LANCASTER COUNTY WATER AND SEWER DISTRICT

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS

FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

This page is intentionally left blank

Greene Finney Cauley, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

To the Board of Commissioners
Lancaster County Water and Sewer District
Lancaster, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Lancaster County Water and Sewer District (the "District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lancaster County Water and Sewer District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Catawba River Water Supply Project, a joint venture, the investment in which, as discussed in Note II. C, is accounted for by the equity method of accounting. The investment in Catawba River Water Supply Project represents 14% and 7% of the District's assets and change in net position, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Catawba River Water Supply Project, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* (*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 District 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 opinion.

Prior Period Financial Statements

The financial statements of the Lancaster County Water and Sewer District as of June 30, 2022 were audited by other auditors whose report dated October 11, 2022 expressed an unmodified opinion on those statements.

GREENEFINNEYCAULEY.CPA · INFO@GREENEFINNEY.COM

GREENVILLE, SC 864.232.0653 | MAULDIN, SC 864.232.5204 | CHARLESTON, SC 843.735.5805 | ANDERSON, SC 864.225.8713

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 District'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 Responsibility 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 opinion. 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 GAAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 District'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 District'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, the Pension Schedules, and the Other Postemployment Benefit Plan Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Debt Service Coverage Schedule for the year ended June 30, 2023 on page 50 and the schedule of expenditures of federal awards on page 52, 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 Debt Service Coverage Schedule for the year ended June 30, 2023 on page 50 and the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the financial statements as a whole. The Debt Service Coverage Schedule for the year ended June 30, 2022 on page 50 was subjected to the auditing procedures applied in the 2022 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated, in all material respects, in relation to the 2022 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 October 9, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
October 9, 2023

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2023 AND 2022

This discussion and analysis of the Lancaster County Water and Sewer District (the "District") financial performance provides an overview of the District's financial condition and activities for the years ended June 30, 2023 ("2023") and June 30, 2022 ("2022"). This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The following are financial highlights for the year ended June 30, 2023 compared to the year ended June 30, 2022:

- The District's net position increased by $23.6 million or 9.8 percent from $241.0 million to $264.6 million.
- Operating revenues increased by $4.4 million or 12.0 percent from $37.1 million to $41.5 million.
- Operating expenses increased by $2.5 million or 8.3 percent from $27.7 million to $30.2 million.
- Operating Income increased by $2 million or 20.1 percent from $9.3 million to $11.3 million.
- Investment in joint venture decreased by $1.6 million or 3.3 percent from $48.6 million to $47.0 million.
- Effective July 1, 2022, the District's Commission approved an increased revenue associated with rate adjustments and moderate growth. The combined water and sewer retail rates increased by 4% for all customers.
- The District continues to make principal payments on the 2013, 2015, and 2020 Revenue Bonds. Principal and interest payments are made each October and April of the fiscal year.
- In response to the District's Water and Wastewater Developer Policy adopted on February 10, 2004, as amended and renamed June 14, 2022 the Water and Wastewater Extension Policy, the District retains approximately $6 million in unearned revenues from capacity fees.
- As of June 30, 2023, the District has under construction $13.8 million in both growth and rehabilitation projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual financial report consists of the Management's Discussion and Analysis (MD&A), Financial Statements, Required Supplementary Information (RSI), Supplementary Information, and the Compliance Section. The MD&A serves as an introduction to and should be read in conjunction with the financial statements. The financial statements include notes which explain in detail some of the information included in the financial statements.

The financial statements report information about the District using the full accrual basis of accounting in a manner similar to those used by private sector companies. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to the financial statements. The District accounts for its activities using a *proprietary (enterprise) fund*.

Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The *statement of net position* provides information about the types and amounts of resources and obligations at year-end and distinguishes between current and non-current, or long-term, assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The statement of net position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources being reported as total net position. Over time, a change in net position is one indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents the results of activities over the course of the fiscal year. Information is provided about how net position changed during the year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user charges and fees, profitability and credit worthiness.

The *statement of cash flows* provides information about the District's cash receipts, cash payments and changes in cash resulting from operations, investments, and non-capital financing activities as well as capital and related financing activities. From the statement of cash flows, the reader can obtain information on the source and use of cash and the change in the cash balance from the beginning of the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

CONDENSED COMPARATIVE FINANCIAL DATA

The following is a summary of the statements of net position as of June 30, 2023 and 2022:

Condensed Statements of Net Position

	2023	2022	$ Change	% Change
Assets				
Current Assets	$ 28,832,127	25,284,022	$ 3,548,105	14.03%
Non-Current Assets:				
Capital Assets, Net	220,738,167	205,764,679	14,973,488	7.28%
Restricted Assets	28,785,146	27,667,760	1,117,386	4.04%
Investment in Joint Venture	47,010,828	48,605,557	(1,594,729)	-3.28%
Total Assets	325,366,268	307,322,018	18,044,250	5.87%
Deferred Outflows of Resources				
Deferred OPEB Charges	2,948,160	3,348,750	(400,590)	-11.96%
Deferred Pension Charges	1,676,161	1,893,281	(217,120)	-11.47%
Total Deferred Outflows of Resources	4,624,321	5,242,031	(617,710)	-11.78%
Liabilities				
Current Liabilities	11,828,263	14,588,890	(2,760,627)	-18.92%
Non-Current Liabilities	30,474,000	33,620,000	(3,146,000)	-9.36%
Total OPEB Liability	8,699,535	9,368,977	(669,442)	-7.15%
Net Pension Liability	9,041,072	8,081,363	959,709	11.88%
Total Liabilities	60,042,870	65,659,230	(5,616,360)	-8.55%
Deferred Inflows of Resources				
Deferred OPEB Credits	5,255,743	4,691,519	564,224	12.03%
Deferred Pension Credits	52,426	1,211,694	(1,159,268)	-95.67%
Total Deferred Inflows of Resources	5,308,169	5,903,213	(595,044)	-10.08%
Net Position				
Net Investment in Capital Assets	192,495,094	173,915,983	18,579,111	10.68%
Restricted	28,260,192	27,138,114	1,122,078	4.13%
Unrestricted Net Position	43,884,264	39,947,509	3,936,755	9.85%
Total Net Position	$ 264,639,550	241,001,606	$ 23,637,944	9.81%

CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

The following is a summary of the statements of net position as of June 30, 2022 and 2021:

Condensed Statements of Net Position

	2022	2021	$ Change	% Change
Assets				
Current Assets	$ 25,284,022	22,193,388	$ 3,090,634	13.93%
Non-Current Assets:				
Capital Assets, Net	205,764,679	196,615,752	9,148,927	4.65%
Restricted Assets	27,667,760	28,323,855	(656,095)	-2.32%
Investment in Joint Venture	48,605,557	49,367,381	(761,824)	-1.54%
Total Assets	307,322,018	296,500,376	10,821,642	3.65%
Deferred Outflows of Resources				
Deferred OPEB Charges	3,348,750	3,714,952	(366,202)	-9.86%
Deferred Pension Charges	1,893,281	1,612,016	281,265	17.45%
Total Deferred Outflows of Resources	5,242,031	5,326,968	(84,937)	-1.59%
Liabilities				
Current Liabilities	14,588,890	14,270,449	318,441	2.23%
Non-Current Liabilities	33,620,000	36,705,000	(3,085,000)	-8.40%
Total OPEB Liability	9,368,977	12,572,963	(3,203,986)	-25.48%
Net Pension Liability	8,081,363	8,853,974	(772,611)	-8.73%
Total Liabilities	65,659,230	72,402,386	(6,743,156)	-9.31%
Deferred Inflows of Resources				
Deferred OPEB Credits	4,691,519	1,288,957	3,402,562	263.98%
Deferred Pension Credits	1,211,694	76,540	1,135,154	1483.09%
Total Deferred Inflows of Resources	5,903,213	1,365,497	4,537,716	332.31%
Net Position				
Net Investment in Capital Assets	173,915,983	164,966,362	8,949,621	5.43%
Restricted	27,138,114	24,701,385	2,436,729	9.86%
Unrestricted Net Position	39,947,509	38,391,714	1,555,795	4.05%
Total Net Position	$ 241,001,606	228,059,461	$ 12,942,145	5.67%

CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

The following is a summary of the statements of revenues, expenses and changes in net position for the years ended June 30, 2023 and 2022:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	$ Change	% Change
Operating Revenues:				
Water Service	$ 22,130,937	21,051,190	$ 1,079,747	5.13%
Sewer Service	10,511,624	9,566,957	944,667	9.87%
Water and Sewer Connection Fees	8,207,603	5,844,109	2,363,494	40.44%
Other	619,732	588,481	31,251	5.31%
Total Operating Revenues:	41,469,896	37,050,737	4,419,159	11.93%
Operating Expenses	30,211,106	27,734,829	2,476,277	8.93%
Operating Income	11,258,790	9,315,908	1,942,882	20.86%
Non-Operating Revenue (Expenses)				
Investment Income	1,101,263	85,442	1,015,821	1188.90%
Decrease in Investment in Joint Venture	(1,639,135)	(1,316,513)	(322,622)	24.51%
Interest Expense	(670,275)	(732,344)	62,069	-8.48%
Gain on Disposal of Capital Assets	60,385	100,930	(40,545)	-40.17%
Total Non-Operating Revenue (Expenses)	(1,147,762)	(1,862,485)	714,723	-38.37%
Change in Net Position Before Contributed Capital and Grants	10,111,028	7,453,423	2,657,605	35.66%
Contributed Capital and Grants				
Capital Grants	3,800,000	-	3,800,000	0.00%
Capital Contributions	9,726,916	5,488,722	4,238,194	77.22%
Total Capital Contributions and Grants	13,526,916	5,488,722	8,038,194	146.45%
Change in Net Position	23,637,944	12,942,145	10,695,799	82.64%
Net Position - Beginning of Year	241,001,606	228,059,461	12,942,145	5.67%
Net Position - End of Year	$ 264,639,550	241,001,606	$ 23,637,944	9.81%

CONDENSED COMPARATIVE FINANCIAL DATA (CONTINUED)

The following is a summary of the statements of revenues, expenses and changes in net position for the years ended June 30, 2022 and 2021:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2022	2021	$ Change	% Change
Operating Revenues:				
Water Service	$ 21,051,190	19,517,824	$ 1,533,366	7.86%
Sewer Service	9,566,957	8,760,075	806,882	9.21%
Water and Sewer Connection Fees	5,844,109	5,961,696	(117,587)	-1.97%
Other	588,481	619,203	(30,722)	-4.96%
Total Operating Revenues:	37,050,737	34,858,798	2,191,939	6.29%
Operating Expenses	28,467,173	27,879,649	587,524	2.11%
Operating Income	8,583,564	6,979,149	1,604,415	22.99%
Non-Operating Revenue (Expenses)				
Investment Income	85,442	89,635	(4,193)	-4.68%
Decrease in Investment in Joint Venture	(1,316,513)	(1,392,426)	75,913	-5.45%
Gain on Disposal of Capital Assets	100,930	64,703	36,227	55.99%
Total Non-Operating Revenue (Expenses)	(1,130,141)	(1,238,088)	107,947	-8.72%
Change in Net Position Before Contributed Capital	7,453,423	5,741,061	1,712,362	29.83%
Capital Contributions	5,488,722	4,315,441	1,173,281	27.19%
Change in Net Position	12,942,145	10,056,502	2,885,643	28.69%
Net Position - Beginning of Year	228,059,461	218,002,959	-	0.00%
Net Position - End of Year	$ 241,001,606	228,059,461	$ 2,885,643	1.27%

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Financial Condition

Total assets increased by $18.0 million or 5.9% from 2022 to 2023 primarily due to an increase in capital assets of approximately $15.0 million. The $15.0 million increase in capital assets is due primarily to an increase of $8.0 million in structure and distribution lines. Total deferred outflows of resources decreased by $618 thousand and total deferred inflows of resources decreased by $595 thousand due to changes in the District's proportionate share of the net pension liability and related deferred inflows and outflows. Total liabilities decreased by $5.6 million primarily due to scheduled principal payments on the revenue bonds of $3.1 million. Current liabilities decreased by $2.8 million due to a $1.6 million decrease in accounts payable and a $1.2 million decrease in unearned revenue from developer capacity receipts.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

Financial Condition (Continued)

Total assets increased by $10.8 million or 3.7% from 2021 to 2022 primarily due to an increase in capital assets of approximately $9.1 million. The $9.1 million increase in capital assets is due primarily to an increase of $4.3 million in structure and distribution lines. Total deferred outflows of resources decreased by $84 thousand and total deferred inflows of resources increased by $5.1 million due to changes in the District's proportionate share of the net pension liability and related deferred inflows and outflows. Total liabilities decreased by $6.7 million primarily due to scheduled principal payments on the revenue bonds of $3.1 million.

Net investment in capital assets, a component of net position, increased by $18.6 million to $192.5 million from 2022 to 2023, primarily due to current year capital additions of $20.6 million and principal payments on bonds of $3.1 million offset by $5.2 million in depreciation expense and net disposals of $422 thousand.

Net investment in capital assets increased by $8.9 million to $173.9 million from 2021 to 2022, primarily due to current year capital additions of $14.2 million offset by $5.0 million in depreciation expense and net disposals of $40 thousand. The remainder of the change is due to $3.0 million in scheduled principal payments made during 2022.

Unrestricted net position, a component of net position, increased by $3.9 million to $43.9 million from 2022 to 2023, primarily due to an increase in operating revenues of $4.4 million.

Unrestricted net position, a component of net position, increased by $1.6 million to $39.9 million from 2021 to 2022, primarily due to an increase in operating revenues of $2.2 million.

Operating Revenues: Total operating revenues increased $4.4 million, or 12.0% in 2023. The majority of the District's operating revenue comes from water and sewer sales and service.

For the year ended June 30, 2023, water and sewer connection fees increased $2.4 million.

For the year ended June 30, 2022, water and sewer connection fees decreased $118 thousand.

Operating Expenses: The total operating expenses of the District increased by $2.5 million, or 8.9%, to $30.2 million in 2023. Approximately $1.2 million of this increase is due to the costs of water and sewer expenses.

The total operating expenses of the District increased by $685 thousand, or 2.5%, to $27.7 million in 2022. Approximately $384 thousand of this increase is due to the costs of water and sewer expenses.

Capital Contributions: The District is subject to GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*". The types of non-exchange transactions the District engages in are primarily contributed systems. Capital contributions collected by the District are made up of systems contributed by developers or other governments. Capital contributions were $9.7 million in 2023 compared to $5.5 million in 2022, an increase of $4.2 million. Capital contributions were $5.5 million in 2022 compared to $4.3 million in 2021, an increase of $1.2 million.

Capital Grants: The District received $3,800,000 in federal grant funding in 2023 to partially fund the regional wastewater collection rehabilitation project.

CAPITAL ASSET ADMINISTRATION

At the end of 2023, the District had approximately $220.7 million invested in capital assets, net of depreciation. This was an increase of approximately $15.0 million from the prior year end due to current year additions of $20.6 million offset by $5.2 million in depreciation expense and net disposals of $422 thousand. Major capital asset additions for 2023 included approximately $8.0 million in structure and distribution lines and $10.9 million in construction in progress mostly related to the wastewater treatment plant.

At the end of 2022, the District had approximately $205.8 million invested in capital assets, net of depreciation. This was an increase of approximately $9.1 million from the prior year end due to current year additions of $14.2 million offset by $5.0 million in depreciation expense and net disposals of $40 thousand. Major capital asset additions for 2022 included approximately $4.4 million in structure and distribution lines and $9.4 million in construction in progress mostly related to the wastewater treatment plant.

Additional information about the District's capital assets is included in Note II.E in the Notes to the Financial Statements.

LONG-TERM DEBT

At the end of 2023, the District had $33.6 million in outstanding long-term debt compared to $36.7 million as of June 30, 2022 and $39.7 million as of June 30, 2021. The $3.1 million decrease from June 30, 2022 to June 30, 2023 represents the $3.1 million in principal payments of the 2020, 2015, and 2013 Revenue Bonds. The $3.1 million decrease from June 30, 2021 to June 30, 2022 represents the principal payments on the revenue bonds.

In October 2013, the District issued a 2013 Revenue Bond. The principal balance due at June 30, 2022 and 2023 was $5,115,000 and $4,430,000, respectively. The issue was to finance, among other things, the Catawba River Water Treatment Plant Redundancy and Reliability Project, reimbursement of Capital Improvement Program funds expended as well as a portion of the Fixed Based Meter System and other Capital Improvement Program funds as noted in the Bond documents.

The District issued a 2015 Revenue Bond during the month of October 2015. The principal balance due at June 30, 2022 and 2023 was $6,770,000 and $6,081,000, respectively. The 2015 Revenue Bond was issued to fund the District's allocable portion of the Catawba River Water Treatment Plant River Pump Station and Intake Improvements and a portion of the New Raw Water Reservoir Expansion Project.

The District issued a 2020 Revenue Bond during the month of February 2020. The principal balance due at June 30, 2022, and 2023 was $24,820,000 and $23,109,000, respectively. The 2020 Revenue Bond was issued primarily to fund the improvements at the District's Indian Land Wastewater Treatment Plant as required to upgrade the treatment capacity of the facility from 2 million gallons per day (MGD) to 5 MGD.

Additional information on the District's long-term debt is included in Note II.F in the Notes to the Financial Statements.

ECONOMIC FACTORS AFFECTING FUTURE BUDGETS AND RATES

- The District's Board of Commissioners approved the Operating Budget for Fiscal Year Ending June 30, 2024. The Operating and Maintenance Fund consists of revenues and expenses in connection with the normal, daily operations of the District. The water and sewer rates will increase by an average of 4% for all customers effective July 1, 2023.
- We anticipate growth rates of 4% to continue as projected by the SC State Census Data with growth corridors expanding beyond Indian Land to central Lancaster County and the southwest Catawba Ridge area.
- LCWSD received a $10 million grant from the SC Investment Infrastructure program (SCIIP) in April, 2023 for the $17 million Regional Riverside Road Water Transmission Main project to enhance capacity, redundancy, and reliability of the county-wide water system.

ECONOMIC FACTORS AFFECTING FUTURE BUDGETS AND RATES (CONTINUED)

Lancaster County remains in a growth period that requires significant needs driven Capital Improvement Projects. The District’s Capital Improvement Program and System Improvements and Replacements includes the following projects for year ending June 30, 2024:

Hwy 521 20” Transmission Phase 3
Clem’s Branch PS Upgrade
Six Mile Creek Gravity Sewer
Bridgemill #2 Gravity Outfall
State Line Tank Relocation
Calvin Hall Pump Station
Riverside Road Regional Transmission Project
Transportation Betterment
Developer Reimbursement Agreements
Land Acquisition
University Drive Connector Water Main
Hannah’s Creek Gravity Sewer
CRWSP SCADA/Surveillance/Pump

The District continues to be aggressive in its goal to provide water and sewer service for residents and businesses in Lancaster County.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

The primary purpose of this financial report is to provide a general overview of Lancaster County Water and Sewer District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Lancaster County Water and Sewer District
Attn: Finance Director
1400 Pageland Highway
P.O. Box 1009
Lancaster, SC 29721

This page is intentionally left blank

Basic Financial Statements

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Unrestricted Cash and Cash Equivalents	$ 18,964,344	$ 17,492,140
Accounts Receivable, Net	5,176,907	4,476,254
Due from Joint Venture	131,717	112,234
Prepaid Expenses	306,067	204,580
Inventories	4,253,092	2,998,814
Total Current Assets	28,832,127	25,284,022
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	28,785,146	27,667,760
Investment in Joint Venture	47,010,828	48,605,557
Capital Assets, Net:		
Non-Depreciable	24,964,250	46,889,348
Depreciable	195,773,917	158,875,331
Total Noncurrent Assets	296,534,141	282,037,996
TOTAL ASSETS	325,366,268	307,322,018
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	1,676,161	1,893,281
Deferred Other Postemployment Benefit Charges	2,948,160	3,348,750
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 4,624,321	$ 5,242,031

(Continued)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES		
Current Liabilities:		
Payables From Current Assets:		
Accounts Payable	$ 1,290,025	$ 2,906,685
Accrued Payroll and Related Liabilities	1,166,505	1,149,444
Accrued Interest Payable	163,668	179,271
Current Portion of Revenue Bonds Payable	3,146,000	3,085,000
Unearned Revenue - Developer Capacity Fee Receipts	5,667,942	6,881,557
Payables from Restricted Assets:		
Customer Deposits Payable	394,123	386,933
Total Current Liabilities	11,828,263	14,588,890
Noncurrent Liabilities:		
Revenue Bonds Payable	30,474,000	33,620,000
Total Other Postemployment Benefits Liability	8,699,535	9,368,977
Net Pension Liability	9,041,072	8,081,363
Total Noncurrent Liabilities	48,214,607	51,070,340
TOTAL LIABILITIES	60,042,870	65,659,230
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	52,426	1,211,694
Deferred Other Postemployment Credits	5,255,743	4,691,519
TOTAL DEFERRED INFLOWS OF RESOURCES	5,308,169	5,903,213
NET POSITION		
Net Investment in Capital Assets	192,495,094	173,915,983
Restricted	28,260,192	27,138,114
Unrestricted	43,884,264	39,947,509
TOTAL NET POSITION	$ 264,639,550	$ 241,001,606

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water Service	$ 22,130,937	$ 21,051,190
Sewer Service	10,511,624	9,566,957
Water and Sewer Connection Fees	8,207,603	5,844,109
Penalties	205,620	250,955
Miscellaneous	414,112	337,526
TOTAL OPERATING REVENUES	41,469,896	37,050,737
OPERATING EXPENSES		
Costs of Water and Sewer	10,689,313	9,472,381
General and Administrative	6,190,323	6,049,315
Operations and Maintenance	8,161,304	7,199,611
Depreciation Expense	5,170,166	5,013,522
TOTAL OPERATING EXPENSES	30,211,106	27,734,829
OPERATING INCOME	11,258,790	9,315,908
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	1,101,263	85,442
Decrease in Joint Venture	(1,639,135)	(1,316,513)
Interest Expense	(670,275)	(732,344)
Gain on Disposal of Capital Assets	60,385	100,930
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,147,762)	(1,862,485)
CHANGE IN NET POSITION BEFORE CONTRIBUTED CAPITAL, GRANTS AND OTHER	10,111,028	7,453,423
CONTRIBUTED CAPITAL, GRANTS AND OTHER		
Capital Grants	3,800,000	-
Capital Contributions	9,726,916	5,488,722
TOTAL CAPITAL CONTRIBUTIONS, GRANTS AND OTHER	13,526,916	5,488,722
CHANGE IN NET POSITION	23,637,944	12,942,145
NET POSITION, BEGINNING OF YEAR	241,001,606	228,059,461
NET POSITION, END OF YEAR	$ 264,639,550	$ 241,001,606

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Others	$ 39,923,335	$ 37,255,682
Payments to Suppliers	(18,094,919)	(16,418,169)
Payments to Employees	(7,851,494)	(6,693,778)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,976,922	14,143,735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	(14,339,728)	(9,812,169)
Proceeds From Sale of Capital Assets	482,322	117,951
Capital Contributions from Developers	1,748,492	1,121,421
Principal Payments on Revenue Bonds Payable	(3,085,000)	(3,019,000)
Interest Paid on Long-Term Borrowings	(670,275)	(732,344)
Proceeds from Capital Grants	3,420,000	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(12,444,189)	(12,324,141)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	1,101,263	85,442
Payments to Joint Venture	(44,406)	(554,689)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,056,857	(469,247)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,589,590	1,350,347
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,159,900	43,809,553
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 47,749,490	$ 45,159,900
RECONCILIATION TO THE STATEMENT OF NET POSITION:		
Unrestricted Cash and Cash Equivalents	$ 18,964,344	$ 17,492,140
Restricted Cash and Cash Equivalents	28,785,146	27,667,760
Total Cash and Cash Equivalents	$ 47,749,490	$ 45,159,900

(Continued)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 11,258,790	$ 9,315,908
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation Expense	5,170,166	5,013,522
Pension Expense	17,561	81,278
OPEB Expense	295,372	564,778
Changes In Balance Sheet Accounts:		
(Increase) Decrease in Assets		
Accounts Receivable	(320,653)	(322,501)
Due from Related Party	(19,483)	(26,738)
Inventory	(1,254,278)	(740,789)
Prepaid Expenses	(101,487)	5,836
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts Payable	135,901	(420,859)
Accrued Interest Payable	(15,603)	(15,260)
Accrued Payroll and Related Liabilities	17,061	134,376
Customer Deposits Payable	7,190	6,040
Unearned Revenue - Grants and Other	-	548,144
Unearned Revenue - Developer Capacity Fee Receipts	(1,213,615)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 13,976,922	$ 14,143,735
Non-Cash Capital and Related Financing Activities:		
Donated Capital Assets	$ 7,978,424	$ 4,367,301
Loss on Operations in Joint Venture	(1,639,135)	(1,316,513)
Capital Acquisitions in Accounts Payable	$ 704,073	$ 2,456,634

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

This summary of significant accounting policies of Lancaster County Water and Sewer District (the "District") is presented to assist in understanding the financial statements. The financial statements and notes are representation of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements.

Lancaster County Water and Sewer District was established by the South Carolina General Assembly as a political subdivision of the State of South Carolina for the purpose of providing water and sewer service to the citizens, businesses and industries throughout Lancaster County except the incorporated areas of the municipalities as of 1959. In order to provide better water and sewer service, in August 1974, the District consolidated the territory and received the assets and assumed the liabilities of the following water districts of Lancaster County: Gills Creek Water District, Rural Community Water District, Dixie Water District, Sherwood Water District, Douglas Water District, Kershaw Water District, and Tradesville Water District and created Gooch's Crossroads Sanitary Sewer Sub-District of Lancaster County Water and Sewer District which was later consolidated and merged into a single system for all purposes. The merged system operates as the "Lancaster County Water and Sewer District".

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary fund types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The District does not have any internal service funds and has one enterprise fund.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

C. Management Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

The District considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

The District's investment policy is designed to operate within existing statutes that authorize the District to invest in the following:

(a) Obligations of the United States and agencies thereof.

(b) General obligations of the State of South Carolina or any of its political units; Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(e) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(f) Repurchase agreements when collateralized by securities as set forth in this section.

(g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The District's cash investment objectives are preservation of capital, liquidity, and yield. The District reports its cash and investments at fair value which is normally determined by quoted market prices. The District currently has the following investments:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- Money Market Treasury Funds are government securities with maturities of less than one year.

- South Carolina Local Government Investment Pool ("SCLGIP") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The SCLGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72 "*Fair Value Measurement and Application*", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Inventories and Prepaid Items

Inventories and Prepaid items are generally accounted for using the purchase method (expensed when paid). The District uses the purchase method of accounting for inventory and prepaid items in that as inventories or prepaid items are purchased, they are expensed, and subsequently at year end, the inventories and prepaid items balance sheet accounts are adjusted for remaining prepaid or inventory on hand amounts. Inventories of maintenance parts and supplies are valued at the weighted average cost method.

3. Accounts Receivable

Accounts receivable includes amounts billed but not collected as of year-end. The District renders bills to residential, commercial, and industrial customers for water consumption on billing cycles that end on various days throughout the month ("Billed Services"). The District also accrues a receivable for estimated water consumption earned from the last billing cycle in the year up through the year end date ("Earned but Unbilled"). Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

4. Unearned Revenue

The District receives payments from developers for capacity fees. These fees will be recognized as wholesale revenue as meters are set in each individual development.

5. Restricted Assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions or formal actions of the District for the purpose of funding certain debt service payments, depreciation and contingency activities and improvements to the system.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. Capital Assets

Capital assets are carried at cost. Donated capital assets are recorded at acquisition value at the date of donation. These assets are depreciated over the estimated useful life using the strait-line method. The District defines its capitalization policy as assets costing $10,000 and having an estimated useful life of greater than three years.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Classification	Useful Life
Structure and distribution lines	25-99 years
Equipment	4-8 years
Vehicles	4-5 years
Buildings	20-50 years
Buildings - furniture	2-8 years
Land Improvements	20 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has two types of deferred outflows of resources: (1) The District reports deferred pension charges in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. (2) The District reports deferred OPEB charges in its Statement of Net Position in connection with its OPEB plan. These deferred pension and OPEB charges are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The District currently has two types of deferred inflows of resources. (1) The District reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. (2) The District reports deferred OPEB credits in its Statement of Net Position in connection with its OPEB plan. These deferred pension and OPEB credits are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

8. Compensated Absences

The District provides eligible employees annual leave for each full calendar month of service. When an employee separates from employment, the employee is compensated for any unused leave, to the extent or limit under the applicable employment policy. The District reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The District considers the entire accrual for compensated absences as of June 30, 2022 and 2023 to be current and therefore has included the liability in the Accrued Payroll and Related Liabilities in the Statements of Net Position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. Long-Term Obligations

Long-term debt is reported at face value. Costs related to the issuance of debt are expensed in the year incurred. Gains or losses occurring from advanced or current refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

10. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. Unrestricted net position consists of all other amounts not included in the above categories.

11. Pensions and Other Postemployment Benefits

In the District's financial statements, pensions and other postemployment benefits ("OPEB") are required to be recognized and disclosed using the accrual basis of accounting (see Note III.A and Note III.B and the required supplementary information immediately following the notes to the financial statements for more information). The District recognizes net pension and OPEB liabilities for each plan in which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the District's fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

12. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

II. DETAILED NOTES ON ALL ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2023 and 2022, the District did not have any deposits which were uninsured or under collateralized.

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2023, the District had the following investments and maturities:

Investment Type	Fair Value	Fair Value Level [1]	Credit Ratings S&P	Credit Ratings Moody's	Credit Ratings Fitch	Weighted Average Maturity <1 Year
Fidelity Institutional Money Market Treasury	$ 1,130,859	Level 1	AAAm	AAA-mf	NR	$ 1,130,859
SC LGIP	25,499,116	N/A	NR	NR	NR	25,499,116
	$ 26,629,975					$ 26,629,975

[1] See Note I.C.12 for details of the District's fair value hierarchy.

As of June 30, 2022, the District had the following investments and maturities:

Investment Type	Fair Value	Fair Value Level [1]	Credit Ratings S&P	Credit Ratings Moody's	Credit Ratings Fitch	Weighted Average Maturity <1 Year
Fidelity Institutional Money Market Treasury	$ 2,493,298	Level 1	AAAm	AAA-mf	NR	$ 2,493,298
SC LGIP	23,737,832	N/A	NR	NR	NR	23,737,832
	$ 26,231,130					$ 26,231,130

[1] See Note I.C.12 for details of the District's fair value hierarchy.

Interest Rate Risk: The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a counterparty failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2023 and 2022, none of the District's investments were exposed to custodial credit risk for investments.

Concentration of Credit Risk for Investments: The District places no limit on the amount it may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and investments as shown in the Statements of Net Position as of June 30, 2023 and 2022 follows:

Description	2023	2022
Carrying Amount of Deposits	$ 21,119,515	$ 18,928,770
Fair Value of Investments	26,629,975	26,231,130
Total Deposits and Investments	$ 47,749,490	$ 45,159,900
Statements of Net Position:		
Unrestricted Cash and Cash Equivalents	$ 18,964,344	$ 17,492,140
Restricted Cash and Cash Equivalents	28,785,146	27,667,760
Total Cash and Cash Equivalents	$ 47,749,490	$ 45,159,900

B. Accounts Receivables

Accounts receivable, including the applicable allowance for doubtful accounts, were composed of the following at June 30, 2023 and 2022:

	2023	2022
Utility accounts receivable	$ 881,758	$ 743,198
Grant receivable	380,000	-
Other accounts receivable	18,044	11,141
Unbilled revenue	4,039,158	3,999,665
Less allowance for uncollectibles	(142,053)	(277,750)
Accounts Receivable, Net	$ 5,176,907	$ 4,476,254

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

C. Joint Venture

The District and Union County, North Carolina (the "County") constructed a water impoundment and treatment facility on the Catawba River in Lancaster County in 1991 known as the Catawba River Water Supply Project (the "Venture"), which operates the Catawba water plant. The District has an ongoing financial interest in and responsibility for the Venture and is responsible for operating the Venture of a joint board of directors consisting of equal representation from the County and the District. The District has a 50% undivided interest in the Venture, which is accounted for under the equity method of accounting.

The following is a summary of the financial position and results of operations of the Venture. A full copy of the separately issued financial statements of the Venture can be obtained by contacting the Chief Administrative Staff Person at 5107 Riverside Road, Post Office Box 214, Van Wyck, South Carolina 29744.

	2023	2022
Current Assets	$ 2,178,741	$ 2,585,585
Investment - Capital Replacement	1,510,247	1,315,828
Capital Assets - Net	95,805,780	98,360,611
Deferred Outflows of Resources	1,086,873	1,251,318
Total Assets and Deferred Outflows of Resources	$ 100,581,641	$ 103,513,342
Total Liabilities - Current	$ 370,281	$ 143,624
Total Liabilities - Non-Current	5,471,716	5,229,340
Deferred Inflows of Resources	717,989	865,143
Net Position	94,021,655	97,275,235
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 100,581,641	$ 103,513,342
Revenue and Other Income	$ 6,424,959	$ 6,379,282
Expenses	(9,767,604)	(9,012,307)
Net Decrease in Net Position	$ (3,342,645)	$ (2,633,025)
Capital Contributions	$ 89,065	$ 1,062,229

D. Developer Capacity Fees

On February 10, 2004, the District approved its Water and Wastewater Developer Policy, as amended and renamed June 14, 2022, to the Water and Wastewater Extension Policy. This policy requires developers to pay one half of the capacity fees prior to development in order to recover from new customers a portion of the incremental cost of providing capacity in the treatment facilities, treatment mains and sewer outfalls which have been constructed to allow for new development and expansion of the system. The remaining capacity fees (which consist of one half of the capacity fees in effect at the time the meter is installed) shall be due prior to any meters being installed by the District personnel, at which time revenue will be recognized. Developer capacity fees were approximately $5,668,000 and $6,882,000 as of June 30, 2023 and 2022, respectively and presented as unearned revenue in the accompanying statements of net position.

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

E. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land and Land Rights	$ 10,245,759	880,000	-	-	$ 11,125,759
Construction In Progress	36,643,589	10,903,340	(376,821)	(33,331,617)	13,838,491
Total Capital Assets, Non-Depreciable	46,889,348	11,783,340	(376,821)	(33,331,617)	24,964,250
Capital Assets, Depreciable					
Structure and Distribution Lines	201,979,652	8,000,924	-	33,331,617	243,312,193
Equipment	6,174,087	453,669	(87,612)	-	6,540,144
Vehicles	2,076,549	327,658	(56,643)	-	2,347,564
Buildings	12,082,463	-	-	-	12,082,463
Land Improvements	275,894	-	-	-	275,894
Total Capital Assets, Depreciable	222,588,645	8,782,251	(144,255)	33,331,617	264,558,258
Accumulated Depreciation	63,713,314	5,170,166	(99,139)	-	68,784,341
Total Capital Assets, Depreciable, Net	158,875,331	3,612,085	(45,116)	33,331,617	195,773,917
Total Capital Assets, Net	$ 205,764,679	15,395,425	(421,937)	-	$ 220,738,167

Depreciation expense for the year ended June 30, 2023 was approximately $5,170,000.

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

E. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Non-Depreciable				
Land and Land Rights	$ 10,245,759	-	-	$ 10,245,759
Construction In Progress	30,606,902	9,371,195	(3,334,508)	36,643,589
Total Capital Assets, Non-Depreciable	40,852,661	9,371,195	(3,334,508)	46,889,348
Capital Assets, Depreciable				
Structure and Distribution Lines	195,605,776	4,367,301	2,006,575	201,979,652
Equipment	5,064,911	226,615	882,561	6,174,087
Vehicles	1,839,947	237,359	(757)	2,076,549
Buildings	11,689,698	-	392,765	12,082,463
Buildings - Furniture	436,248	-	(436,248)	-
Land Improvements	-	-	275,894	275,894
Total Capital Assets, Depreciable	214,636,580	4,831,275	3,120,790	222,588,645
Accumulated Depreciation	58,873,490	5,013,522	(173,698)	63,713,314
Total Capital Assets, Depreciable, Net	155,763,090	(182,247)	3,294,488	158,875,331
Total Capital Assets, Net	$ 196,615,751	9,188,948	(40,020)	$ 205,764,679

Depreciation expense for the year ended June 30, 2022 was approximately $5,014,000.

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

F. Long-Term Obligations

The following is a summary of changes in the District's long-term obligations for the year ended June 30, 2023:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 36,705,000	-	(3,085,000)	33,620,000	$ 3,146,000

The following is a summary of changes in the District's long-term obligations for the year ended June 30, 2022:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 39,724,000	-	(3,019,000)	36,705,000	$ 3,085,000

Revenue bonds payable at June 30, 2023 and 2022 were comprised of the following issues:

	2023	2022
$10,000,000 Improvement Revenue Bonds, Series 2013 issued in October 2013 with a fixed interest rate of 2.46% and matures in October 2028. The bonds are collateralized by system revenues.	$ 4,430,000	$ 5,115,000
$10,000,000 Reservoir Improvement Revenue Bonds, Series 2015 issued in October 2015 with a fixed interest rate of 2.16% and matures in October 2030. The bonds were issued to finance the District's Investment in Joint Venture. The bonds are collateralized by system revenues.	6,081,000	6,770,000
$26,500,000 Waterworks and Sewer System Improvement Revenue Bond, Series 2020 issued in February 2020 with a fixed interest rate of 1.79% and matures in October 2034. The bonds are collateralized by system revenues.	23,109,000	24,820,000
Total Revenue Bonds	$ 33,620,000	$ 36,705,000

II. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

Following is a summary of the debt service requirements to maturity for the District's revenue bonds as of June 30, 2023:

Year Ended June 30,	Revenue Bonds Principal	Revenue Bonds Interest	Total
2024	$ 3,146,000	622,842	$ 3,768,842
2025	3,207,000	558,557	3,765,557
2026	3,275,000	492,942	3,767,942
2027	3,339,000	425,968	3,764,968
2028	3,399,000	357,739	3,756,739
2029-2033	13,049,000	914,107	13,963,107
2034-2038	4,205,000	75,727	4,280,727
Totals	$ 33,620,000	3,447,882	$ 37,067,882

III. OTHER INFORMATION

A. Retirement Plan

The District participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the System' Pension Trust Funds. The ACFR is publicly available through the 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. The 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 ACFR of the state.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Plan Description

The South Carolina Retirement System ("SCRS"), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented on the following page.

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

  The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS ("Plan") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS employee contribution rate. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified the statute such that the employer contribution rates for SCRS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plans. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the Plans are at least 85 percent funded.

As noted earlier, both employees and the District are required to contribute to the Plan at rates established and as amended by the PEBA. The District's contributions are actuarially determined but are communicated to and paid by the District as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past year are as follows:

	SCRS Rates	
	2023	2022
Employer Contribution Rate: ^		
Retirement	17.41%	16.41%
Incidental Death Benefit	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%
	17.56%	16.56%
Employee Contribution Rate ^	9.00%	9.00%

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The actual and required contributions to the SCRS were approximately $844,000 and $752,000 for the year ended June 30, 2023 and 2022, respectively.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2022 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2021. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the SCRS.

	SCRS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)
Benefit Adjustments	Lesser of 1% or $500 annually

* Includes inflation at 2.25%.

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”), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

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

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 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 following table. For actuarial purposes, the 7.00 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.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
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 Rate of Return	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2022 measurement date, and the June 30, 2021 measurement date, for the SCRS is presented in the following table:

Measurement Date	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	$ 56,454,779,872	32,212,626,932	$ 24,242,152,940	57.1%
June 30, 2021	$ 55,131,579,363	33,490,305,970	$ 21,641,273,393	60.7%

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2023 and 2022, the District reported a liability of approximately $9,041,000 and $8,081,000 for its proportionate share of the NPL for the SCRS. The NPL was measured as of June 30, 2022 and 2021, and the TPL for the Plan used to calculate the NPL were determined based on the most recent actuarial valuation reports as of July 1 of the preceding year that was projected forward to the measurement date. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2022 measurement date, the District's SCRS proportion was 0.03814 percent, which was a decrease of 0.00105 from its proportion measured as of June 30, 2021. At the June 30, 2021 measurement date, the District's SCRS proportion was 0.048680 percent, which was an increase of 0.00366 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2023, the District recognized pension expense of approximately $1,027,000 for the SCRS. At June 30, 2023, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 78,550	$ 39,400
Change in Assumptions	289,969	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	13,943	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	449,389	13,026
Employer Contributions Subsequent to the Measurement Date	844,310	-
Total SCRS	$ 1,676,161	$ 52,426

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2022, the District recognized pension expense of approximately $833,000 for the SCRS. At June 30, 2022, the District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 137,657	$ 10,907
Change in Assumptions	442,347	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,173,925
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	561,136	26,862
Employer Contributions Subsequent to the Measurement Date	752,141	-
Total SCRS	$ 1,893,281	$ 1,211,694

Approximately $844,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the NPL in the year ended June 30, 2024. Approximately $752,000 that were reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date to the SCRS, were recognized as a reduction of the NPL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	2023	2022
2023	$ -	$ 181,658
2024	402,253	135,712
2025	318,066	51,344
2026	(176,679)	(439,268)
2027	235,785	-
Total	$ 779,425	$ (70,554)

Discount Rate

For the year ended June 30, 2023, the discount rate used to measure the TPL was 7.00 percent. For the year ended June 30, 2022, the discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all 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.

III. OTHER INFORMATION (CONTINUED)

A. Retirement Plan (Continued)

Sensitivity Analysis

The following table presents the sensitivity of the District's proportionate share of the NPL of the Plan to changes in the discount rate for the year ended June 30, 2023 (measurement date of June 30, 2022), calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability of the SCRS	$ 11,591,771	9,041,072	$ 6,920,498

The following table presents the sensitivity of the District's proportionate share of the NPL of the Plan to changes in the discount rate for the year ended June 30, 2022 (measurement date of June 30, 2021), calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability of the SCRS	$ 10,585,579	8,081,363	$ 5,999,841

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS. The ACFR is publicly available through the 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.

Payable to Plan

The District reported a payable of approximately $141,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the month of June 2023 for the SCRS. This amount is included in Accrued Payroll and Related Liabilities on the financial statements and was paid in July 2023. The District reported a payable of approximately $174,000 to the PEBA as of June 30, 2022, representing required employer and employee contributions for the month of June 2022 for the SCRS. This amount is included in Accrued Payroll and Related Liabilities on the financial statements and was paid in July 2022.

III. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan

Plan Description

The District, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single employer defined benefit plan (the plan), administered by the District, to provide certain postretirement healthcare benefits. The plan provides medical, dental and vision insurance coverage through the SC PEBA state healthplan to eligible retirees and their spouses for life, and upon death of the retiree, the surviving spouse may continue coverage for life. Participants must be eligible to retire under the South Carolina Retirement System (SCRS) to receive benefits. The District provides approximately 93% and 78% of the cost of coverage for retirees only and retirees and spouses, respectively, under 65; and provides approximately 74% and 70% of the cost of coverage of retirees only and retirees and spouses, respectively, over 65. Retirees are required to pay the remaining portion of the premiums. The District, upon majority vote of the elected 6 member Board of Commissioners, has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Because the plan consists solely of the District's firm commitment to provide OPEB through the payment of premiums ("pay as you go") to the SC PEBA state health plan, no standalone financial report is either available or generated.

Plan Membership

Membership in the plan as of June 30, 2023 was:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	38
Active Members	93
Total Membership	131

Plan Benefits and Contributions

The District has elected to fund the OPEB plan on a "pay as you go" basis. Plan members, once retired, contribute to the plan based on insurance coverage elected and age (under or over 65). The District paid approximately $208,000 and $181,000 for the pay as you go benefits for the OPEB plan for the years ended June 30, 2023 and 2022, respectively.

Actuarial Assumptions and Method

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the total OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

III. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions and Method (Continued)

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.30%
Salary Increases	3.90% - 7.90%, including inflation
Discount Rate	3.54% - based on Bond Buyer 20-Year Bond Go Index
Healthcare Cost Trend Rate	Getzen Trend Model, 9.60% for 2022, 6.40% for 2023, grading to an ultimate rate of 3.70% for 2073 and later. Dental claims, premiums, and contributions toward the premiums are assumed to increase 3.00% per year.
Mortality Table	PubG.H-2010 Headcount-Weighted Employee Mortatlity Tables
Retiree' share of benefit related costs	7%-20% of projected health insurance premiums based on coverage and whether under 65 or over 65

The Discount Rate changed from 2.16% as of June 30, 2022 to 3.54% as of June 30, 2023. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study used for the valuations of the SCRS. The experience report on the SCRS was most recently issued as of July 1, 2019, and are required to be completed at least once in each five-year period by S.C. state statute.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, District's total OPEB liability was measured as of July 1, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July, 2021 that was rolled forward to the measurement date.

	2023	2022
Beginning Balance	$ 9,368,977	$ 12,572,963
Changes for the year:		
Service Cost	588,674	647,573
Interest	213,145	290,419
Difference Between Expected/Actual Experience	-	(3,055,950)
Assumption Changes	(1,290,679)	(926,399)
Benefit Payments	(180,582)	(159,629)
Net Changes	(669,442)	(3,203,986)
Ending Balance	$ 8,699,535	$ 9,368,977

For the fiscal year ended June 30, 2022, the District's total OPEB liability was measured as of July 1, 2021 was determined by an actuarial valuation as of July 1, 2021.

III. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the years ended June 30, 2023 and 2022, the District recognized OPEB expense of approximately $503,000 and $786,000, respectively.

At June 30, 2023, the District reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 3,165,604
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments		
Changes of Assumptions	2,740,038	2,090,139
Employer Contributions Subsequent to the Measurement Date	208,122	-
Total	$ 2,948,160	$ 5,255,743

At June 30, 2022, the District reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 3,600,543
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments		
Changes of Assumptions	3,168,168	1,090,976
Employer Contributions Subsequent to the Measurement Date	180,582	-
Total	$ 3,348,750	$ 4,691,519

For the year ended June 30, 2023, approximately $208,000 that was reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ended June 30, 2024. For the year ended June 30, 2022, approximately $181,000 that was reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date were recognized as a reduction of the NOL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the SCRHITF will increase (decrease) OPEB expense as follows:

III. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Year Ended June 30,	June 30, 2023	June 30, 2022
2023	$ -	$ (151,657)
2024	(298,325)	(151,657)
2025	(298,325)	(151,657)
2026	(298,325)	(151,657)
2027	(298,325)	(151,657)
2028	(269,314)	-
Thereafter	(1,053,091)	(765,066)
Total	$ (2,515,705)	$ (1,523,351)

Discount Rate

At June 30, 2023 and 2022, the District used the discount rates used to measure the total OPEB liability of 3.54% and 2.16%, respectively. These rates are based on the General Obligation 20-year Municipal Bond Rates published at the end of the last week during the month of June for the respective years.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the District's Total OPEB liability to changes in the discount rate, for the year ended June 30, 2023 (measurement date of July 1, 2022), calculated using the discount rate of 3.54%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.54%) or 1% point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	$ 10,276,077	8,699,535	$ 7,446,049

The following table presents the sensitivity of the District's Total OPEB liability to changes in the discount rate, for the year ended June 30, 2023 (measurement date of July 1, 2022), calculated using the discount rate of 2.16%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (1.16%) or 1% point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	$ 11,280,463	9,368,977	$ 7,876,977

III. OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the District's Total OPEB liability to changes in the healthcare cost trend rate for the year ended June 30, 2023 (measurement date of July 1, 2022), calculated using the healthcare cost trend rate of, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$ 7,185,614	8,699,535	$ 10,690,602

The following table presents the sensitivity of the District's Total OPEB liability to changes in the healthcare cost trend rate for the year ended June 30, 2022 (measurement date of July 1, 2021), calculated using the healthcare cost trend rate of, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$ 7,630,714	9,368,977	$ 11,697,770

C. Related Parties

The District purchased approximately 3,912,614,000 and 3,899,109,000 gallons of water from the Venture at a cost of approximately $2,817,000 and $2,768,000 for the years ended June 30, 2023 and 2022, respectively. The Venture was obligated to the District for payrolls processed by the District of approximately $132,000 and $112,000, for the years ended June 30, 2023 and 2022, respectively.

Under terms of the Venture, during 2012, the District entered into a separate agreement whereby the District and Union County, North Carolina purchase excess water capacity from the Venture at annually increasing rates ranging from $18,341 - $34,354 per month for the period ending June 30, 2023. During 2023 and 2022 the District recognized approximately $412,000 and $391,000, respectively, in revenue from the agreement.

D. Risk Management

The District is exposed to various risks of loss related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured under policies through the South Carolina Office of Insurance Services, South Carolina Insurance Reserve Fund ("IRF"), a public entity risk pool, which issues policies to assume those risks of loss, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses the District is exposed to, related to the following assessments, activities, and/or events:

1. Real property, its contents, and other equipment.
2. Motor vehicles
3. General tort claims

The District did not have settled claims that exceeded the District's insurance coverage in any of the past three years.

The IRF purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, equipment and auto liability. The IRF's rates are determined actuarially.

III. OTHER INFORMATION (CONTINUED)

D. Risk Management (Continued)

The District obtains coverage through a commercial insurer for employee fidelity bond insurance for all of its employees for losses arising from theft or misappropriation and for workers' compensation insurance claims. The District also has a cybersecurity policy in place.

E. Commitments and Contingencies

In connection with ongoing construction projects, the District has entered into various agreements obligating the District to commit additional financial resources to complete various projects. The District has committed to provide future capacity to developers who pay one half of the capacity fee prior to development. As of June 30, 2023, the District has committed to various projects and signed contracts with outstanding commitments of approximately $7,372,000 on contracts totaling $14,164,000. The majority of commitments are related to ongoing infrastructure upgrades. Other than the aforementioned, these agreements are not considered by management to have a material effect on the future cash flows or financial position of the District.

Required Supplementary Information

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.038143%	0.048680%	0.045019%	0.045333%	0.043692%	0.042402%	0.032938%	0.030938%	0.029259%	0.039012%
District's Proportionate Share of the Net Pension Liability	$ 9,041,072	8,081,363	8,853,974	8,132,055	7,690,932	7,445,390	6,957,361	5,867,446	5,037,429	$ 6,716,573
District's Covered Payroll	$ 4,541,913	4,235,765	3,951,393	3,760,877	3,526,291	3,342,077	3,207,346	2,917,709	2,654,540	$ 2,654,540
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	199.06%	190.79%	224.07%	216.23%	218.10%	222.78%	216.92%	201.10%	189.77%	253.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	56.40%

Notes to Schedule:

The amounts presented for each year were determined as of June 30th of the year presented.
The discount rate was lowered from 7.25% to 7.00% beginning with the year ended June 30, 2020 measurement date.

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30, 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 844,310	752,141	659,085	614,837	661,918	444,823	386,344	354,733	318,030	$ 375,427
Contributions in Relation to the Contractually Required Contribution										
Contributions from the District	844,310	752,141	659,085	614,837	661,918	444,823	386,344	354,733	318,030	375,427
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-	$ -
District's Covered Payroll	$ 4,808,144	4,541,913	4,235,765	3,951,393	3,760,877	3,526,291	3,342,077	3,207,346	2,917,709	$ 3,541,764
Contributions as a Percentage of Covered Payroll	17.56%	16.56%	15.56%	15.56%	17.60%	12.61%	11.56%	11.06%	10.90%	10.60%

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

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

LAST SIX FISCAL YEARS

	Year Ended					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:						
Service Cost	$ 588,674	647,573	541,346	418,374	470,758	$ 454,487
Interest	213,145	290,419	333,436	288,775	305,230	282,566
Differences Between Expected and Actual Experience	-	(3,055,950)	-	(1,212,754)	-	-
Changes of Assumptions	(1,290,679)	(926,399)	2,785,205	1,371,055	(454,469)	-
Benefit Payments, Including Refunds of Member Contributions	(180,582)	(159,629)	(143,599)	(129,035)	(112,024)	(128,500)
Net Change in Total OPEB Liability	(669,442)	(3,203,986)	3,516,388	736,415	209,495	608,553
Total OPEB Liability - Beginning of Year	9,368,977	12,572,963	9,056,575	8,320,160	8,110,665	7,502,112
Total OPEB Liability - End of Year (a)	$ 8,699,535	9,368,977	12,572,963	9,056,575	8,320,160	$ 8,110,665
Covered-Employee Payroll	$ 4,236,552	4,236,552	3,368,299	3,368,299	3,126,068	$ 3,126,068
Total OPEB Liability as a Percentage of Covered-Employee Payroll	205.34%	221.15%	373.27%	268.88%	266.15%	259.45%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year (measurement date).
The District adopted GASB #75 during the year ended June 30, 2018. Information is not available for prior years.
Significant Changes of Assumptions:
The discount rate changed from 2.16% at the June 30, 2021 measurement date to 3.54% at the June 30, 2022 measurement date.

Supplementary Information

LANCASTER COUNTY WATER AND SEWER DISTRICT

DEBT SERVICE COVERAGE SCHEDULE

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

		2023		2022
Operating Income				
Operating Revenues	$	41,469,896	$	37,050,737
Operating Expenses Before Depreciation and Amortization		(25,040,940)		(22,721,307)
Operating Income Before Depreciation and Amortization		16,428,956		14,329,430
Depreciation		(5,170,166)		(5,013,522)
Operating Income		11,258,790		9,315,908
Nonoperating Revenues		1,161,648		186,372
Nonoperating Expenses		(1,639,135)		(1,316,513)
Interest Expense		(670,275)		(732,344)
Capital Grants		3,800,000		-
Capital Contributions		9,726,916		5,488,722
Increase in Net Position	**$**	**23,637,944**	**$**	**12,942,145**
Income Available for Debt Service:				
Increase in Net Position per Financial Statements	$	23,637,944	$	12,942,145
Less: Capital Contributions		(9,726,916)		(5,488,722)
Less: Capital Grants		(3,800,000)		
Plus: Depreciation		5,170,166		5,013,522
Plus: Interest Expense		670,275		732,344
Total Non-Operating Expenditures	$	15,951,469	$	13,199,289
Revenue Bonded Debt Service				
Bond Debt Service - Total of 3 Issues	$	3,768,842	$	3,770,880
Total Revenue Bond Debt Service Coverage		4.23		3.50
Required Coverage		1.25		1.25

Note: Per the terms of the District's Bond Resolution and individual bond documents, the District must maintain net revenues, as defined, of not less than 125% of debt service for all outstanding debt instruments. Net revenues is broadly defined as operating income plus depreciation and amortization expense.

For Additional Analysis:

		2023		2022
Net Earnings per Revenue Bond Covenant	$	15,951,469	$	13,199,289
Capacity and Connection Fee Revenues		(8,207,603)		(5,844,109)
Total Revenue Bond Debt Service Coverage Excluding Capacity and Connection Fee Revenues	$	7,743,866	$	7,355,180
Net Revenues as a Percentage of Debt Service Requirements		2.05		1.95

Compliance Section

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number or Grant/Contract Number	Federal Expenditures
Department of the Commerce:			
Direct Programs:			
Economic Adjustment Assistance	11.307	04-79-07366	$ 3,800,000
Total Expenditures of Federal Awards			$ 3,800,000

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the Lancaster County Water and Sewer District (the "District") for the year ended June 30, 2023. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the full accrual basis of accounting.

C. RELATIONSHIP TO FINANCIAL STATEMENTS

Federal award expenditures are reported in the District's financial statements as capital additions in the District's proprietary fund.

D. MATCHING COSTS

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

E. SUB-RECIPIENTS

The District did not provide any federal awards to sub-recipients during fiscal year 2023.

F. INDIRECT COST RATE

The amount expended does not include any amounts claimed as an indirect cost recovery, as the District elected not to use the 10% *de minimis* cost rate.

This page is intentionally left blank

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*

Independent Auditor's Report

To the Board of Commissioners
Lancaster County Water and Sewer District
Lancaster, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lancaster County Water and Sewer District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
October 9, 2023

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

Independent Auditor's Report

To the Board of Commissioners
Lancaster County Water and Sewer District
Lancaster, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lancaster County Water and Sewer District's (the "District") 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 District's major federal programs for the year ended June 30, 2023. The District'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 District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 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 ("GAAS"); 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 District 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 District'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 District'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 District'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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design 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 District'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 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 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.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
October 9, 2023

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

There were no findings reported in the prior year.

LANCASTER COUNTY WATER AND SEWER DISTRICT
LANCASTER, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?	____ Yes	X No

Identification of major programs:

Assistance Listing Number(s)	*Name of Federal Program or Cluster*
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	____ Yes	X No

Section II - Findings - Current Year Financial Statements Audit

No matters to report.

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters to report.