



Annual Report
For Fiscal Year Ending
September 30, 2023

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

Annual Report

**For Fiscal Year Ending
September 30th, 2023**



LRWS celebrated our 10 year anniversary in June 2023.

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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 eleventh annual report prepared by Lowcountry Regional Water System since its creation in 2012 and represents the tenth 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 2022-2023 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
- 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

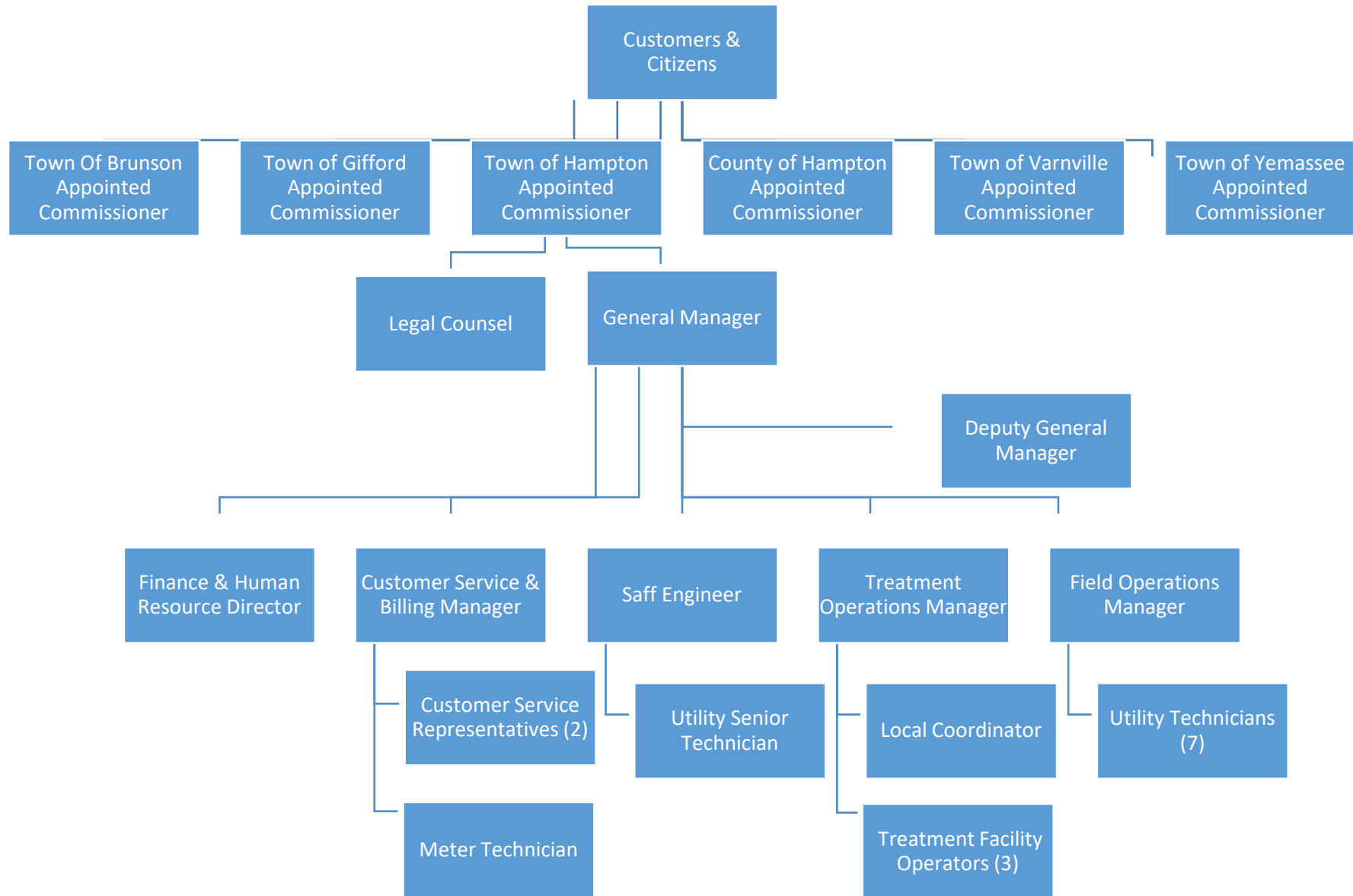
The Lowcountry Regional Water System was officially chartered February 17, 2012, with the issuance of its Corporate Certificate by the State of South Carolina through the Office of Secretary of State. The governing bodies of the Town of Brunson, Town of Hampton, Town of Varnville, Town of Yemassee and 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	Peggy O'Banner- Commissioner
County of Hampton	Darrin Williams- Commissioner
County of Hampton	Noah Alexander- Alternate

ORGANIZATIONAL STRUCTURE



MANAGEMENT'S DISCUSSION and ANALYSIS

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

Financial Highlights

The financial information in this report represents the tenth 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 \$3,586,222
- Operating Expenses were (\$3,652,777)
- Operating Income loss was: (\$66,555)
- Non-Operating Revenues were: \$432,701
- Non-Operating Expenses were: (\$259,558)
- Net non-operating revenue was: \$173,143
- Net Position, Beginning of the Year: \$14,170,534
- Net Position, End of Year: \$14,279,122
- The System's investment in capital assets as of September 30, 2023, amounts to \$24,352,282 (net of accumulated depreciation). Investments in capital assets includes 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 4.35 percent.

Infrastructure Highlights

- Construction continued on a project to rehabilitate three sewage pump stations in the Town of Brunson including new pumping equipment, piping, valves, controls, electrical panels and permanent standby generators. This project is funded by USDA Rural Development and a grant from US Economic Development Administration.
- Construction was completed on a project to rehabilitate the Gifford Lift Station. The project, which is funded by a grant from SC RIA, includes the rehabilitation of the entire pump station including all pumping equipment, piping, valves, controls, and electrical panels.
- The design and bidding of a project to rehabilitate the Lowcountry Regional Industrial Park (LRIP) Lift Station is underway. This project, funded by the Clean Water State Revolving Fund, includes replacement of the entire pump station including all pumping equipment, piping, valves, controls, and electrical panels.

- The design and bidding of a project to rehabilitate the Jackson Avenue Elevated Tank in the Town of Hampton is underway. This project is funded by the Drinking Water State Revolving Fund. The project includes the renovations and coating system upgrades as well as electrical system improvements.
- An economic development project to extend sewer service to Alpha Genesis was permitted and fully funded. The project includes construction of a pump station and sewer force main to service the company's Hampton Primate Center.
- A project is in development to provide aeration and flow improvements to the Yemassee WWTP. The plant, which has a capacity of 0.5 MGD, will be modified to provide improved treatment capacity. The project has been awarded funding in the amount of \$1,500,000 from the Clean Water State Revolving Fund.



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

Project Description	Estimated Cost	Funding Status	Project Status
Town of Brunson Wastewater Treatment & Sewer Rehab & Sewer Rehab	\$7,541,600	Funded	Construction
Gifford Waterline Extension	\$523,230	Funded	Complete
Sewer Service Extension	\$951,344	Funded	Design/Permitting
Yemassee Water & Sewer Improvements	\$861,970	Funded	Design/Permitting
Gifford Lift Station Rehab	\$634,553	Funded	Construction
LRIP Lift Station Rehab	\$917,780	Funded	Design/Permitting
Jackson Ave Elevated Tank Rehab	\$550,500	Funded	Design/Permitting
Yemassee WWTP Improvements	\$2,100,000	Partially Funded	Design/Permitting
Total Amount of All Projects	\$11,980,977		
Total Amount of Funded Projects	\$11,980,977		
Total Amount of Unfunded Projects	N/A		

BUDGETARY PROCEDURES

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

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

BUDGET

The following table represents the Commission adopted budgeted operating revenues and expenditures and the actual operating revenues and expenditures for Fiscal Year 2022-2023.

<u>Item</u>	<u>Budgeted</u>	<u>Actual</u>
<u>Revenues</u>		
Water Revenue	\$1,346,292	\$1,302,325
Wastewater Revenue	\$1,852,017	\$1,851,770
Operating Revenue	\$348,236	\$433,553
<u>Totals</u>	<u>\$3,546,546</u>	<u>\$3,587,649</u>
<u>Item</u>	<u>Budgeted</u>	<u>Actual</u>
<u>Expenditures</u>		
Water Treatment	\$194,848	\$442,578
Water Distribution	\$803,156	\$660,152
Wastewater Treatment	\$807,804	\$922,956
Wastewater Collection	\$475,622	\$766,836
Administrative	\$1,265,117	\$1,345,926
<u>Totals</u>	<u>\$3,546,545</u>	<u>\$4,138,449</u>

OUTSTANDING INDEBTEDNESS

The following table presents information on the debt obligations of the Lowcountry Regional Water System as of September 30, 2023.

Town/ LRWS	Lien Holder/ Issuer	Year/ Series	Original Notes/Bond s	Outstanding Notes/Bonds 9/30/2	Interest Rate	Final Maturity
LRWS	USDA	2021	\$2,095,000	\$1,965,574	1.5%	2058
LRWS	USDA	2023	\$2,741,000	\$2,409,348	2.75%	2063
LRWS	USDA	2018	\$6,480,000	\$6,086,114	2.75%	2059
Total	Original Notes & Bonds			Outstanding Notes & Bonds as of September 30, 2023		
	\$11,316,000.00			\$10,461,036.00		

SCHEDULE OF WATER RATES

As of October 01, 2022

Description	RESIDENTIAL COMMERCIAL
-------------	---------------------------

WATER

Basic Facility

Monthly Charge:

Residential Meter Size:

3/4" x 5/8"

\$ 13.10

Commercial Meter Size:

3/4"

\$ 14.55

1"

\$ 24.25

1-1/2"

\$ 48.50

2"

\$ 77.60

3"

\$ 155.20

4"

\$ 242.50

6"

\$ 485.00

8"

\$ 776.00

10"

\$ 2,037.00

WATER

Volumetric Charge

\$/Unit (1,000 Gallons):

Residential:

Per Unit

\$ 3.670

Commercial:

0 – 15,000 Gallons \$/Per Unit

\$ 3.932

15,001 – 60,000 Gallons \$/Per Unit

\$ 3.670

Over 60,000 Gallons \$/Per Unit

\$ 3.251

Description

FIRE SPRINKLER CONNECTION

FIRE SPRINKLER

Basic Facility

Monthly Charge:

LRIP / SCIC

\$ 283.00

SCHEDULE OF WASTEWATER RATES
As of October 01, 2022

Description	RESIDENTIAL ¹ COMMERCIAL
WASTEWATER	
Basic Facility	
Monthly Charge:	
<i>Residential Meter Size:</i>	
3/4" x 5/8"	\$ 19.40
<i>Commercial Meter Size:</i>	
3/4"	\$ 22.02
1" Service	\$ 36.70
1-1/2" Service	\$ 73.40
2" Service	\$ 117.44
3" Service	\$ 234.88
4" Service	\$ 367.00
6" Service	\$ 734.00
8" Service	\$ 1,174.40
10" Service	\$ 3,082.80
WASTEWATER	
Volumetric Charge	
\$/Unit (1,000 Gallons):	
<i>Residential:</i>	
Per Unit	\$ 6.600
<i>Commercial:</i>	
0 – 15,000 Gallons \$/Per Unit	\$ 7.130
15,001 – 60,000 Gallons \$/Per Unit	\$ 7.078
Over 60,000 Gallons \$/Per Unit	\$ 7.026

¹ The residential sewer volumetric charge is capped at 8,000 gallons. The maximum residential sewer charge based on 8,000 gallons is \$72.20.

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	219	18	237	8%	4%	7%
Gifford	124	8	132	4%	2%	4%
Hampton	1169	256	1425	43%	56%	45%
H County	0	7	7	0	1%	1%
Varnville	755	106	861	28%	23%	27%
Yemassee	461	63	524	17%	14%	16%
Total	2728	458	3186			

Source: QS1Billing Report for September 01, 2023, through September 30, 2023. 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	440	16%	66%	212	46%	71%	652	18%	65%
1,000-1,999	461	17%		61	13%		522	17%	
2,000-2,999	520	19%		30	7%		550	16%	
3,000-3,999	387	14%		22	5%		409	14%	
4,000-4,999	263	10%		12	3%		275	10%	
5,000-5,999	209	8%		14	3%		223	6%	
6,000-6,999	122	4%		11	2%		133	5%	
7,000-7,999	96	4%		7	2%		103	3%	
8,000 +	230	8%		89	19%		319	11%	
Total	2728			458			3186		

Source: QS1-Billing report for all accounts September 1, 2023, through September 30, 2023. 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 2023 that was billed in September 2023.

TOWN OF BRUNSON CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	32	15%	65%	7	39%	78%	39	16%	65%
1,000-1,999	35	16%		4	22%		39	16%	
2,000-2,999	44	20%		1	6%		45	19%	
3,000-3,999	31	14%		2	11%		33	14%	
4,000-4,999	21	10%		0	0%		21	9%	
5,000-5,999	13	6%		1	6%		14	6%	
6,000-6,999	12	5%		0	0%		12	5%	
7,000-7,999	14	6%		0	0%		14	6%	
8,000 +	17	8%		3	16%		20	9%	
Total	219			18			237		

Source: QS1-Billing report September 1, 2023, through September 30, 2023.



TOWN OF GIFFORD CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	26	21%	73%	6	75%	87.5%	32	24%	73%
1,000-1,999	22	18%		1	12.5%		23	18%	
2,000-2,999	27	22%		0	0%		27	20%	
3,000-3,999	15	12%		0	0%		15	11%	
4,000-4,999	8	6%		0	0%		8	6%	
5,000-5,999	6	5%		0	0%		6	5%	
6,000-6,999	4	3%		0	0%		4	3%	
7,000-7,999	5	4%		1	12.5%		6	5%	
8,000 +	11	9%		0	0%		11	8%	
Total	124			8			132		

Source: QS1-Billing report September 1, 2023, through September 30, 2023.



TOWN OF HAMPTON CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	205	17%	66%	123	48%	74%	327	23%	68%
1,000-1,999	200	17%		39	15%		239	17%	
2,000-2,999	215	18%		14	6%		229	16%	
3,000-3,999	158	14%		13	5%		171	12%	
4,000-4,999	111	10%		4	2%		115	8%	
5,000-5,999	104	9%		5	2%		109	7%	
6,000-6,999	52	4%		6	2%		58	4%	
7,000-7,999	35	3%		3	1%		38	3%	
8,000 +	89	8%		49	19%		138	10%	
Total	1168			256			1424		

Source: QS1-Billing report September 1, 2023, through September 30, 2023.



TOWN OF VARNVILLE CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	105	14%	66%	47	44%	65%	152	18%	66%
1,000-1,999	123	16%		10	9%		133	15%	
2,000-2,999	144	19%		10	9%		154	18%	
3,000-3,999	127	17%		3	3%		130	15%	
4,000-4,999	83	11%		5	5%		88	10%	
5,000-5,999	51	7%		5	5%		56	7%	
6,000-6,999	34	4%		5	5%		39	5%	
7,000-7,999	23	3%		2	2%		25	3%	
8,000 +	65	9%		19	18%		84	9%	
Total	755			106			861		

Source: QS1-Billing report September 1, 2023, through September 30, 2023.



Mill Pond Lift Station

TOWN OF YEMASSEE CUSTOMER COUNT BY CONSUMPTION

Gallons	Residential	%	%	Commercial	%	%	Total	%	%
0-999	72	16%	65%	27	43%	68%	99	19%	70%
1,000-1,999	81	18%		7	11%		88	18%	
2,000-2,999	90	19%		5	8%		95	17%	
3,000-3,999	56	12%		4	6%		60	16%	
4,000-4,999	40	9%		3	5%		43	8%	
5,000-5,999	35	8%		3	5%		38	6%	
6,000-6,999	20	4%		0	0%		20	4%	
7,000-7,999	19	4%		0	0%		19	2%	
8,000 +	48	10%		14	22%		62	10%	
Total	461			63			524		

Source: QS1-Billing report September 1, 2023, through September 30, 2023.



HAMPTON COUNTY CUSTOMER COUNT BY CONSUMPTION

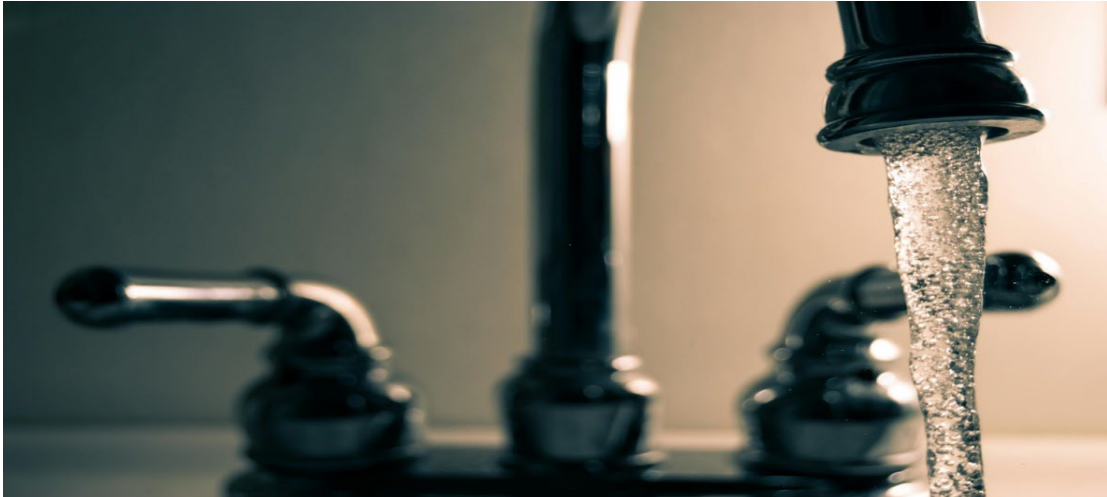
Gallons	Commercial	%	%
0-999	2	29%	29%
1,000-1,999	0	0%	
2,000-2,999	0	0%	
3,000-3,999	0	0%	
4,000-4,999	0	0%	
5,000-5,999	0	0%	
6,000-6,999	0	0%	
7,000-7,999	1	14%	
8,000 +	4	57%	
Total	7		

Source: QS1-Billing report September 1, 2023, through September 30, 2023.

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	4,518,440	10,723,317	5,864,637	16,587,954		(12,069,514)	-267%
Gifford	32,033,630	4,765,959	84,009	4,849,968		27,183,662	85%
Hampton	125,007,030	53,170,587	24,441,690	77,612,277		47,394,753	38%
Hampton County	12,064,925	0	10,403,436	10,403,436		1,661,489	14%
Varnville	57,130,450	37,373,833	13,977,432	51,351,265		5,779,185	10%
Yemassee	61,549,488	20,360,267	27,877,887	48,238,163		13,311,325	22%
Total	292,303,963	126,393,963	82,649,091	209,043,063		83,260,900	28%

Source: 2022-2023 Operations Report 2022-2023 Monthly Production Data



ANNUAL WASTEWATER TREATED

System	Gallons Received	Gallons Residential Sales	Gallons Commercial Sales	Gallons MISC	Total Gallons Res/Com/Misc	Gallons Treated Inefficiency	% Inefficiency
Brunson	41,073,960	9,523,183	5,827,637	0	15,350,820	25,723,140	63%
Gifford		3,762,387	84,009	0	3,846,396	(3,846,396)	
Hampton	246,299,600	49,631,908	20,755,787	0	70,387,695	175,911,905	71%
Hampton Cnty	0	0	8,551,103	0	8,551,103	(8,551,103)	-
Varnville	94,112,400	30,447,263	13,809,401	0	44,256,664	49,855,736	53%
Yemassee	65,399,100	14,321,627	23,242,233	0	37,563,860	27,835,240	43%
Total	446,885,060	107,686,368	72,270,170	0	179,956,538	266,928,522	60%

Source: 2022-2023 Operations Report & 2022-2023 Monthly Production Data Yemassee Wastewater Treatment Plant (Below)



DAILY WATER & WASTEWATER PRODUCTION & SALES AVERAGES

System	Gallons Water Produced	Gallons Water Sold Residential	Gallons Water Sold Commercial	Gallons Wastewater Treated	Gallons Wastewater Received Residential	Gallons Wastewater Received Commercial
Brunson	12,379	29,379	16,067	112,531	26,091	15,966
Gifford	87,763	13,057	230	0	10,308	230
Hampton	342,485	145,673	66,963	674,793	135,978	56,865
Hampton Cnty	33,055	-	28,503	23,428	-	23,428
Varnville	156,522	102,394	38,310	257,842	83,417	37,834
Yemassee	168,629	55,788	76,609	179,176	39,237	63,677
Total	800,833	346,291	226,682	1,247,770	295,031	198,000

Source: 2022-2023 Operations Report & 2022-2023 Monthly Production

INFRASTRUCTURE

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



SYSTEM CAPACITIES

WATER PRODUCTION CAPACITY

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

WASTEWATER TREATMENT CAPACITY

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

BILLINGS and COLLECTIONS

Water Billings and Collections Summary for Past 5 Years

YEAR	TOTAL BILLED	TOTAL COLLECTED	PERCENTAGE COLLECTED
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 %
2020	\$3,086,459.09	\$3,056,294.40	99%
2019	\$3,027,021.85	\$3,013,303.38	99%

Source: LRWS QS1 Billing & Accounting Software Report 2022-2023 Note: Total collected includes payments received for old and/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	\$31.45	\$52.40	\$83.85
Town of Allendale	\$24.46	\$30.70	\$55.16
City of Barnwell	\$23.75	\$29.50	\$53.25
Town of Ridgeland	\$24.17	\$41.51	\$65.68
Town of Estill	\$24.45	\$33.33	\$57.78
Town of Ehrhardt	\$29.60	\$29.93	\$59.53
City of Bamberg	\$34.55	\$54.25	\$88.80
City of Charleston	\$24.40	\$79.64	\$104.04
City of Columbia	\$20.79	\$40.04	\$60.83
Beaufort Jasper W&S Authority	\$31.10	\$51.75	\$82.85
Dorchester County Water & Sewer Dept	\$45.14	\$61.25	\$106.39
Lexington County Joint Municipal W&S	\$49.64	\$51.06	\$100.70

Source: SC Rural Infrastructure Authority Office of Local Government 2023 Municipal Water and Sewer Rate Survey

DEMOGRAPHIC and ECONOMIC STATISTICS

Hampton County Demographic and Economic Statistics Summary for Past 5 Years

Fiscal Year Ending	Population	Total Personal Income (\$000's)	Per Capita Personal Income Last 12 Months	Household Median Income	Unemployment Rate Annual Average	Percent At or Below Poverty Level
2023	18,122	Unavailable	Unavailable	Unavailable	2.9%	21.9%
2022	18,113	\$731,408	\$40,380	\$40,157	2.9%	23.5%
2021	18,180	\$757,906	\$41,689	\$41,281	3.5%	23.5%
2020	18,561	\$748,556	\$38,107	\$43,614	4.8%	19.6%
2019	19,222	\$659,743	\$33,314	\$37,560	2.6%	23.2%

Source: US Census Bureau; US Bureau of Economic Analysis; US Department of Labor – Bureau of Labor Statistics; SC Department of Employment & Workforce, & SC Revenue & Fiscal Affairs Office 2023: Population information 2023 based on surveys and/or estimates. Some information for 2023 is unavailable as of April 2024.

TOP TEN WATER USERS 2023 Compared to 2022

Water Consumption for 12 Consecutive Months

Customer	Water Used Annually 2023	Customer	Water Used Annually 2022
Carolina Textile Care, LLC	10,048,400	Carolina Textile Care, LLC	12,294,470
Alpha Genesis, Inc.	9,243,131	Alpha Genesis, Inc.	6,286,829
Brunson Laundry	5,021,403	Brunson Laundry	4,993,994
Southeastern Housing	4,406,062	Southeastern Housing	4,411,660
Love's Travel Stop	3,472,734	Love's Travel Stop	2,992,756
Varnville Area Housing 1	2,277,159	Varnville Area Housing #1	2,752,304
Hampton Regional Medical Center	2,129,020	Hampton Regional Medical	2,373,730
Fennell Elementary School	1,770,830	Palma 72 LLC-McDonalds	1,631,510
Varnville Area Housing 2	1,344,762	Anderson Oil Co.	1,442,817
Love's Travel Stop Irrigation	985,400	Varnville Area Housing #2	1,393,100

Source: LRWS QS1 Billing Software

Appendix A
AUDITED FINANCIAL STATEMENTS



LOWCOUNTRY REGIONAL WATER SYSTEM

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

WITH

INDEPENDENT AUDITORS' REPORT

LOWCOUNTRY REGIONAL WATER SYSTEM

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

WITH

INDEPENDENT AUDITORS' REPORT

LOWCOUNTRY REGIONAL WATER SYSTEM

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

WITH

INDEPENDENT AUDITORS' REPORT

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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, 2023, 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, 2023, 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 Auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 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 35 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 February 21, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



West Columbia, South Carolina
February 21, 2024

Management's Discussion and Analysis

Overview of the Financial Statement and Financial Analysis

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

Statement of Net Position

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

Condensed Statements of Net Position

	September 30,		
	2023	2022	Variance
Assets and Deferred Outflows of Resources:			
Cash and cash equivalents	\$ 1,793,067	\$ 2,170,501	\$ (377,434)
Receivables	254,480	255,283	(803)
Inventory	52,602	52,602	-
Capital assets, net	24,352,282	23,336,680	1,015,602
Deferred outflows of resources	288,728	320,161	(31,433)
Total assets and deferred outflows of resources	\$ 26,741,159	\$ 26,135,227	\$ 605,932
Liabilities and Deferred Inflows of Resources:			
Current liabilities	\$ 474,934	\$ 2,203,354	\$ (1,728,420)
Long-term debt	10,282,143	7,999,082	2,283,061
Pension liability	1,658,517	1,512,828	145,689
Deferred inflows of resources	46,443	249,429	(202,986)
Total liabilities and deferred inflows of resources	12,462,037	11,964,693	497,344
Net Position:			
Invested in capital assets	13,891,246	15,200,701	(1,309,455)
Restricted for debt service	1,491,384	1,613,081	(121,697)
Unrestricted	(1,103,508)	(2,643,248)	1,539,740
Total Net Position	\$ 14,279,122	\$ 14,170,534	\$ 108,588

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,		
	2023	2022	Variance
Operating revenues	\$ 3,586,222	\$ 3,407,896	\$ 178,326
Operating expenses	(3,652,777)	(3,687,444)	34,667
Operating income (loss)	<u>(66,555)</u>	<u>(279,548)</u>	<u>212,993</u>
Non-operating revenues	432,701	44,726	387,975
Non-operating expenses	(259,558)	(271,942)	12,384
Net non-operating revenue	<u>173,143</u>	<u>(227,216)</u>	<u>400,359</u>
Capital contributions	2,000	91,000	(89,000)
Change in net position	<u>108,588</u>	<u>(415,764)</u>	<u>\$ 524,352</u>
Net position - beginning of year	<u>14,170,534</u>	<u>14,586,298</u>	
Net position - end of year	<u>\$ 14,279,122</u>	<u>\$ 14,170,534</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,		
	2023	2022	Variance
Cash provided (used) by:			
Operating activities	\$ 274,748	\$ 893,711	\$ (618,963)
Capital and related financing activities	(653,632)	(490,456)	(163,176)
Investing activities	1,450	1,353	97
Net change in cash	(377,434)	404,608	(782,042)
Cash and cash equivalents - beginning of year	2,170,501	1,765,893	404,608
Cash and cash equivalents - end of year	<u>\$ 1,793,067</u>	<u>\$ 2,170,501</u>	<u>\$ (377,434)</u>

Capital Assets

The System's investment in capital assets as of September 30, 2023, amounts to \$24,352,282 (net of accumulated depreciation). The investment in capital assets includes land, construction in process, buildings and equipment as well as water and sewer systems. The total increase in capital assets for the current year was approximately 4.35 percent.

	Year Ended September 30,		
	2023	2022	Variance
Land	\$ 247,180	247,180	\$ -
Construction in Process	11,751,736	10,185,304	1,566,432
Buildings	178,378	178,378	-
Equipment	460,048	449,471	10,577
Vehicles	628,435	628,435	-
Water systems	12,093,228	12,093,228	-
Sewer systems	16,407,149	16,373,060	34,089
Less: accumulated depreciation	(17,413,872)	(16,818,376)	(595,496)
	<u>\$ 24,352,282</u>	<u>\$ 23,336,680</u>	<u>\$ 1,015,602</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:
 - Improvement Projects Divisions 1 – 3
 - Brunson Wastewater Treatment Plant and Sewer Rehab
 - Town of Gifford Water System
 - Gifford Pump Station Rehab
 - Alpha Genesis Sewer Services Project
 - LRIP Pump Station Rehab
 - Jackson Ave Tank Rehab
 - Yemassee Wastewater Treatment Upgrade

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 2023, the System had total current and long-term debt outstanding of \$10,461,036. The entire amount is payable to two 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,		
	2023	2022	Variance
Revenue bonds payable	\$ 10,461,036	\$ 8,135,979	\$ 2,325,057
Bond anticipation note payable	-	1,547,406	(1,547,406)
	<u>\$ 10,461,036</u>	<u>\$ 9,683,385</u>	<u>\$ 777,651</u>

The System's total long-term debt increased by \$777,651, or 13.45 percent, during the current fiscal year. This increase was caused by refinanced debt and a new revenue bond issued during the fiscal year.

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 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.

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

The system has a full staff of 23 full-time employees and 1 part-time employee. Included are 7 administrative staff positions including the General Manager, Engineer, Finance and Human Resource Director, Customer Service and Billing Manager, Meter Technician and 2 Customer Service Representatives. The water distribution and wastewater collection department is staffed with 11 positions including a Field Operations Manager, 1 Senior Utility Technician, 6 Utility Technicians, 1

part-time Utility Technician and 2 Field Inspectors. The water and wastewater treatment department is staffed with 6 positions including a Treatment Operations Manager, 2 Treatment Facility Senior Technicians and 3 Treatment Facility Operators. Currently, one of the greatest challenges facing LRWS is having a full staff as only 18 of the 23 positions are currently staffed.

At the close of the fiscal year, the System had 464 commercial water customers, 2,742 residential water customers, 403 commercial sewer customers and 2,428 residential sewer customers. No single customer or group of customers represents a significant concentration.

The System was issued a consent order by the South Carolina Department of Environmental Control (SCDHEC) for permit violations related to the Town of Brunson Wastewater Treatment Facility. The Town of Hampton Wastewater Treatment Facility and the Town of Yemassee Wastewater Treatment Facility. The System is in the process of addressing the Town of Brunson orders with a plan to close the Town of Brunson Wastewater Treatment facility in lieu of expensive upgrades by constructing a line to the Town of Hampton Wastewater Treatment Facility and transport Town of Brunson's wastewater to the Hampton facility for treatment. The System is in the process of addressing the order for the Town of Hampton Wastewater Treatment Facility by improving the treatment process with electrical upgrades to the biological sand filter control system. A consultant is in the process of design as funding for the improvements are in place from USDA/RD. The System is in the process of addressing the order for the Town of Yemassee Wastewater Treatment Facility. A consultant has been hired to review the facility design and perform an influent wastewater quality analysis to determine aeration requirements and a basis for implementing a pretreatment program.

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.

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, 2023.

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, 2023

Assets and Deferred Outflows of Resources:

Current assets:

Cash and cash equivalents	\$ 301,683
Restricted cash and cash equivalents	1,491,384
Accounts receivable, net	254,480
Inventory	52,602
Total current assets	<u>2,100,149</u>

Non-current assets:

Capital assets, not being depreciated	11,998,916
Capital assets, net of accumulated depreciation	12,353,366
Total non-current assets	<u>24,352,282</u>

Deferred outflows of resources - pension plan	288,728
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Total assets and deferred outflows of resources	<u>26,741,159</u>
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Liabilities and Deferred Inflows of Resources:

Current liabilities:

Accounts payable	73,423
Accrued liabilities	45,134
Accrued compensated absences	55,807
Accrued interest payable	14,334
Due to other governments	107,343
Revenue bonds payable - current portion	178,893
Total current liabilities	<u>474,934</u>

Other liabilities:

Revenue bonds payable - non-current portion	10,282,143
Pension liability	1,658,517
Total long-term liabilities	<u>11,940,660</u>

Deferred inflows of resources - pension plan	46,443
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Total liabilities and deferred inflows of resources	<u>12,462,037</u>
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Net Position:

Net investment in capital assets	13,891,246
Restricted for debt service	1,491,384
Unrestricted - unfunded pension liability	(1,416,232)
Unrestricted - other	312,724
Total net position	<u><u>\$ 14,279,122</u></u>

See accompanying notes.

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

YEAR ENDED SEPTEMBER 30, 2023

Operating Revenues:

Water service	\$ 1,302,325
Sewer service	1,851,770
Penalties, reconnection fees and miscellaneous	432,127
Total operating revenues	<u>3,586,222</u>

Operating Expenses:

Personnel services	1,490,961
Contract sewer treatment	13,208
Repairs and maintenance	346,077
Utilities	378,235
Supplies, materials and chemicals	255,149
Professional, engineering, lab and legal fees	125,042
Insurance	54,738
Vehicle and fuel expenses	63,597
Postage, printing and advertising	23,195
Building and equipment rental	23,841
Dues, licenses and permits	95,374
Bad debts	32,943
Bank charges	83,804
Depreciation	601,219
Miscellaneous	65,394
Total operating expenses	<u>3,652,777</u>
Operating loss	<u>(66,555)</u>

Non-Operating Revenues (Expenses):

Grant income	431,251
Interest income	1,450
Interest expense	(259,558)
Net non-operating revenues (expenses)	<u>173,143</u>

Income before capital contributions 106,588

Capital Contributions:

	<u>2,000</u>
Change in net position	108,588
Net position, beginning of year	14,170,534
Net position, end of year	<u><u>\$ 14,279,122</u></u>

See accompanying notes.

LOWCOUNTRY REGIONAL WATER SYSTEM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2023

Cash Flows From Operating Activities:

Cash received from customers	\$ 3,587,025
Cash payments for personnel services	(1,511,473)
Cash payments for operating and contractual services	(13,208)
Cash payments for suppliers	(1,787,596)
Net cash flows provided by operating activities	<u>274,748</u>

Cash Flows From Capital and Related Financing Activities:

Grant income	431,251
Acquisition and construction of capital assets	(1,616,821)
Proceeds from the issuance of capital debt	3,145,390
Principal paid on capital debt	(2,367,739)
Interest paid on capital debt	(247,713)
Proceeds from capital contributions	2,000
Net cash flows used in capital and related financing activities	<u>(653,632)</u>

Cash Flows From Investing Activities:

Interest income	<u>1,450</u>
Net cash flows provided by investing activities	<u>1,450</u>

Net change in cash and cash equivalents	(377,434)
Cash and cash equivalents, beginning of year	<u>2,170,501</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,793,067</u></u>

Reconciliation of Cash and Cash Equivalents:

Cash and cash equivalents	\$ 301,683
Restricted cash and cash equivalents	<u>1,491,384</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,793,067</u></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	\$ (66,555)
Adjustments to reconcile operating loss to net cash flows provided by operating activities:	
Depreciation	601,219
Change in assets and liabilities	
Accounts receivable	803
Deferred outflows	31,433
Deferred inflows	(202,986)
Accounts payable	(265,628)
Accrued liabilities	9,119
Due to other governments	16,302
Accrued compensated absences	5,352
Pension liability	145,689
Net cash flows provided by operating activities	<u>\$ 274,748</u>

See accompanying notes.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. Summary of Significant Accounting Policies

Organization

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

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

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

Basis of Presentation

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

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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. No liability is recorded for non-vesting accumulation rights to receive sick pay benefits.

Business-Type Activity Accounting

Business-type activity funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. The System also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the System. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Risk Management

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

- 1) Unemployment compensation benefits are paid to eligible employees by the South Carolina Department of Employment and Workforce and are reimbursed by the System.
- 2) Employee health, dental, group life insurance programs, and other health and dependent care programs.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Risk Management (Continued)

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

- 1) Real property buildings and structures with extended peril limits.
- 2) Real property contents with extended peril limits.
- 3) Motor vehicles collision/comprehensive and liability coverage.
- 4) Inland Marine on certain listed equipment and items.
- 5) General tort liability.

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

Estimates

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

2. Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the System's deposits may not be returned to it. It is the policy of the System to obtain adequate collateralization on all deposits that exceed FDIC insurance coverage. As of September 30, 2023, the carrying amount of the System's deposits totaled \$1,793,067 and the bank balance was \$1,914,669, 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, 2023 was as follows:

	October 1, 2022	Increases	Decreases	September 30, 2023
Capital assets, not being depreciated:				
Land	\$ 247,180	\$ -	\$ -	\$ 247,180
Construction in process	10,185,304	1,566,432	-	11,751,736
Total capital assets, not being depreciated	10,432,484	1,566,432	-	11,998,916
Capital assets, being depreciated:				
Buildings	178,378	-	-	178,378
Equipment	449,471	16,300	(5,723)	460,048
Vehicles	628,435	-	-	628,435
Water systems	12,093,228	-	-	12,093,228
Sewer systems	16,373,060	34,089	-	16,407,149
Total capital assets, being depreciated	29,722,572	50,389	(5,723)	29,767,238
Less: accumulated depreciation	(16,818,376)	(601,219)	5,723	(17,413,872)
Total capital assets	<u>\$ 23,336,680</u>	<u>\$ 1,015,602</u>	<u>\$ -</u>	<u>\$ 24,352,282</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, 2023:

	Brunson	Gifford	Hampton	Varnville	Yemassee	Total
Services billed for:						
Police	\$ 1,055	\$ 1,572	\$ -	\$ 7,576	\$ -	\$ 10,203
Garbage collection	4,560	2,285	35,516	25,297	15,266	82,924
Animal Control	214	-	-	-	-	214
Solid waste	-	-	1,341	787	-	2,128
Total due to towns	<u>\$ 5,829</u>	<u>\$ 3,857</u>	<u>\$ 36,857</u>	<u>\$ 33,660</u>	<u>\$ 15,266</u>	<u>\$ 95,469</u>

Additionally, franchise fees in the amount of \$11,874 were due to Towns in its service area.

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Long-Term Debt

Revenue Bonds Payable

Revenue Bonds Payable at September 30, 2023 consists of the following:

The System issued a Waterworks and Sewer System Revenue Bond, Series 2023 for 2,741,000 during the year ended September 30, 2023. The note was issued to provide funds to pay off the Waterworks and Sewer System Improvement Revenue Bond Anticipation Note, Series 2021 from Palmetto State Bank and related expenses. Principal is due in monthly payments through 2063 with an interest rate of 2.75%. The balance as of September 30, 2023 is \$2,409,348.

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, 2023 is \$1,965,574.

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, 2023 is \$6,086,114.

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

Year Ended September 30,	Principal	Interest	Total
2024	\$ 178,893	\$ 270,963	\$ 449,856
2025	182,451	267,405	449,856
2026	187,136	262,720	449,856
2027	191,948	257,908	449,856
2028	196,889	252,967	449,856
2029 - 2033	1,063,364	1,185,916	2,249,280
2034 - 2038	1,208,566	1,040,714	2,249,280
2039 - 2043	1,374,594	874,686	2,249,280
2044 - 2048	1,564,522	684,758	2,249,280
2049 - 2053	1,781,886	467,394	2,249,280
2054 - 2058	2,030,752	218,528	2,249,280
2059 - 2063	500,035	64,550	564,585
	<u>\$ 10,461,036</u>	<u>\$ 5,848,509</u>	<u>\$ 16,309,545</u>

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Long-Term Debt

Changes in long-term liabilities for the year ended September 30, 2023, were as follows:

	October 1, 2022	Additions	Reductions	September 30, 2023	Due Within One Year
Revenue bonds payable	\$ 8,135,979	\$ 3,145,390	\$ (820,333)	\$ 10,461,036	\$ 178,893
Bond anticipation note	1,547,406	-	(1,547,406)	-	-
Compensated absences	50,455	55,807	(50,455)	55,807	55,807
	<u>\$ 9,733,840</u>	<u>\$ 3,201,197</u>	<u>\$ (2,418,194)</u>	<u>\$ 10,516,843</u>	<u>\$ 234,700</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 a Comprehensive Annual 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 July 1, 2019, 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, 2023, 2022 and 2021 were as follows:

Year Ended September 30,	Employer Contribution Rate			Employer Contributions		
	Base	Death	Total	Base	Death	Total
2023	18.41%	0.15%	18.56%	\$ 183,093	\$ 1,557	\$ 184,650
2022	17.41%	0.15%	17.56%	135,330	1,218	136,548
2021	16.41%	0.15%	16.56%	129,068	1,235	130,303

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, 2023 the System reported \$1,658,517 as its proportionate share of the net pension liabilities of SCRS. The net pension liability defined of the SCRS defined benefit pension plan were determined based on the July 1, 2022 actuarial valuations, using membership data as of July 1, 2021, projected forward to June 30, 2022, and financial information of the pension trust funds as of June 30, 2022, using generally accepted actuarial procedures. The System's portion of the net pension liability was based on the System's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the System's SCRS proportion was 0.006841%. For the year ended September 30, 2023 the System recognized pension expenses of \$25,864 for SCRS.

At September 30, 2023 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	\$ 14,409
Assumption changes	53,193
Net difference between projected and actual investment earnings	2,558
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	33,918
Current year employer contributions	<u>184,650</u>
Total deferred outflows of resources	<u>\$ 288,728</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ (7,228)
Deferred amounts from changes in proportionate share and differences between employer contributions & proportionate share of total plan employer contributions	<u>(39,215)</u>
Total deferred inflows of resources	<u>(46,443)</u>

Net deferred outflows and inflows of resources	<u><u>\$ 242,285</u></u>
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System contributions subsequent to the measurement date totaled \$184,650. These contributions will be reported as deferred outflows of resources related to pensions as of September 30, 2023 but will be recognized as a reduction of the net pension liability for the year ended September 30, 2024.

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>
2024	\$ 31,960
2025	28,710
2026	(46,288)
2027	43,253
	<u>\$ 57,635</u>

The total pension liabilities in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<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 published Scale AA projected from the year 2020.

Assumptions used in the July 1, 2022 valuation for SCRS are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators and Judges	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 2022 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%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Real Return	100%		4.79%
Inflation for Actuarial Puposos			2.25%
Total Expected Nominal Return			7.04%

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	\$ 2,126,423	\$ 1,658,517	\$ 1,629,513

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Deferred Compensation Plans

Several optional deferred compensation plans are available to System employees. Certain employees of the System have elected to participate. Employees may withdraw the current value of their contributions when they terminate employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee. The System has no liability for losses under the plans. Under the Section 457 plan, all deferred compensation plan amounts and earnings remain assets of the employees.

8. Commitments and Contingencies

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

The System is operating under a Consent Order from the South Carolina Department of Health and Environmental Control (SCDHEC) for permit violations at the Town of Brunson Wastewater Treatment Facility. No additional permit violations have occurred in the fiscal year ended September 30, 2023 due to modified operations in the facility. The System has identified the cause of previous violations and has submitted a plan of corrective action that has been approved by SCDHEC. The System has secured funding and is in various stages of design, permitting and construction to implement the corrective action plan and resume normal operations at the facility.

9. Subsequent events

The System has evaluated all events subsequent to the basic financial statements for the year ended September 30, 2023 through February 21, 2024 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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
System's proportion of the net pension liability	0.0068%	0.0070%	0.0067%	0.0069%	0.0065%	0.0068%	0.0065%	0.0072%	0.0072%
System's proportionate share of the net pension liability	\$ 1,658,517	\$ 1,512,828	\$ 1,711,546	\$ 1,586,231	\$ 1,463,261	\$ 1,444,567	\$ 1,239,015	\$ 1,246,692	\$ 1,298,777
System's covered payroll	\$ 777,608	\$ 786,854	\$ 741,375	\$ 742,685	\$ 721,232	\$ 626,592	\$ 603,698	\$ 628,174	\$ 620,651
System's proportionate share of the net pension liability as a percentage of its covered payroll	213.28%	192.26%	230.86%	213.58%	202.88%	230.54%	205.24%	198.46%	209.26%
Plan fiduciary net position as a percentage of the total pension liability	57.06%	60.75%	50.71%	54.40%	54.10%	52.91%	57.00%	59.92%	56.39%

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

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF THE
SOUTH CAROLINA RETIREMENT SYSTEMS
CONTRIBUTIONS

LAST TEN FISCAL YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 184,650	\$ 136,548	\$ 130,303	\$ 115,358	\$ 108,135	\$ 97,799	\$ 72,434	\$ 66,769	\$ 68,471
Contributions in relation to the contractually required contribution	(184,650)	(136,548)	(115,358)	(108,135)	(97,799)	(72,434)	(66,769)	(68,471)	(68,471)
Contribution deficiency/(excess)	<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>	<u>\$ -</u>
System's covered payroll	\$ 994,881	\$ 777,608	\$ 786,854	\$ 741,375	\$ 742,685	\$ 721,232	\$ 626,592	\$ 603,698	\$ 628,174
Contributions as a percentage of covered payroll	18.56%	17.56%	16.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

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

SINGLE AUDIT ACT REQUIREMENTS

LOWCOUNTRY REGIONAL WATER SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures September 30, 2023
<i>Direct Programs</i>			
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities			
Water and Waste Disposal Systems for Rural Communities	10.760		2,507,213
Total Water and Waste Disposal Systems for Rural Communities			<u>2,507,213</u>
Total United States Department of Agriculture			<u>2,507,213</u>
Total Direct Programs			<u>2,507,213</u>
Total Expenditures of Federal Awards			<u>\$ 2,507,213</u>

LOWCOUNTRY REGIONAL WATER SYSTEM

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2023

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, 2022 through September 30, 2023 and accordingly, does not include a full year’s financial activity for grants awarded or terminated on dates not coinciding with the System’s fiscal year. The System reports these on the accrual basis of accounting.

3. Indirect Costs

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

4. Basis for Determining Federal Awards Expended

The System expended a total of \$2,507,213 in federal awards from October 1, 2022 through September 30, 2023. All of these expenditures were related to the USDA loan program. The outstanding balance for USDA revenue bonds related to the loan program was \$10,461,036 as of September 30, 2023.

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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. William Hudson, Chairman of the
Board of Commissioners
Lowcountry Regional Water System
513 Elm Street West
Hampton, South Carolina 29924

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Lowcountry Regional Water System (the "System"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 21, 2024.

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
February 21, 2024

THE BRITTINGHAM GROUP, L.L.P.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. William Hudson, Chairman of the
Board of Commissioners
Lowcountry Regional Water System
513 Elm Street West
Hampton, South Carolina 29924

Report on Compliance for Each Major Federal Program

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, 2023. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

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 Auditor's 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.

Auditor's 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 Auditor's 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

February 21, 2024

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, 2022

	Water	Sewer	Unallocated	Total
Operating Revenues:				
Water service	\$ 1,302,325	\$ -	\$ -	\$ 1,302,325
Sewer service	-	1,851,770	-	1,851,770
Penalties, reconnection fees and miscellaneous	210,822	221,305	-	432,127
Total operating revenues	<u>1,513,147</u>	<u>2,073,075</u>	<u>-</u>	<u>3,586,222</u>
Operating Expenses:				
Personnel services	635,599	636,589	218,773	1,490,961
Contract sewer treatment	-	13,208	-	13,208
Repairs and maintenance	170,376	146,505	29,196	346,077
Utilities	79,630	294,637	3,968	378,235
Supplies, materials and chemicals	56,818	166,166	32,165	255,149
Professional, engineering, lab and legal fees	26,215	81,642	17,185	125,042
Insurance	20,748	20,748	13,242	54,738
Vehicle and fuel expenses	30,340	25,327	7,930	63,597
Postage, printing and advertising	2,931	-	20,264	23,195
Building and equipment rental	4,578	14,589	4,674	23,841
Dues, licenses and permits	79,308	12,477	3,589	95,374
Bad debts	16,142	16,801	-	32,943
Bank charges	-	-	83,804	83,804
Depreciation	202,699	322,402	76,118	601,219
Miscellaneous	27,976	24,139	13,279	65,394
Total operating expenses	<u>1,353,360</u>	<u>1,775,230</u>	<u>524,187</u>	<u>3,652,777</u>
Operating income (loss)	<u>159,787</u>	<u>297,845</u>	<u>(524,187)</u>	<u>(66,555)</u>
Non-Operating Revenue (Expenses):				
Grant income	215,626	215,625	-	431,251
Interest income	-	-	1,450	1,450
Interest expense	(102,420)	(150,389)	(6,749)	(259,558)
Net non-operating revenue (expense)	<u>113,206</u>	<u>65,236</u>	<u>(5,299)</u>	<u>173,143</u>
Income (loss) before capital contributions	<u>272,993</u>	<u>363,081</u>	<u>(529,486)</u>	<u>106,588</u>
Capital Contributions	<u>22</u>	<u>1,978</u>	<u>-</u>	<u>2,000</u>
Change in net position	<u>\$ 273,015</u>	<u>\$ 365,059</u>	<u>\$ (529,486)</u>	<u>\$ 108,588</u>