of capital debt 8,148,541

Principal paid on capital debt (6,460,641)

Interest paid on capital debt (126,231)

Net cash flows used in capital and related financing activities 295,914

Cash Flows From Investing Activities:

Interest income 2,982

Net cash flows provided by investing activities 2,982

Net change in cash and cash equivalents 299,068

Cash and cash equivalents, beginning of year 1,650,441

Cash and cash equivalents, end of year $ 1,949,509

Reconciliation of Cash and Cash Equivalents:

Cash and cash equivalents $ 570,185

Restricted cash and cash equivalents 1,379,324

Cash and cash equivalents, end of year $ 1,949,509

(CONTINUED)

11

LOWCOUNTRY REGIONAL WATER SYSTEM   
 STATEMENT OF CASH FLOWS

-CONTINUED-

Reconciliation of Operating Income to Net Cash Flows   
 From Operating Activities:

Operating income $ (548,300)

Adjustments to reconcile operating income to net cash

flows from operating activities:

Depreciation 685,638

Change in assets and liabilities

Accounts receivable (48,230)

Inventory 2,731

Deferred outflows (73,960)

Deferred inflows (5,183)

Accounts payable (103,018)

Accrued expenses 1,438

Accrued interest payable (73,997)

Due to other governments 53,512

Accrued compensated absences 20,614

Pension liability 88,927

Net cash flows from operating activities $ 172

*See accompanying notes.*

12

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies

Organization

The Lowcountry Regional Water System (the “System”) was created in February of 2012, with   
the purpose of establishing regional water and sewer service to the residents and businesses of   
Hampton County. On June 1, 2013, the Towns of Brunson, Gifford, Hampton, Varnville and   
Yemassee, as well as Hampton County deeded the assets of their water and sewer systems to the   
System. The System is operating under the 1970 Acts and Joint Resolutions of the State of South   
Carolina.

The System operates as a proprietary fund under the control of the Lowcountry Regional Water   
System Board of Commissioners (the “Board”). The Board regulates the rates that the System   
can charge its customers for water and sewer usage. The rates charged to customers are based on   
the cash required for the System’s operations, debt service, rate funded capital assets and reserve   
contributions.

The financial reporting entity is defined as the primary government and its component units, as   
required by generally accepted accounting principles (GAAP). The primary government, which   
is the nucleus of the reporting entity, has a separately appointed governing body. A component   
unit is a legally separate entity for which the oversight body of the component unit is fiscally   
accountable to the primary government. An organization other than a primary government may   
serve as the nucleus for a reporting entity when it issues separate financial statements. As such   
an organization, the System is defined herein as a primary entity and has no component units.

Basis of Presentation

To comply with the external financial reporting requirements of the Board, the accompanying   
financial statements present the financial position and results of operations and cash flows of the   
System, in conformity with GAAP as applied to regulated utilities (i.e., the full accrual basis of   
accounting and the economic resources measurement focus). Enterprise funds are used to account   
for those operations that are financed and operated in a manner similar to private business or   
where the Board has decided that the determination of revenues earned, costs incurred and/or net   
income is necessary for management accountability. To accommodate the rate-making process,   
the System follows the accounting standards set forth in GASB 62, Codification of Accounting   
and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA   
Pronouncements.

Cash and Cash Equivalents

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

-CONTINUED-

13

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets used in proprietary type funds are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at cost or estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the relative capital assets.

Major outlays for capital assets and improvements are capitalized in the proprietary fund as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed.

It is the policy of the System to capitalize items costing $1,000 or greater with a useful life of greater than one year.

Depreciation of buildings, equipment and vehicles is computed using the straight-line method. A summary of the estimated useful lives is as follows:

Class of Asset Life

Vehicles 4 to 7 years

Machinery and Equipment 3 to 20 years

Water and Sewer Systems 5 to 50 years

Buildings and Improvements 10 to 40 years

Water and Sewer Lines 50 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net 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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

14

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Revenue Billings

Water and sewer fees are billed to users of the System on a monthly cycle basis. Revenues are   
accrued for periods between the termination of billings for the various cycles and the end of the   
year. Some adjustments are made at fiscal year-end that may change the actual amount of billings.

Receivables and Payables

Trade accounts receivable is shown net of an allowance for doubtful accounts. Accounts payable are recognized when a good or service is received.

Compensated Absences

System employees earn annual leave, based upon years of service at a rate of up to 20 days per year. Maximum accumulations at any fiscal year-end cannot exceed 320 hours. Further, under no circumstances will employees be paid in excess of their maximum authorized accumulation in the case of separation/termination. Vested or accumulated annual leave of System employees is recorded as an expense and a liability as those benefits accrue. No liability is recorded for non-  
vesting accumulation rights to receive sick pay benefits.

Business-Type Activity Accounting

Business-type activity 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. The   
principal operating revenues of the System are charges to customers for sales and services. The   
System also recognizes as operating revenue the portion of tap fees intended to recover the cost   
of connecting new customers to the System. Operating expenses for proprietary funds include the   
cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue   
and expenses not meeting this definition are reported as non-operating revenues and expenses.

Risk Management

The System pays insurance premiums to the South Carolina Municipal Insurance Reserve Fund   
to cover risks that may occur in normal operations. Once premiums are paid, the fund assumes   
all risk up to the coverage limits. The fund does not assume responsibility for the two risks listed   
below:

1) Unemployment compensation benefits are paid to eligible employees by the South   
 Carolina Department of Employment and Workforce and are reimbursed by the   
 System.

2) Employee health, dental, group life insurance programs, and other health and   
 dependent care programs.

15

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Risk Management (Continued)

In addition, the System pays premiums to insurance companies to cover the following:

1) Real property buildings and structures with extended peril limits.

2) Real property contents with extended peril limits.

3) Motor vehicles collision/comprehensive and liability coverage.

4) Inland Marine on certain listed equipment and items.

5) General tort liability.

The System also pays premiums to independent insurance agencies for those constitutional officers requiring certain surety bonds and carries a bond on all other employees.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Deposits

*Custodial credit risk-deposits*. In the case of deposits, this is the risk that in the event of a bank   
failure, the System’s deposits may not be returned to it. It is the policy of the System to obtain   
adequate collateralization on all deposits that exceed FDIC insurance coverage. As of September   
30, 2019, the carrying amount of the System’s deposits totaled $1,949,509 and the bank balance   
was $2,049,962, all of which was either insured by the FDIC or collateralized by a financial   
institution.

16

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

3. Capital Assets

Activity in capital assets for the year ended September 30, 2019 was as follows:

October 1, September 30,

2018 Increases Decreases 2019

Capital assets, not being depreciated:

Land $ 153,239 $ 92,941 $ - $ 246,180

Construction in process 6,301,883 2,237,113 (1,771,308) 6,767,688

Total capital assets, not being

depreciated 6,455,122 2,330,054 (1,771,308) 7,013,868

Capital assets, being depreciated:

Buildings 163,398 - - 163,398

Equipment 554,859 72,666 - 627,525

Vehicles 126,797 430,829 - 557,626

Water systems 12,393,363 176,091 - 12,569,454

Sewer systems 14,665,135 1,091,722 - 15,756,857

Total capital assets, being

depreciated 27,903,551 1,771,308 - 29,674,860

Less: accumulated depreciation (14,552,204) (685,638) - (15,237,842)

Total capital assets $ 19,806,469 $ 3,415,724 $ (1,771,308) $ 21,450,886

4. Due to Other Governments

The system bills and collects various fees on behalf of the Towns in its service area. The following

are the amounts owed to those Towns at September 30, 2019:

Brunson Gifford Hampton Varnville Yemassee Total

Services billed for:

Police $ 2,092 $ 2,829 $ - $ 17,787 $ - $ 22,708

Garbage collection 7,008 4,006 27,725 34,645 12,734 86,118

Fire - - - 3,760 - 3,760

Animal Control 532 - - - - 532

Solid waste - - 2,521 923 - 3,444

Total due to towns $ 9,632 $ 6,835 $ 30,246 $ 57,115 $ 12,734 $ 116,562

Additionally, franchise fees in the amount of $10,078 were due to Towns in its service area.

17

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Long-Term Debt

Revenue Bonds Payable

Revenue Bonds Payable at September 30, 2019 consists of the following:

2016A Water and Sewer System Revenue Bond payable to Carter Bank and Trust with an original amount of $2,417,000 due in varying semi-annual principal and interest payments through 2036 with an interest rate of 2.70%. The balance at September 30, 2019 was $2,122,000.

USDA Bond Financing with an original amount of $6,480,000 due in monthly payments through 2059 with an interest rate of 2.875%. The balance as September 30, 2019 was $6,480,000.

Total annual debt service requirements for revenue bonds are as follows:

Year Ended

September 30, Principal Interest Total

2020 $ 192,066 $ 242,025 $ 434,090

2021 197,631 236,651 434,282

2022 203,271 231,122 434,393

2023 207,989 225,435 433,423

2024 214,785 219,614 434,399

2025 - 2029 1,166,805 1,004,537 2,171,342

2030 - 2034 1,291,995 832,868 2,124,863

2035 - 2039 993,029 657,130 1,650,159

2040 - 2044 828,891 535,091 1,363,981

2045 - 2049 956,869 407,112 1,363,981

2050 - 2054 1,104,606 259,375 1,363,981

2055 - 2059 1,244,063 88,885 1,332,948

$ 8,602,000 $4,939,845 $ 13,541,845

Changes in long-term liabilities for the year ended September 30, 2019, were as follows:

October 1, September 30, Due Within

2018 Additions Reductions 2019 One Year

Revenue bonds payable $ 6,914,100 $ 8,148,541 $ (6,460,641) $ 8,602,000 $ 192,066

Compensated absences 48,185 68,799 (48,185) 68,799 68,799

$ 6,962,285 $ 8,217,340 $ (6,508,826) $ 8,670,799 $ 260,865

18

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan

The majority of employees of the System are covered by a retirement plan through the South   
Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension   
plan administered by the Retirement Division of the South Carolina Public Employee Benefit   
Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time   
equivalent State employees in a permanent position are required to participate in and contribute   
to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-  
480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in   
the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly   
retirement annuity benefits to members as well as disability, survivor options, annual benefit   
adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina’s CAFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching   
age 65 or completion of 28 years of credited service regardless of age. Employees who first   
became members of the System after June 30, 2012 are considered Class III members and are   
eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90   
requirement (i.e., the members age plus the years of service add up to a total of at least 90). The   
benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an   
employee’s average final compensation (AFC) multiplied by the number of years of credited   
service. For Class II members, AFC is the average annual earnable compensation during 12   
consecutive quarters and includes an amount for up to 45 days termination pay at retirement for   
unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor’s benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to   
perform regular duties of the member’s job and they have at least 5 years of earned service (this   
requirement does not apply if the disability is a result of a job-related injury). Class III members   
qualify for disability annuity benefits provided they have a minimum of eight years of credited   
service.

19

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

An incidental death benefit equal to an employee’s annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

For eligible retired members, a lump-sum payment is made to the retiree’s beneficiary of up to $6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 14.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 14.41%, and .15% for the incidental death program. The System’s actual contributions to the SCRS for the years ended September 30, 2019, 2018 and 2017 were as follows:

Employer Contribution Rate Employer Contributions

Year Ended Incidental Incidental

September 30, Base Death Total Base Death Total

2019 14.41% 0.15% 14.56% $ 107,021 $ 1,114 $ 108,135

2018 13.41% 0.15% 13.56% 96,717 1,082 97,799

2017 11.41% 0.15% 11.56% 71,494 940 72,434

The amounts paid by the System for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined.

At September 30, 2019 the System reported $1,463,261 as its proportionate share of the net   
pension liabilities of SCRS. The net pension liability defined of the SCRS defined benefit pension   
plan were determined based on the July 1, 2017 actuarial valuations, using membership data as   
of July 1, 2017, projected forward to June 30, 2018, and financial information of the pension trust   
funds as of June 30, 2018, using generally accepted actuarial procedures. The System’s portion   
of the net pension liability was based on the System’s share of contributions to the pension plan   
relative to the contributions of all participating entities. At June 30, 2019, the System’s SCRS   
proportion was 0.006530%. For the year ended September 30, 2019 the System recognized   
pension expenses of $104,878 for SCRS.

20

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

At September 30, 2019 the System reported deferred outflows of resources and deferred inflows

of resources to pensions from the following sources:

Deferred Outflows of Resources

Differences between expected and actual experience $ 2,641

Assumption changes 58,054

Net difference between projected and actual investment earnings 72,452

Deferred amounts from changes in proportionate share and

differences between employer contributions & proportionate

share of total plan employer contributions 77,281

C urrent year employer contributions 108,135

Total deferred outflows of resources $ 318,563

Deferred Inflows of Resources

Differences between expected and actual experience $ (8,611)

Net difference between projected and actual investment earnings (49,208)

Deferred amounts from changes in proportionate share and

differences between employer contributions & proportionate

share of total plan employer contributions (69,999)

Total deferred inflows of resources (127,818)

Net deferred outflows and inflows of resources $ 190,745

System contributions subsequent to the measurement date totaled $108,135. These contributions   
will be reported as deferred outflows of resources related to pensions as of September 30, 2019   
but will be recognized as a reduction of the net pension liability for the year ended September 30,   
2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended June 30, Net

2018 $ (52,515)

2019 (28,067)

2020 (2,743)

2021 715

$ (82,610)

21

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The total pension liabilities in the July 1, 2017 actuarial valuation was determined using the

following actuarial assumptions applied to all periods included in the measurement:

SCRS

Actuarial Cost Method Entry Age

Actuarial Assumptions:

Investment Rate or Return 7.25%

Projected Salary Increases 3.0% to 12.5%

Inflation Rate 2.25%

Benefit Adjustments Lesser of 1% or $500

South Carolina state statute requires that an actuarial experience study be completed at least once   
in each five-year period. An experience report on the Systems was most recently issued as of July   
1, 2016.

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

Assumptions used in the July 1, 2017 valuation for SCRS are as follows:

Former Job Class Males Females

Educators 2016 PRSC Males 2016 PRSC Females

Multiplied by 92% Multiplied by 98%

General Employees and 2016 PRSC Males 2016 PRSC Females

Members of the General Multiplied by 100% Multiplied by 111%

Assembly

Public Safety, Firefighters 2016 PRSC Males 2016 PRSC Females

Multiplied by 125% Multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset   
allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return   
is produced by weighting the expected future real rates of return by the target allocation percentage   
and adding expected inflation and is summarized in the table on the following page. For actuarial   
purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the   
TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

22

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class

are summarized in the following table:

Expected Long Term Expected

Target Asset Arithmetic Real Portfolio Real Rate

Asset Class Allocation Rate of Return of Return

Global Equity 47.0%

Global Public Equity 33.0% 6.99% 2.31%

Private Equity 9.0% 8.73% 0.79%

Equity Options Strategies 5.0% 5.52% 0.28%

Real Assets 10.0%

Real Estate (Private) 6.0% 3.54% 0.21%

Real Estate (REITs) 2.0% 5.46% 0.11%

Infrastructure 2.0% 5.09% 0.10%

Opportunistic 13.0%

GTAA/Risk Parity 8.0% 3.75% 0.30%

Hedge Funds (non-PA) 2.0% 3.45% 0.07%

Other Opportunistic Strategies 3.0% 3.75% 0.11%

Diversified Credit 18.0%

Mixed Credit 6.0% 3.05% 0.18%

Emerging Markets Debt 5.0% 3.94% 0.20%

Private Debt 7.0% 3.89% 0.27%

Conservative Fixed Income 12.0%

Core Fixed Income 10.0% 0.94% 0.09%

Cash and Short Duration (Net) 2.0% 0.34% 0.01%

Total Expected Real Return 100% 5.03%

Inflation for Actuarial Puposes 2.25%

Total Expected Nominal Return 7.28%

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

23

LOWCOUNTRY REGIONAL WATER SYSTEM   
 NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The following table represents the System’s proportionate share of the net SCRS pension liability calculated using the discount rate of 7.25 percent, as well as what the System’s respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

1% Decrease Current Rate 1% Increase

Plan 6.25% 7.25% 8.25%

SCRS $ 1,869,775 $ 1,463,261 $ 1,172,642

7. Deferred Compensation Plans

Several optional deferred compensation plans are available to System employees. Certain   
employees of the System have elected to participate. Employees may withdraw the current value   
of their contributions when they terminate employment. Employees may also withdraw   
contributions prior to termination if they meet requirements specified by the applicable plan.

Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the   
contributing employee. The System has no liability for losses under the plans. Under the Section   
457 plan, all deferred compensation plan amounts and earnings remain assets of the employees.

8. Commitments and Contingencies

Funds received from federal and state grants programs are subject to audit by various federal and   
state agencies. The System can be required to replace any funds not used in compliance with grant   
requirements.

The System is operating under a Consent Order from the South Carolina Department of Health   
and Environmental Control (SCDHEC) for permit violations at the Town of Hampton   
Wastewater Treatment Facility. No additional permit violations have occurred in the fiscal year   
ended September 30, 2019 due to modified operations in the facility. The System has identified   
the cause of previous violations and has submitted a plan of corrective action that has been   
approved SCDHEC. The System has secured funding and is in various stages of design,   
permitting and construction to implement the corrective action plan and resume normal   
operations at the facility.

9. Subsequent events

The System has evaluated all events subsequent to the basic financial statements for the year   
ended September 30, 2019 through January 23, 2020 which is the date the financial statements   
were available to be issued and determined that there were no subsequent events requiring note   
disclosure.

24

REQUIRED SUPPLEMENTARY INFORMATION

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF PROPORTIONATE SHARE OF

THE SOUTH CAROLINA RETIREMENT SYSTEMS   
 NET PENSION LIABILITIES

LAST TEN FISCAL YEARS\*

2019 2018 2017 2016 2015 2014

System's proportion of the

net pension liability 0.0065% 0.0068% 0.0065% 0.0072% 0.0072% 0.0072%

System's proportionate share

of the net pension liability $ 1,463,261 $ 1,444,567 $ 1,239,015 $ 1,246,692 $ 1,298,777 $ 1,246,660

System's covered payroll $ 721,232 $ 626,592 $ 603,698 $ 628,174 $ 620,651 $ 604,954

System's proportionate share   
of the net pension liability   
as a percentage of its

covered payroll 202.88% 230.54% 205.24% 198.46% 209.26% 206.08%

Plan fiduciary net position   
as a percentage of the

total pension liability 54.10% 52.91% 57.00% 59.92% 56.39% 59.90%

\* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using   
membership data as of the day, projected forward to June 30 of the previous year. Additionally, the   
System implemented GASB 68 during fiscal year 2015. As such, information is only available for   
fiscal years after 2015.

25

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF THE

SOUTH CAROLINA RETIREMENT SYSTEMS   
 CONTRIBUTIONS

LAST TEN FISCAL YEARS\*

2019 2018 2017 2016 2015 2014

Contractually required contributions $ 108,135 $ 97,799 $ 72,434 $ 66,769 $ 68,471 $ 65,789

Contributions in relation to the

contractually required contribution (108,135) (97,799) (72,434) (66,769) (68,471) (65,789)

Contribution deficiency/(excess) $ - $ - $ - $ - $ - $ -

System's covered payroll $ 742,685 $ 721,232 $ 626,592 $ 603,698 $ 628,174 $ 620,651

Contributions as a percentage of

covered payroll 14.56% 13.56% 11.56% 11.06% 10.90% 10.60%

\* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using   
membership data as of the day, projected forward to June 30 of the previous year. Additionally, the   
System implemented GASB 68 during fiscal year 2015. As such, information is only available for   
fiscal years after 2015.

26

SINGLE AUDIT ACT REQUIREMENTS

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS   
 YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/ Federal Federal

Pass-Through Grantor/ CFDA Pass- through Expenditures

Program Title Number Grantor September 30, 2019

*Other Programs*

Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Disaster Grants - Public Assistance (Presidentially Declared Disasters) 97.036 State of South Carolina $ 6,978

Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) 6,978

Total Department of Homeland Security 6,978

Department of Housing and Urban Development

Community Development Block Grants/Special Purpose Grants/Insular Areas

Community Development Block Grants/Special Purpose Grants/Insular Areas 14.225 Town of Hampton 360,823

Community Development Block Grants/Special Purpose Grants/Insular Areas 14.225 Town of Yemassee 117,993

Total Community Development Block Grants/Special Purpose Grants/Insular Areas 478,816

Total Department of Housing and Urban Development 478,816

United States Department of Agriculture

Water and Waste Disposal Systems for Rural Communities

Water and Waste Disposal Systems for Rural Communities 10.760 1,829,193

Total Water and Waste Disposal Systems for Rural Communities 1,829,193

Total United States Department of Agriculture 1,829,193

Total Other Programs 2,314,987

$ 2,314,987

Total Expenditures of Federal Awards

27

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS   
 SEPTEMBER 30, 2019

1. Description

Lowcountry Regional Water System (the “System”) has adopted *Title 2 U.S. Code of Federal*   
*Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit*   
*Requirements for Federal Awards* (Uniform Guidance). Those standards were adopted to   
fulfill the financial and compliance audit requirements of federal grantor agencies. For   
purposes of implementing Uniform Guidance, federal grant and loan awards were made   
susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Policies

The financial activity shown on the Schedule of Expenditures of Federal Awards reflects amounts recorded by the System during its fiscal year October 1, 2018 through September 30, 2019 and accordingly, does not include a full year’s financial activity for grants awarded or terminated on dates not coinciding with the System’s fiscal year. The System reports these on the accrual basis of accounting.

3. Indirect Costs

The System has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Basis for Determining Federal Awards Expended

The Authority expended a total of $2,314,987 in federal awards from October 1, 2018 through September 30, 2019. Of this balance, $1,556,826 was expenditures related to the USDA loan program. The outstanding balance for USDA revenue bonds related to the loan program was $6,480,000 as of September 30, 2019.

28

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

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INDEPENENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL

REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF   
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*

*AUDITING STANDARDS*

Mr. William Hudson, Chairman of the Board of Commissioners

Lowcountry Regional Water System 513 Elm Street West

Hampton, South Carolina 29924

We have audited, in accordance with the auditing standards generally accepted in the United States of   
America and the standards applicable to financial audits contained in *Government Auditing Standards*   
issued by the Comptroller General of the United States, the financial statements of the business-type   
activities of the Lowcountry Regional Water System (the “System”), as of and for the year ended   
September 30, 2019, and the related notes to the financial statements, which collectively comprise the   
System’s basic financial statements, and have issued our report thereon dated January 23, 2020.

Internal Control over Financial Reporting

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

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

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

29



any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

West Columbia, South Carolina

January 23, 2020

30

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET

POST OFFICE BOX 5949

WEST COLUMBIA, SOUTH CAROLINA 29171

INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR

PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE   
 UNIFORM GUIDANCE

Mr. William Hudson, Chairman of the Board of Commissioners

Lowcountry Regional Water System 513 Elm Street West

Hampton, South Carolina 29924

*Report on Compliance for Each Major Federal Program*

We have audited Lowcountry Regional Water System (the “System”) compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the System’s major federal programs for the year ended September 30, 2019. The System’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

*Management’s Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditor’s Responsibility*

Our responsibility is to express an opinion on compliance for each of the System’s major federal   
programs based on our audit of the types of compliance requirements referred to above. We   
conducted our audit of compliance in accordance with auditing standards generally accepted in the   
United States of America; the standards applicable to financial audits contained in *Government*   
*Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of*   
*Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*   
*Requirements for Federal Awards* (Uniform Guidance)*.* Those standards and the Uniform Guidance   
require that we plan and perform the audit to obtain reasonable assurance about whether   
noncompliance with the types of compliance requirements referred to above that could have a direct   
and material effect on a major federal program occurred. An audit includes examining, on a test   
basis, evidence about the System’s compliance with those requirements and performing such other   
procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major   
federal program. However, our audit does not provide a legal determination of the System’s   
compliance.

31



*Opinion on Each Major Federal Program*

In our opinion, the System, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

*Report on Internal Control Over Compliance*

Management of the System is responsible for establishing and maintaining effective internal control   
over compliance with the types of compliance requirements referred to above. In planning and   
performing our audit of compliance, we considered the System’s internal control over compliance   
with the types of requirements that could have a direct and material effect on each major federal   
program to determine the auditing procedures that are appropriate in the circumstances for the   
purpose of expressing an opinion on compliance for each major federal program and to test and   
report on internal control over compliance in accordance with the Uniform Guidance, but not for the   
purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the System’s internal control over compliance.

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

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

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

West Columbia, South Carolina

January 23, 2020

32

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS   
 SEPTEMBER 30, 2019

Summary of Auditors’ Results:

1. The auditors’ report expresses an unmodified opinion on the basic financial statements of

Lowcountry Regional Water System (the “System”).

2. No material weaknesses or significant deficiencies relating to the financial statements are

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

3. No instances of noncompliance material to the financial statements of System were disclosed

during the audit.

4. No material weaknesses or significant deficiencies relating to the audit of major federal awards

are reported in the Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditors’ report on compliance for the major federal award programs for System expresses

an unmodified opinion.

6. No audit findings were reported relative to the major federal award program for the System as

depicted below in this schedule.

7. Major federal programs:

Community Development Block Grants/Special Purpose Grants/Insular Areas

Community Development Block Grants/Special Purpose

Grants/Insular Areas CFDA #14.225

Water and Waste Disposal Systems for Rural Communities

Water and Waste Disposal Systems for Rural Communities CFDA #10.760

8. The threshold for distinguishing between Type A and Type B Programs was $750,000.

9. The System did not qualify as a low risk auditee.

Financial Statement Findings:

None reported.

Status of Prior Year Findings:

None were reported.

33

OTHER FINANCIAL INFORMATION

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
 WATER SERVICE, SEWER SERVICE AND UNALLOCATED

YEAR ENDED SEPTEMBER 30, 2019

Water Sewer Unallocated Total

Operating Revenues:

Water service $ 1,095,488 $ - $ - $ 1,095,488

Sewer service - 1,386,866 - 1,386,866

Penalties, reconnection fees and miscellaneous 10,575 8,101 - 18,676

Total operating revenues 1,106,063 1,394,967 - 2,501,030

Operating Expenses:

Personnel services 484,089 484,843 166,623 1,135,555

Contract sewer treatment - 14,400 - 14,400

Repairs and maintenance 82,505 70,945 14,138 167,588

Utilities 74,487 275,606 3,711 353,804

Supplies, materials and chemicals 17,062 49,898 9,659 76,619

Professional, engineering, lab and legal fees 64,413 200,606 42,225 307,244

Insurance 15,869 15,869 10,127 41,865

Vehicle and fuel expenses 16,959 14,157 4,432 35,548

Postage, printing and advertising 2,616 - 18,086 20,702

Building and equipment rental 7,922 25,245 8,089 41,256

Dues, licenses and permits 39,710 6,247 1,797 47,754

Bad debts 27,492 28,614 - 56,106

Bank charges - - 32,864 32,864

Depreciation 231,160 367,671 86,807 685,638

Miscellaneous 13,855 11,955 6,577 32,387

Total operating expenses 1,078,139 1,566,056 405,135 3,049,330

Operating income (loss) 27,924 (171,089) (405,135) (548,300)

Non-Operating Revenue (Expenses):

Grant income 532,149 532,149 - 1,064,298

Interest income - - 2,982 2,982

Interest expense (49,810) (73,139) (3,282) (126,231)

Net non-operating revenue (expense) 482,339 459,010 (300) 941,049

Change in net position $ 510,263 $ 287,921 $ (405,435) $ 392,749

34

1. [↑](#footnote-ref-1)