



Annual Report
For Fiscal Year Ending
September 30, 2025

**Lowcountry Regional Water System
513 Elm St West
Hampton, SC 29924**

Annual Report

**For Fiscal Year Ending
September 30th, 2025**



Table of Contents

INTRODUCTION	3
MISSION STATEMENT	4
MEMBERSHIP	5
Organization Structure	6
MANAGEMENT’S DISCUSSION and ANALYSIS	7
Capital Improvement Projects	9
BUDGETARY PROCEDURES	10
BUDGET	10
OUTSTANDING INDEBTEDNESS	11
TOTAL CUSTOMER COUNT BY TOWN	14
TOTAL CUSTOMER COUNT BY CONSUMPTION	15
TOWN OF BRUNSON CUSTOMER COUNT BY CONSUMPTION	16
TOWN OF GIFFORD CUSTOMER COUNT BY CONSUMPTION	17
TOWN OF HAMPTON CUSTOMER COUNT BY CONSUMPTION	18
TOWN OF VARNVILLE CUSTOMER COUNT BY CONSUMPTION	19
TOWN OF YEMASSEE CUSTOMER COUNT BY CONSUMPTION	20
HAMPTON COUNTY CUSTOMER COUNT BY CONSUMPTION	21
ANNUAL WATER PRODUCTION	22
ANNUAL WASTEWATER TREATED	23
INFRASTRUCTURE	25
SYSTEM CAPACITIES	26
BILLINGS and COLLECTIONS	27
WATER & SEWER CHARGES COMPARED WITH OTHER SYSTEMS	28
TOP TEN WATER USERS	29
AUDITED FINANCIAL STATEMENTS	30

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 thirteenth annual report prepared by Lowcountry Regional Water System since its creation in 2012 and represents the twelfth 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 2024-2025 is included as part of this Annual Report and may be found as Appendix A.

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
- Alignment of Infrastructure Master Plans with Growth Plans of Hampton County Future Interconnections between Towns Where Beneficial
- 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

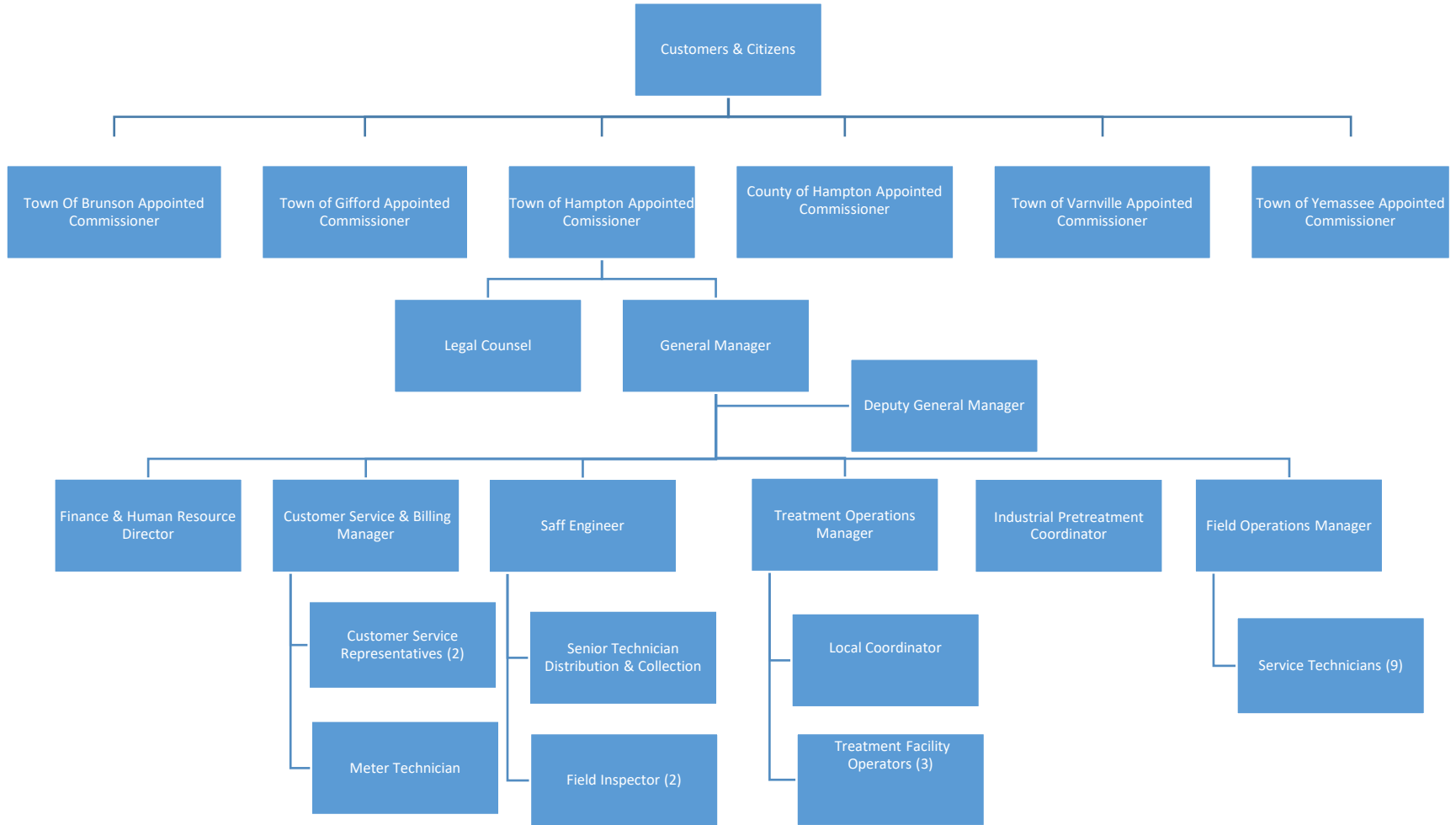
The Lowcountry Regional Water System was officially chartered February 17, 2012, with the issuance of its Corporate Certificate by the State of South Carolina through the Office of Secretary of State. The governing bodies of the Town of Brunson, Town of Hampton, Town of Varnville, Town of Yemassee and 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 powers of the System as provided by law shall be exercised by a Commission consisting of one (1) Commissioner (each a "Commissioner") from each of the Members of the System. Each Member shall appoint an elected member of such Member's governing body to serve as its Commissioner, with each such Commissioner's service on the Commission to be ex officio of their role as an elected official of such Member's governing body. Each Commissioner shall be appointed by resolution of the governing body of the Member which the Commissioner represents. In addition, each Member may, by resolution, designate an alternate representative(s) ("Alternate Commissioner") who shall perform the duties of the Member's Commissioner in the absence of the Member's Commissioner, who shall also be an elected official of such Member's governing body, serving ex officio. Each Commissioner and Alternate Commissioner shall be recognized as such upon delivery to the Commission of a certified copy of a resolution of the Member's governing body appointing such Commissioner or Alternate Commissioner. Each such Commissioner and Alternate Commissioner shall so serve until the Commission has received a certified copy of a resolution of the Member's governing body removing such Commissioner or Alternate Commissioner or appointing a successor. Any manager or administrator of a Member shall be an ex officio non-voting Members of the Commission with seat and voice but not vote.

Commissioners

Town of Brunson	Rocky Hudson- Chairman
Town of Hampton	Robert Brown- Vice Chairman
Town of Gifford	Horny Mitchell- Commissioner
Town of Varnville	Nathaniel Shaffer-Commissioner
Town of Varnville	Faye Gooding- Alternate
Town of Yemassee	John Paul Murray- Commissioner
County of Hampton	Dennis Thompson Jr.

Organization 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 twelfth 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 \$4,225,744
- Operating Expenses were (\$4,301,172)
- Operating Income loss was: (\$75,428)
- Non-Operating Revenues were: \$8,140,018
- Non-Operating Expenses were: (\$321,128)
- Net non-operating revenue was: \$7,818,890
- Capital Contributions: \$25,800
- Net Position, Beginning of the Year: \$17,356,141
- Net Position, End of Year: \$25,125,403
- The System's investment in capital assets as of September 30, 2025, amounts to \$35,842,930 (net of accumulated depreciation). Investments in capital assets include land, construction in progress, buildings, and equipment as well as water and sewer systems. The total increase in capital assets for the current year was approximately 32.29 percent.

Infrastructure Highlights

- Construction was begun on two projects funded by the State Revolving Fund: rehabilitation of the Lowcountry Regional Industrial Park (LRIP) Lift Station that provide wastewater conveyance in the Hampton County Industrial Area and the Jackson Avenue Elevated Tank that provides water supply storage in the Town of Hampton. These projects will fully renovate the infrastructure associated with the LRIP lift station and Jackson Avenue elevated tank. Supplemental funding for the LRIP LS was provided by Dominion Energy and for the Jackson Avenue Tank by the Town of Hampton.

- A project was designed and bid that will construct a wastewater force main along Highway 278 between the Towns of Brunson and Hampton. Once complete, the new pipeline will convey wastewater from the Town of Brunson to be treated at the Hampton WWTP, allowing the Brunson WWTP to be closed or used for other purposes. The project is the final phase of the Town of Brunson WWTP & Sewer Rehab project funded by USDA, SRF and EDA.
- A project is in development to construct a new 1.0 MG elevated tank in the Southern Carolina Industrial Campus and a 16" water transmission main along Hwy 68. The project will increase water storage capacity in the Hampton County Industrial Area, provide water service along the Hwy 68 corridor, and provide a redundant water supply to the Town of Yemassee. The project is being partially funded by a \$10,000,000 SCIIP grant.
- A project to improve the Yemassee Wastewater Treatment Facility to treat wastewater more efficiently to meet discharge limits is being designed and is currently funded.
- A project is being designed to upgrade and provide wastewater service to an area along River Road in the Beaufort County Section of the Town of Yemassee and is being funded through the Beaufort County "Good Neighbor" funds made available through the ARPA program.
- A project to construct a water main along Hwy 68 across I-95 to connect to the elevated water tank in Yemassee and for water supply improvements at the Industrial Park water supply system to provide for additional capacity and redundancy of the water supply for the Town of Yemassee. This project is being funded with a 100% grant in the amount of \$7,499,000 from the USDA disaster assistance funding program.
- A project to construct a water main to loop the southside of the Town of Yemassee from Castle Hall Rd to River Rd. To provide a water-main loop for system redundancy and improved water supply to meet fire protection needs. This project is being funded with a 100% grant in the amount of \$6,406,000 from the USDA disaster assistance funding program.



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

Capital Improvement Projects

Project Description	Estimated Cost	Funding Status	Project Status
Town of Brunson Wastewater Treatment & Sewer Rehab	\$7,541,600	Funded	Construction
LRIP Lift Station Rehab	\$917,780	Funded	Construction
Jackson Ave Elevated Tank Rehab	\$550,500	Funded	Construction
Yemassee WWTP Improvements	\$3,000,000	Partially Funded	Design/Permitting
Highway 68 Elevated Tank and Water Transmission Main	\$11,785,000	Partially Funded	Design/Permitting
River Rd Alternative Sewer	\$300,000	Funded	Design
Hwy 68 Water Main Extension and Well Rehab/Development	\$7,499,000	Funded	Design
Yemassee Water Main Looping	\$6,406,000	Funded	Design
Total Amount of All Projects	\$37,999,280		

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 with preliminary information for review and development of their department’s 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 ensure 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 decide 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 2024-2025.

<u>Item</u>	<u>Budgeted</u>	<u>Actual</u>
<u>Revenues</u>		
Water Revenue	\$1,688,979	\$1,616,538
Wastewater Revenue	\$2,144,267	\$2,059,740
Operating Revenue	\$441,645	\$549,466
<u>Totals</u>	<u>\$4,274,891</u>	<u>\$4,225,744</u>
<u>Item</u>	<u>Budgeted</u>	<u>Actual</u>
<u>Expenditures</u>		
Water Treatment	\$309,360	\$516,833
Water Distribution	\$820,524	\$676,707
Wastewater Treatment	\$899,643	\$1,013,975
Wastewater Collection	\$710,648	\$862,430
Administrative	\$1,534,716	\$1,231,227
<u>Totals</u>	<u>\$4,274,891</u>	<u>\$4,301,172</u>

OUTSTANDING INDEBTEDNESS

The following table presents information on the debt obligations of the Lowcountry Regional Water System as of September 30, 2025.

Town/ LRWS	Lien Holder/ Issuer	Year/ Series	Original Notes/Bonds	Outstanding Notes/Bonds 9/30/25	Interest Rate	Final Maturity
LRWS	USDA	2021	\$2,095,000	\$1,889,714	1.5%	2058
LRWS	USDA	2023	\$2,741,000	\$2,631,443	2.75%	2063
LRWS	USDA	2018	\$6,480,000	\$5,880,455	2.75%	2059
LRWS	BAN	2024	\$2,700,000	\$758,334	6.79%	
Total	Original Notes & Bonds			Outstanding Notes & Bonds as of September 30, 2025		
	\$11,316,000.00			\$11,159,946.00		

SCHEDULE OF WATER AND WASTEWATER RATES
As of October 01, 2024

Description	RESIDENTIAL
	COMMERCIAL

WATER

Basic Facility

Monthly Charge:

Residential Meter Size:

3/4" x 5/8" \$ 15.69

Commercial Meter Size:

3/4" \$ 17.43

1" \$ 29.05

1-1/2" \$ 58.10

2" \$ 92.96

3" \$ 185.91

4" \$ 290.49

6" \$ 580.97

8" \$ 929.56

10" \$ 2,440.09

Volumetric Charge

\$/Unit (1,000 Gallons):

Residential:

Per Unit \$ 4.396

Commercial:

Per Unit \$ 4.710

<i>Description</i>

COMMERCIAL / INDUSTRIAL

FIRE SPRINKLER

Basic Facility

Monthly Charge:

LRIP / SCIC \$ 339.00

Description

**RESIDENTIAL
COMMERCIAL**

WASTEWATER

Basic Facility

Monthly Charge:

Residential Meter Size:

3/4" x 5/8" \$ 20.99

Commercial Meter Size:

3/4" \$ 23.83

1" Service \$ 39.71

1-1/2" Service \$ 79.42

2" Service \$ 127.07

3" Service \$ 254.15

4" Service \$ 397.11

6" Service \$ 794.22

8" Service \$ 1,270.75

10" Service \$ 3,335.72

Volumetric Charge \$/Unit (1,000 Gallons):

Residential:

Per Unit \$ 7.206

Commercial:

Per Unit \$ 7.715

Description

CAPACITY FEE PER "REU"

Water Capacity Fee

Per "Residential Equivalent Unit" (REU) (150 GPD) **\$2,400 Per (REU)**

Sewer Capacity Fee

Per "Residential Equivalent Unit" (REU) (300) **\$2,400 Per (REU)**

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	212	17	229	8%	4%	7%
Gifford	123	7	130	4%	2%	4%
Hampton	1213	227	1440	44%	53%	45%
H County	0	12	12	0	3%	1%
Varnville	747	105	852	27%	24%	27%
Yemassee	460	62	522	17%	14%	16%
Total	2755	430	3185			

Source: QS1Billing Report for September 01, 2025, through September 30, 2025. **Includes accounts that were made inactive and/or direct or final billed.**

TOTAL CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential Water	Total %		Commercial Water	Total %	%	Combined Total	Total %	%
0-999	468	17%	67%	195	45%	70%	657	21%	67%
1,000-1,999	497	18%		59	14%		546	17%	
2,000-2,999	486	17%		33	8%		507	16%	
3,000-3,999	401	15%		15	3%		408	13%	
4,000-4,999	250	9%		17	4%		266	9%	
5,000-5,999	219	8%		13	3%		226	7%	
6,000-6,999	111	4%		12	3%		115	4%	
7,000-7,999	89	3%		8	2%		91	3%	
8,000 +	234	9%		78	18%		309	10%	
Total	2755			430			3185		

Source: QS1-Billing report for all accounts September 1, 2025, through September 30, 2025. Vetrostone is billed at a flat rate monthly therefore, consumption is not known. Meters are read at the end of each month and billed the following month. Totals in this report represent usage for the month of August 2025 that was billed in September 2025.

TOWN OF BRUNSON CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	27	13%	67%	9	53%	65%	36	16%	66%
1,000-1,999	34	16%		1	6%		35	15%	
2,000-2,999	41	20%		1	6%		42	18%	
3,000-3,999	39	18%		0	0%		39	17%	
4,000-4,999	23	11%		1	6%		24	11%	
5,000-5,999	15	7%		1	6%		16	7%	
6,000-6,999	7	3%		1	6%		8	3%	
7,000-7,999	5	2%		1	6%		6	3%	
8,000 +	21	10%		2	11%		23	10%	
Total	212			17			229		

Source: QS1-Billing report September 1, 2025, through September 30, 2025.



TOWN OF GIFFORD CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	30	24%	77%	5	72%	86%	35	27%	78%
1,000-1,999	18	15%		1	14%		19	15%	
2,000-2,999	23	19%		0	0%		23	18%	
3,000-3,999	24	19%		0	0%		24	18%	
4,000-4,999	7	6%		0	0%		7	5%	
5,000-5,999	7	6%		0	0%		7	5%	
6,000-6,999	2	2%		0	0%		2	2%	
7,000-7,999	3	2%		0	0%		3	2%	
8,000 +	9	7%		1	%		10	8%	
Total	123			7			130		

Source: QS1-Billing report September 1, 2025, through September 30, 2025.



TOWN OF HAMPTON CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%		%	Total	%	%
0-999	225	19%	66%	101	44%		73%	322	23%	67%
1,000-1,999	232	19%		38	17%			260	19%	
2,000-2,999	197	16%		16	7%			207	14%	
3,000-3,999	151	12%		11	5%			161	11%	
4,000-4,999	111	9%		7	3%		118	8%		
5,000-5,999	104	9%		8	4%		106	8%		
6,000-6,999	60	5%		3	1%		56	4%		
7,000-7,999	33	3%		4	2%		35	3%		
8,000 +	100	8%		39	17%		136	10%		
Total	1213			227				1440		

Source: QS1-Billing report September 1, 2025, through September 30, 2025.



TOWN OF VARNVILLE CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	102	14%	66%	45	43%	68%	147	17%	66%
1,000-1,999	128	17%		13	12%		141	17%	
2,000-2,999	143	19%		11	10%		154	18%	
3,000-3,999	120	16%		3	3%		123	14%	
4,000-4,999	71	10%		7	7%		78	9%	
5,000-5,999	55	7%		2	2%		57	7%	
6,000-6,999	31	4%		4	4%		35	4%	
7,000-7,999	29	4%		1	1%		30	4%	
8,000 +	68	9%		19	18%		87	10%	
Total	747			105			852		

Source: QS1-Billing report September 1, 2025, through September 30, 2025.



Mill Pond Lift Station

TOWN OF YEMASSEE CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	84	18%	70%	30	49%	67%	114	22%	68%
1,000-1,999	85	19%		5	8%		90	17%	
2,000-2,999	82	18%		5	8%		87	16%	
3,000-3,999	67	15%		1	2%		68	13%	
4,000-4,999	38	8%		2	3%		40	8%	
5,000-5,999	38	8%		2	3%		40	8%	
6,000-6,999	11	2%		4	6%		15	3%	
7,000-7,999	19	4%		2	3%		21	4%	
8,000 +	36	8%		11	18%		47	9%	
Total	460			62			522		

Source: QS1-Billing report September 1, 2025, through September 30, 2025.



HAMPTON COUNTY CUSTOMER COUNT BY CONSUMPTION

Gallons	Commercial	%	%
0-999	5	42%	50%
1,000-1,999	1	8%	
2,000-2,999	0	0%	
3,000-3,999	0	0%	
4,000-4,999	0	0%	
5,000-5,999	0	0%	
6,000-6,999	0	0%	
7,000-7,999	0	0%	
8,000 +	6	50%	
Total	12		

Source: QS1-Billing report September 1, 2025, through September 30, 2025.



ANNUAL WATER PRODUCTION

System	Gallons Produced	Gallons Residential Sales	Gallons Commercial Sales	Total Gallons from Sales	Gallons Flushed-Used by Operators	Gallons Inefficiency	% Inefficiency
Brunson	755,010	10,271,038	6,588,145	16,859,183		16,104,173	-2133%
Gifford	29,944,590	4,599,052	175,426	4,774,478		25,170,112	84%
Hampton	154,839,140	53,806,046	27,145,334	80,951,380	500,000	73,387,760	47%
Hampton County	13,878,170	0	12,128,417	12,128,417	500,000	1,249,753	9%
Varnville	71,696,487	35,366,785	17,856,821	53,223,606		18,472,881	26%
Yemassee	61,478,023	19,987,072	27,543,136	47,530,208	323,560	13,624,255	22%
Total	332,591,420	124,029,993	91,437,279	215,467,272	1,323,560	115,800,588	35%

Source: 2024-2025 Monthly Production Data



ANNUAL WASTEWATER TREATED

Source: 2024-2025 Monthly Production Data

System	Gallons Received	Gallons Residential Sales	Gallons Commercial Sales	Gallons MISC-Spilled	Total Gallons Res/Com/Misc	Gallons Treated Inefficiency	% Inefficiency
Brunson	80,749,212	8,861,495	6,565,307	0	15,426,802	65,322,410	81%
Gifford		3,931,068	175,426	0	4,106,494	(4,106,194)	
Hampton	249,720,200	49,881,275	21,109,615	0	70,990,890	178,729,310	72%
Hampton County	11,813,756	0	10,322,629	20,000	10,322,629	11,793,756	100%
Varnville	109,075,800	29,550,490	18,198,436	0	47,748,926	61,326,874	56%
Yemassee	54,324,100	14,313,036	16,805,809	0	31,118,845	23,205,255	43%
Total	505,683,068	106,537,364	62,854,593	20,000	169,391,957	336,271,111	66%

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	2,069	28,140	18,050	221,231	24,278	17,987
Gifford	82,040	12,600	481	0	10,770	481
Hampton	424,217	147,414	74,371	684,165	136,661	57,835
Hampton County	38,022	-	33,229	32,366	-	32,366
Varnville	196,429	96,896	48,923	298,838	80,960	49,859
Yemassee	168,433	54,759	75,716	148,833	39,214	46,043,
Total	911,209	339,809	233,925	1,385,433	291,883	204,571

Source: 2024-2025 Operations Report & 2024-2025 Monthly Production

INFRASTRUCTURE

Infrastructure Description	Quantity
Elevated Water Storage Tanks	9
Hydro-pneumatic Water Storage Tanks	1
Potable Water Production Wells	11
Process Water Production Wells	1
Wastewater Treatment Facilities	3
Wastewater Lift Stations	22
Water Distribution Mains (Miles)	130
Wastewater Collection Mains (Miles)	96
Ground Storage Tanks	1
Fire Pump	1
Fire Hydrants	492



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

YEAR	TOTAL BILLED	TOTAL COLLECTED	PERCENTAGE COLLECTED
2025	\$4,228,546.05	\$4,196,558.75	99.2%
2024	\$4,082,286.41	\$4,106,651.62	100.5%
2023	\$4,703,593.24	\$4,636,927.40	99%
2022	\$3,388,499.10	\$3,409,207.53	100.6%
2021	3,136,542.38	\$3,075,802.34	98 %

Source: LRWS QS1 Billing & Accounting Software Report 2024-2025 Note: Total billed is for the period of 10-01-2024 through 9-30-2025. Total collected includes payments received for current and old or delinquent accounts. Delinquent accounts are collected through the MASC Setoff Debt collections program.



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	\$37.69	\$57.04	\$94.73
Town of Fairfax	\$21.45	\$26.57	\$48.02
Town of Allendale	\$29.76	\$36.24	\$66.00
City of Barnwell	\$23.75	\$29.50	\$53.25
Town of Ridgeland	\$26.41	\$46.18	\$72.59
Town of Estill	\$26.81	\$36.56	\$63.37
Town of Ehrhardt	\$29.60	\$29.93	\$59.53
City of Bamberg	\$34.55	\$54.25	\$88.80
City of Charleston	\$27.50	\$89.02	\$116.52
City of Columbia	\$22.92	\$44.10	\$67.02
Beaufort Jasper W&S Authority	\$37.54	\$58.21	\$95.75
Dorchester County Water & Sewer Dept	\$47.05	\$66.15	\$113.20
Lexington County Joint Municipal W&S	\$52.77	\$55.96	\$108.73

Source: SC Rural Infrastructure Authority Office of Local Government 2025 Municipal Water and Sewer Rate Survey

TOP TEN WATER USERS
Year Ending: 9-30-2025 Compared to Year Ending: 9-30-2024

Water Consumption for 12 Consecutive Months

Customer	Water Used Annually 2025	Customer	Water Used Annually 2024
Love's Travel Stop Irrigation	1,402,140	Carolina Textile Care, LLC	10,379,455
Carolina Textile Care, LLC	9,901,638	Alpha Genesis, Inc.	9,088,180
Alpha Genesis, Inc.	6,322,476	Hampton Regional Medical Center	5,830,020
Wade Hampton High School	5,100,400	Brunson Laundry	4,977,918
Brunson Laundry	5,069,657	Love's Travel Stop	3,952,550
Love's Travel Stop	4,764,570	Love's Travel Stop Irrigation	2,905,830
Southeastern Housing & Community Development	2,463,220	Southeastern Housing & Community Development	2,870,838
Hampton Regional Medical Center	2,211,840	Hampton County Courthouse Irrigation	2,411,655
Law Enforcement-Annex	1,893,422	Fennell Elementary School	2,169,059
Varnville Area Housing	1,647,435	Varnville Area Housing 2	1,705,948

Source: LRWS QS1 Billing Software

Appendix A
AUDITED FINANCIAL STATEMENTS



LOWCOUNTRY REGIONAL WATER SYSTEM

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

WITH

INDEPENDENT AUDITORS' REPORT

LOWCOUNTRY REGIONAL WATER SYSTEM

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

WITH

INDEPENDENT AUDITORS' REPORT

LOWCOUNTRY REGIONAL WATER SYSTEM

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

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 and Other Compliance:	
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 <i>Governmental Auditing Standards</i>	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	34
Other Financial Information:	
Schedule of Revenues, Expenses, and Changes in Net Position – Water Service, Sewer Service, and Unallocated	36

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

The Honorable Chairman and Members of the Board of Commissioners
Lowcountry Regional Water System
513 Elm Street West
Hampton, South Carolina 29924

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the System, as of September 30, 2025, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying Schedule of Revenues, Expenses and Changes in Net Position – Water Service, Sewer Service and Unallocated on page 36, and Schedule of Expenditures of Federal Awards on page 27, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Revenues, Expenses, and Changes in Net Position – Water Service, Sewer Service, and Unallocated, and the Schedule of Expenditures of Federal Awards 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 December 31, 2025, 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.

The Brittingham Group LLP

West Columbia, South Carolina
December 31, 2025

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 net position 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,		
	(as restated)		
	2025	2024	Variance
Assets and Deferred Outflows of Resources:			
Cash and cash equivalents	\$ 2,395,291	\$ 3,237,785	\$ (842,494)
Accounts receivable, net	357,185	405,807	(48,622)
Grants receivable	2,528,996	492,417	2,036,579
Inventory	36,721	52,602	(15,881)
Capital assets, net	35,842,930	27,094,870	8,748,060
Deferred outflows of resources	407,808	455,607	(47,799)
Total assets and deferred outflows of resources	\$ 41,568,931	\$ 31,739,088	\$ 9,829,843
Liabilities and Deferred Inflows of Resources:			
Current liabilities	\$ 4,320,343	\$ 2,039,166	\$ 2,281,177
Long-term debt	10,214,476	10,398,066	(183,590)
Pension liability	1,748,693	1,921,464	(172,771)
Deferred inflows of resources	160,016	24,251	135,765
Total liabilities and deferred inflows of resources	16,443,528	14,382,947	2,060,581
Net Position:			
Invested in capital assets	21,704,524	15,873,109	5,831,415
Restricted for debt service	1,154,184	1,328,216	(174,032)
Unrestricted	2,266,695	154,816	2,111,879
Total Net Position	\$ 25,125,403	\$ 17,356,141	\$ 7,769,262

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,		
	(as restated)		
	2025	2024	Variance
Operating revenues	\$ 4,225,744	\$ 4,161,064	\$ 64,680
Operating expenses	(4,301,172)	(4,021,714)	(279,458)
Operating income (loss)	(75,428)	139,350	(214,778)
Non-operating revenues	8,140,018	3,165,044	4,974,974
Non-operating expenses	(321,128)	(287,964)	(33,164)
Net non-operating revenue	7,818,890	2,877,080	4,941,810
Capital contributions	25,800	120,000	(94,200)
Change in net position	7,769,262	3,136,430	\$ 4,632,832
Net position - beginning of year	17,356,141	14,219,711	
Net position - end of year	<u>\$ 25,125,403</u>	<u>\$ 17,356,141</u>	

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.

Condensed Statement of Cash Flows

	Year Ended September 30,		
	2025	2024	Variance
Cash provided (used) by:			
Operating activities	\$ 795,270	\$ 1,645,272	\$ (850,002)
Capital and related financing activities	(1,644,728)	(209,895)	(1,434,833)
Investing activities	6,964	9,341	(2,377)
Net change in cash	(842,494)	1,444,718	(2,287,212)
Cash and cash equivalents - beginning of year	3,237,785	1,793,067	1,444,718
Cash and cash equivalents - end of year	<u>\$ 2,395,291</u>	<u>\$ 3,237,785</u>	<u>\$ (842,494)</u>

Capital Assets

The System's investment in capital assets as of September 30, 2025, amounts to \$35,842,930 (net of accumulated depreciation). The investment in capital assets includes land, construction in process, buildings, equipment, and vehicles as well as water and sewer systems. The total increase in capital assets for the current year was approximately 32.29 percent.

	Year Ended September 30,		
	2025	2024	Variance
Land	\$ 274,680	\$ 247,180	\$ 27,500
Construction in Process	16,873,360	9,457,682	7,415,678
Buildings	175,228	178,378	(3,150)
Equipment	509,886	496,993	12,893
Vehicles	628,435	628,435	-
Water systems	16,531,647	15,988,180	543,467
Sewer systems	19,829,596	18,294,604	1,534,992
Less: accumulated depreciation	(18,979,902)	(18,196,582)	(783,320)
	<u>\$ 35,842,930</u>	<u>\$ 27,094,870</u>	<u>\$ 8,748,060</u>

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:
 - Water and Wastewater System Improvement – Division 2
 - Brunson Wastewater Treatment Plant and Sewer Rehab
 - Alpha Genesis Sewer Services Project
 - Yemassee Wastewater Treatment Upgrade
 - Water System Improvements – Highway 68

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 2025, the System had total current and long-term debt outstanding of \$11,159,946. The entire amount is payable to three revenue bonds and one bond anticipation note, all of which are backed by the net revenues of the water and sewer system.

Current and Long-Term Debt

	Year Ended September 30,		
	2025	2024	Variance
Revenue bonds payable	\$ 10,401,612	\$ 10,580,517	\$ (178,905)
Bond anticipation note payable	758,334	641,244	117,090
	\$ 11,159,946	\$ 11,221,761	\$ (61,815)

The System’s total long-term debt decreased by \$61,815, or 0.55 percent, during the fiscal year. This net decrease reflects principal reductions of \$178,905 on outstanding bonds, offset in part by \$117,090 in additional draws on the System’s bond anticipation note related to capital improvement activities.

Additional information on the System’s long-term debt can be found in *Note 5* of this report.

Business Overview

The powers of the System, as provided by law, are exercised by a Commission consisting of one (1) Commissioner from each member of the System. Each member appoints an elected official from its governing body to serve ex officio as its Commissioner by resolution. Members may also designate one or more elected officials as Alternate Commissioners to serve in the absence of the Commissioner. Commissioners and Alternate Commissioners are recognized upon delivery of a certified appointing resolution and serve until removed or replaced by resolution. Managers or administrators of member governments serve as ex officio, non-voting members of the Commission with seat and voice, but no vote.

The General Manager is responsible for the day-to-day operations of the System and provides monthly reports to the Commission addressing financial information, regulatory matters, and economic development activity.

The System has 22 authorized full-time positions and one part-time position. Administrative staff includes the General Manager, Engineer, Finance and Human Resources Director, Customer Service and Billing Manager, Meter Technician, and customer service personnel. Operations staffing includes water distribution, wastewater collection, and treatment personnel. As of September 30, 2025, only 15 of the authorized full-time positions were filled, and staffing continues to be a challenge.

At the close of the fiscal year, the System served 451 commercial and 2,709 residential water customers, and 385 commercial and 2,395 residential sewer customers. No single customer or customer group represents a significant concentration.

The System is operating under consent orders issued by the South Carolina Department of Environmental Services (SCDES) related to permit violations at the Town of Brunson, Town of Hampton, and Town of Yemassee wastewater treatment facilities. The System completed corrective actions for the Town of Brunson facility, including placing an interconnection with the Town of Hampton wastewater system into service, and is currently in a compliance confirmation monitoring period through December 31, 2025. Corrective actions for the Town of Hampton and Town of Yemassee facilities are ongoing and include planned capital improvements supported by state and federal funding. In addition, the System has submitted a draft Industrial Pretreatment Program to SCDES and is awaiting regulatory approval prior to adoption by the Commission.

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

Existing commercial/industrial customers, LeCreuset and Nupi Americas, have both recently completed expansions and or underway with additional expansions. These expansions will have a small impact on the revenues for the system with negligible impact on the cost of operations. Carolina Textile, a commercial laundry operation, continues to increase their demand for water and sewer usage. The Lowcountry Food Bank has established a new distribution facility in the Southern Carolina Industrial Campus (SCIC) and will require minimum water and sewer services. There are two new facilities being constructed within the SCIC. Agracell, in partnership with Hampton County, is constructing a speculative building to market for sale. Finally, the Agricultural Technology Campus (ATC) is in construction of its first of 8 planned, 28-acre advanced technology greenhouses. They project over a \$300 million investment and over 1,000 jobs created once all of their project phases are completed. There will be limited impact to water and sewer services required to support the facility. Water and sewer needs will be primarily for potable and sanitary sewer services to support employees. Water services required for grow-operations will come from mainly rainwater collection and storage as part of their environmentally friendly and impact reduction plan and will not significantly impact the water and or sewer system.

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, 2025.

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.

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Assets and Deferred Outflows of Resources:

Current assets:	
Cash and cash equivalents	\$ 1,241,107
Restricted cash and cash equivalents	1,154,184
Accounts receivable, net	357,185
Grants receivable	2,528,996
Inventory	<u>36,721</u>
Total current assets	<u>5,318,193</u>
Non-current assets:	
Capital assets, not being depreciated	17,148,040
Capital assets, net of accumulated depreciation	<u>18,694,890</u>
Total non-current assets	<u>35,842,930</u>
Deferred outflows of resources - pension plan	<u>407,808</u>
Total assets and deferred outflows of resources	<u>41,568,931</u>

Liabilities and Deferred Inflows of Resources:

Current liabilities:	
Accounts payable	58,727
Construction payable	2,978,460
Accrued liabilities	52,177
Accrued compensated absences	124,873
Unearned revenues	56,733
Accrued interest payable	17,380
Due to other governments	86,523
Revenue bonds payable - current portion	<u>945,470</u>
Total current liabilities	<u>4,320,343</u>
Other liabilities:	
Revenue bonds payable - non-current portion	10,214,476
Pension liability	<u>1,748,693</u>
Total long-term liabilities	<u>11,963,169</u>
Deferred inflows of resources - pension plan	<u>160,016</u>
Total liabilities and deferred inflows of resources	<u>16,443,528</u>

Net Position:

Net investment in capital assets	21,704,524
Restricted for debt service	1,154,184
Unrestricted - unfunded pension liability	(1,500,901)
Unrestricted - other	<u>3,767,596</u>
Total net position	<u>\$ 25,125,403</u>

See accompanying notes.

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

YEAR ENDED SEPTEMBER 30, 2025

Operating Revenues:

Water service	\$ 1,616,538
Sewer service	2,059,740
Penalties, reconnection fees and miscellaneous	<u>549,466</u>
Total operating revenues	<u>4,225,744</u>

Operating Expenses:

Personnel services	1,655,779
Contract sewer treatment	15,183
Repairs and maintenance	230,848
Utilities	401,592
Supplies, materials and chemicals	218,447
Professional, engineering, lab and legal fees	338,692
Insurance	63,978
Vehicle and fuel expenses	69,741
Postage, printing and advertising	18,464
Building and equipment rental	38,533
Dues, licenses and permits	110,870
Bad debts	36,749
Bank charges	236,288
Depreciation	811,942
Miscellaneous	<u>54,066</u>
Total operating expenses	<u>4,301,172</u>
Operating loss	<u>(75,428)</u>

Non-Operating Revenues (Expenses):

Grant income	8,133,054
Interest income	6,964
Interest expense	(321,106)
Loss on disposition of capital assets	<u>(22)</u>
Net non-operating revenues (expenses)	<u>7,818,890</u>

Income before capital contributions 7,743,462

Capital Contributions: 25,800

Change in net position	7,769,262
Net position, beginning of year	17,415,552
Adjustment for change in accounting principle	<u>(59,411)</u>
Net position, end of year	<u>\$ 25,125,403</u>

See accompanying notes.

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2025

Cash Flows From Operating Activities:

Cash received from customers	\$ 4,274,366
Cash payments for personnel services	(1,641,553)
Cash payments for operating and contractual services	(15,183)
Cash payments for suppliers	<u>(1,822,360)</u>
Net cash flows provided by operating activities	<u>795,270</u>

Cash Flows From Capital and Related Financing Activities:

Grant income	6,086,858
Acquisition and construction of capital assets	(7,374,629)
Proceeds from the issuance of capital debt	117,090
Principal paid on capital debt	(178,905)
Interest paid on capital debt	(320,942)
Proceeds from capital contributions	<u>25,800</u>
Net cash flows used in capital and related financing activities	<u>(1,644,728)</u>

Cash Flows From Investing Activities:

Interest income	<u>6,964</u>
Net cash flows provided by investing activities	<u>6,964</u>

Net change in cash and cash equivalents	(842,494)
Cash and cash equivalents, beginning of year	<u>3,237,785</u>
Cash and cash equivalents, end of year	<u>\$ 2,395,291</u>

Reconciliation of Cash and Cash Equivalents:

Cash and cash equivalents	\$ 1,241,107
Restricted cash and cash equivalents	<u>1,154,184</u>
Cash and cash equivalents, end of year	<u>\$ 2,395,291</u>

(CONTINUED)

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF CASH FLOWS

-CONTINUED-

Reconciliation of Operating Loss to Net Cash Flows

Provided by Operating Activities:	
Operating loss	\$ (75,428)
Adjustments to reconcile operating loss to net cash flows provided by operating activities:	
Depreciation	811,942
Change in assets and liabilities	
Accounts receivable	48,623
Inventory	15,881
Deferred outflows	47,799
Deferred inflows	135,765
Accounts payable	(11,072)
Accrued liabilities	(1,883)
Due to other governments	(7,019)
Accrued compensated absences	3,433
Pension liability	(172,771)
Net cash flows provided by operating activities	<u>\$ 795,270</u>

See accompanying notes.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

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 governance of the Lowcountry Regional Water System Board of Commissioners (the “Board”). The Board regulates the rates charged to customers for water and sewer services. These rates are designed to generate sufficient cash flows to support System operations, debt service requirements, rate-funded capital asset acquisitions, and required 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 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-

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:

<u>Class of Asset</u>	<u>Life</u>
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.

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.

During fiscal year 2025, the System adopted GASB Statement No. 101, *Compensated Absences*, retroactively. Under this standard, the System recognizes a liability for the portion of accumulated sick leave that is more likely than not to be used, based on the System's historical sick leave usage. The recognized sick leave liability reflects the amount expected to be used within the next twelve months; accordingly, the entire liability associated with compensated absences for sick leave is classified as a current liability in the statement of net position.

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.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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.

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, 2025, the carrying amount of the System's deposits totaled \$2,395,291, and the bank balance was \$2,484,067, all of which was either insured by the FDIC or collateralized by a financial institution.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

3. Capital Assets

Activity in capital assets for the year ended September 30, 2025 was as follows:

	October 1, 2024	Increases	Decreases	Transfers	September 30, 2025
Capital assets, not being depreciated :					
Land	\$ 247,180	\$ 27,500	\$ -	\$ -	\$ 274,680
Construction in process	9,457,682	9,467,016	-	(2,051,338)	16,873,360
Total capital assets, not being depreciated	<u>9,704,862</u>	<u>9,494,516</u>	<u>-</u>	<u>(2,051,338)</u>	<u>17,148,040</u>
Capital assets, being depreciated:					
Buildings	178,378	-	(3,150)	-	175,228
Equipment	496,993	38,387	(25,494)	-	509,886
Vehicles	628,435	-	-	-	628,435
Water systems	15,988,180	-	-	543,467	16,531,647
Sewer systems	18,294,604	27,121	-	1,507,871	19,829,596
Total capital assets, being depreciated	<u>35,586,590</u>	<u>65,508</u>	<u>(28,644)</u>	<u>2,051,338</u>	<u>37,674,792</u>
Less: accumulated depreciation	<u>(18,196,582)</u>	<u>(811,942)</u>	<u>28,622</u>	<u>-</u>	<u>(18,979,902)</u>
Total capital assets	<u>\$ 27,094,870</u>	<u>\$ 8,748,082</u>	<u>\$ (22)</u>	<u>\$ -</u>	<u>\$ 35,842,930</u>

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, 2025:

	Brunson	Gifford	Hampton	Varnville	Yemassee	Total
Services billed for:						
Police	\$ 300	\$ 553	\$ -	\$ 7,684	\$ -	\$ 8,537
Garbage collection	1,298	916	34,946	22,664	5,130	64,954
Animal Control	58	-	-	-	-	58
Solid waste	-	-	1,200	786	-	1,986
Franchise fees	-	181	5,255	4,571	981	10,988
Total due to towns	<u>\$ 1,656</u>	<u>\$ 1,650</u>	<u>\$ 41,401</u>	<u>\$ 35,705</u>	<u>\$ 6,111</u>	<u>\$ 86,523</u>

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Long-Term Debt

Revenue Bonds Payable

Revenue Bonds Payable at September 30, 2025 consists of the following:

The System issued a Waterworks and Sewer System Revenue Bond Anticipation Note, Series 2024, for 2,700,000. Payments are due monthly through 2026 and consist of interest-only payments on amounts drawn at an interest rate of 6.79%. The balance as of September 30, 2025 is \$758,334.

Waterworks and Sewer System Revenue Bond, Series 2023 for 2,741,000 due in monthly payments through 2063 with an interest rate of 2.75%. The balance as of September 30, 2025 is \$2,631,443.

Waterworks and Sewer System Revenue Bond, Series 2021 for 2,095,000 due in monthly payments through 2058 with an interest rate of 1.5%. The balance as of September 30, 2025 is \$1,889,714.

USDA Bond Financing with an original amount of \$6,480,000 due in monthly payments through 2059 with an interest rate of 2.75%. The balance as of September 30, 2025 is \$5,880,455.

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

Year Ended September 30,	Principal	Interest	Total
2026	\$ 945,470	\$ 265,563	\$ 1,211,033
2027	191,948	257,908	449,856
2028	196,889	252,967	449,856
2029	201,963	247,893	449,856
2030	207,175	242,681	449,856
2031-2035	1,119,125	1,130,155	2,249,280
2036-2040	1,272,316	976,964	2,249,280
2041-2045	1,447,511	801,769	2,249,280
2046-2050	1,647,961	601,319	2,249,280
2051-2055	1,877,405	371,875	2,249,280
2056-2060	1,774,407	159,403	1,933,810
2061-2063	<u>277,776</u>	<u>59,580</u>	<u>337,356</u>
	<u>\$ 11,159,946</u>	<u>\$ 5,368,077</u>	<u>\$ 16,528,023</u>

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Long-Term Debt (continued)

Changes in long-term liabilities for the year ended September 30, 2025, were as follows:

	October 1, 2024	Additions	Reductions	September 30, 2025	Due Within One Year
Revenue bonds payable	\$ 11,221,761	\$ 117,090	\$ (178,905)	\$ 11,159,946	\$ 945,470
Compensated absences	121,440	124,873	(121,440)	124,873	124,873
	<u>\$ 11,343,201</u>	<u>\$ 241,963</u>	<u>\$ (300,345)</u>	<u>\$ 11,284,819</u>	<u>\$ 1,070,343</u>

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.

PEBA issues an Annual Comprehensive Financial Report containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

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.

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.

Effective October 1, 2024, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 18.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 18.41%, and 0.15% for the incidental death program. The System’s actual contributions to the SCRS for the years ended September 30, 2025, 2024, and 2023 were as follows:

Year Ended September 30,	Employer Contribution Rate			Employer Contributions		
	Base	Death	Total	Base	Death	Total
2025	18.41%	0.15%	18.56%	\$ 200,286	\$ 1,632	\$ 201,918
2024	18.41%	0.15%	18.56%	187,718	1,529	189,247
2023	17.41%	0.15%	17.56%	183,093	1,557	184,650

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.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

At September 30, 2025 the System reported \$1,748,693 as its proportionate share of the net pension liabilities of SCRS. The net pension liability and sensitivity information were determined based on an actuarial valuation performed as of July 1, 2023. The total pension liability was rolled forward from the valuation date to the plans' fiscal year end, June 30, 2024, using generally accepted accounting principles. There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions for any of the systems.

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, 2024, the System's SCRS proportion was 0.007457%. For the year ended September 30, 2025 the System recognized pension expenses of \$201,918 for SCRS.

At September 30, 2025, 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	\$ 57,468
Assumption changes	30,829
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	117,593
Current year employer contributions	<u>201,918</u>
Total deferred outflows of resources	<u>\$ 407,808</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ (2,170)
Net difference between projected and actual investment earnings	(67,378)
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	<u>(90,468)</u>
Total deferred inflows of resources	<u>(160,016)</u>

Net deferred outflows and inflows of resources	<u>\$ 247,792</u>
---	--------------------------

System contributions subsequent to the measurement date totaled \$201,918. These contributions will be reported as deferred outflows of resources related to pensions as of September 30, 2025 but will be recognized as a reduction of the net pension liability for the year ended September 30, 2026.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

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

<u>Year Ended June 30,</u>	<u>Net</u>
2026	\$ 7,035
2027	78,152
2028	(21,620)
2029	(17,693)
	<u>\$ 45,874</u>

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2024:

	<u>SCRS</u>
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment Rate or Return	7.00%
Projected Salary Increases	3.0% to 11%
Inflation Rate	2.25%
Benefit Adjustments	Lesser of 1% or \$500

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

Assumptions used in the July 1, 2024 valuation for SCRS are as follows:

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-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.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity	9.0%	9.60%	0.86%
Private Debt	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real Estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
Total Expected Real Return	100%		5.49%
Inflation for Actuarial Puposos			2.25%
Total Expected Nominal Return			7.74%

The discount rate used to measure the total pension liability (“TPL”) was 7 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.

The following table represents the System’s proportionate share of the net SCRS pension liability calculated using the discount rate of 7 percent, as well as what the System’s respective net pension liabilities would be if it were calculated using a discount rate of 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

<u>Plan</u>	<u>1% Decrease 6%</u>	<u>Current Rate 7%</u>	<u>1% Increase 8%</u>
SCRS	\$ 2,266,108	\$ 1,748,693	\$ 1,272,194

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Deferred Compensation Plans

The System offers optional deferred compensation plans, including Section 401(k), 403(b), and 457 plans, in which certain employees participate. Employees may withdraw contributions upon termination of employment or earlier if permitted under plan provisions. Amounts deferred under the Section 401(k) and 403(b) plans are held in trust for participating employees, and the System has no liability for investment losses. Under the Section 457 plan, all deferred compensation and related earnings remain assets of the employees.

8. Commitments and Contingencies

Funds received from federal and state grants programs may be subject to audit by applicable agencies. The System may be required to return funds determined to be noncompliant with grant requirements.

The System is operating under consent orders issued by the South Carolina Department of Environmental Services related to permit violations at the Town of Brunson, Town of Hampton, and Town of Yemassee wastewater treatment facilities. As of September 30, 2025, no additional consent orders have been issued. The System has completed the required action plan for the Town of Brunson facility by connecting it to the Town of Hampton's wastewater system and is currently in a compliance confirmation monitoring period. The System continues to implement corrective action plans to address the remaining consent orders.

9. Restatement of Net Position

Net position at September 30, 2024 was restated as follows:

Change in accounting principle

The System implemented GASB 101, *Compensated Absences*, during the current fiscal year. This pronouncement changes the measurement of the compensated absences liability. Restatement is required. At September 30, 2024, the compensated absences liability increased and unrestricted net position decreased by \$59,411 from the amount originally reported.

Reconciliation:

\$ 17,415,552	Total net position per September 30, 2024 financial statements
(59,411)	Change in accounting principle - compensated absences
<u>\$ 17,356,141</u>	Restated September 30, 2024 net position

10. Subsequent events

The System has evaluated all events subsequent to the basic financial statements for the year ended September 30, 2025 through December 31, 2025, which is the date the financial statements

were available to be issued and determined that there were no subsequent events requiring note disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

LOWCOUNTRY REGIONAL WATER SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF
THE SOUTH CAROLINA RETIREMENT SYSTEMS
NET PENSION LIABILITIES
LAST TEN FISCAL YEARS

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
System's proportion of the net pension liability	0.0075%	0.0079%	0.0068%	0.0070%	0.0067%	0.0069%	0.0065%	0.0068%	0.0065%	0.0072%
System's proportionate share of the net pension liability	\$ 1,748,693	\$ 1,921,464	\$ 1,658,517	\$ 1,512,828	\$ 1,711,546	\$ 1,586,231	\$ 1,463,261	\$ 1,444,567	\$ 1,239,015	\$ 1,246,692
System's covered payroll	\$ 1,019,650	\$ 1,051,538	\$ 824,565	\$ 786,854	\$ 741,375	\$ 742,685	\$ 721,232	\$ 626,592	\$ 603,698	\$ 628,174
System's proportionate share of the net pension liability as a percentage of its covered payroll	171.50%	182.73%	201.14%	192.26%	230.86%	213.58%	202.88%	230.54%	205.24%	198.46%
Plan fiduciary net position as a percentage of the total pension liability	61.80%	58.60%	57.06%	60.75%	50.71%	54.40%	54.10%	52.91%	57.00%	59.92%

* - The amounts presented for each fiscal year were determined as of July 1 of five years prior, using membership data as of the day, projected forward to June 30 of the previous year.

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF THE
SOUTH CAROLINA RETIREMENT SYSTEMS
CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 201,918	\$ 189,247	\$ 184,650	\$ 136,548	\$ 130,303	\$ 115,358	\$ 108,135	\$ 97,799	\$ 72,434	\$ 66,769
Contributions in relation to the contractually required contribution	(201,918)	(189,247)	(184,650)	(136,548)	(115,358)	(108,135)	(97,799)	(72,434)	(66,769)	(68,471)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,945</u>	<u>\$ 7,223</u>	<u>\$ 10,336</u>	<u>\$ 25,365</u>	<u>\$ 5,665</u>	<u>\$ (1,702)</u>
System's covered payroll	\$ 1,087,920	\$ 1,019,650	\$ 1,051,538	\$ 824,565	\$ 786,854	\$ 741,375	\$ 742,685	\$ 721,232	\$ 626,592	\$ 603,698
Contributions as a percentage of covered payroll	18.56%	18.56%	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%

* - The amounts presented for each fiscal year were determined as of July 1 of five years prior, using membership data as of the day, projected forward to June 30 of the previous year.

SINGLE AUDIT ACT REQUIREMENTS

LOWCOUNTRY REGIONAL WATER SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures September 30, 2025
Direct Programs:			
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,980,621
Total United States Department of Agriculture			<u>1,980,621</u>
United States Department of Commerce			
Economic Development Cluster			
EDA Grant: Economic Adjustment Assistance	11.307		<u>267,998</u>
Total United States Department of Commerce			<u>267,998</u>
United States Environmental Protection Agency			
Clean Water State Revolving Fund	66.458		<u>938,576</u>
Total United States Environmental Protection Agency			<u>938,576</u>
United States Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>8,393</u>
Total United States Department of Homeland Security			<u>8,393</u>
Total Direct Programs:			<u><u>3,195,588</u></u>
Indirect Programs:			
United States Department of Treasury			
Passed through Town of Hampton			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>43,496</u>
Total passed through Town of Hampton			<u>43,496</u>
Passed through South Carolina Rural Infrastructure Authority			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>4,911,840</u>
Total passed through South Carolina Rural Infrastructure Authority			<u>4,911,840</u>
Total United States Department of Treasury			<u>4,955,336</u>
Total Indirect Programs:			<u>4,955,336</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,150,924</u></u>

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2025

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, 2024 through September 30, 2025 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 expenditures on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in the *Uniform Guidance* and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Costs

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

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 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. Rocky 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, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 31, 2025.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

The Brittingham Group LLP

West Columbia, South Carolina
December 31, 2025

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. Rocky 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

Opinion on Each Major Federal Program

We have audited Lowcountry Regional Water System's (the "System") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended September 30, 2025. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

The Brittingham Group LLP

West Columbia, South Carolina
December 31, 2025

LOWCOUNTRY REGIONAL WATER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2025

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 programs for the System as depicted below in this schedule.
7. Major federal programs:

United States Department of Agriculture	
Water and Waste Disposal Systems for Rural Communities	ALN #10.760
United States Department of Treasury	
Coronavirus State and Local Fiscal Recovery Funds	ALN #21.027
United States Environmental Protection Agency	
Clean Water State Revolving Fund	ALN #66.458
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.

Financial Statement Findings:

No findings or questioned costs.

LOWCOUNTRY REGIONAL WATER SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2025

Status of Prior Year Findings:

None were reported.

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, 2025

	Water	Sewer	Unallocated	Total
Operating Revenues:				
Water service	\$ 1,616,538	\$ -	\$ -	\$ 1,616,538
Sewer service	-	2,059,740	-	2,059,740
Penalties, reconnection fees and miscellaneous	268,069	281,397	-	549,466
Total operating revenues	<u>1,884,607</u>	<u>2,341,137</u>	<u>-</u>	<u>4,225,744</u>
Operating Expenses:				
Personnel services	705,862	706,961	242,956	1,655,779
Contract sewer treatment	-	15,183	-	15,183
Repairs and maintenance	113,648	97,726	19,474	230,848
Utilities	84,548	312,831	4,213	401,592
Supplies, materials and chemicals	48,645	142,263	27,539	218,447
Professional, engineering, lab and legal fees	71,007	221,139	46,546	338,692
Insurance	24,250	24,250	15,478	63,978
Vehicle and fuel expenses	33,272	27,774	8,695	69,741
Postage, printing and advertising	2,333	-	16,131	18,464
Building and equipment rental	7,399	23,579	7,555	38,533
Dues, licenses and permits	92,194	14,504	4,172	110,870
Bad debts	18,007	18,742	-	36,749
Bank charges	-	-	236,288	236,288
Depreciation	273,743	435,401	102,798	811,942
Miscellaneous	23,129	19,958	10,979	54,066
Total operating expenses	<u>1,498,037</u>	<u>2,060,311</u>	<u>742,824</u>	<u>4,301,172</u>
Operating income (loss)	<u>386,570</u>	<u>280,826</u>	<u>(742,824)</u>	<u>(75,428)</u>
Non-Operating Revenue (Expenses):				
Grant income	4,066,527	4,066,527	-	8,133,054
Interest income	-	-	6,964	6,964
Interest expense	(126,707)	(186,050)	(8,349)	(321,106)
Loss on disposition of capital assets	-	-	(22)	(22)
Net non-operating revenue (expense)	<u>3,939,820</u>	<u>3,880,477</u>	<u>(1,407)</u>	<u>7,818,890</u>
Income (loss) before capital contributions	<u>4,326,390</u>	<u>4,161,303</u>	<u>(744,231)</u>	<u>7,743,462</u>
Capital Contributions	<u>25,800</u>	<u>-</u>	<u>-</u>	<u>25,800</u>
Change in net position	<u>\$ 4,352,190</u>	<u>\$ 4,161,303</u>	<u>\$ (744,231)</u>	<u>\$ 7,769,262</u>