

JOINT MUNICIPAL WATER AND SEWER COMMISSION

LEXINGTON, SOUTH CAROLINA

“PROGRESS THROUGH COOPERATION”



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018



**JOINT MUNICIPAL
WATER AND SEWER COMMISSION
POST OFFICE BOX 2555
LEXINGTON, SC 29071-2555**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

PREPARED BY THE FINANCE DEPARTMENT

CUSIP Prefix 47972C, 529055

Submitted in compliance with the provisions of Disclosure Dissemination Agent Agreements between the Commission and Digital Assurance Certification, L.L.C. dated as of April 11, 2012, August 20, 2013 and December 16, 2014, which were executed in connection with the Commission's \$14,140,000 Water and Sewer System Refunding Revenue Bond, Series 2012, \$11,720,000 Water and Sewer System Refunding and Improvement Revenue Bond, Series 2013, and \$6,650,000 Water and Sewer System Refunding Revenue Bond, Series 2014, respectively.

**JOINT MUNICIPAL WATER AND SEWER COMMISSION
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION



November 5, 2018

Joint Municipal Water and Sewer Commission
P. O. Box 2555
Lexington, SC 29071

To the Board of Commissioners
Joint Municipal Water and Sewer Commission

It is our pleasure to submit to you this Comprehensive Annual Financial Report (CAFR) of the Joint Municipal Water and Sewer Commission (the “Commission”) for the fiscal year that ended June 30, 2018. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that we have established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission’s financial activities have been included.

The Commission was created by an act of the State of South Carolina Legislature that requires an annual audit by independent certified public accountants. The Brittingham Group, LLP has performed an audit of the Commission’s financial statements and has issued an unmodified (“clean”) opinion on the Joint Municipal Water and Sewer Commission’s financial statements for the fiscal year ended June 30, 2018. (See page 15)

The Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Commission is required to assess whether an annual single audit in conformity with the provisions by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards needs to be performed. In accordance with these requirements, no Single Audit was needed because the Commission’s federal expenditures were below \$750,000.

This report is submitted in compliance with the provisions of Disclosure Dissemination Agent Agreements between the Commission and Digital Assurance Certification, L.L.C. dated as of April 11, 2012, August 20, 2013 and December 16, 2014, which were executed in connection with the Commission’s \$14,140,000 Water and Sewer System Refunding Revenue Bonds, Series 2012, \$11,720,000 Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2013, and \$6,650,000 Water and Sewer System Refunding Revenue Bonds, Series 2014, respectively. Pursuant to this undertaking, the Commission has covenanted to provide certain financial information and operating data relating to the Commission by no later than January 31 of each year, and to provide notices of the occurrences of certain enumerated events, if deemed by the Commission to be material. These covenants were made in order to assist the underwriters of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5).

This report and future CAFRs will be filed with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access system ("EMMA"). Notices of material events will be filed with EMMA. No default has occurred under the Commission's continuing disclosure undertakings.

No persons at the Commission have undertaken to independently verify information pertaining to nongovernmental data and activities contained in this CAFR, but such information has been obtained from sources which the Commission believes to be reliable, and the Commission has no reason to believe that they are untrue in any material respect.

Profile of the Commission

The Commission is a joint authority water and sewer system and a public body corporate and politic organized under Title 6, Chapter 25 South Carolina Code of Laws of 1976, as amended, currently providing water and sewer services in the central and southern unincorporated areas of Lexington County. The Commission was organized for the purpose of establishing a comprehensive, county-wide water and sewer system to be accomplished through the construction of new facilities and improvements and purchase of existing systems, where appropriate. The term of the existence of the Commission is not limited.

The Commission is authorized, among other things, (a) to purchase, construct, acquire, own, operate, maintain, repair and improve any and all works, improvements, facilities, plants and equipment in accordance with its bylaws, (b) to issue revenue bonds of the Commission, payable solely from revenues of the system and such other funds as may be available therefor with a favorable vote of two-thirds of the Commissioners, and (c) to fix, charge and collect rents, rates, fees and charges for the use of and for the services furnished or to be furnished by any system of the Commission.

The Commission was formed in October, 1992, and consisted of four (4) initial members, including the County of Lexington, City of Cayce, Town of Pelion and Town of Swansea. Currently, it consists of seven (7) additional members, including the City of West Columbia, Town of Batesburg-Leesville, Town of Springdale, Town of Gaston, the Gilbert-Summit Rural Water District, the Town of Lexington, and the Town of South Congaree, bringing the current total to eleven (11) members. Its purpose is to pursue, through the cooperative efforts of its representative members, water and wastewater systems expansion within the County of Lexington in order to promote and support further economic development, and to address health, environmental and quality of life concerns brought on by the lack of such services within the county. Utilizing the systems resources available from its members, as well as the resources of its own, the Commission's goal is to meet water and wastewater service needs in certain unincorporated areas of Lexington County. It is governed by representatives appointed by the governing bodies of its members.

Although originally established to provide water and wastewater services only to the unincorporated areas of Lexington County, the Commission now also provides wholesale services to surrounding incorporated municipalities. The Commission's customer base as of June 30, 2018, was comprised of 16,583 water customer retail accounts, 4,813 sewer customer retail accounts, and the following wholesale water and sewer customers: the Town of Swansea (water & sewer) and the Town of Gaston (sewer only). The Commission assumed franchise operations of the Town of South Congaree and the Town of Pelion in fiscal year 2010, as well as the acquisition of a portion of AAA Utilities. Historically, the Commission has provided limited water supplies to the Town of Lexington, Gilbert-Summit Rural Water District, and the City of Cayce as needed. Commission headquarters are located on Two Notch Road in Lexington County, approximately 3 miles west of the Town of Lexington.

The Commission has no taxing power. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers, including other utilities and developers, Federal and State grants and loans, debt issuance and customer revenues.

Commission Organization

The Administrative Department provides executive management, including policy formation and strategic planning to the entire Commission. The Administrative Department also represents the Commission in all legislative-lobbying efforts pertaining to securing continued federal and state funded rate relief. Additional responsibilities include representing the Commission in all litigation, overseeing and directing labor relations and management information systems.

The Finance Department provides management of the Commission's revenues and all of its financial resources. The Finance Department accomplishes these objectives through its financial budgeting, rate analysis, accounting and cash management activities. This department is also responsible for debt financing, investment management, providing procurement, as well as some aspects of coordination of internal IT work.

The Customer Service Department provides services to the customers in the form of setting up new accounts, billing and adjustments, documenting the resolution of service issues, erratic consumption, accepting and properly crediting payments from customers, managing automated payment services, and responding to customer inquiries via telephone and the internet. This department is also responsible for bad debt collection.

The Water and Sewer Departments ensure ongoing maintenance and emergency repairs to the Commission's water and sewer mains, service connections, hydrants and drains. This department is also responsible for inventory control, provisions of facilities, support services, meter reading, safety management, and programs regulated by the State and Federal governments.

The Engineering Department ensures the provision of high quality reliable drinking water and sanitary sewer collection services while protecting the environment. This is done by effectively planning, designing, managing and providing contract compliance for the construction of the Commission's capital projects. This department is also responsible for updating and maintaining the Commission's Geographic Information System (GIS).

The Cross Connection Department protects the Commission's water distribution system and water quality from contamination and/or pollution due to unprotected or improperly installed connections to its system.

The Commission provides reliable high quality supplies of potable water used for drinking, irrigation, fire protection and other purposes. The City of West Columbia surface water treatment plant on Lake Murray is the sole source from which the Commission obtains its water. Wastewater services are provided by the City of Cayce Regional Wastewater Treatment Facility (WWTF), which provides wholesale treatment services to the Commission for its service area.

Local Economy

The Commission is situated in, and is a provider of water and sewer services to, an area of Lexington County which is home to a dense industrial population. Major industries and corporations located within the Commission's boundaries or in close proximity include Michelin Tire Corp., Prysmian Cables & Systems, U. S. Foods, Golden State Foods and Wal-Mart. Lexington County School District #1 and the Lexington Medical Center also have a significant economic presence, with these two entities employing approximately 10,200 teachers, professionals, and support staff.

Lexington County's annual unemployment rate of 3.6% in 2017 was significantly lower than the 4.3% unemployment rate recorded for the state of South Carolina as a whole, and the 4.4% recorded for the United States as a whole. According to the Community Profile for Lexington County published by the SC Department of Employment and Workforce, this trend of a relatively low unemployment rate versus the State of South Carolina and the United States has been a consistent pattern for at least the last ten years. Further evidence of the economic stability of Lexington County can be found in its continued growth in population. The population estimates from the US Census as of July 1, 2017 estimate the population of Lexington County to be 290,642. This estimates population growth for Lexington County to be approximately 28,251 people since 2010. This evidence suggests

that Lexington County is a desirable, growing community. As further evidence of the desirability of the area in which the Commission operates, Movoto, an online brokerage site that has been recognized by Forbes for its exceptional city-based research, ranked the Town of Lexington (county seat of Lexington County) well within the “10 Best Places to Live in South Carolina” list – tying for 6th place.

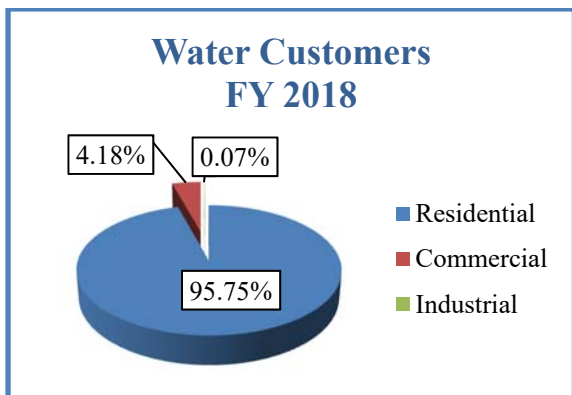
The Commission continues to seek ways to operate in an efficient manner to benefit customers and staff of the Commission in the wake of the improving economy. As of June 30, 2018, the Commission had 29 employees. The Commission has consistently operated with an employee count ranging from 28-30 employees going back to fiscal year 2008.

The Commission continues to maintain a credit rating of Aa3 from Moody’s and AA from Standard & Poor’s.

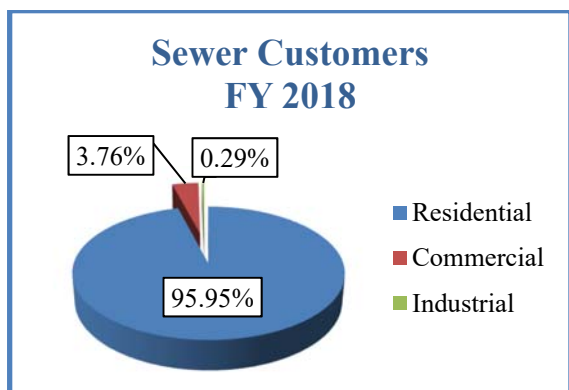
It is the expectation of the Commission that we will continue to move forward by delivering effective service to all of our customers. As a result of strong management initiatives and a solid financial foundation, we expect to continue to meet the needs of the community and its growth well into the future.

Customer Base

Our water customer base has grown at a compound annual growth rate (CAGR) of 5.29% per year over the past 10-year period (including acquisitions and franchises), growing from 9,905 water customers at fiscal year-end 2008 to 16,583 at fiscal year-end 2018 – a total growth of 6,678 water customers, or 67.42% total growth. The water customer base has seen a total increase of 16.46%, or a CAGR of 5.21%, over the past 3 fiscal years of 2018, 2017 and 2016. The sewer customer base has seen comparable growth, growing at a CAGR of 6.18% over the same 10-year period, growing from 2,642 sewer customers at fiscal year-end 2008 to 4,813 at fiscal year-end 2018 – a total growth of 2,171 sewer customers, or 82.17% total growth. Also, sewer has seen a total increase of 21.14%, or a CAGR of 6.60%, over the past 3 fiscal years of 2018, 2017 and 2016. The level of growth experienced by the Commission is an excellent indicator of its continued financial health. The charts and tables below depict the customer class composition of our customer base:



	2018	2008	Change	% Change
Residential	15,878	9,470	+6,408	67.67%
Commercial	694	429	+265	61.77%
Industrial	11	6	+5	83.33%
Total	16,583	9,905	6,678	67.42%



	2018	2008	Change	% Change
Residential	4,618	2,516	+2,102	83.55%
Commercial	181	116	+65	56.03%
Industrial	14	10	+4	40.00%
Total	4,813	2,642	2,171	82.17%

Budgetary Procedures

The Commission's budgetary preparations begin at the middle of each fiscal year. Budget workbooks are distributed to each of the Commission's department managers, who are responsible for preparing expenditure estimates and submitting in writing their projected operational and capital needs for the ensuing fiscal year. These requests are reviewed by the General Manager and interim discussions are held with department managers to clarify the needs of each department. Once a final draft is established, it is submitted to the Board of Commissioners (the "Board") for approval. The approved budget will remain in effect for the entire fiscal year and cannot be revised without amendment by the Board as described below.

The budget is subjected to a progressive evaluation throughout the course of the budget year. This evaluation allows management to adjust the budget as needs arise. The budget may be amended by either a reallocation of budgetary line items or supplemental budget allocations. Certain levels of amendments may be executed without Board approval according to the Commission's approved Budget policies. Amendments that are required to have the Board's approval are presented to the Board at its next meeting.

Long-term Financial Planning and Major Initiatives

In keeping with the by-laws of the Commission, the 5-year Capital Improvements Program (CIP) identifies capital expenditures totaling \$43.45 million for the fiscal year periods 2019-2023. Expenditures are divided into two categories: water unit projects and sewer unit projects. The budgeted cost breakdown between categories is as follows: water unit projects - \$39.875 million, sewer unit projects - \$3.575 million. These budgeted expenditures are outlined in further detail in the CIP. Funding Sources budgeted for the projects listed above are as follows: borrowings of \$23.5 million, grants of \$376 thousand, rate revenues of \$6.425 million and cash reserves of \$13.149 million. Currently, the 2018-2022 CIP does not anticipate the use of any additional bond proceeds to fund the projects budgeted for expenditure.

The overall objectives of the Commission's CIP are to ensure: 1) the delivery of high quality potable water for consumption; 2) the delivery of reliable fire protection; and 3) the efficient collection of sanitary sewer for transport and delivery to the Cayce Regional WWTF. In addition, the CIP includes projects to improve the overall efficiency of the Commission and to enhance the Commission's ability to provide services to its customers. The projects included in the CIP are intended to accomplish these objectives in the most efficient and cost effective manner.

In terms of physical improvements to the system, the following projects were completed during fiscal year 2018:

- Interstate 20 Interconnect with the Town of Lexington
- Lexington Hills Lift Station Improvements – Bypass Pump

During the fiscal year, work continued on several projects for the Commission that were not completed as of June 30, 2018:

- SCDOT Line Relocations – Old Orangeburg Roadway Improvements
- Pelion Sewer System (Pelion Elementary)
- Highway #1 Ground Storage Tank and Booster Station
- Facility Improvements (Remodel/Expansion of Commission's Main Office and New Operations Facility)

Additionally, there are several projects planned for the next 5 years

- The plant transmission main extension from the Lake Murray WTP
- Consideration of water and/or sewer capacity purchase needs
- Lake Murray Water Treatment Plant high service pump improvements
- Water tank improvements (Augusta Highway)
- Highway 378/Wise Ferry Road/Hermitage Road Water Main Extension
- Smith Pond Road Water Line Extension
- Lydia Drive Sewer Extension

Relevant Financial Policies

The Commission has established specific financial policies that set the parameters within which decisions of a financial or budgetary nature are made. Many of the policies establish guidelines for operation in accordance with the requirements of the Commission's by-laws and its Revenue Bond Indenture and other contractual obligations. There are also departmental level policies and procedures that have been designed and instituted to ensure compliance with generally accepted accounting principles ("GAAP") and applicable laws and statutes.

The Commission's policy is that it shall at all times maintain a fully invested, diversified portfolio with the objective of achieving the highest yield that is attainable in conjunction with preservation of capital.

Bank deposit accounts in excess of amounts insured by the Federal Depository Insurance Corporation ("FDIC") are analyzed relative to their compliance with the Commission's Bond Indenture and investment risks associated with this type of account. These risks are minimized by requiring that bank deposits be fully-collateralized.

The Commission has established supplemental guidelines for reserve fund contributions and withdrawals. In addition to the reserve fund requirements specified in the Revenue Bond Indenture and other contractual obligations, the Commission manages its reserves in order to:

- Provide additional security to bondholders where feasible and cost effective;
- Ensure that sufficient funds are available to pay all operating and capital costs; meet, and to the extent cost-effective, exceed the net revenue requirements of the Indenture;
- Moderate rate increases;
- Reduce the cost of maintaining and operating the water and sewer systems.

In accordance with its bond indenture, the Commission maintains an account, the "Depreciation and Capital Improvements Fund" (DCIF), to be used solely for the purpose of restoring or replacing depreciated or obsolete properties of the system, paying the cost of improvements, and extensions to the system, other than those necessary to maintain the system in good repair and working order, and for the payment of extraordinary maintenance and repairs. This fund is generally used to replace such capital assets of the Commission as vehicles, computers, telephone systems, etc. as necessary. This fund is included in the Statement of Net Position as a part of the "Capital Asset Reserves."

The Commission established a fund, the "Emergency Fund," for the purpose of helping to maintain services during short periods of economic decline (adjusted seasonally) and to meet emergency conditions. It is funded by budgetary allocation, which is an amount determined by the General Manager during preparation of the budget document. The fund was established to provide for nonrecurring unanticipated expenditures, or to meet small increases in service delivery costs.

As part of the annual budgeting and rate setting processes the Commission reviews the funding levels of its reserve funds. Withdrawals from or additional contributions to these funds shall be proposed in accordance with the bond indenture and other contractual obligations and the objectives of the Commission. The prudent funding of these contingency accounts provides the ability to phase in the impact of unforeseen costs such as future capacity needs to meet demand, changes in energy costs and any temporary reduction in revenue.

User fees, rates and charges are set at adequate levels, which are fair and nondiscriminatory, to generate sufficient revenues to pay all Operating and Maintenance costs, maintain sufficient operating reserves, and pay debt service costs as detailed in its bond indenture and other contractual obligations.

The Commission has a policy that nonrecurring ("one-time") revenues, such as tap fees and impact fees, are not to be used in budgeting for operating purposes.

Awards

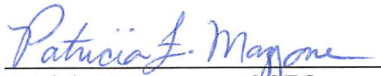
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Joint Municipal Water and Sewer Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 5th consecutive year that the Joint Municipal Water and Sewer Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

The staff of the Finance Department is responsible for the preparation of the CAFR. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. Also, we would like to express our appreciation to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Commission's finances.

Respectfully submitted,



Patricia F. Mazzone, CGFO
Finance Manager



John C. Nicholson
General Manager

**JOINT MUNICIPAL WATER AND SEWER COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PRINCIPAL OFFICIALS AS OF JUNE 30, 2018

Commissioners

Steve MacDougall, Chairman
Town of Lexington

Andy Gambrell, Vice-Chairman
Town of South Congaree

Michael Bishop
Town of Springdale

Troy Bivens
Town of Gaston

Joseph Hardee
Gilbert-Summit Rural Water District

Bobby C. Keisler
Lexington County

Temus C. Miles, Jr.
City of West Columbia

Elise Partin
City of Cayce

Jerald Sanders
Town of Swansea

Lancer Shull
Town of Batesburg-Leesville

Frank Shumpert
Town of Pelion

Management

John C. Nicholson
General Manager

Patricia F. Mazzone, CGFO
Finance Manager

Stephanie R. Morton
Customer Service Manager

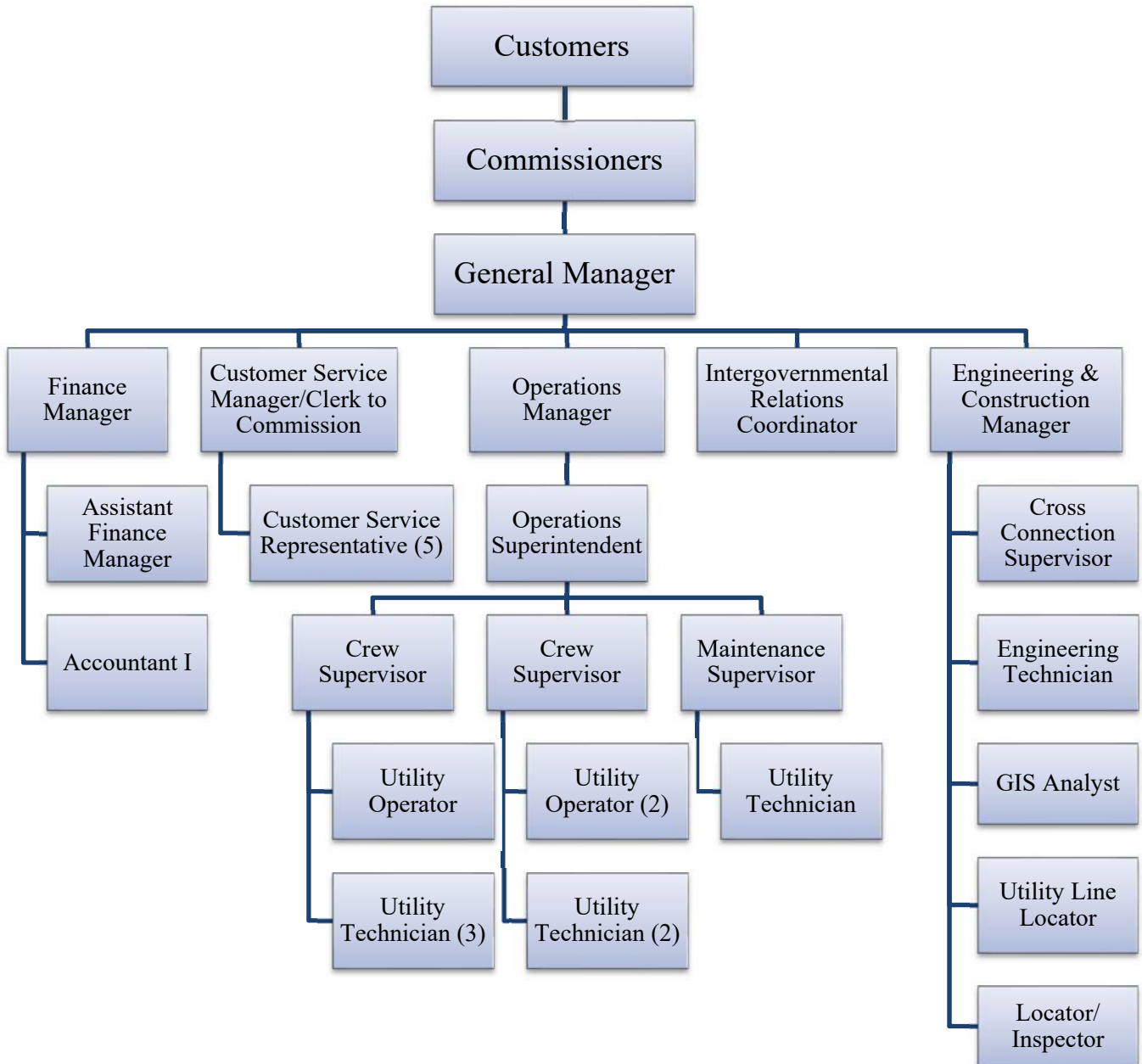
M. Gene House
Operations Manager

Donna H. Peeler
Intergovernmental Relations Coordinator

D. Guyon Schmoltze, P. E.
Engineering and Construction Manager

**JOINT MUNICIPAL WATER AND SEWER COMMISSION
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**Joint Municipal Water and Sewer
Commission, South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SC 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Joint Municipal Water and Sewer Commission
Post Office Box 2555
Lexington, South Carolina 29071-2555

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Joint Municipal Water and Sewer Commission (the Commission) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Commission as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in *Note 11* to the financial statements, in 2018 the Fund adopted new accounting guidance, GASB Statement No. 75, *Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 – 32, Other Post-Employment Benefits Schedule of Changes in the Net OPEB Liability on page 65, Other Post-Employment Benefits Schedule of the Net OPEB Liability on page 66, Other Post-Employment Benefits Schedule of Employer Contributions on page 66, the South Carolina Retirement System Schedule of Contributions on page 64, and Schedule of Proportionate Share of the South Carolina Retirement System Net Pension Liabilities on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with audit 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 audits of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, statistical section, and supplementary schedule of other general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of other general and administrative expenses 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary schedule of other general and administrative expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina
November 5, 2018

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017 and 2016)

As management of the Joint Municipal Water and Sewer Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial condition and activities of the Commission for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information we have furnished in our letter of transmittal, which can be found at the beginning of this report.

General Trends and Significant Events

Lexington County remains a relatively strong economic environment for the Commission to operate in, consistently recording unemployment rates lower than state and national averages. This is reflected in the increased customer growth and continued development in the Commission's service area which is an indicator of economic activity in terms of housing for the region. Capital contributions were \$3.8 million in fiscal year 2018, consisting of those systems contributed by developer and grant funding related to capital projects. Total capital contributions in fiscal year 2018 represented the largest amount recorded by the Commission since fiscal year 2007. Capital assets increased just under \$5.4 million (net of depreciation) which is a result of the continuous upgrade of Commission-owned infrastructure and assets.

The Commission has seen continued customer growth during the current fiscal year, and therefore, a corresponding increase in operating revenues. As the economic environment continues to improve, the Commission is experiencing growth in both water and sewer customers. The three-year average growth numbers for the fiscal years 2016 – 2018 has been 5.21% for water customers and 6.60% for sewer customers. Fiscal year 2018 saw customer base increases of 4.28% and 5.39% for water and sewer customers, respectively.

Financial Highlights

The Commission exceeded debt service coverage requirements and was in compliance with all debt covenants required by borrowing Agreements. The following are key financial highlights:

- Operating revenues were \$15.75 million, an increase from fiscal year 2017 in the amount of \$506 thousand, or 3.32%. This overall increase can be attributed to both the growth in customer base as well as the rate increases that were effective for fiscal year 2018. The following rate increases were effective for fiscal year 2018: water maintenance fee (0.0%), water volumetric rate (0.0%), sewer maintenance fee (2.5%), and sewer volumetric rate (3.0%). Total operating revenues (prior to year-end accruals/adjustments) fell short of budgeted projections by 3.90%. We believe this result to be due to overly aggressive budgeted usage-related revenues for fiscal year 2018.
- Operating expenses, excluding depreciation, increased overall by \$31 thousand, or 0.38%, versus fiscal year 2017. The three-year average growth rate for operating expenses, excluding depreciation, is 5.09%. The three-year average growth rates for each component of operating expenses, excluding depreciation, are as follows: Salaries & Wages – 3.57%, Wholesale Water & Sewer Costs – 5.82%, General & Administrative Expenses – 5.40%.

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- Operating income was \$4.9 million in fiscal year 2018, \$4.4 million for 2017 and \$5.0 million for 2016. The Commission continues to proactively monitor revenues and expenses through Budget vs. Actual reports that are generated and provided to managers for review on a monthly basis. This has allowed the Commission to recognize variances in revenues or expenses in a timely manner, which has resulted in consistent operating income ranging between \$3.1 and \$5.0 million over the last five fiscal years.
- The Commission has experienced an average income before capital contributions of \$4.92 million over the most recent three-year period. The Commission realized a net income of \$5.14 million in fiscal year 2018 before capital contributions.
- The Commission's total assets and deferred outflows of resources were \$147.8 million, \$140.7 million and \$135.5 million for fiscal years 2018, 2017 and 2016, respectively. Liabilities and deferred inflows of resources (if any) were \$50.3 million, \$52.2 million and \$53.6 million for fiscal years 2018, 2017 and 2016, respectively. Assets and deferred outflows exceeded liabilities and deferred inflows in the amount of \$97.5 million, \$88.5 million and \$82.0 million in fiscal years 2018, 2017 and 2016, respectively. This is referred to in the financial statements as the Commission's "net position". During fiscal year 2018, total assets and deferred outflows of resources increased \$7.1 million and the Commission's net position increased \$9.0 million. Unrestricted net position was \$33.5 million.
- The Commission recognized an increase in its customer base in the amount of 681, or 4.28%, for water customers and sewer saw an increase of 246 customers, or 5.39%, during fiscal year 2018.
- In fiscal year 2018, approximately 93% of wholesale water purchased was billed to the Commission's retail customers demonstrating a strong commitment to the conservation and protection of natural resources.

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Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Commission's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Commission's strategic plan, budget, bond indenture and other management tools were used for this analysis.

To comply with the external financial reporting requirements of the Board, the accompanying financial statements present the financial position and results of operations and cash flows of the Commission, in conformity with generally accepted accounting principles (GAAP) as applied to regulated utilities (i.e., the full accrual basis of accounting and the economic resources measurement focus). The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements.

The *Statement of Net Position* presents the financial position of the Commission on a full accrual historical cost basis. The statement of net position presents information on all of the Commission's assets and liabilities. Those items not meeting GASB's definition of assets and liabilities, pursuant to GASB Statement 62, are reported as deferred inflows and outflows of resources. GASB recommends that the statements be calculated as follows: "Assets plus Deferred Outflows of Resources minus Liabilities minus Deferred Inflows of Resources equals Net Position." The results are identified as changes in net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Commission is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Commission's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by GAAP. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration for the earnings event, when an obligation arises, or as a result of depreciation of capital assets.

The *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 Commission's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The Commission's staff has prepared, and accepts responsibility for, the financial statements and related notes as compiled from the detailed books and records of the Commission. The financial statements were audited and adjusted, if material, during the independent external audit process.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
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Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management and planning. A variance, in dollars and percentage, versus the most recent fiscal year is presented for both the Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses and Changes in Net Position in order to aid analysis.

Condensed Financial Statements

Condensed Statement of Net Position	June 30			Variance (2018 vs. 2017)	
	2018	2017	2016	Dollars	%
Capital Assets:					
Non-depreciable Assets (Land, Construction in Progress)	\$ 7,802,846	\$ 2,001,183	\$ 1,988,664	\$ 5,801,663	289.91%
Depreciable Assets (Net of Accumulated Depreciation)	95,936,394	96,361,300	95,214,056	(424,906)	-0.44%
Total Capital Assets	103,739,240	98,362,483	97,202,720	5,376,757	5.47%
Current/Non-current Assets	41,193,843	39,207,382	35,497,507	1,986,461	5.07%
Total Assets	144,933,083	137,569,865	132,700,227	7,363,218	5.35%
Deferred Outflows of Resources	2,849,163	3,095,524	2,830,091	(246,361)	-7.96%
Total Assets and Deferred Outflows of Resources	147,782,246	140,665,389	135,530,318	7,116,857	5.06%
Current Liabilities	5,018,624	4,415,073	4,305,315	603,551	13.67%
Non-current Liabilities	45,124,981	47,534,057	49,123,667	(2,409,076)	-5.07%
Total Liabilities	50,143,605	51,949,130	53,428,982	(1,805,525)	-3.48%
Deferred Inflows of Resources	165,020	228,316	145,697	(63,296)	-27.72%
Total Liabilities and Deferred Inflows of Resources	50,308,625	52,177,446	53,574,679	(1,868,821)	-3.58%
Net Investment in Capital Assets	62,304,930	54,747,304	53,091,400	7,557,626	13.80%
Restricted for Debt Service	1,687,523	1,683,385	1,920,575	4,138	0.25%
Restricted for Construction Projects	28,500	28,500	1,559,128	-	0.00%
Unrestricted	33,452,668	32,028,754	25,384,536	1,423,914	4.45%
Total Net Position	\$97,473,621	\$88,487,943	\$81,955,639	\$ 8,985,678	10.15%

JOINT MUNICIPAL WATER AND SEWER COMMISSION
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Condensed Statement of Revenues, Expenses and Changes in Net Position					
	Year Ended June 30,			Variance (2018 vs. 2017)	
	2018	2017	2016		
	Actual	Actual	Actual	Dollars	%
Operating Revenues:					
Water Sales & Service	\$ 7,948,591	\$ 7,930,855	\$ 7,407,447	\$ 17,736	0.22%
Wastewater Sales & Service	2,666,433	2,565,525	2,395,267	100,908	3.93%
Other Revenues	5,134,261	4,747,310	4,944,149	386,951	8.15%
Total Operating Revenue	15,749,285	15,243,690	14,746,863	505,595	3.32%
Operating Expenses:					
Salaries & Wages	1,918,769	1,801,302	1,807,613	117,467	6.52%
Wholesale W&S Costs	2,540,746	2,462,856	2,108,483	77,890	3.16%
General & Admin Expenses	3,721,039	3,885,534	3,326,094	(164,495)	-4.23%
Subtotal	8,180,554	8,149,692	7,242,190	30,862	0.38%
Depreciation	2,690,707	2,673,654	2,549,423	17,053	0.64%
Total Operating Expense	10,871,261	10,823,346	9,791,613	47,915	0.44%
Operating Income	4,878,024	4,420,344	4,955,250	457,680	10.35%
Non-operating Revenues (Expenses)					
Water & Sewer CFCs	1,857,285	1,159,204	2,202,475	698,081	60.22%
Interest Income	218,700	122,881	80,954	95,819	77.98%
Insurance Reimbursement	3,197	-	412	3,197	-
Gain (Loss) on Sale of Capital Asset(s)	-	16,380	-	(16,380)	-100.00%
Interest Expense	(1,552,887)	(1,548,912)	(1,364,245)	(3,975)	0.26%
Amortization Expense	(267,615)	(247,780)	(172,406)	(19,835)	8.01%
Total Non-operating Rev/(Exp.), net	258,680	(498,227)	747,190	756,907	151.92%
Income before Capital Cont.	5,136,704	3,922,117	5,702,440	1,214,587	30.97%
Capital Contributions⁽¹⁾	3,848,974	2,610,187	2,053,323	1,238,787	47.46%
Change in Net Position⁽²⁾	8,985,678	6,532,304	7,755,763	2,453,374	37.56%
Net Position - Beginning of Year	88,487,943	81,955,639	74,199,876	6,532,304	7.97%
Net Position - End of Year	\$ 97,473,621	\$ 88,487,943	\$ 81,955,639	\$ 8,985,678	10.15%

⁽¹⁾Capital Contributions for Fiscal Year 2016 includes restatement of \$711,337 to record additional contributed capital.

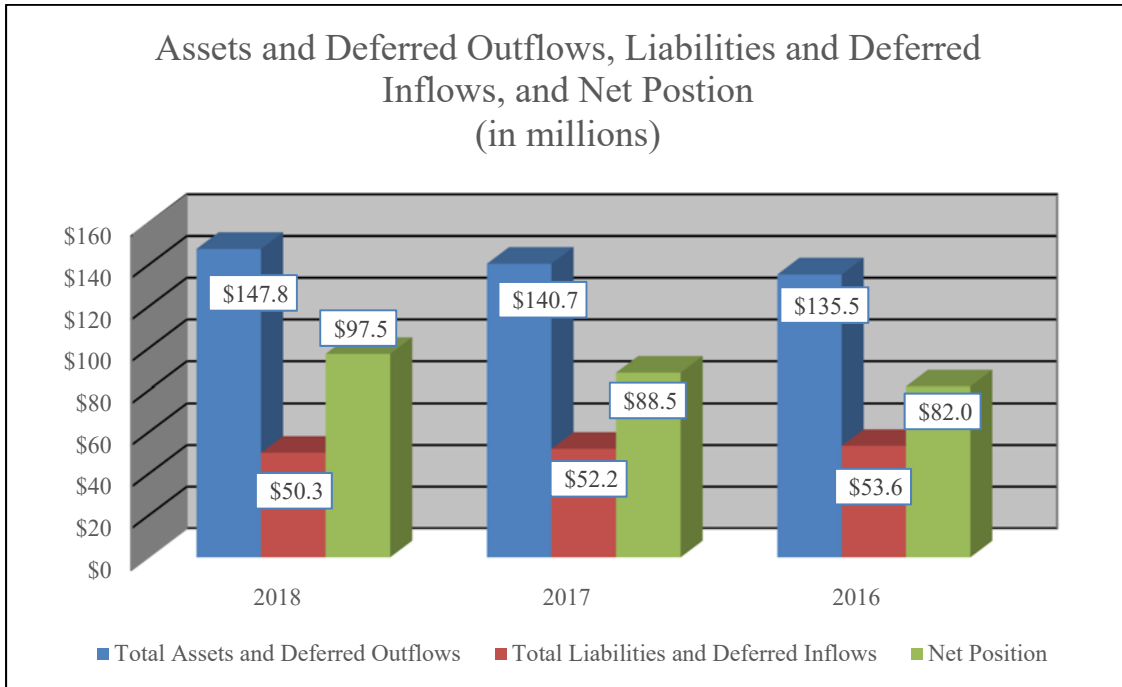
⁽²⁾Change in Net Position for Fiscal Year 2017 includes restatement of (\$203,088) to record beginning net OPEB liability and OPEB expense pursuant to the implementation of GASB Statement No. 75.

*Note: Some totals in the charts and schedules of this report may not foot due to rounding.

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Financial Condition

The Commission’s financial condition remained strong at year-end with adequate liquid assets, reliable plants and systems to meet demand. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control. The following chart summarizes the statement of net position with comparisons to the prior two fiscal years.



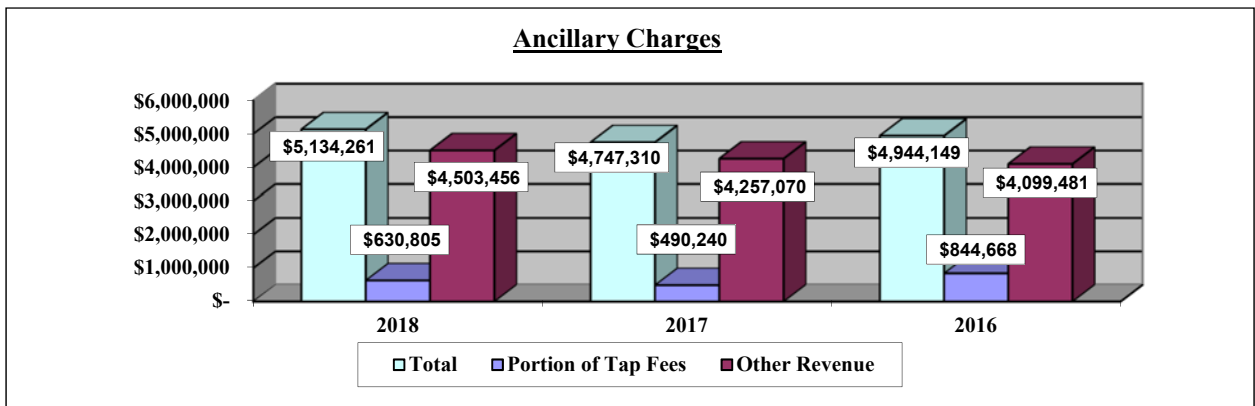
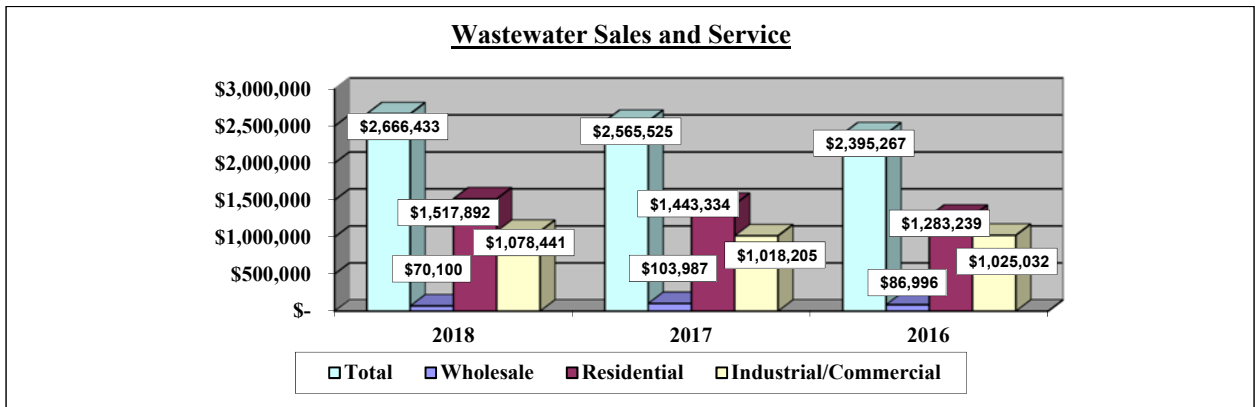
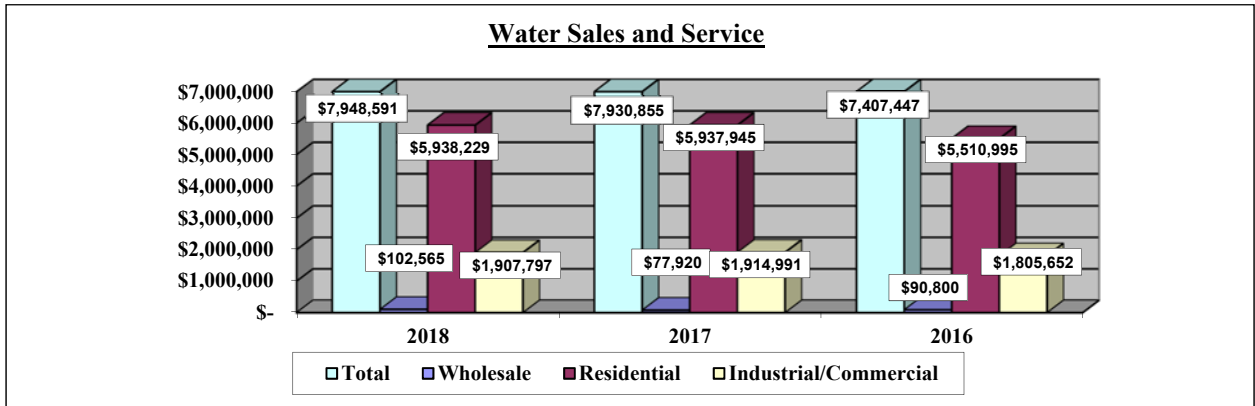
Total assets and deferred outflows grew by \$7.1 million or 5.06%. Additions to capital assets, including work on the Capital Improvements Program (CIP), developer contributions, and other asset acquisitions were significant contributors to the overall increase. Restricted assets related to debt service increased by \$4 thousand.

Total net position increased \$9.0 million. This increase is attributable to three areas of the Commission’s business: 1) Operating income of approximately \$4.9 million resulting from strong revenue growth and well managed operating expenses. 2) Although the Commission recognized total non-operating income of \$259 thousand during fiscal year 2018, it did receive almost \$1.9 million in Water and Sewer Capital Facility Charges. 3) The largest amount of contributed capital recognized during a fiscal year since fiscal year 2007, \$3.8 million. Net position for fiscal year 2017 was restated by approximately \$203 thousand as a result of the implementation of GASB No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. Unrestricted net position increased by \$1.4 million.

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Results of Operations

Operating Revenues: Revenues from operations fall into three general categories: water service, wastewater service and ancillary charges. Ancillary charges include a portion of tap fees, account setup fees, nonpayment fees, and charges for other miscellaneous services. The Commission has two classes of water and wastewater customers: wholesale and retail, with retail further subdivided into residential, industrial and commercial customers. The following charts depict water and wastewater service revenues for the last three fiscal years.

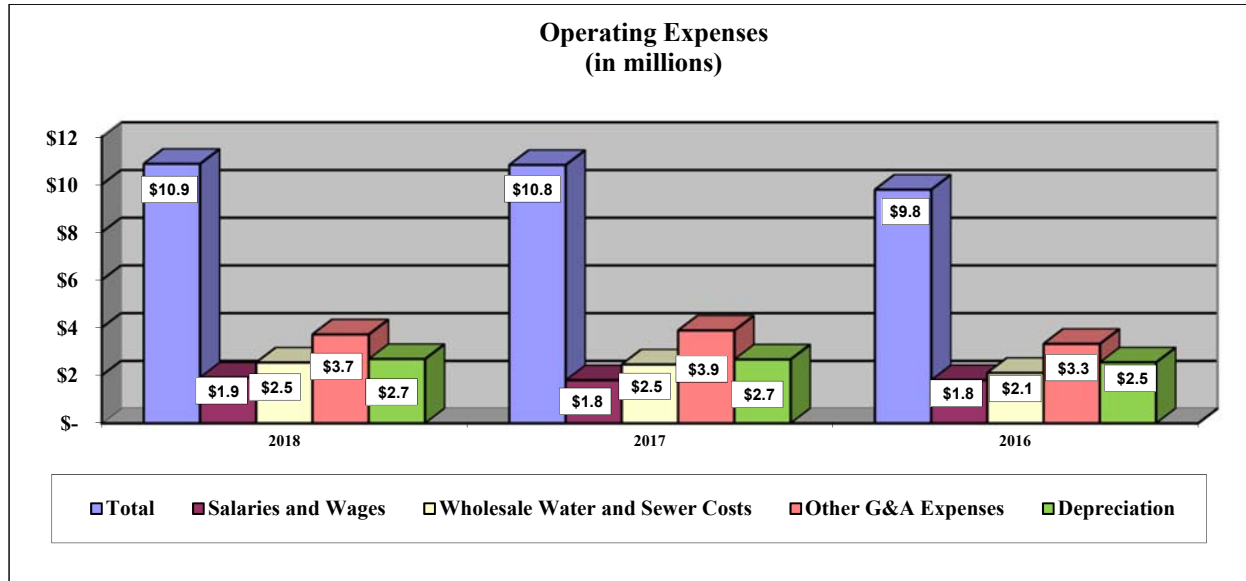


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Expenses: The Commission operates and maintains a potable water distribution system and has sufficient capacity allocated at the Lake Murray surface water treatment plant to care for the needs of the current customer base as well as the new growth expected in its service area. Water is purchased from the City of West Columbia in accordance with an agreement between the City of West Columbia and the Commission.

The Commission also operates and maintains a sewer collection system and has sufficient capacity allocated at the City of Cayce Regional WWTF to care for the needs of the current customer base as well as the new growth expected in its service area. The Commission has an agreement with the City of Cayce in place for sanitary sewer treatment services.

Operating income was approximately \$4.9 million in fiscal year 2018, \$4.4 million in fiscal year 2017 and \$5.0 million in fiscal year 2016.



Cash Flow Activity

The following table shows the Commission’s ability to generate net operating cash. Net cash provided by operating activities is shown both in dollars and as a percentage of operating revenues.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u> <u>(2018 vs. 2017)</u>
Total Operating Revenues	\$ 15,749,285	\$ 15,243,690	\$ 14,746,863	\$ 505,595
Net Cash provided by Operations	7,408,075	7,547,096	6,950,991	(139,021)
Net Operating Cash (as a % of Operating Revenue)	47%	50%	47%	

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Capital Assets

Property, plant and equipment, excluding depreciation, increased \$8.1 million in 2018 with \$1.9 million from non-cash developer contributions, \$1.9 million in capital contributions from Lexington School District One, and the remaining \$4.2 million funded by capacity fees and operating funds previously restricted for contingency and depreciation.

During fiscal year 2018, work was completed on the Commission’s:

- 1) Interstate 20 Interconnect with Town of Lexington
- 2) Lexington Hills Lift Station Improvements – Bypass Pump

Work continued during fiscal year 2018 on several projects for the Commission:

- 1) SCDOT Line Relocations – Old Orangeburg Roadway Improvements
- 2) Pelion Sewer System (Pelion Elementary)
- 3) Highway #1 Ground Storage Tank and Booster Station
- 4) Facility Improvements (Remodel/Expansion of Commission’s Main Office and New Operations Facility)

See Note 3 in the notes to the financial statements for more information regarding the Commission’s capital assets.

Debt Administration

The Commission is empowered, in accordance with the provisions of the South Carolina Constitution, Chapter 25 of Title 6 of the South Carolina Code, to borrow funds and issue bonds to be paid solely from the revenues of the system. The Commission has no legal restrictions concerning the amount of outstanding debt that it may have, subject to the coverage requirements as detailed in its revenue bond indenture and other contractual obligations.

The Commission issues revenue bonds to refund outstanding debt and to finance portions of its CIP. The Commission’s 2019-2023 CIP budget, which totals \$43.45 million, anticipates that \$23.5 million of the projects listed requiring future funding will be funded from bond proceeds. The fiscal year 2019 budget for debt service is \$3.7 million. Please refer to Note 4 of the “Notes to Financial Statements” for more detailed long-term debt information.

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At the end of fiscal year 2018, the Commission currently has five senior and two junior debt instruments outstanding:

<u>Senior Debt</u>	
Series 2009A	\$ 579,176
Series 2009B	523,402
Series 2012	13,230,000
Series 2013	9,310,000
Series 2014	5,990,000
<u>Junior Debt</u>	
Series 2005	3,781,920
Series 2009	<u>8,702,514</u>
Total	<u>\$ 42,117,012</u>

Credit Rating

The Commission’s revenue bonds are rated “Aa3” by Moody’s Investors Service, and “AA” by Standard and Poor’s.

Rate Covenant

In the bond indenture, the Commission covenants and agrees that it will, fix establish and maintain such rates and collect such fees, rentals, or other charges for the services and facilities of the system, and will revise the same from time to time whenever necessary, so as to provide in each fiscal year, gross revenues after deducting the expenses of operating and maintaining the System sufficient to provide the amounts set forth in either subparagraphs (i) or (ii).

- (i) (A) Net Revenues equal to 110% of the Debt Service Requirement on the Bonds for such fiscal year and
 (B) Net Revenues together with Capital Facilities Charges available in such fiscal year equal to 120% of the Debt Service Requirement on the Bonds for such fiscal year; or
- (ii) Net Revenues equal to 115% of the Debt Service Requirement on the Bonds for such fiscal year.

Net revenues are defined by the bond indenture to mean, for the period in question, the net operating income of the System determined in accordance with generally accepted accounting principles, adding back depreciation, and including interest income not restricted to bond construction.

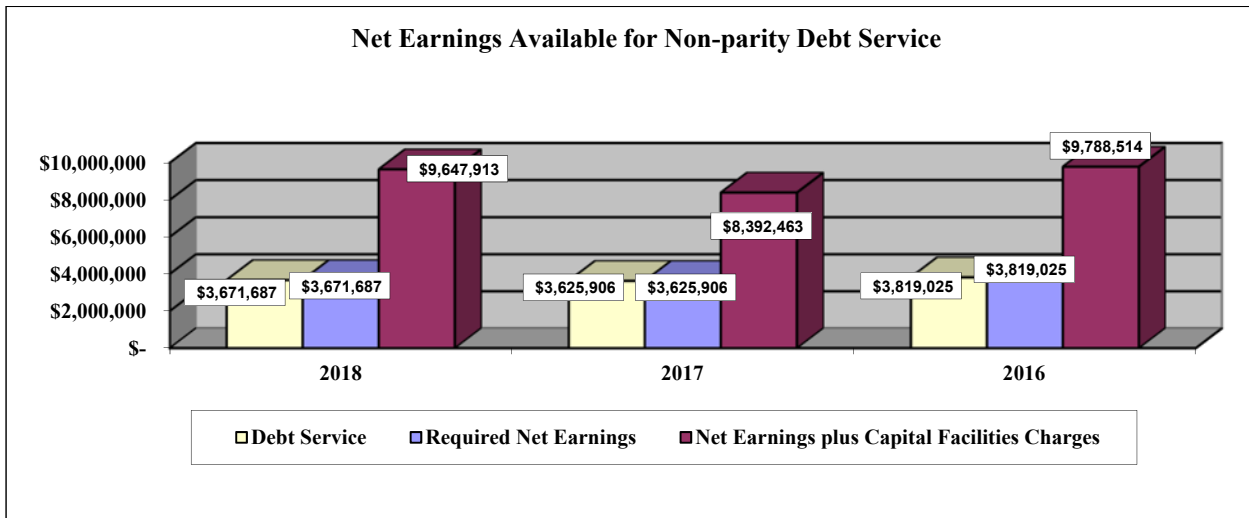
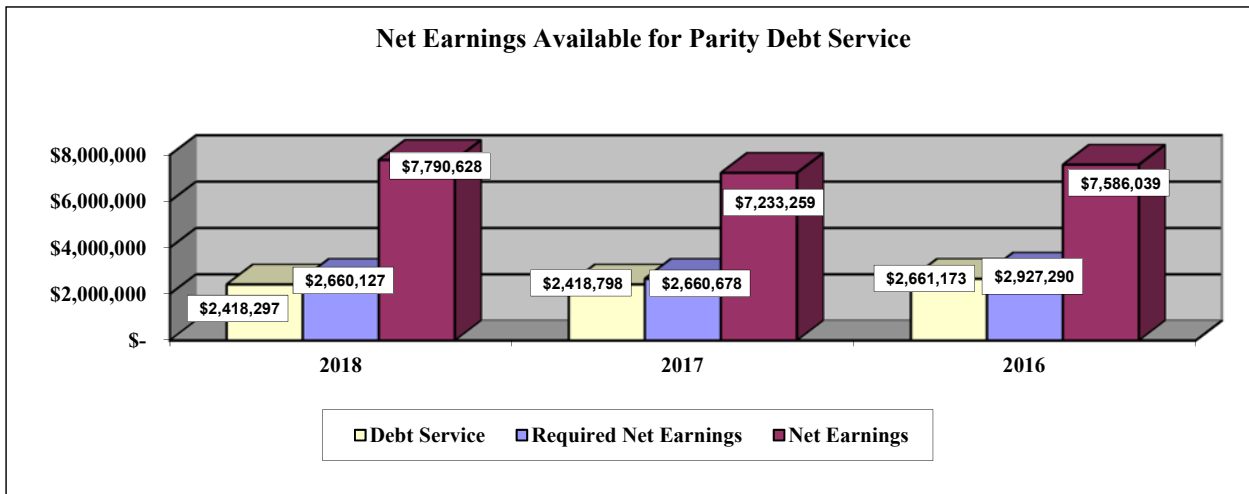
The rate covenant in the bond indenture obligates the Commission to review rates not less than once a year and to revise such rates and charges as necessary to meet the coverage test. The Commission further covenants in the bond indenture that it will maintain rates and charges that are at all times sufficient to provide for the payment of the bonds; to maintain the debt service funds, debt service reserve funds, and any other related funding instruments related to the debt of the system; to provide for the payment of administrative and operational expenses of the system preserving the system in good repair and working order, and to build and maintain a reserve for depreciation of the system. Revenue bond debt service coverage for fiscal years 2018, 2017, and 2016 was as follows:

	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
Debt Service Coverage (excluding Capital Facilities Charges)	3.222	2.990	2.851
Debt Service Coverage (including Capital Facilities Charges)	3.990	3.470	3.678

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The Commission has partnered with the City of West Columbia to expand operations at the City of West Columbia Surface Water Treatment Facility located on Old Cherokee Road in Lexington, SC. Also, the Commission has partnered with the City of Cayce to expand operations at the City of Cayce Wastewater Treatment Facility located in the City of Cayce, SC. As such, the Commission has obligated its revenues to assist in funding these expansions by means of Junior Lien Bonds. The Commission’s old indebtedness to the City of West Columbia for the 2002 Bond was elevated to Junior Lien status, and the new indebtedness regarding the State Revolving Fund (SRF) Loan also maintains Junior Lien Bond status. The bond indenture requires that debt service coverage for Junior Lien Bonds be maintained at 100%. The Commission has met and exceeded this requirement by maintaining Non-Parity Debt Service coverage, including tap fees, at 2.628, 2.315, and 2.563 for 2018, 2017 and 2016, respectively.

The following table presents the net earnings available to service debt, with required earnings defined by the bond covenants as 110% of parity debt service and 100% of non-parity debt service:



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Final Comments

The Commission has adopted a strategic plan that guides Board and staff toward its mission of providing affordable, efficient, and reliable water and wastewater services. The Strategic Plan is implemented in part by the multi-year financial plan and rate model, the CIP, and the annual budget. It is expected that these tools will continue to provide management with sufficient long and short term planning information to complete the capital improvement program within originally projected rate increases. The following are currently known facts, decisions and conditions which were considered in developing the budget for fiscal year 2019:

- Rate increases effective 7/1/2018 for water and sewer are as follows:
 - Volumetric
 - Water - 1.5% increase per thousand gallons usage
 - Sewer - 3.0% increase per thousand gallons usage
 - Maintenance Fees
 - Water - 1.5% increase, a total of 13¢ for a ¾" meter
 - Sewer - 2.5% increase, a total of 28¢ for a ¾" meter
- Interest rates continued to recover throughout fiscal year 2018 and are expected to continue to increase during fiscal year 2019.
 - Due to the increase in short-term interest rates, the Commission has re-organized its cash & investment accounts in order to streamline its total number of accounts and to take advantage of better interest rate earnings at the South Carolina Local Government Investment Pool.
 - We continue to monitor rates as they relate to the Commission's debt service.
- The employer portion of the SC Retirement System contributions has increased 1.00%, from 13.41% to 14.41% in fiscal year 2019 (Note: This excludes the 0.15% employer contribution rate for Incidental Death Benefit coverage. The employee contribution rate continues to be capped at 9.00%.
- The employer portion of the State Health Plan premiums will increase by 7.4% in calendar year 2019. Subscriber premiums will not increase in 2019. Also, the Commission is subject to a 0.0% experience rating, or "load factor", on employer and subscriber contributions for the State Health Plan in 2019.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

<u>ASSETS</u>	JUNE 30	
	2018	2017
Current Assets:		
Cash and Cash Equivalents	\$ 7,714,131	\$ 16,557,385
Cash - Customer Deposits (Restricted)	990,563	931,488
Investments	21,780,491	11,456,756
Deposits with Fiscal Agent (Restricted)	473,059	386,498
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$28,935 and \$26,854 respectively)	3,140,772	3,090,516
Due from Other Governments	851,528	135,023
Debt Service Component of Plant Expansion Contracts	104,691	199,900
Inventory	170,054	344,892
Prepaid Expenses	70,690	86,276
Total Current Assets	35,295,979	33,188,734
Non-current Assets:		
Restricted Cash		
Cash and Cash Equivalents	28,500	28,500
Cash - Capital Asset Reserves	1,138,284	1,017,849
Investments	1,583,074	1,578,936
Capital Assets		
Non-depreciable	7,802,846	2,001,183
Depreciable	128,207,534	125,941,733
Less: Accumulated Depreciation	(32,271,140)	(29,580,433)
Tap Fees Receivable	708,000	305,700
Legal Cost of Revenue Bonds (Net of Amortization)	457,359	483,134
Debt Service Component of Plant Expansion Contracts Series 2005 DSRF - City of West Columbia	1,920,578	2,120,478
Lease - Town of Pelion	31,000	32,000
Due from Other Governments	31,069	33,288
Total Non-Current Assets	109,637,104	104,381,131
Total Assets	144,933,083	137,569,865
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charges on Debt Refundings	2,229,528	2,394,064
Net Pension Deferred Outflows	610,041	701,460
Net OPEB Deferred Outflows	9,594	-
Total Deferred Outflows of Resources	2,849,163	3,095,524
Total Assets and Deferred Outflows of Resources	\$ 147,782,246	\$ 140,665,389

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

LIABILITIES

JUNE 30

	2018	2017
Current Liabilities:		
Accounts Payable	\$ 514,335	\$ 589,130
Construction Contracts Payable	831,712	160,654
Payroll Accruals	83,235	86,060
Compensated Absences	69,451	65,418
Customer Deposits	990,563	931,488
Debt Service Component of Plant Expansion Contracts	104,691	199,900
Revenue Bonds Payable	1,189,552	1,153,537
Junior Lien Bond Obligations Payable	825,088	806,782
Accrued Revenue Bond and Note Interest	104,359	107,007
Unearned Revenue	305,638	315,097
Total Current Liabilities	5,018,624	4,415,073
Non-current Liabilities:		
Revenue Bonds Payable (Net of Current Portion)	29,619,000	30,887,081
Junior Lien Bond Obligations Payable (Net of Current Portion)	11,554,655	12,579,643
Compensated Absences (Net of Current Portion)	77,709	78,211
Net Pension Liability	3,818,869	3,786,034
Net OPEB Liability	54,748	203,088
Total Long-Term Liabilities	45,124,981	47,534,057
Total Liabilities	50,143,605	51,949,130
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Net Pension Deferred Inflows	165,020	228,316
Total Deferred Inflows of Resources	165,020	228,316
 <u>NET POSITION</u>		
Net Position:		
Net Investment in Capital Assets	62,304,930	54,747,304
Restricted for Debt Service	1,687,523	1,683,385
Restricted for Construction Projects	28,500	28,500
Unrestricted	33,452,668	32,028,754
Total Net Position	97,473,621	88,487,943
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 147,782,246	\$ 140,665,389

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	JUNE 30	
	2018	2017
Operating Revenues:		
Water Sales and Services	\$ 7,948,591	\$ 7,930,855
Sewer Sales and Services	2,666,433	2,565,525
Backflow Fees	807,455	775,074
Hydrant Fees	641,235	597,884
Other Operating Revenues	976,074	823,064
Account Maintenance Fees	2,709,497	2,551,288
Total Operating Revenues	<u>15,749,285</u>	<u>15,243,690</u>
Operating Expenses:		
Salaries and Wages	1,918,769	1,801,302
Wholesale Water and Sewer Costs	2,540,746	2,462,856
Other General and Administrative Expenses	3,721,039	3,885,534
Depreciation	2,690,707	2,673,654
Total Operating Expenses	<u>10,871,261</u>	<u>10,823,346</u>
Operating Income	4,878,024	4,420,344
Non-operating Revenues (Expenses):		
Water and Sewer Capital Facility Charges	1,857,285	1,159,204
Interest Income	218,700	122,881
Insurance Reimbursement	3,197	-
Gain (Loss) on Sale of Capital Asset(s)	-	16,380
Interest Expense	(1,552,887)	(1,548,912)
Amortization Expense	(267,615)	(247,780)
Total Non-operating Revenues (Expenses)	<u>258,680</u>	<u>(498,227)</u>
Income Before Capital Contributions	5,136,704	3,922,117
Capital Contributions	<u>3,848,974</u>	<u>2,610,187</u>
Change in Net Position	8,985,678	6,532,304
Net Position - Beginning of Year - Restated	<u>88,487,943</u>	<u>81,955,639</u>
(as adjusted for prior period - See Note 12)		
Net Position - End of Year	<u><u>\$97,473,621</u></u>	<u><u>\$ 88,487,943</u></u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	JUNE 30	
	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 15,569,270	\$ 15,360,335
Cash Paid to Suppliers	(6,244,217)	(6,021,830)
Cash Paid to Employees	(1,916,978)	(1,791,409)
<u>Net Cash (Used in)/Provided by Operating Activities</u>	<u>7,408,075</u>	<u>7,547,096</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(5,424,187)	(1,545,403)
Principal Paid on Bonds and Notes	(2,160,219)	(2,081,494)
Interest Paid on Bonds and Notes	(1,511,469)	(1,544,414)
Capital Grants	1,160,250	219,744
Proceeds on Sale of Capital Asset	-	16,380
Capital Charge - Cayce/CWC	(86,561)	(47,960)
Due from Other Agencies	-	16,582
Debt Service Reserve Refund - West Columbia	418,763	-
Insurance Reimbursements	3,197	-
Water and Sewer Capital Facility Charges	1,637,579	1,810,196
<u>Net Cash (Used in)/Provided by Capital and Related Financing Activities</u>	<u>(5,962,646)</u>	<u>(3,156,369)</u>
Cash Flows From Investing Activities		
Net Transfer (In)/Out of Investment Pool	(10,327,873)	1,428,044
Interest Received	218,700	122,881
<u>Net Cash (Used in)/Provided by Investing Activities</u>	<u>(10,109,173)</u>	<u>1,550,925</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(8,663,744)	5,941,652
Cash and Cash Equivalents - Beginning of Year	18,535,222	12,593,570
Cash and Cash Equivalents - End of Year	\$ 9,871,478	\$ 18,535,222

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$ 4,878,024	\$ 4,420,344
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	2,690,707	2,673,654
(Increase) Decrease in:		
Accounts Receivable and Other Receivables	(229,631)	88,170
Prepaid Expense	15,586	(8,602)
Inventory	174,838	10,927
Net Pension Outflows	91,419	(429,969)
Net OPEB Outflows	(9,594)	-
Increase (Decrease) in:		
Accounts Payable	(74,795)	47,485
Customer Deposits	59,075	67,650
Accrued Annual Leave	3,531	604
Accrued Salaries and Fringes	(2,825)	(17,617)
Net Pension Inflows	(63,296)	82,619
Net Pension Liability	32,835	447,919
Net OPEB Liability	(148,340)	203,088
Unearned Revenue	(9,459)	(39,176)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 7,408,075</u>	<u>\$ 7,547,096</u>

Supplemental Disclosures

Noncash financing activities:

Developer contribution of systems	\$ 1,972,219	\$ 2,610,187
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The accompanying notes to financial statements are an integral part of this statement.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization

The Joint Municipal Water and Sewer Commission (the “Commission”) was created with the purpose of establishing regional water and sewer service to the residents and businesses of unincorporated areas of Lexington County. In June of 1993, the Lexington County Council deeded the assets of its public service division to the Commission.

The financial reporting entity is defined as the primary government and its component units, as required by generally accepted accounting principles (GAAP). The primary government, which is the nucleus of the reporting entity, has a separately appointed governing body. A component unit is a legally separate entity for which the oversight body of the component unit is fiscally accountable to the primary government.

An organization other than a primary government may serve as the nucleus for a reporting entity when it issues separate financial statements. As such an organization, the Commission is defined herein as a primary entity.

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

Basis of Presentation

To comply with the external financial reporting requirements of the Board, the accompanying financial statements present the financial position and results of operations and cash flows of the Commission, in conformity with GAAP as applied to regulated utilities (i.e., the full accrual basis of accounting and the economic resources measurement focus).

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

To accommodate the rate-making process, the Commission follows the accounting standards set forth in GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

New Governmental Accounting Pronouncements

The GASB has issued the following statements which may have a future impact on the Commission:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

The Commission elected to implement the requirements of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, beginning in fiscal year 2018.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

Cash and Cash Equivalents

The Joint Municipal Water and Sewer Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments and Restricted Assets

Certain proceeds of enterprise fund operations, as well as certain resources set aside for the repayment of the outstanding debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. A portion of these restricted items are on deposit with investing agencies such as the local government investment pool (See Note 2). Cash received for customer deposits is also restricted.

Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets or inventory. Inventory is stated at the lower of weighted average cost or market.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized in the proprietary fund as projects are constructed. Prior to fiscal year 2018, interest incurred during the construction phase was reflected in the capitalized value of the asset constructed. However, beginning in fiscal year 2018 and pursuant to GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, the Commission no longer capitalizes interest incurred during the construction phase.

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

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

<u>Class of Asset</u>	<u>Life</u>
Vehicles	4 to 7 years
Machinery and Equipment	3 to 20 years
Water and Sewer Systems	5 to 50 years
Buildings and Improvements	10 to 40 years
Water and Sewer Lines	50 years

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will also report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Commission currently has six deferrals that meet the criteria for this category. They are:

- 1) Deferred charge on the refunding of City of West Columbia, Series 2002
This charge is pursuant to a water purchase contract dated February 24, 2005, that required the Commission to recognize a portion of the City's bonded debt for water plant expansion (See Note 4).
- 2) Deferred charge on the advanced refunding of the Commission's Series 2003 Bond issue
A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt (See Note 4).
- 3) Deferred charge on the current refunding of the Commission's Series 2008 Bond issue
A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt (See Note 4).
- 4) Deferred charge on the current refunding of the Commission's Series 2009 Bond issue
A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt (See Note 4).
- 5) Net Pension outflows
This records the differences between expected and actual experience, and contributions made to SCRS subsequent to the measurement date until June 30th of current fiscal year (See Note 5).
- 6) Net OPEB Outflows
This records the differences between expected and actual experience, and contributions made to SC ORBET subsequent to the measurement date until June 30th of current fiscal year (See Note 11).

In addition to liabilities, the Statement of Net Position will also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission currently has one deferral that meets the criteria for this category. It is:

- 1) Net Pension inflows
This records the net differences between projected and actual earnings on pension plan investments (See Note 5).

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

Revenue Billings

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

Receivables and Payables

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

Compensated Absences

Commission employees earn annual leave, based upon years of service, at the rate of 10, 15, or 20 days per year. Maximum accumulations at any fiscal year-end cannot exceed 240 hours. Further, under no circumstances will employees be paid in excess of their maximum authorized accumulation in the case of separation/termination.

Vested or accumulated annual leave of Commission employees is recorded as an expense and a liability as those benefits accrue. No liability is recorded for non-vesting accumulation rights to receive sick pay benefits.

Business-Type Activity Accounting

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

Legal Cost of Revenue Bonds

The Commission capitalizes the issuance costs of its revenue bonds. The net, unamortized, portion of these costs are shown as a regulatory non-current asset on the Statement of Net Position, and are expensed over the life of the revenue bond (e.g. 30 years) using the straight-line method. The difference between the straight line and effective interest method is immaterial, hence the election of straight-line amortization.

The treatment of these costs as such is in compliance with GASB 62 paragraph 480 which states: "A regulated business-type activity should capitalize all or part of an incurred cost (a cost arising from cash paid out or obligation to pay for an acquired asset or service) that otherwise would be charged to expense, if both of the following criteria are met:

- 1) It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- 2) Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs.

Risk Management

The Commission pays insurance premiums to an independent insurance agency to cover risks that may occur in normal operations. Once premiums are paid, the insurance company assumes all risk up to the coverage limits. The insurance company does not assume responsibility for the two risks listed below:

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

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

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

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

Estimates

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (cont'd.)

Contributed Capital

Contributed capital consists of additions and/or upgrades to infrastructure made by customers or developers working within the boundaries of the Commission's service area. Upon completion of the project, and the receipt of a Permit to Operate order issued by the SC Department of Health and Environmental Control (DHEC), said capital is deeded to the Commission, who then accepts the responsibility for the on-going maintenance of the infrastructure. It is included in the capital assets of the Commission, and depreciated accordingly. Also included are those grants restricted for capital purposes.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the Net OPEB Liability (NOL), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Other Retirement Benefits Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note 2. Deposits and Investments

As of June 30, 2018, the Commission had the following deposits:

<u>Deposits</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Rating</u>
Branch Banking and Trust	\$ 9,620,728	\$ 9,900,584	Collateralized
Branch Banking and Trust	250,000	250,000	FDIC Insured

At June 30, 2018 the Pool had the following recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Input Level</u>	<u>Rating</u>
SC Local Government Investment Pool	\$23,150,988	N/A	Unrated
US Government Backed Securities MM	212,577	N/A	Unrated

In accordance with GASB No. 72, Fair Value Measurement and Application, the Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The following levels of input for measurement of fair value have been defined to assist the user in evaluating the fair value disclosure information:

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2. Deposits and Investments (cont'd.)

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Money market mutual funds classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3 are valued based on developed models in which there are few, if any, observable inputs.

The investment pool 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 of Laws. The investment pool 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 GAAP, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the investment pool 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 investment pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the investment pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, PO Box 11778, Columbia, South Carolina 29211-1950.

The South Carolina Local Government Investment Pool (SCLGIP) is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Commission does not disclose investment in the SCLGIP within the fair value hierarchy.

Interest rate risk. In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to short periods of time.

Credit risk. The Commission limits its credit risk by limiting its investments to US government-backed securities and the state investment pool and by investing over a broad range of securities.

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. It is the policy of the Commission to obtain adequate collateralization on all deposits that exceed FDIC insurance coverage. As of June 30, 2018, all of the deposit amounts were covered by FDIC insurance or collateralized as outlined in the chart above. Therefore, no deposits were exposed to custodial credit risk.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments in the State Treasurer's investment pool are collateralized by underlying securities held by third party financial institutions for the investment pool.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3. Capital Assets

Activity in capital assets for the year ended June 30, 2018 was as follows:

<u>Asset Class</u>	<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Land	\$ 358,649	\$ -	\$ -	\$ 101,510	\$ 460,159
Construction In Progress	1,642,534	5,931,467	-	(231,314)	7,342,687
Total Non-depreciable	2,001,183	5,931,467	-	(129,804)	7,802,846
Buildings	1,988,663	5,200	-	-	1,993,863
Less: Accumulated Depreciation	(871,087)	(74,155)	-	-	(945,242)
Machinery & Equipment	1,614,089	16,228	-	-	1,630,317
Less: Accumulated Depreciation	(1,286,636)	(51,946)	-	-	(1,338,582)
Furniture & Fixtures	1,177,949	27,609	-	-	1,205,558
Less: Accumulated Depreciation	(998,059)	(63,346)	-	-	(1,061,405)
Vehicles	793,061	34,772	-	-	827,833
Less: Accumulated Depreciation	(627,466)	(55,980)	-	-	(683,446)
Water Distribution System	69,135,611	1,582,534	-	-	70,718,145
Less: Accumulated Depreciation	(15,481,105)	(1,406,086)	-	-	(16,887,191)
Sewer Collection System	51,232,360	469,654	-	129,804	51,831,818
Less: Accumulated Depreciation	(10,316,080)	(1,039,194)	-	-	(11,355,274)
Total Depreciable Capital Assets	125,941,733	2,135,997	-	129,804	128,207,534
Total Capital Assets (Before Depreciation)	127,942,916	8,067,464	-	-	136,010,380
Less: Accumulated Depreciation	(29,580,433)	(2,690,707)	-	-	(32,271,140)
Total Capital Assets	<u>\$ 98,362,483</u>	<u>\$ 5,376,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,739,240</u>

Of the \$3,848,974 shown as contributed capital on Exhibit B, the Statement of Revenues, Expenses and Changes in Net Position, \$1,972,219 was for water distribution and sewer collection systems which were contributed to the Commission by developers in fiscal year 2018. The remaining \$1,876,755 is for amounts invoiced to Lexington School District One for reimbursement related to the Pelion Sewer System capital project.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4. Notes and Bonds

Notes and Bonds at June 30, 2018 consist of the following:

Series 2005 Junior Lien Bond obligation to the City of West Columbia pursuant to a water purchase contract, dated February 24, 2005, that required that the Commission recognize a portion of the City's bonded debt for water plant expansion, includes capitalized interest of \$50,411.	\$ 3,781,920
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Series 2009 Junior Lien Bond obligation to the City of Cayce pursuant to a wastewater services agreement, dated September 16, 2009, that required the Commission to recognize a portion of the City's bonded debt for wastewater plant expansion, includes capitalized interest of \$344,479.	8,702,514
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Total of Junior Lien Bond obligations:	12,484,434
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\$895,672 – Series 2009A State Revolving Fund (SRF) Water And Sewer System Revenue Bond for Boiling Springs Rd Water Main Extension, Blended Interest Rate at 1.59%, includes capitalized interest of \$2,707.	579,176
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\$839,066 – Series 2009B State Revolving Fund (SRF) Water And Sewer System Revenue Bond for AAA Utilities acquisition and upgrades, Interest Rate at 1%, includes capitalized interest of \$666.	523,402
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\$14,140,000 – Series 2012 Water And Sewer System Refunding Revenue Bond due in annual payments of \$175,000 to \$1,295,000 through 2033, Interest Rate at 2% to 5%.	13,230,000
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\$11,720,000 – Series 2013 Water And Sewer System Refunding and Improvement Revenue Bond due in annual payments of \$325,000 to \$975,000 through 2043, Interest Rate at 2% to 4.875%.	9,310,000
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\$6,650,000 – Series 2014 Water And Sewer System Refunding Revenue Bond due in annual payments of \$30,000 to \$615,000 through 2029, Interest Rate at 2.45%.	5,990,000
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Total of Senior Bond obligations:	29,632,578
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Subtotal:	42,117,012
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Less Current Portion:	(2,119,331)
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Total Long Term:	39,997,681
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JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4. Notes and Bonds (cont'd.)

Adjustments for Deferred Amounts:

\$ 1,666,274 – Premium on Series 2012 Water and Sewer System Refunding Revenue Bond 1,180,825

\$ 135,755 – Premium on Series 2013 Water and Sewer System Refunding and Improvement Revenue Bond 113,883

(\$ 141,537) – Discount on Series 2013 Water and Sewer System Refunding and Improvement Revenue Bond (118,734)

Total of Issuance Premiums/Discounts: 1,175,974

(\$ 1,340,028) – Deferred Charge on Refunding of Series 2002 Junior Lien Bond obligation to the City of West Columbia (828,212)

(\$ 1,239,607) – Deferred Charge on Refunding of Series 2003 Water and Sewer System Revenue Bond (878,462)

(\$ 172,357) – Deferred Charge on Refunding of Series 2008 Water and Sewer System Revenue Bond (49,073)

(\$ 627,547) – Deferred Charge on Refunding of Series 2009 Water and Sewer System Revenue Bond (473,781)

Total of Deferred Charges on Debt Refundings: (2,229,528)

Total of Adjustments: (1,053,554)

Total Debt (Net of Deferred Charges on Debt Refundings): \$ 38,944,127

Total annual debt service requirements from bonds, notes, and capital leases are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,119,331	\$ 1,462,605	\$ 3,581,936
2020	2,149,302	1,410,360	3,559,662
2021	2,394,516	1,360,191	3,754,707
2022	2,455,191	1,299,394	3,754,585
2023	2,521,339	1,236,753	3,758,092
2024-2028	12,566,974	5,029,950	17,596,924
2029-2033	9,955,359	3,096,621	13,051,980
2034-2038	3,515,000	1,598,577	5,113,577
2039-2043	4,440,000	670,069	5,110,069
Total	<u>\$ 42,117,012</u>	<u>\$ 17,164,520</u>	<u>\$ 59,281,532</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4. Notes and Bonds (cont'd.)

Changes in long-term liabilities: Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds Payable	\$ 30,786,116	-	\$ 1,153,538	\$ 29,632,578	\$1,189,552
Junior Lien Obligation Bonds	13,586,324	-	1,101,890	12,484,434	929,779*
Compensated Absences	143,629	147,160	143,629	147,160	69,451
Total liabilities	44,516,069	147,160	2,399,056	42,264,172	2,188,782
Less Deferred Amounts					
Issuance Discounts/Premiums	1,254,502	-	78,529	1,175,974	78,529
Total	\$ 45,770,572	\$ 147,160	\$ 2,477,585	\$ 43,440,146	\$ 2,267,311

*Amount includes "Debt Service Component of Plant Expansion Contracts" under Current Liabilities on Exhibit A.

Note 5. Employee Retirement Systems

The employees of the Commission are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all Commission employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws of 1976, as amended. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

The SCRS maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR), which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to South Carolina Public Employee Benefit Authority Retirement Benefits, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Currently, there are two classes of memberships in the SCRS: Class Two and Class Three. (Class One membership is no longer applicable.) Class Two members are employees who currently have earned service credit in SCRS or a correlated retirement system for a period of service prior to July 1, 2012. Class Three members are those members who do not currently have earned service credit in SCRS or a correlated retirement system for a period of service prior to July 1, 2012. A period of withdrawn service or a period of participation in the State ORP does not count toward the earned service credit used to determine whether a member is Class Two or Class Three unless the member has completed a service purchase to establish earned service credit in SCRS for the period of withdrawn service or State ORP participation. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 % of an employee's average final compensation multiplied by the number of years of credited service. Retirement benefits are calculated based on two categories:

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Employee Retirement Systems (cont'd.)

Normal Retirement (Unreduced Benefit)

Class Two employees are eligible for a normal retirement (unreduced benefit) annuity upon either:

- 1) Completion of 28 years of credit on the date of retirement, five years of which must be earned service;
- 2) Reaching age 65 or older on the date of retirement with five years of earned service credit.

Class Three members are eligible for a normal retirement (unreduced benefit) annuity by either:

- 1) Meeting the "Rule of 90" requirement with at least eight years of earned service credit. This means that your age and years of service credit must add up to 90. For example, a member who is 56 years old and has at least 34 years of service credit, eight years of which must be earned service credit, would be eligible for normal retirement ($56 + 34 = 90$);
- 2) Reaching age 65 or older with eight years of earned service credit.

Early Retirement (Reduced Benefit)

Class Two employees are eligible for an early retirement (reduced benefit) annuity upon either:

- 1) Reaching age 60 with at least five years of earned service credit. Your benefit is permanently reduced 5 percent for each year of age less than 65;
- 2) Reaching age 55 or older with 25 years of credit, five years of which must be earned service credit. Your benefit is permanently reduced 4 percent for each year of service credit less than 28. Benefit adjustment restrictions apply and are described in the SCRS Member Handbook.

Class Three members are eligible for an early retirement (reduced benefit) annuity:

- 1) Upon reaching age 60 with eight years of earned service credit. Your benefit is permanently reduced 5 percent for each year of age less than 65.

The Commission's total covered payroll for the fiscal year was \$1,852,425. Since July 1, 2017, employees participating in the SCRS are required to contribute 9.00% of all compensation, excluding bonuses. Contributions are prescribed (stated as a percentage of covered payroll) in Title 9 of the South Carolina Code of Laws. The employer contribution rate for fiscal year 2018 is 13.41%. The contributions made for the year ended June 30, 2018 were \$248,410 from the employer (excluding \$17,509 approved credit from SC General Assembly) and \$166,718 from employees. The contributions made for the three prior fiscal years from the employer were \$195,297 for 2017, \$187,267 for 2016, and \$177,405 for 2015. The contributions made for the three prior fiscal years from the employee were \$148,227 for 2017, \$140,064 for 2016, and \$132,022 for 2015. The Commission's 2018 contributions, for both employee and employer portions, are 100% of the Commission's required contributions for the period, and represented less than one percent of total contributions required of all participating entities. Also, the Commission paid employer group-life insurance contributions of approximately \$2,779 for the year ended June 30, 2018 at the rate of 0.15% of compensation.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Employee Retirement Systems (cont'd.)

The amounts paid by the Commission for pension, group-life benefits and accidental death benefits are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16 of the South Carolina Constitution requires that all state-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. Annual benefits, payable monthly for life, are based on length of service, employee classification and on average final compensation.

The Systems did not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the Commission's liability under the plan is limited to the amount of contributions (stated as a percentage of covered payroll). Therefore, the Commission's liability under the pension plans is limited to the amounts appropriated in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Commission recognized no contingent liability for unfunded costs associated with participation in the plans.

At June 30, 2018, the Commission reported \$3,818,869 for its proportionate share of the net pension liability (NPL) of SCRS. The NPL liability of the SCRS defined benefit pension plan was determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The Commission's employer allocated percentage of the NPL was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Commission's SCRS employer allocated percentage was 0.0170%, which is a slight decrease from its employer allocated percentage of the NPL measured as of June 30, 2016. For the year ended June 30, 2018 the Commission recognized pension expenses of \$60,959 for SCRS.

At June 30, 2018, the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	
Net differences between expected and actual experience	\$ 358,852
Contributions made to SCRS from measurement date to June 30, 2018	251,189
Total deferred outflows of resources	<u>\$ 610,041</u>
Deferred Inflows of Resources	
Net differences between expected and actual experience	<u>\$ 165,020</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Employee Retirement Systems (cont'd.)

The Commission reported \$251,189 as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement dates and will be recognized as a reduction of the NPL in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended June 30,	SCRS
2019	\$ 29,502
2020	123,535
2021	72,947
2022	(32,152)
	\$ 193,832

The following table provides a summary of the actuarial assumptions and methods used to calculate the Total Pension Liability (TPL) as of June 30, 2017:

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return ¹	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹
Benefits adjustments	Lesser of 1% or \$500 annually

¹ Includes inflation at 2.25%

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2017 TPL, NPL and sensitivity information shown in this report were determined by consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The TPL was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward TPL for this assumption change as of the measurement date of June 30, 2017.

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Employee Retirement Systems (cont'd.)

Assumptions used in the determination of the June 30, 2017 TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITS)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Employee Retirement Systems (cont'd.)

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plans' 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.

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

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 4,921,998	\$ 3,818,869	\$ 3,149,529

Note 6. Unearned Revenue

Unearned revenue represents that portion of hard costs of meter set revenue received but not earned until meters are set.

Note 7. Deferred Compensation Plans

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

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

Note 8. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to facilitate financial analysis.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Commitments and Contingencies

Funds received from federal and state grants programs are subject to audit by various federal and state agencies. The Commission can be required to replace any funds not used in compliance with grant requirements. At June 30, 2018, the Commission had active construction projects with commitments to contractors of \$7,614,792, of which \$5,071,714 had been expended or recorded as a liability.

Note 10. Subsequent Events

The Commission has evaluated all events subsequent to the basic financial statements for the year ended June 30, 2018 through November 5, 2018, which is the date the financial statements were available to be issued, and determined that there were no additional subsequent events requiring note disclosure.

Note 11. Other Post-Employment Benefits (OPEB)

Plan Description

The Commission's defined benefit post-employment healthcare plan (the Plan), which the Commission initiated November 2007, provides medical and dental insurance to eligible retirees. When the retiree reaches the age to qualify for Medicare, the Commission will no longer fund the benefit. Currently, that age is sixty-five (65).

Employees hired before September 9, 2015 become eligible when the employee qualifies for retirement benefits under the SCRS and has a minimum of five (5) years of service with the Commission and was employed with the Commission at the time of retirement. Effective September 9, 2015, the minimum amount of service for employees hired on or after this date is ten (10) years. Information regarding SCRS eligibility may be obtained from the Comprehensive Annual Financial Report of the Plan. (See Note 5)

Under the original 2007 plan, once an employee reaches certain length of employment milestones, the employee is eligible for the Commission to pay a percentage of the employer portion of premiums (Based on "Employee Only" Premium). Those length of employment milestones and corresponding percentages of the employer portion of premiums are listed below:

5 years (minimum)	25%
10 years	50%
15 years	75%
20 years	100%

Under the September 9, 2015 plan, once an employee reaches certain length of employment milestones, the employee is eligible for the Commission to pay a percentage of the employer portion of premiums (Based on "Employee Only" Premium). Those length of employment milestones and corresponding percentages of the employer portion of premiums are listed below:

10 years (minimum)	25%
15 years	50%
20 years	75%
25 years	100%

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Other Post-Employment Benefits (cont'd.)

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	30
	<u>30</u>

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer irrevocable trust administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, P.O. Box 12109, Columbia, South Carolina 29211.

Net OPEB Liability

The Commission's net OPEB liability was measured as of December 31, 2017, and the Total OPEB Liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The TOL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Real wage growth	
SCRS	0.75%
Wage inflation	
SCRS	3.00%
Salary increases	
SCRS	3.00% - 7.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.86%
Measurement Date	3.55%
Year Fiduciary Net Position is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalents Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.75%
Measurement Date	4.75%
Health Care Cost Rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Other Post-Employment Benefits (cont'd.)

Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return assumption is 4.75%. The target allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	94.30%
Equity funds	0.00%
Cash and cash equivalents	5.70%
Total	<u>100.00%</u>

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 4.75 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of January 1, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent protection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full Actuarially Determined Employer Contribution (ADEC) through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefits payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's Fiduciary Net Position was projected to not be depleted.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Other Post-Employment Benefits (cont'd.)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 539,522	\$ 336,434	\$ 203,088
Changes for the year:			
Service cost	21,038	-	21,038
Interest on TOL and cash flows	25,604	-	25,604
Contributions - employer	-	198,353	(198,353)
Net investment income	-	8,346	(8,346)
Benefit payments and implicit subsidy credit	(1,000)	(1,000)	-
Plan administrative expenses	-	(11,717)	11,717
Net changes	45,642	193,982	(148,340)
Balance at June 30, 2018	\$ 585,164	\$ 530,416	\$ 54,748

Sensitivity of the net OPEB liability to changes in the discount rate

The following table presents the net OPEB liability of the Plan, calculated using the discount rate of 4.75 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a Discount Rate that is 1.00 percent lower (3.75 percent) or 1.00 percent higher (5.75 percent) than the current rate.

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB liability	\$ 130,476	\$ 54,748	\$ (12,118)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following table presents the net OPEB liability of the Plan, calculated using current healthcare cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percent lower or 1.00 percent higher than the current rates.

	1% Decrease	Current	1% Increase
Net OPEB liability	\$ (33,666)	\$ 54,748	\$ 162,412

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Other Post-Employment Benefits (cont'd.)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Commission recognized OPEB expense of \$39,419. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ 9,594	\$ -
Total	<u>\$ 9,594</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2018	\$ 2,399
2019	2,399
2020	2,399
2021	<u>2,397</u>
	<u>\$ 9,594</u>

Note 12. Restatement

The Commission implemented provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the current fiscal year. Because the Commission presents comparative financial statements, the implementation of GASB 75 requires the Commission to retroactively restate its financial statements for all prior periods presented (i.e. fiscal year 2017). The balances that were affected are as follows:

Audited net position as of June 30, 2017	\$ 88,691,031
Net OPEB Liability	<u>(203,088)</u>
Restated net position as of June 30, 2017	<u>\$ 88,487,943</u>

The Commission has determined that restating all applicable deferred inflows of resources and deferred outflows of resources related to OPEB for fiscal year 2017 is not practical. Additionally, the Commission did not have any contributions made subsequent to the measurement date of the beginning net OPEB liability but before the beginning of the government's fiscal year.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

South Carolina Retirement System Schedule of Contributions						
Last 10 fiscal years	Contractually required contributions	Contributions in relation to the contractually required contribution	Contribution deficiency/(excess)	Covered payroll	Contributions as a percentage of covered payroll	
2009	\$ 127,680	(127,680)	\$ -	\$ 1,381,818	9.24%	
2010	\$ 133,784	(133,784)	\$ -	\$ 1,447,878	9.24%	
2011	\$ 141,688	(141,688)	\$ -	\$ 1,533,420	9.24%	
2012	\$ 155,462	(155,462)	\$ -	\$ 1,657,377	9.38%	
2013	\$ 174,610	(174,610)	\$ -	\$ 1,670,909	10.45%	
2014	\$ 176,573	(176,573)	\$ -	\$ 1,689,696	10.45%	
2015	\$ 177,405	(177,405)	\$ -	\$ 1,650,281	10.75%	
2016	\$ 187,267	(187,267)	\$ -	\$ 1,716,473	10.91%	
2017	\$ 195,297	(195,297)	\$ -	\$ 1,711,633	11.41%	
2018	\$ 248,410	(248,410)	\$ -	\$ 1,852,425	13.41%	

South Carolina Retirement System Schedule of the Proportionate Share of the Net Pension Liability					
	Commission's proportion of the net pension liability	Commission's proportionate share of the net pension liability	Commission's covered payroll	Commission's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.0186%	\$ 3,338,329	\$ 1,670,909	199.79%	56.39%
2015	0.0186%	\$ 3,204,457	\$ 1,689,696	189.65%	59.92%
2016	0.0176%	\$ 3,338,115	\$ 1,650,281	202.28%	56.99%
2017	0.0177%	\$ 3,786,034	\$ 1,716,473	220.57%	52.91%
2018	0.0170%	\$ 3,818,869	\$ 1,711,633	223.11%	53.34%

* Represents South Carolina Retirement System's fiscal year. This data is presented for those years which information is available.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Other Post-Employment Benefits	
Schedule of Changes in the Net OPEB Liability	
Fiscal Year Ending December 31	2017
Total OPEB Liability	
Service Cost at end of year	\$21,038
Interest on the Total OPEB Liability	25,604
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions or other inputs	0
Benefit payments*	<u>(1,000)</u>
Net change in Total OPEB Liability	45,642
Total OPEB Liability - beginning	\$539,522
Total OPEB Liability - ending (a)	\$585,164
Plan Fiduciary Net Position	
Contributions - employer**	\$198,353
Contributions - non-employer	0
Contributions - active member	0
Net investment income	8346
Benefit payments*	(1,000)
Administrative expense	(11,717)
Other	<u>0</u>
Net Change in Plan Fiduciary Net Position	\$193,982
Plan Fiduciary Net Position - beginning	\$336,434
Plan Fiduciary Net Position - ending (b)	\$530,416
Net OPEB Liability - ending (a) - (b)	\$54,748

*Benefit payments are net of participant contributions and include a payment of \$1,000 for the implicit subsidy based on the guidance in Illustration B-1 of GASB Implementation Guide No. 2017-2, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans".

**Employer contribution amounts include the \$1,000 implicit subsidy payment during the period.

***This data is presented for those years which information is available. Each year the Commission will add an additional year of data until a total of ten years is presented.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Other Post-Employment Benefits Schedule of the Net OPEB Liability		
Fiscal Year Ending December 31	2017	2016
Total OPEB Liability	\$585,164	\$539,522
Plan Fiduciary Net Position	<u>530,416</u>	<u>336,434</u>
Net OPEB Liability	\$54,748	\$203,088
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	90.64%	62.36%
Covered Payroll*	\$1,679,466	\$1,679,466
Net OPEB Liability as a percentage of covered payroll	3.26%	12.09%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

**This data is presented for those years which information is available. Each year the Commission will add an additional year of data until a total of ten years is presented.

Other Post-Employment Benefits Schedule of Employer Contributions	
Fiscal Year Ending December 31	2017
Actuarially Determined Employer Contribution (ADEC)	\$127,240
Contributions in relation to the ADEC	<u>198,353</u>
Annual contribution deficiency (excess)	(\$71,113)
Covered payroll*	\$1,679,466
Actual contributions as a percentage of covered payroll	11.81%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

**This data is presented for those years which information is available. Each year the Commission will add an additional year of data until a total of ten years is presented.

SCHEDULE 1

JOINT MUNICIPAL WATER AND SEWER COMMISSION
SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	JUNE 30	
	2018	2017
Payroll Fringes	\$ 810,224	\$ 1,026,613
IVR Transaction and Online Utility Expenses	8,582	9,002
Contracted Services and Maintenance	464,051	595,286
Professional Services	386,423	376,407
Franchise Fees	26,526	25,955
Pelion Lease	1,000	1,000
Right of Way Clearing	9,446	91
Grounds Maintenance	21,015	21,388
Advertising	552	1,654
Provision for Uncollectible Accounts	22,733	51,566
Bank Charges	127,902	110,886
Office Supplies	12,041	9,554
Backflow Devices	52,949	65,461
Duplicating	14,899	15,263
Operating and Engineering Supplies	125,714	88,684
Chemicals	163,473	184,071
Equipment Repairs and Maintenance	216,234	225,356
Vehicle Repairs and Maintenance	26,120	38,913
Building Repairs	19,827	9,856
Building Insurance	48,574	48,503
Vehicle Insurance	16,400	17,468
General Tort Liability Insurance and Surety Bond	30,661	27,319
Telephone	36,417	34,601
Postage	10,141	20,113
Meetings, Training and Subscriptions	79,722	58,262
Utilities	465,452	448,951
Gas, Fuel and Oil	47,807	41,290
Uniforms	10,779	10,762
Licenses and Permits	38,887	30,094
Miscellaneous	145,545	55,696
Tap Installation Costs	275,544	235,469
Retrofit Meters and Hydrant Installations	5,400	-
Total Other General and Administrative Expenses	<u>\$ 3,721,039</u>	<u>\$ 3,885,534</u>

STATISTICAL SECTION

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE I

Net Position by Component
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

	2018	2017 ^(a)	2016 ^(b,c)	2015	2014	2013	2012	2011	2010	2009
Net Investment in Capital Assets:	\$ 62,304,930	\$ 54,747,304	\$ 53,091,400	\$ 48,109,027	\$ 48,160,018	\$ 45,190,614	\$ 42,485,396	\$ 43,679,501	\$ 42,582,495	\$ 40,709,556
Restricted for Debt Service:	1,687,523	1,683,385	1,920,575	2,202,796	2,520,140	1,647,629	1,789,578	1,727,393	1,707,821	1,555,761
Restricted for Capital/Const. Projects:	28,500	28,500	1,559,128	2,607,568	7,407,748	444,336	1,360,070	2,785,748	3,282,498	5,704,100
Unrestricted:	33,452,668	32,028,754	25,384,536	21,280,485	15,107,609	22,915,015	21,693,312	15,419,897	13,320,409	9,472,852
Total Net Position:	\$ 97,473,621	\$ 88,487,943	\$ 81,955,639	\$ 74,199,876	\$ 73,195,515	\$ 70,197,594	\$ 67,328,356	\$ 63,612,539	\$ 60,893,223	\$ 57,442,269

⁽¹⁾ Prior Period Restatement to FY 2016 Capital Contributions (\$711,337) resulted in a restatement of FY 2016 Total Net Position. See FY 2017 CAFR - Note 12.

⁽²⁾ Restatement of FY 2016 Net Position (\$333,333). See FY 2017 CAFR - Note 12.

⁽³⁾ Restatement of FY 2017 Net Position (\$203,088). See FY 2018 CAFR - Note 12.

Source: Commission's Audited Financial Statements

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE II

Changes in Net Position
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

	2018	2017 ⁽³⁾	2016 ⁽²⁾	2015 ⁽¹⁾	2014	2013	2012	2011	2010	2009
Revenues:										
Water Service Revenues	\$ 7,948,591	\$ 7,930,855	\$ 7,407,447	\$ 6,663,908	\$ 6,253,508	\$ 5,917,050	\$ 6,318,212	\$ 5,928,795	\$ 5,466,085	\$ 4,770,957
Wastewater Service Revenues	2,666,433	2,565,525	2,395,267	2,167,402	2,120,336	1,929,375	1,844,669	1,692,526	1,427,240	1,252,658
Other Revenues	5,134,261	4,747,310	4,944,149	4,289,304	4,082,314	3,611,487	3,415,718	3,165,410	2,932,633	2,146,750
Total Operating Revenues:	15,749,285	15,243,690	14,746,863	13,120,614	12,456,158	11,457,912	11,578,599	10,786,731	9,825,958	8,170,365
Operating Expenses:										
Salaries and Wages	1,918,769	1,801,302	1,807,613	1,726,982	1,901,052	1,725,809	1,648,059	1,603,692	1,550,262	1,521,531
Wholesale W&S Costs	2,540,746	2,462,856	2,108,483	2,144,286	2,100,121	1,971,004	1,596,574	1,737,667	1,596,876	1,531,775
Depreciation	2,690,707	2,673,654	2,549,423	2,414,853	2,349,033	2,146,613	1,976,699	1,961,919	1,893,733	1,852,786
General & Admin Exp	3,721,039	3,885,534	3,326,094	3,178,129	3,020,354	2,788,018	2,532,991	2,757,881	2,451,652	2,062,938
Total Operating Expenses	10,871,261	10,823,346	9,791,613	9,464,250	9,370,560	8,631,444	7,754,323	8,061,159	7,492,523	6,969,030
Operating Income	4,878,024	4,420,344	4,955,250	3,656,364	3,085,598	2,826,468	3,824,276	2,725,572	2,333,435	1,201,335
Non-operating revenue (expenses), net	258,680	(498,227)	747,190	(616,564)	(657,892)	(835,159)	(573,794)	(1,181,715)	269,721	(101,690)
Income before Capital Contributions	5,136,704	3,922,117	5,702,440	3,039,800	2,427,706	1,991,309	3,250,482	1,543,857	2,603,156	1,099,645
Capital Contributions	3,848,974	2,610,187	2,053,323	1,123,783	570,215	877,929	465,335	1,175,460	847,797	2,027,306
Change in Net Position	\$ 8,985,678	\$ 6,532,304	\$ 7,755,763	\$ 1,004,361	\$ 2,997,921	\$ 2,869,238	\$ 3,715,817	\$ 2,719,317	\$ 3,450,953	\$ 3,126,951

⁽¹⁾ Change in Net Position for fiscal year 2015 includes prior period adjustment of (\$3,159,222) to record beginning net pension liability pursuant to the implementation of GASB Statement No. 68.

⁽²⁾ Prior Period Restatement to FY 2016 Capital Contributions (additional \$711,337) resulted in a restatement of FY 2016 Capital Contributions and Change in Net Position. See FY 2017 CAFR - Note 12.

⁽³⁾ Change in Net Position for fiscal year 2017 includes restatement of (\$203,088) to record beginning net OPEB liability and OPEB expense pursuant to the implementation of GASB Statement No. 75.

Source: Commission's Audited Financial Statements

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE III

Revenues and Expenses (Rate Basis)
Actual versus Budget - FY 2018

	Actual ⁽¹⁾	Budget ⁽²⁾	Variance	% of Budget Recognized/Spent
General Revenues				
Water Sales & Service	\$ 7,875,339	\$ 8,837,623	\$(962,284)	89.11%
Wastewater Sales & Service	2,664,960	2,839,650	(174,690)	93.85%
Backflow Fees	807,455	791,654	15,801	102.00%
Hydrant Fees	641,235	608,675	32,560	105.35%
Other Operating Revenues	323,211	321,051	2,160	100.67%
Account Maintenance Fees	2,709,496	2,648,072	61,424	102.32%
Total General Revenues	15,021,696	16,046,725	(1,025,029)	93.61%
Tap Fee Connections Cost Recovery				
Tap Fee Connection Costs	286,000	-	286,000	0.00%
Hard costs of Meter Sets	107,750	-	107,750	0.00%
Tap Installation Fee	5,805	-	5,805	0.00%
Total Tap Fee Connections Cost Recovery	399,555	-	399,555	0.00%
Total Operating Revenues	15,421,251	16,046,725	(625,474)	96.10%
Non-operating Revenues				
Capital Facility Charges	1,261,785	-	1,261,785	0.00%
Interest income	208,111	125,326	82,785	166.06%
Miscellaneous Income	1,800,590	-	1,800,590	0.00%
Total Non-operating Revenues	3,270,486	125,326	3,145,160	2609.58%
Total Revenues	18,691,737	16,172,051	2,519,686	115.58%
Direct Operating Expenses				
Salaries and Wages	1,913,975	1,909,052	4,923	100.26%
Wholesale Water and Sewer Costs	2,538,437	2,700,000	(161,563)	94.02%
Other General and Administrative Expenses	3,587,457	4,637,841	(1,050,384)	77.35%
Total Direct Operating Expenses	8,039,869	9,246,893	(1,207,024)	86.95%
Indirect Operating Expenses				
Debt Service ⁽³⁾	3,702,181	3,702,181	-	100.00%
Capital Outlay	108,565	229,000	(120,435)	47.41%
Regional WTP & WWTF Charges (Depreciation & Capital Change)	86,561	57,830	28,731	149.68%
Total Indirect Operating Expenses	3,897,307	3,989,011	(91,704)	97.70%
Total Direct and Indirect Operating Expenses	11,937,176	13,235,904	(1,298,728)	90.19%
Net	\$ 6,754,561	\$ 2,936,147	\$ 3,818,414	230.05%

⁽¹⁾ Prior to year end accruals and adjustments.

⁽²⁾ Final amended budget at fiscal year end.

⁽³⁾ Presented net of original issuance discount and premiums.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE IV

Distribution of Customers by Account Type
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

	2018			2017			2016			2015			2014		
	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth
Total Water Customers:	16,583			15,902			15,112			14,239			13,553		
Residential	15,878	95.7%	4.28%	15,204	95.6%	5.23%	14,432	95.5%	6.13%	13,572	95.3%	5.06%	12,908	95.2%	4.25%
Commercial	694	4.2%	4.43%	686	4.3%	5.35%	668	4.4%	6.34%	655	4.6%	5.14%	637	4.7%	4.26%
Industrial	11	0.1%	1.17%	12	0.1%	2.69%	12	0.1%	1.98%	12	0.1%	2.83%	8	0.1%	4.08%
			(1)			0.00%			0.00%			50.00%			0.00%
Total Sewer Customers:	4,813			4,567			4,308			3,973			3,735		
Residential	4,618	95.9%	5.39%	4,377	95.8%	6.01%	4,126	95.8%	8.43%	3,799	95.6%	6.37%	3,569	95.6%	6.08%
Commercial	181	3.8%	5.51%	176	3.9%	6.08%	168	3.9%	8.61%	160	4.0%	6.44%	153	4.1%	6.03%
Industrial	14	0.3%	2.84%	14	0.3%	4.76%	14	0.3%	5.00%	14	0.4%	7.69%	13	0.3%	7.75%
			0.00%			0.00%			0.00%			0.00%			0.00%

	2013			2012			2011			2010			2009		
	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth	# of Accts	% of Total Accts	% Growth
Total Water Customers:	13,000			12,395			11,969			11,612			10,285		
Residential ⁽¹⁾	12,380	95.2%	4.88%	11,792	95.1%	3.56%	11,385	95.1%	3.07%	11,094	95.5%	12.90%	9,812	95.4%	3.84%
Commercial	612	4.7%	4.99%	595	4.8%	3.57%	578	4.8%	2.62%	512	4.4%	13.07%	467	4.5%	3.61%
Industrial	8	0.1%	2.86%	8	0.1%	2.94%	6	0.1%	12.89%	6	0.1%	9.64%	6	0.1%	8.86%
			0.00%			33.33%			0.00%			0.00%			0.00%
Total Sewer Customers:	3,521			3,321			3,167			3,031			2,761		
Residential	3,366	95.6%	6.02%	3,176	95.6%	4.86%	3,028	95.6%	4.49%	2,885	95.2%	9.78%	2,627	95.1%	4.50%
Commercial	142	4.0%	5.98%	132	4.0%	4.89%	127	4.0%	4.96%	134	4.4%	9.82%	123	4.5%	4.41%
Industrial	13	0.4%	7.58%	13	0.4%	3.94%	12	0.4%	-5.22%	12	0.4%	8.94%	11	0.4%	6.03%
			0.00%			8.33%			0.00%			9.09%			10.00%

⁽¹⁾ Growth of residential water customers in fiscal year 2010 includes 806 new accounts that came from acquisitions and franchises.

Source: i-HANCE Utility Billing Software, iCIS

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION

TABLE V-1

Monthly Charges to Commission
 Residential Customers with 3/4" Meter and
 7,000 Average GPM Usage

Monthly Charge Comparison
 with Other Regional Municipal Utility Systems⁽¹⁾
 for Residential Customers with 3/4" Meter and 7,000 GPM Usage
 June 2018

FYE June 30,	Water Charges	Sewer Charges	Total	Utility System	Water Charges	Sewer Charges	Total
2018	\$ 44.85	\$ 56.37	\$ 101.22	Batesburg-Leesville ⁽²⁾	\$ 78.49	\$ 94.24	\$ 172.73
2017	44.85	54.77	99.62	Cayce	61.66	45.96	107.62
2016	44.16	53.24	97.40	Commission	44.85	56.37	101.22
2015	44.16	51.87	96.03	Gilbert-Summit ⁽³⁾	53.25	N/A	53.25
2014	43.71	50.48	94.19	Lexington	65.23	76.15	141.38
2013	43.04	48.99	92.03	Pelion ⁽³⁾	44.85	N/A	44.85
2012	42.69	47.62	90.31	Swansea	56.68	52.93	109.61
2011	41.46	44.77	86.23	West Columbia	54.25	52.40	106.65
2010	39.94	41.06	81.00				
2009	38.74	39.02	77.76				

⁽¹⁾ Based on outside city rate schedules as of June 2018 of each of the utilities, but does not assume future rate increases.

⁽²⁾ Batesburg-Leesville "Base Rate" of \$26.90 included in both water charges and sewer charges. However, Base Rate is only applied once if customer has both water and sewer service.

⁽³⁾ Pelion and Gilbert-Summit do not provide sewer service.

*Note: Charges above do not include fire protection or backflow charges.

Source: Published Utility Rate Schedules

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION

TABLE V-2

Monthly Charge Comparison
 with Other Regional Municipal Utility Systems⁽¹⁾
 for Industrial Customer with 4" Meter and 400,000 Gallons Usage
 June 2018

Utility System	Water Charges	Sewer Charges	Total
Batesburg-Leesville ^{(2) (3)}	\$ 2,126.00	\$ 2,726.00	\$ 4,852.00
Cayce	3,975.59	2,902.26	6,877.85
Commission	2,136.26	2,720.12	4,856.38
Gilbert-Summit ⁽⁴⁾	2,387.50	N/A	2,387.50
Lexington	3,086.97	3,621.01	6,707.98
Pelion ⁽⁴⁾	2,126.00	N/A	2,126.00
Swansea ⁽⁵⁾	N/A	N/A	N/A
West Columbia	2,301.00	2,580.00	4,881.00

⁽¹⁾ Based on outside city rate schedules as of June 2018 of the utilities, but does not assume future rate increases.

⁽²⁾ Batesburg-Leesville industrial customers are charged in town rates according to a town ordinance.

⁽³⁾ Batesburg-Leesville "Base Rate" of \$162.00 included in both water charges and sewer charges. However, Base Rate is only applied once if customer has both water and sewer service.

⁽⁴⁾ Gilbert-Summit and Pelion do not provide sewer service.

⁽⁵⁾ Swansea does not provide service to industrial customers.

Source: Published Utility Rate Schedules

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE VI

Residential Water and Sewer Rates
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

Fiscal Year Effective Date	2018 7/1/2017	2017 7/1/2016	2016 7/1/2015	2015 7/1/2014	2014 7/1/2013	2013 7/1/2012	2012 7/1/2011	2011 7/1/2010	2010 1/1/2010	2010 7/1/2009	2009 1/1/2009	2009 7/1/2008
Water Maintenance Fee ⁽¹⁾	\$ 8.73	\$ 8.73	\$ 8.60	\$ 8.60	\$ 8.50	\$ 8.25	\$ 8.25	\$ 8.00	\$ 7.18	\$ 7.07	\$ 6.96	\$ 6.86
Water Usage Rate (per kgal) ⁽²⁾	\$ 5.16	\$ 5.16	\$ 5.08	\$ 5.08	\$ 5.03	\$ 4.97	\$ 4.92	\$ 4.78	\$ 4.68	\$ 4.61	\$ 4.54	\$ 4.48
Sewer Maintenance Fee ⁽¹⁾	\$ 11.15	\$ 10.88	\$ 10.61	\$ 10.50	\$ 10.30	\$ 10.00	\$ 9.75	\$ 9.00	\$ 7.32	\$ 7.14	\$ 6.96	\$ 6.86
Sewer Usage Rate (per kgal) ⁽²⁾⁽³⁾	\$ 6.46	\$ 6.27	\$ 6.09	\$ 5.91	\$ 5.74	\$ 5.57	\$ 5.41	\$ 5.11	\$ 4.82	\$ 4.70	\$ 4.58	\$ 4.47
Backflow Protection Fee	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50
Hydrant Fee	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00

⁽¹⁾ Water and Sewer Maintenance Fees reflect monthly rate charged to customer utilizing a 3/4" meter. Monthly charge increases for larger meters.

⁽²⁾ Water and Sewer Usage Rates reflect "Residential" customer rates.

⁽³⁾ Sewer usage capped at 10,000 gallons per month for Residential customers.

Source: Commission's Schedules of Rates

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE VII

Largest Water Users ⁽¹⁾
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Michelin Tire Corp.	\$ 699,137	\$ 666,245	\$ 599,503	\$ 589,364	\$ 606,249	\$ 573,829	\$ 544,396	\$ 501,771	\$ 410,164	\$ 419,205
Utilities Inc./Carolina Water Service	\$ 136,341	\$ 141,632	\$ 154,341	\$ 169,626	\$ 164,528	\$ 160,998	\$ 175,703	\$ 161,482	\$ 157,076	\$ 147,295
Lexington County School District #1	\$ 125,050	\$ 133,429	\$ 137,393	\$ 130,002	\$ 122,615	\$ 120,431	\$ 130,233	\$ 126,510	\$ 99,985	\$ 91,564
Prysman Cables & Systems	\$ 60,481	\$ 62,745	\$ 65,708	\$ 50,563	\$ 44,442	\$ 49,935	\$ 59,827	\$ 51,293	\$ 47,501	\$ 36,961
Lexington Medical Center Extended Care	\$ 51,567	\$ 60,830	\$ 55,981	\$ 53,684	\$ 61,884	\$ 56,462	\$ 58,035	\$ 36,555	\$ 29,567	\$ 32,346
Persimmon Grove HOA, Inc.	\$ 46,769	\$ 44,753	\$ 36,715	\$ 38,742	\$ 29,278	\$ 30,218	\$ 33,128	\$ 28,080	\$ 18,460	
U. S. Foods	\$ 41,701	\$ 42,349	\$ 37,626	\$ 39,223	\$ 37,352	\$ 34,789	\$ 34,436	\$ 30,890	\$ 33,429	\$ 30,524
Capital Concrete Co.	\$ 24,551	\$ 24,540	\$ 20,168	\$ 19,652	\$ 15,165	\$ 13,127	\$ 13,438	\$ 10,429	\$ 12,547	\$ 16,008
Love's Travel Stops & Country Store	\$ 17,319	\$ 20,964	\$ 28,686	\$ 20,074						
Ben-In Properties LLC	\$ 12,268	\$ 13,675								
Cooper's Corner		\$ 14,901	\$ 14,789	\$ 13,627					\$ 13,567	\$ 13,476
Taylor Sr. Rentals			\$ 18,001							
Golden State Foods			\$ 12,066	\$ 12,989	\$ 13,086	\$ 14,347			\$ 12,210	
Lexington Hendrix Shopping Center										
Wal-Mart										\$ 20,074
Pantry, Inc.-Site#3254										\$ 15,739
Total	\$ 1,215,183	\$ 1,211,163	\$ 1,151,022	\$ 1,128,931	\$ 1,108,367	\$ 1,066,405	\$ 1,076,629	\$ 972,257	\$ 834,505	\$ 823,191
% of Total Operating Revenue	7.72%	7.95%	7.81%	8.60%	8.90%	9.31%	9.30%	9.01%	8.49%	10.08%

⁽¹⁾ This chart represents top ten users for each fiscal year, ranked based on annual usage revenues.

Largest Sewer Users ⁽¹⁾
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Michelin Tire Corp.	\$ 476,950	\$ 441,061	\$ 396,207	\$ 352,282	\$ 374,670	\$ 348,565	\$ 344,666	\$ 254,097	\$ 231,057	\$ 240,917
Lexington County School District #1	\$ 74,025	\$ 76,795	\$ 74,828	\$ 70,110	\$ 59,897	\$ 54,870	\$ 59,256	\$ 66,014	\$ 40,149	\$ 37,070
Prysman Cables & Systems	\$ 67,991	\$ 74,671	\$ 97,373	\$ 98,852	\$ 72,297	\$ 75,621	\$ 46,990	\$ 51,953	\$ 54,596	\$ 57,159
U. S. Foods	\$ 36,398	\$ 32,076	\$ 22,538	\$ 24,559	\$ 18,227	\$ 18,050	\$ 24,952	\$ 14,741	\$ 10,544	\$ 14,754
Diamond Pet Food Processors	\$ 22,570	\$ 15,756	\$ 20,962	\$ 22,149	\$ 19,966	\$ 16,409	\$ 14,911	\$ 12,003	\$ 11,213	\$ 10,324
Love's Travel Stops & Country Store	\$ 18,114	\$ 18,152	\$ 17,685	\$ 14,592						
Sandhills Elementary/Intermediate	\$ 17,481	\$ 17,763	\$ 18,666	\$ 16,394	\$ 14,666	\$ 13,485	\$ 12,941	\$ 12,070	\$ 11,348	
Golden State Foods	\$ 13,765	\$ 14,665	\$ 12,107	\$ 11,117	\$ 13,019	\$ 15,376	\$ 17,942	\$ 11,382	\$ 13,372	\$ 11,291
Cooper's Corner	\$ 13,624	\$ 14,854	\$ 17,417	\$ 16,968	\$ 16,451	\$ 14,883	\$ 13,649	\$ 13,372	\$ 12,922	\$ 11,291
Wal-Mart	\$ 10,892									
Sudz Car Wash		\$ 12,289			\$ 9,592					
Lexington Dry Cleaning			\$ 12,978						\$ 7,709	\$ 8,008
Apex Tool Group / Cooper Power Tools				\$ 16,770	\$ 19,379	\$ 15,995		\$ 12,121	\$ 11,632	\$ 11,824
International Paper					\$ 12,391		\$ 12,196	\$ 9,552	\$ 8,250	\$ 10,566
San Jose							\$ 12,941			
Pantry Inc. - Site 3254										\$ 7,050
Total	\$ 751,809	\$ 718,082	\$ 690,762	\$ 643,793	\$ 620,963	\$ 582,845	\$ 560,444	\$ 457,305	\$ 399,420	\$ 408,963
% of Total Operating Revenue	4.77%	4.71%	4.68%	4.91%	4.99%	5.09%	4.84%	4.24%	4.06%	5.01%

⁽¹⁾ This chart represents top ten users for each fiscal year, ranked based on annual usage revenues.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE VIII

Billings and Collections
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

Year	Billings ⁽¹⁾	Collections ⁽¹⁾	Collection Rate
2018	14,752,688	14,717,107	99.76%
2017	14,609,491	14,654,356	100.31%
2016	13,445,891	13,349,558	99.28%
2015	12,326,903	12,416,965	100.73%
2014	11,460,344	11,311,721	98.70%
2013	11,095,073	11,160,605	100.59%
2012	11,244,854	11,161,394	99.26%
2011	10,176,729	10,285,808	101.07%
2010	8,950,218	8,707,689	97.29%
2009	8,121,857	8,369,906	103.05%

⁽¹⁾ Billings and Collections represent Retail customer billings and collections.

Source: i-nHANCE Utility Billing Software, iCIS

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION

TABLE IX

Water Purchased vs. Water Billed
Last Ten Fiscal Years Summary (Fiscal Year Ended June 30)

Year	Water Purchased ⁽¹⁾	Water Billed ⁽²⁾	% Accounted For (before system maintenance)	% Loss (before system maintenance)	% Accounted For (after system maintenance)	% Loss (after system maintenance)
2018	4.81	4.46	92.79%	7.21%	94.38%	5.62%
2017	4.73	4.52	95.62%	4.38%	97.65%	2.35%
2016	4.57	4.18	91.51%	8.49%	92.69%	7.31%
2015	4.13	3.79	91.84%	8.16%	93.67%	6.33%
2014	3.94	3.53	89.76%	10.24%	91.35%	8.65%
2013	3.88	3.51	90.60%	9.40%	92.24%	7.76%
2012	4.02	3.79	94.13%	5.87%	95.98%	4.02%
2011	3.97	3.60	90.60%	9.40%	92.94%	7.06%
2010	3.76	3.44	91.40%	8.60%	93.50%	6.50%
2009	3.49	3.25	93.03%	6.97%	93.19%	6.81%

⁽¹⁾ Water purchased from City of West Columbia in millions of gallons per day (MGD).

⁽²⁾ Water billed represents billed charges, in MGD, which does not include leakage or system maintenance.

Source: Commission's Consumption Revenue Analysis Report.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE X

Summary of Financial Indebtedness of the System
Fiscal Year 2018

June 30,	2009A		2009B		2012 Bond P & I	2013 Bond P & I	2014 Bond P & I	Parity Bond Totals	Contractual Obligations	Grand Totals
	Loan P & I	Loan P & I	Loan P & I	Loan P & I						
2019	52,346	46,341	838,575	854,738	631,755	2,423,755	1,158,181	3,581,936		
2020	52,346	46,341	835,575	747,138	624,873	2,306,272	1,253,390	3,559,662		
2021	52,346	46,341	1,362,375	412,388	627,868	2,501,317	1,253,390	3,754,707		
2022	52,346	46,341	1,364,625	412,388	625,495	2,501,195	1,253,390	3,754,585		
2023	52,346	46,341	1,365,750	412,388	627,878	2,504,702	1,253,390	3,758,092		
2024	52,346	46,341	1,360,750	412,388	629,893	2,501,717	1,253,390	3,755,107		
2025	52,346	46,341	1,364,000	412,388	626,540	2,501,615	1,253,390	3,755,005		
2026	52,346	46,341	1,360,000	412,388	627,943	2,499,017	1,122,527	3,621,544		
2027	52,346	46,341	1,364,000	412,388	623,978	2,499,052	729,936	3,228,989		
2028	52,346	46,341	1,365,500	412,388	629,768	2,506,342	729,936	3,236,279		
2029	52,346	46,341	1,359,500	412,388	630,068	2,500,642	729,936	3,230,579		
2030	52,346	46,340	1,361,250	412,388		1,872,325	729,936	2,602,261		
2031	13,087		1,360,250	412,388		1,785,725	729,936	2,515,661		
2032			1,361,500	412,388		1,773,888	547,453	2,321,341		
2033			1,359,750	1,022,388		2,382,138		2,382,138		
2034				1,023,413		1,023,413		1,023,413		
2035				1,023,013		1,023,013		1,023,013		
2036				1,021,188		1,021,188		1,021,188		
2037				1,022,938		1,022,938		1,022,938		
2038				1,023,025		1,023,025		1,023,025		
2039				1,021,450		1,021,450		1,021,450		
2040				1,022,206		1,022,206		1,022,206		
2041				1,021,013		1,021,013		1,021,013		
2042				1,022,869		1,022,869		1,022,869		
2043				1,022,531		1,022,531		1,022,531		
Totals	\$ 641,242	\$ 556,087	\$ 19,383,400	\$ 17,796,566	\$ 6,906,055	\$ 45,283,351	\$ 13,998,182	\$ 59,281,533		

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XI

Description of Debt Instruments

Bonds						
Issue Date	Original Principal Amount	Description	Annual Payments	Pymt Start Date	Pymt End Date	
Series 2009A	\$ 895,672	State Revolving Fund Loan - Boiling Springs Booster Pump Station and Main	\$ 52,346	10/2010	7/2030	
Series 2009B	\$ 839,066	State Revolving Fund Loan - Connections to Nonviable Water Systems	\$ 46,341	9/2010	6/2030	
Series 2012	\$ 14,140,000	Water and Sewer System Refunding Revenue Bonds	Varies*	6/2012	6/2033	
Series 2013	\$ 11,720,000	Water and Sewer System Refunding and Improvement Revenue Bonds	Varies*	9/2013	6/2043	
Series 2014	\$ 6,650,000	Water and Sewer System Refunding Revenue Bonds	Varies*	1/2015	6/2029	
*Note: The payment amounts vary annually for these Water And Sewer System Revenue Bonds. See Table 10.						
Contractual Obligations						
Contract Date	Original Principal Amount ⁽¹⁾	Description	Annual Payments	Pymt Start Date	Pymt End Date	
3/2005	\$ 6,687,886	City of West Columbia Junior Lien Bond for Lake Murray Water Treatment Plant Expansion	\$ 523,454	3/2006	2/2026	
9/2009	\$ 10,199,853	City of Cayce Junior Lien Bond for Regional Wastewater Treatment Facility Upgrade and Expansion	\$ 729,936	3/2012	12/2031	
⁽¹⁾ Original Principal Amount listed for City of West Columbia Junior Lien Bond and City of Cayce Junior Lien Bond is based on Commission's proportionate percentage of each obligation. Commission's proportionate percentage of City of West Columbia Junior Lien Bond is 53.718%. Commission's proportionate percentage of City of Cayce Junior Lien Bond is 30.183%.						

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XII

Commission Debt per Customer
Last Ten Fiscal Years Summary

Year	Parity Debt	Non-Parity Debt / Contractual Obligations	Total Debt (See Note 4)	Total Annual Debt Service ⁽¹⁾	Customers (Water)	Per Customer		Per Customer		Total Personal Income (\$000's)	Debt per Personal Income
						Debt Service (\$)	Debt Service (\$)	Total Debt (\$)	Total Personal Income (\$000's)		
2018	29,632,579	12,484,434	42,117,012	3,581,936	16,583	216	2,540	N/A	N/A	N/A	N/A
2017	30,786,116	13,586,324	44,372,440	3,625,906	15,902	228	2,790	N/A	N/A	N/A	N/A
2016	31,898,662	14,575,106	46,473,768	3,819,025	15,112	253	3,075	12,261,518	12,261,518	0.26%	0.26%
2015	33,210,243	15,489,534	48,699,777	3,752,289	14,239	264	3,420	11,770,438	11,770,438	0.28%	0.28%
2014	33,745,880	16,791,212	50,537,092	3,385,185	13,553	250	3,729	11,036,037	11,036,037	0.31%	0.31%
2013	25,850,598	17,843,388	43,693,986	3,554,688	13,000	273	3,361	10,384,594	10,384,594	0.25%	0.25%
2012	26,759,416	18,778,395	45,537,811	3,531,016	12,395	285	3,674	10,090,035	10,090,035	0.27%	0.27%
2011	28,153,716	16,589,240	44,742,956	2,868,422	11,969	240	3,738	9,571,120	9,571,120	0.29%	0.29%
2010	28,600,452	10,506,197	39,106,649	2,757,735	11,612	237	3,368	9,064,438	9,064,438	0.32%	0.32%
2009	28,085,000	8,330,802	36,415,802	2,348,190	10,285	228	3,541	8,959,178	8,959,178	0.31%	0.31%

⁽¹⁾ Total annual debt service includes principal, interest and debt service coverage component of Junior Lien debt.

Source: Commission's Financial Statements; US Bureau of Economic Analysis

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XIII

Pledged Revenue Coverage
Last Ten Fiscal Years Summary

	2018	2017 ⁽¹⁾	2016	2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾
Operating Revenue	\$ 15,749,285	\$ 15,243,690	\$ 14,746,863	\$ 13,120,614	\$ 12,456,158	\$ 11,457,912	\$ 11,578,599	\$ 10,786,731	\$ 9,825,958	\$ 8,170,366
Interest and Other Income	221,897	139,261	81,366	45,774	22,685	76,404	58,207	54,736	58,957	127,733
Gross Revenue	15,971,182	15,382,951	14,828,229	13,166,388	12,478,843	11,534,316	11,636,806	10,841,467	9,884,915	8,298,099
(Operating Expenses)	(8,180,554)	(8,149,692)	(7,242,190)	(7,049,397)	(7,021,527)	(6,484,831)	(5,777,624)	(6,099,240)	(5,598,790)	(5,116,244)
Net Revenues	7,790,628	7,233,259	7,586,039	6,116,991	5,457,316	5,049,485	5,859,182	4,742,227	4,286,125	3,181,855
Capital Facilities Charges	1,857,285	1,159,204	2,202,475	916,400	1,086,996	499,675	323,325	273,128	1,274,199	(75,208)
Net Revenues and Capital										
Facilities Charges	9,647,913	8,392,463	9,788,514	7,033,391	6,544,312	5,549,160	6,182,507	5,015,355	5,560,324	3,106,647
Total Parity Debt Service	2,418,297	2,418,798	2,661,173	2,639,799	2,471,053	2,076,461	2,134,665	2,114,701	2,007,023	1,395,001
Parity Debt Service Coverage										
@ 110% (Net Revenues)	3.222	2.990	2.851	2.317	2.208	2.432	2.745	2.243	2.136	2.281
Parity Debt Service Coverage										
@ 120% (Net Revenues and										
Capital Facilities Charges)	3.990	3.470	3.678	2.664	2.648	2.672	2.896	2.372	2.770	2.227

⁽¹⁾ Capital Facility Charges for fiscal year 2009 are negative due to write downs from developers.

⁽²⁾ Change in Debt Service Coverage ratios for fiscal year 2017 includes restatement of (\$203,088) to adjust Operating Expenses pursuant to the implementation of GASB Statement No. 75.

Source: Commission's Secondary Market Disclosure Annual Report

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XIV

Demographic and Economic Statistics
Last Ten Fiscal Years Summary

Year	Population	Total Personal Income (\$000's)	Per Capita Personal Income	Unemployment Rate
2018	N/A	N/A	N/A	N/A
2017	290,642	N/A	N/A	3.6%
2016	286,196	12,261,518	42,843	4.1%
2015	281,833	11,770,438	41,764	4.8%
2014	277,488	11,036,037	39,771	5.1%
2013	273,408	10,384,594	37,982	5.8%
2012	270,052	10,090,035	37,363	7.0%
2011	266,436	9,571,120	35,923	8.0%
2010	263,377	9,064,438	34,416	8.2%
2009	258,983	8,959,178	34,594	8.0%

Source: US Census Bureau; US Bureau of Economic Analysis; US Department of Labor - Bureau of Labor Statistics

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XV

Principal Employers (County of Lexington)

	Fiscal Year 2017				Fiscal Year 2008			
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment		
Lexington Medical Center	6,450	1	4.37%	4,794	1	3.61%		
Lexington School District 1	3,747	2	2.54%	2,963	2	2.23%		
State Government	2,754	3	1.87%	1,390	7	1.05%		
Amazon	2,500	4	1.69%					
Michelin Tire	2,385	5	1.62%	1,650	6	1.24%		
Lexington School District 5	2,354	6	1.59%	2,400	3	1.81%		
Walmart	2,013	7	1.36%	2,350	4	1.77%		
SCANA	1,948	8	1.32%					
County of Lexington	1,631	9	1.10%	1,376	8	1.03%		
Time Warner/Charter Communications	1,227	10	0.83%					
Lexington School District 2				1,350	9	1.02%		
UPS				2,310	5	1.74%		
Southeastern Freight Lines				800	10	0.60%		
	27,009		18.29%	21,383		16.10%		

Source: Lexington County, SC 2017 CAFR; SC Department of Employment & Workforce, Central SC Alliance, and Company Representatives

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XVI

Departmental Breakdown of Commission Employees
Last Ten Fiscal Years Summary

Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administrative	2	2	2	2	2	2	2	2	2	3
Finance	3	3	3	4	3	3	3	3	3	
Accounting ⁽¹⁾										6
Customer Service	6	6	6	6	6	5	6	6	6	
Water	10	10	10	8	8	8	8	8	8	9
Sewer	4	4	3	4	5	6	6	6	6	6
Engineering/Cross Connection	5	5	5	4	4	5	5	5	5	4
Total	30	30	29	28	28	29	30	30	30	28

⁽¹⁾ Accounting Department was divided into 2 separate departments in FY 2010.

Source: Commission's Payroll Records

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XVII

Operating Indicators
Last Ten Fiscal Years Summary

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Water										
Metered Customers Served										
End of Year	16,583	15,902	15,112	14,239	13,553	13,000	12,395	11,969	11,612	10,285
Annual Average	16,263	15,533	14,705	13,896	13,301	12,709	12,205	11,804	11,040	10,118
Water Purchased										
Total Gallons	1,754,856,000	1,726,417,000	1,668,677,000	1,507,851,000	1,436,372,000	1,414,901,000	1,468,211,000	1,450,008,000	1,372,603,000	1,273,312,000
Daily Average	4,807,825	4,729,910	4,571,718	4,131,099	3,935,266	3,876,441	4,022,496	3,972,625	3,760,556	3,488,526
Elevated/Ground Storage (in millions)	4.50	4.50	4.50	3.75	3.75	3.75	3.75	3.75	4.00	4.00
Sewer										
Customers Connected										
End of Year	4,813	4,567	4,308	3,973	3,735	3,521	3,321	3,168	3,031	2,761
Annual Average	4,696	4,456	4,151	3,855	3,626	3,421	3,262	3,107	2,913	2,721
Wastewater Treated										
Total Gallons	412,472,000	390,324,000	343,810,000	343,172,000	347,232,000	315,262,000	304,270,000	295,920,000	292,892,000	278,847,000
Daily Average	1,130,060	1,069,381	941,945	940,197	951,321	863,732	833,616	810,740	802,444	763,964

Source: Commission's Secondary Market Disclosure Annual Report; Commission's Monthly Customer Count Records; Consumption Revenue Analysis Report

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XVIII

Capital Assets of the Commission
Fiscal Year 2018

Water Distribution System		Water Mains
Appurtenances		Total Linear Feet
Hydrants	2157	1,797,787
Elevated Tanks	6	340
Ground Storage Tanks	1	
Pressure Reducing Stations	11	
Booster Pump Stations	8	
Chlorine Booster Stations	1	
Capacity @ City of West Columbia Surface Water Plant	12.07 MGD	
Sewer Collection System		Sewer Pipes
Appurtenances		Total Linear Feet
Manholes	1492	505,590
Sewer Pump Stations	25	96
Capacity @ City of Cayce Regional Wastewater Treatment Plant	4.626MGD	

Category	Capital Assets Number	Net Book Value
Non-Depreciable Assets:		
Land	N/A	\$ 460,159
Construction in Progress	N/A	7,342,687
		<u>7,802,846</u>
Depreciable Assets:		
Buildings	5*	1,993,863
Machinery & Equipment	52	1,630,317
Furniture	N/A	1,205,558
Vehicles	31	827,833
Water Distribution System	N/A	70,718,145
Sewer Collection System	N/A	51,831,819
		<u>128,207,534</u>
Total Capital Assets		136,010,380
Less Accumulated Depreciation		(32,271,140)
Net Total of Capital Assets		<u>\$ 103,739,240</u>

*Excludes various storage facilities and site location buildings.

COMPLIANCE SECTION

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SC 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioners
Joint Municipal Water and Sewer Commission
Post Office Box 2555
Lexington, South Carolina 29071-2555

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Joint Municipal Water and Sewer Commission (the Commission) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina
November 5, 2018



PROGRESS THROUGH COOPERATION

JOINT MUNICIPAL WATER AND SEWER COMMISSION
POST OFFICE BOX 2555
LEXINGTON, SC 29071-2555