

JOINT MUNICIPAL WATER AND SEWER COMMISSION

LEXINGTON, SOUTH CAROLINA

“PROGRESS THROUGH COOPERATION”



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019



**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, 2019

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 and August 20, 2013, which were executed in connection with the Commission's \$14,140,000 Water and Sewer System Refunding Revenue Bond, Series 2012 and \$11,720,000 Water and Sewer System Refunding and Improvement Revenue Bond, Series 2013, respectively.

**JOINT MUNICIPAL WATER AND SEWER COMMISSION
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

I. INTRODUCTORY SECTION		PAGE
	Letter of Transmittal	1
	List of Commissioners and Senior Management	9
	Organizational Chart	11
	Certificate of Achievement for Excellence in Financial Reporting	13
II. FINANCIAL SECTION		
	Independent Auditors' Report	15
	Management's Discussion and Analysis	19
	Basic Financial Statements:	
	Statement of Net Position (Exhibit A)	33
	Statement of Revenues, Expenses and Changes in Net Position (Exhibit B)	37
	Statement of Cash Flows (Exhibit C)	39
	Notes to the Financial Statements	41
	Required Supplementary Information:	
	South Carolina Retirement System – Schedule of Contributions	65
	South Carolina Retirement System – Schedule of the Proportionate Share of the Net Pension Liability	65
	Other Post-Employment Benefits – Schedule of Changes in the Net OPEB Liability	66
	Other Post-Employment Benefits - Schedule of the Net OPEB Liability	67
	Other Post-Employment Benefits - Schedule of Employer Contributions	67
	Schedule of Other Supplementary Information:	
	Schedule of Other General and Administrative Expenses (Schedule 1)	68
III. STATISTICAL SECTION		
	Financial Trends	
	Table I - Net Position by Component	69
	Table II - Changes in Net Position	71
	Table III - Revenues and Expenses (Rate Basis)	73
	Revenue Capacity	
	Table IV - Distribution of Customers by Account Type	75
	Table V-1 – Monthly Charges to Commission Residential Customers with ¾” Meter and 7,000 Gallons Usage and Monthly Charge Comparison with Other Regional Municipal Utility Systems for Residential Customers with ¾” Meter and 7,000 Gallons Usage	77
	Table V-2 - Monthly Charge Comparison with Other Regional Municipal Utility Systems for Industrial Customers with 4” Meter and 400,000 Gallons Usage	79
	Table VI – Residential Water and Sewer Rates	81
	Table VII - Top Ten Largest Water Users and Top Ten Largest Sewer Users	83
	Table VIII - Billings and Collections	85
	Table IX - Water Purchased vs. Water Billed	87
	Debt Capacity	
	Table X - Summary of Financial Indebtedness of the System	89
	Table XI - Description of Debt Instruments	91
	Table XII – Debt and Debt Service per Customer	93
	Table XIII - Pledged Revenue Coverage	95
	Demographic and Economic Information	
	Table XIV - Demographic and Economic Statistics (County of Lexington)	97
	Table XV - Principal Employers (County of Lexington)	99
	Operating and Capital Information	
	Table XVI - Departmental Breakdown of Commission Employees	101
	Table XVII - Operating Indicators	103
	Table XVIII - Capital Assets of the Commission	105
IV. COMPLIANCE SECTION		
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107

INTRODUCTORY SECTION



December 3, 2019

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, 2019. 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, 2019. (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 and August 20, 2013, which were executed in connection with the Commission's \$14,140,000 Water and Sewer System Refunding Revenue Bonds, Series 2012 and \$11,720,000 Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2013, 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, 2019, was comprised of 17,296 water customer retail accounts, 5,060 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 10,000 teachers, professionals, and support staff.

Lexington County's annual unemployment rate of 2.9% in 2018 was significantly lower than the 3.4% unemployment rate recorded for the state of South Carolina as a whole, and the 3.9% 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 295,032. This estimates population growth for Lexington County to be approximately 32,641 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.

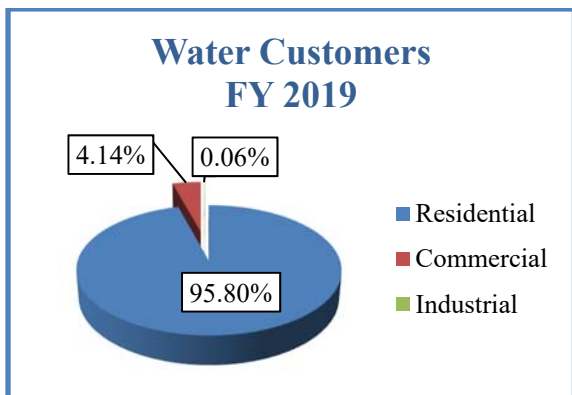
The Commission continues to seek ways to operate in an efficient manner to benefit customers and staff of the Commission in the wake of the improving economy. As of June 30, 2019, the Commission had 30 employees (excluding 1 summer intern). The Commission has consistently operated with an employee count 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.

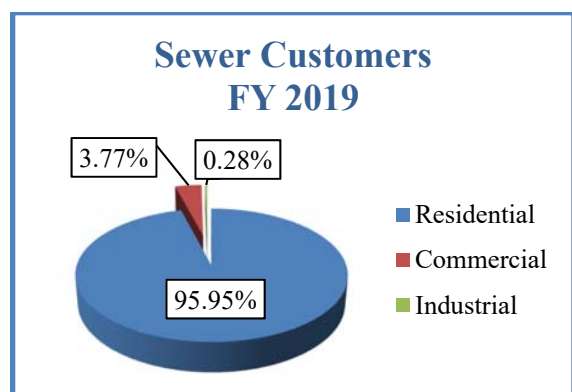
It is the expectation of the Commission that we will continue to move forward by delivering effective service to all of our customers. As a result of strong management initiatives and a solid financial foundation, we expect to continue to meet the needs of the community and its growth well into the future.

Customer Base

Our water customer base has grown at a compound annual growth rate (CAGR) of 5.34% per year over the past 10-year period (including acquisitions and franchises), growing from 10,285 water customers at fiscal year-end 2009 to 17,296 at fiscal year-end 2019 – a total growth of 7,011 water customers, or 68.17% total growth. The water customer base has seen a total increase of 14.45%, or a CAGR of 4.60%, over the past 3 fiscal years of 2019, 2018 and 2017. The sewer customer base has seen comparable growth, growing at a CAGR of 6.24% over the same 10-year period, growing from 2,761 sewer customers at fiscal year-end 2009 to 5,060 at fiscal year-end 2019 – a total growth of 2,299 sewer customers, or 83.27% total growth. Also, sewer has seen a total increase of 17.46%, or a CAGR of 5.51%, over the past 3 fiscal years of 2019, 2018 and 2017. 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:



Water Customer Base - 10 Year Comparison of Growth				
	2019	2009	Change	% Change
Residential	16,569	9,812	+6,757	68.86%
Commercial	716	467	+249	53.32%
Industrial	11	6	+5	83.33%
Total	17,296	10,285	7,011	68.17%



Sewer Customer Base - 10 Year Comparison of Growth				
	2019	2009	Change	% Change
Residential	4,855	2,627	+2,228	83.38%
Commercial	191	123	+68	55.28%
Industrial	14	11	+3	27.27%
Total	5,060	2,761	2,299	83.27%

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 \$45.002 million for the fiscal year periods 2020-2024. 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 - \$33.385 million, sewer unit projects - \$11.617 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 \$27.0 million, grants of \$883 thousand, rate revenues of \$10.0 million and cash reserves of \$7.118 million.

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 2019:

- Highway #1 Ground Storage Tank and Booster Pump Station
- SCDOT Line Relocation – Old Orangeburg Road/Southwood Drive
- SCDOT Line Relocation – South Lake Drive/Bethany Church Road
- SCDOT Line Relocation – Beechcreek Road
- Upsize Water Main – Park Road (The Courage Center)
- Pelion Sewer System (Pelion Elementary Pump Station and Force Main)

During the fiscal year, work continued on several projects for the Commission that were not completed as of June 30, 2019:

- Facility Improvements (Remodel/Expansion of Commission's Main Office and New Operations Facility)
- Lake Murray Water Treatment Plant high service pump improvements
- Plant Transmission Main Extension from City of West Columbia Lake Murray WTP
- Lydia Drive Sewer Extension

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

- Consideration of water and/or sewer capacity purchase needs
- Water tank improvements (Charter Oak Elevated Storage Tank)
- Highway 378/Wise Ferry Road/Hermitage Road Water Main Extension
- Smith Pond Road Water Line Extension

- Red Bank Creek/Old Barnwell Sewer Main Improvements
- Old Orangeburg Road/Platt Springs Road Sewer Improvements
- Water Service Line Replacement
- Pelion Sewer System Expansion (Extension to Middle School)

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

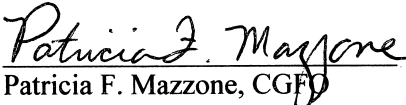
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Joint Municipal Water and Sewer Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 6th 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.

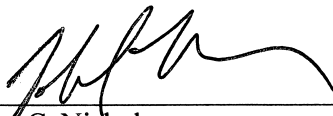
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2019**

PRINCIPAL OFFICIALS AS OF JUNE 30, 2019

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

M. Gene House
Operations Manager

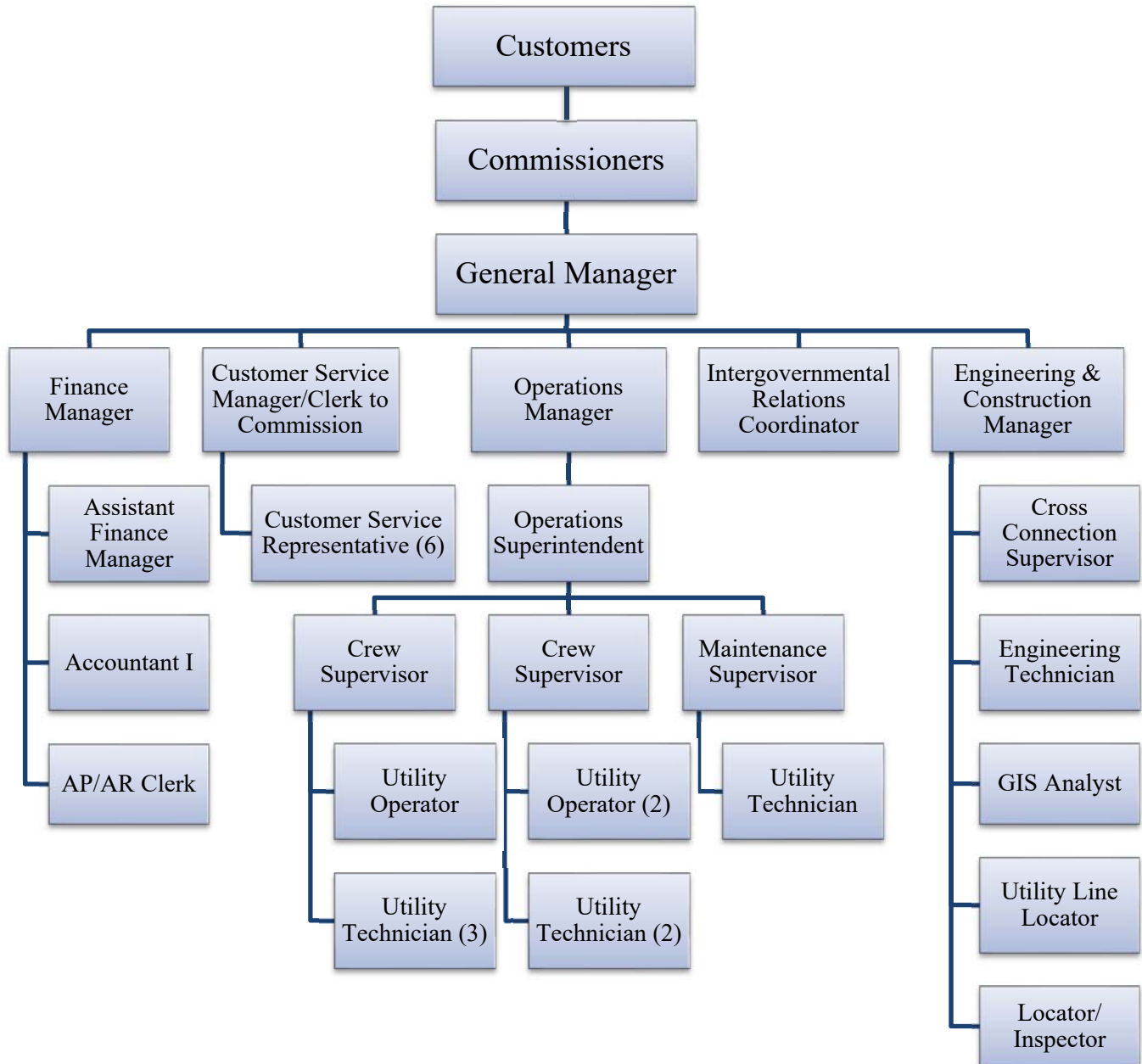
Stephanie R. Morton
Customer Service Manager

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, 2019**

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, 2018

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 – 32, Other Post-Employment Benefits Schedule of Changes in the Net OPEB Liability on page 66, Other Post-Employment Benefits Schedule of the Net OPEB Liability on page 67, Other Post-Employment Benefits Schedule of Employer Contributions on page 67, the South Carolina Retirement System Schedule of Contributions on page 65, and Schedule of Proportionate Share of the South Carolina Retirement System Net Pension Liabilities on page 65 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 December 3, 2019 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.



West Columbia, South Carolina
December 3, 2019

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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, 2019. 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 \$4.4 million in fiscal year 2019, consisting of those systems contributed by developer and grant funding related to capital projects. Total capital contributions in fiscal year 2019 represented the largest amount recorded by the Commission since fiscal year 2007. Capital assets increased \$13.7 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. The Commission is experiencing growth in both water and sewer customers. The three-year average growth numbers for the fiscal years 2017 – 2019 has been 4.60% for water customers and 5.51% for sewer customers. Fiscal year 2019 saw customer base increases of 4.30% and 5.13% for water and sewer customers, respectively.

Financial Highlights

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

- Operating revenues were \$17.02 million, an increase from fiscal year 2018 in the amount of \$1.27 million, or 8.09%. 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 2019. The following rate increases were effective for fiscal year 2019: water maintenance fee (1.5%), water volumetric rate (1.5%), sewer maintenance fee (2.5%), and sewer volumetric rate (3.0%). Total operating revenues (prior to year-end accruals/adjustments) exceeded budgeted projections by 6.18%.
- Operating expenses, excluding depreciation, increased overall by \$631, or 0.01%, versus fiscal year 2018. The three-year average growth rate for operating expenses, excluding depreciation, is 4.15%. The three-year average growth rates for each component of operating expenses, excluding depreciation, are as follows: Salaries & Wages – 1.58%, Wholesale Water & Sewer Costs – 5.15%, General & Administrative Expenses – 4.87%.
- Operating income was \$5.9 million in fiscal year 2019, \$4.9 million for 2018 and \$4.4 million for 2017. 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 \$3.7 and \$5.9 million over the last five fiscal years.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

- The Commission has experienced an average income before capital contributions of \$5.25 million over the most recent three-year period. The Commission realized a net income of \$6.69 million in fiscal year 2019 before capital contributions.
- The Commission’s total assets and deferred outflows of resources were \$156.9 million, \$147.8 million and \$140.7 million for fiscal years 2019, 2018 and 2017, respectively. Liabilities and deferred inflows of resources were \$48.3 million, \$50.3 million and \$52.2 million for fiscal years 2019, 2018 and 2017, respectively. Assets and deferred outflows exceeded liabilities and deferred inflows in the amount of \$108.6 million, \$97.5 million and \$88.5 million in fiscal years 2019, 2018 and 2017, respectively. This is referred to in the financial statements as the Commission’s “net position”. During fiscal year 2019, total assets and deferred outflows of resources increased \$9.1 million and the Commission’s net position increased \$11.1 million. Unrestricted net position was \$28.8 million.
- The Commission recognized an increase in its customer base in the amount of 713, or 4.30%, for water customers and sewer saw an increase of 247 customers, or 5.13%, during fiscal year 2019.
- In fiscal year 2019, approximately 92% of wholesale water purchased was billed to the Commission’s retail customers demonstrating a strong commitment to the conservation and protection of natural resources.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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 (2019 vs. 2018)	
	2019	2018	2017	Dollars	%
Capital Assets:					
Non-depreciable Assets (Land, Construction in Progress)	\$ 11,970,975	\$ 7,802,846	\$ 2,001,183	\$ 4,168,129	53.42%
Depreciable Assets (Net of Accumulated Depreciation)	105,449,612	95,936,394	96,361,300	9,513,218	9.92%
Total Capital Assets	117,420,587	103,739,240	98,362,483	13,681,347	13.19%
Current/Non-current Assets	36,614,961	41,193,843	39,207,382	(4,578,882)	-11.12%
Total Assets	154,035,548	144,933,083	137,569,865	9,102,465	6.28%
Deferred Outflows of Resources	2,867,339	2,849,163	3,095,524	18,176	0.64%
Total Assets and Deferred Outflows of Resources	156,902,887	147,782,246	140,665,389	9,120,641	6.17%
Current Liabilities	4,918,707	5,018,624	4,415,073	(99,917)	-1.99%
Non-current Liabilities	43,123,095	45,124,981	47,534,057	(2,001,886)	-4.44%
Total Liabilities	48,041,802	50,143,605	51,949,130	(2,101,803)	-4.19%
Deferred Inflows of Resources	243,952	165,020	228,316	78,932	47.83%
Total Liabilities and Deferred Inflows of Resources	48,285,754	50,308,625	52,177,446	(2,022,871)	-4.02%
Net Investment in Capital Assets	78,126,258	62,304,930	54,747,304	15,821,328	25.39%
Restricted for Debt Service	1,672,060	1,687,523	1,683,385	(15,463)	-0.92%
Restricted for Construction Projects	28,500	28,500	28,500	-	0.00%
Unrestricted	28,790,315	33,452,668	32,028,754	(4,662,353)	-13.94%
Total Net Position	\$ 108,617,133	\$ 97,473,621	\$ 88,487,943	\$ 11,143,512	11.43%

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

Condensed Statement of Revenues, Expenses and Changes in Net Position					
	Year Ended June 30,			Variance (2019 vs. 2018)	
	2019	2018	2017		
	Actual	Actual	Actual	Dollars	%
Operating Revenues:					
Water Sales & Service	\$ 8,620,339	\$ 7,948,591	\$ 7,930,855	\$ 671,748	8.45%
Wastewater Sales & Service	3,013,992	2,666,433	2,565,525	347,559	13.03%
Other Revenues	5,388,811	5,134,261	4,747,310	254,550	4.96%
Total Operating Revenue	17,023,142	15,749,285	15,243,690	1,273,857	8.09%
Operating Expenses:					
Salaries & Wages	1,894,384	1,918,769	1,801,302	(24,385)	-1.27%
Wholesale W&S Costs	2,451,092	2,540,746	2,462,856	(89,654)	-3.53%
General & Admin Expenses	3,835,709	3,721,039	3,885,534	114,670	3.08%
Subtotal	8,181,185	8,180,554	8,149,692	631	0.01%
Depreciation	2,922,762	2,690,707	2,673,654	232,055	8.62%
Total Operating Expense	11,103,947	10,871,261	10,823,346	232,686	2.14%
Operating Income	5,919,195	4,878,024	4,420,344	1,041,171	21.34%
Non-operating Revenues (Expenses)					
Water & Sewer CFCs	1,820,766	1,857,285	1,159,204	(36,519)	-1.97%
Interest Income	589,584	218,700	122,881	370,884	169.59%
Insurance Reimbursement	46,709	3,197	-	43,512	1361.03%
Gain (Loss) on Sale of Capital Asset(s)	9,645	-	16,380	9,645	-
Interest Expense	(1,503,772)	(1,552,887)	(1,548,912)	49,115	-3.16%
Amortization Expense	(188,275)	(267,615)	(247,780)	79,340	-29.65%
Total Non-operating Rev/(Exp.), net	774,657	258,680	(498,227)	515,977	-199.47%
Income before Capital Cont.	6,693,852	5,136,704	3,922,117	1,557,148	30.31%
Capital Contributions	4,449,660	3,848,974	2,610,187	600,686	15.61%
Change in Net Position⁽¹⁾	11,143,512	8,985,678	6,532,304	2,157,834	24.01%
Net Position - Beginning of Year	97,473,621	88,487,943	81,955,639	8,985,678	10.15%
Net Position - End of Year	\$108,617,133	\$ 97,473,621	\$ 88,487,943	\$ 11,143,512	11.43%

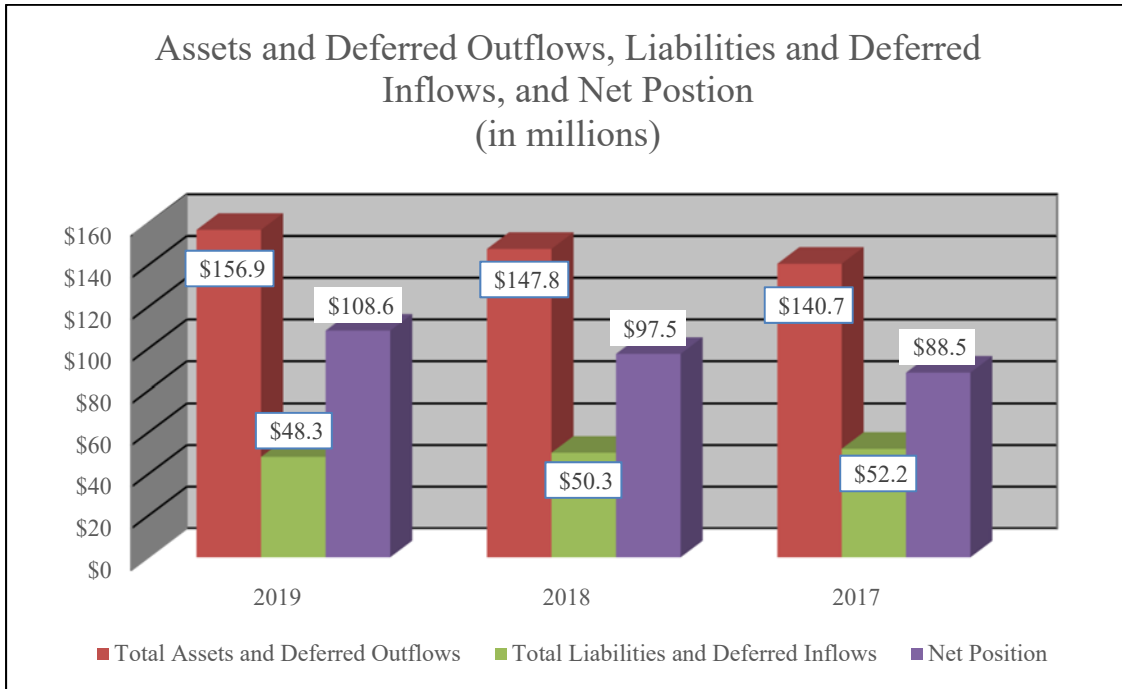
⁽¹⁾ Change in Net Position for Fiscal Year 2017 includes restatement of (\$203,088) to record beginning net OPEB liability and OPEB expense pursuant to the implementation of GASB Statement No. 75.

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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.



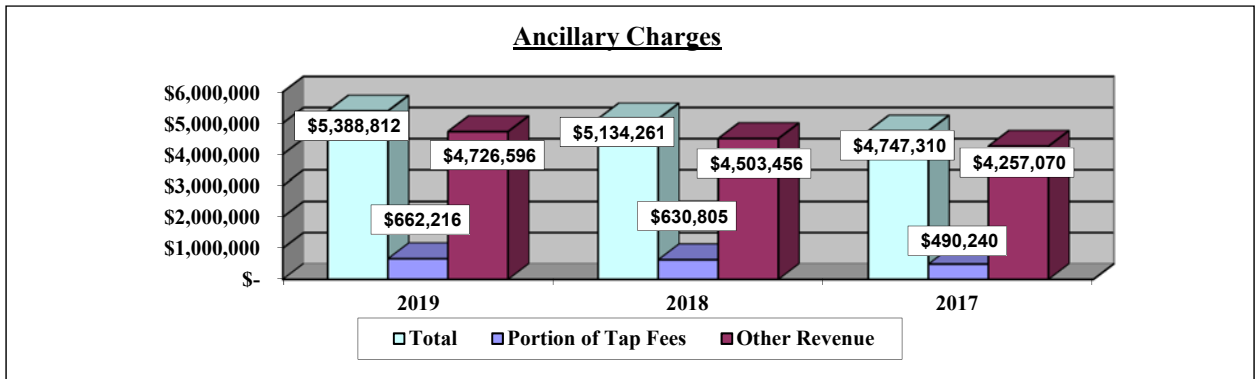
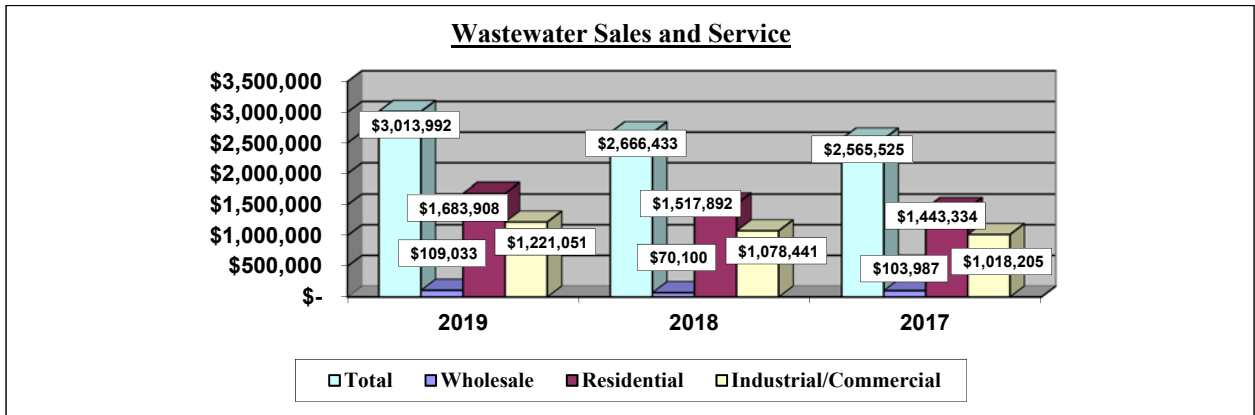
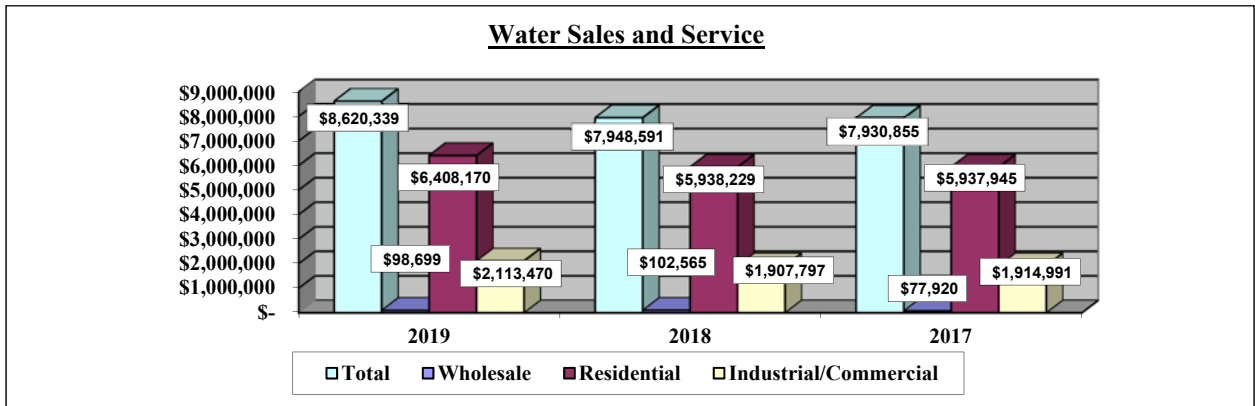
Total assets and deferred outflows grew by \$9.1 million or 6.17%. Additions to capital assets, including work on the Capital Improvements Program (CIP), developer contributions, and other asset acquisitions were significant contributors to the overall increase. Restricted assets related to debt service decreased by \$15 thousand.

Total net position increased \$11.1 million. This increase is attributable to three areas of the Commission’s business: 1) Operating income of approximately \$5.9 million resulting from strong revenue growth and well managed operating expenses. 2) Although the Commission recognized total non-operating income of \$775 thousand during fiscal year 2019, it did receive approximately \$1.8 million in Water and Sewer Capital Facility Charges. 3) The largest amount of contributed capital recognized during a fiscal year since fiscal year 2007, \$4.4 million. Unrestricted net position decreased by \$4.6 million.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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.

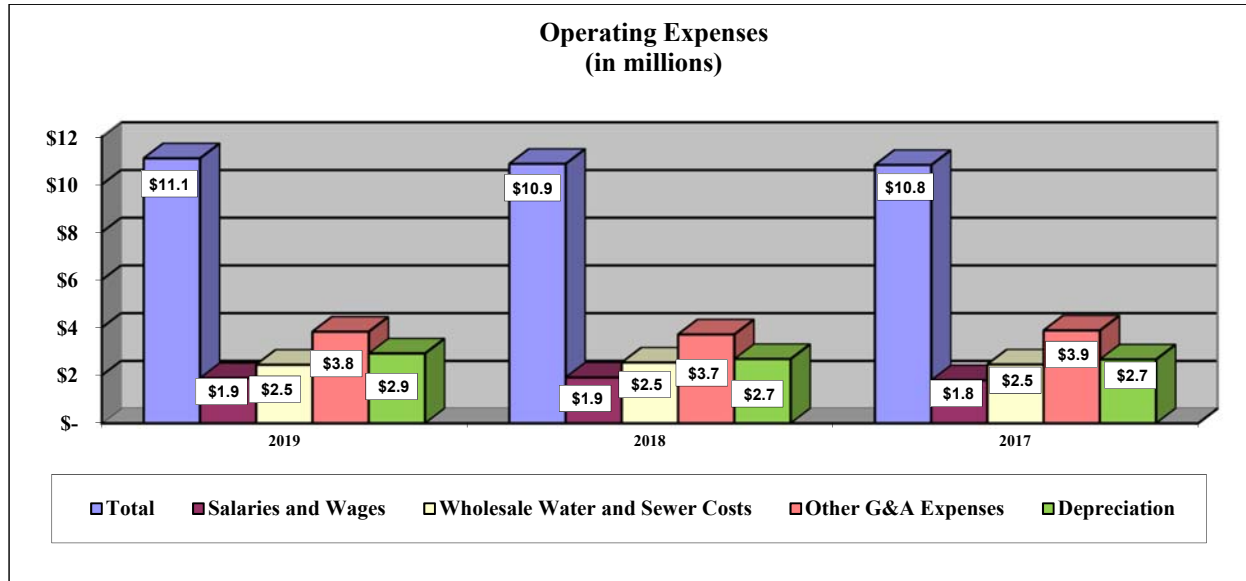


JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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 \$5.9 million in fiscal year 2019, \$4.9 million in fiscal year 2018 and \$4.4 million in fiscal year 2017.



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>2019</u>	<u>2018</u>	<u>2017</u>	<u>Variance (2019 vs. 2018)</u>
Total Operating Revenues	\$ 17,023,142	\$ 15,749,285	\$ 15,243,690	\$ 1,273,857
Net Cash provided by Operations	8,876,630	7,408,075	7,547,096	1,468,555
Net Operating Cash (as a % of Operating Revenue)	52%	47%	50%	

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

Capital Assets

Property, plant and equipment, excluding depreciation, increased \$16.5 million in 2019 with \$3.6 million from non-cash developer contributions, \$883 thousand in capital contributions from Lexington School District One, and the remaining \$12.0 million funded by capacity fees and operating funds previously restricted for contingency and depreciation.

During fiscal year 2019, work was completed on the Commission’s:

- 1) Relocation/Upsize Existing Water Main (The Courage Center) – Park Rd
- 2) Highway #1 Ground Storage Tank and Booster Station
- 3) SCDOT Line Relocations – Beechcreek Roadway Improvements
- 4) SCDOT Line Relocations – Old Orangeburg Roadway Improvements
- 5) Lake Murray WTP – CWC – Generators (FY18 True-up)
- 6) Purchase of Counts Ferry Road Site (TMS 003200-03-36 & 003200-03-02)
- 7) Purchase of Water Capacity – 2019
- 8) Wastewater System Master Plan – 2019
- 9) Pelion Sewer System (Pelion Elementary)

Work continued during fiscal year 2019 on several projects for the Commission:

- 1) Facility Improvements (Remodel/Expansion of Commission’s Main Office and New Operations Facility)
- 2) Lake Murray WTP Improvements - High Service Pump Station
- 3) Charter Oak Storage Tank
- 4) Pelion Sanitary Sewer Extension (Pelion Middle)
- 5) Lydia Drive Sanitary Sewer Extension

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 2020-2024 CIP budget, which totals \$45.0 million, anticipates that \$27.0 million of the projects listed requiring future funding will be funded from bond proceeds. The fiscal year 2020 budget for debt service is \$3.8 million. Please refer to Note 4 of the “Notes to Financial Statements” for more detailed long-term debt information.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

At the end of fiscal year 2019, the Commission currently has five senior and two junior debt instruments outstanding:

<u>Senior Debt</u>	
Series 2009A	\$ 535,885
Series 2009B	482,141
Series 2012	13,030,000
Series 2013	8,890,000
Series 2014	5,505,000
<u>Junior Debt</u>	
Series 2005	3,322,323
Series 2009	<u>8,137,123</u>
Total	<u>\$ 39,902,472</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.

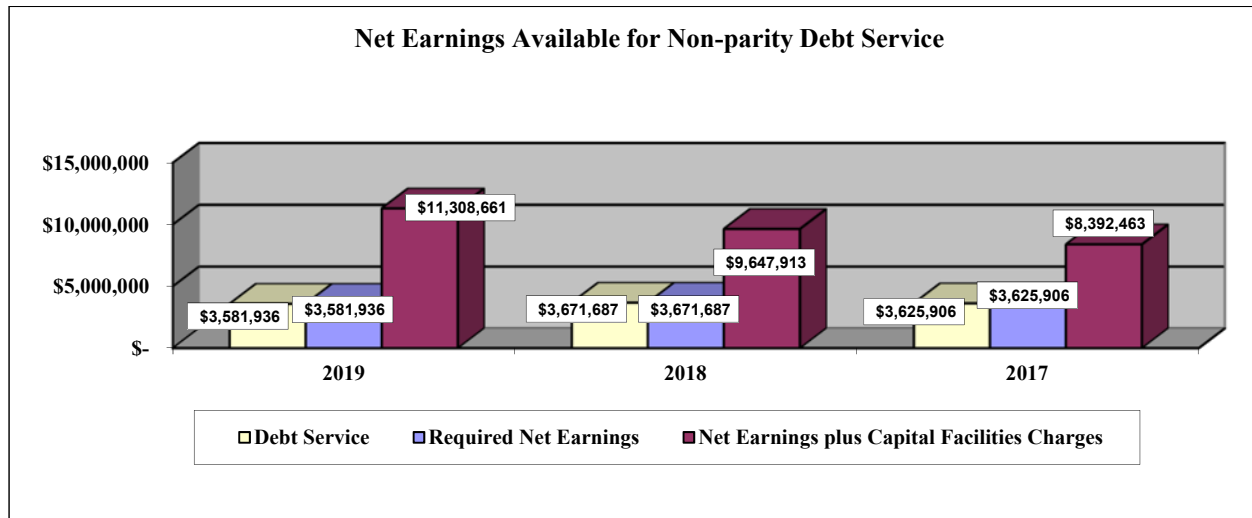
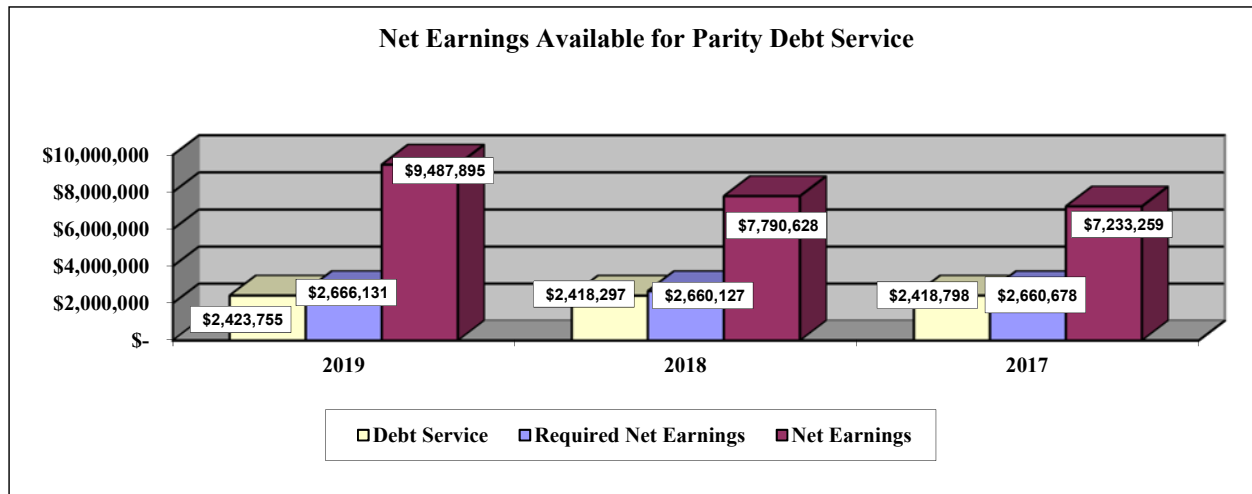
The rate covenant in the bond indenture obligates the Commission to review rates not less than once a year and to revise such rates and charges as necessary to meet the coverage test. The Commission further covenants in the bond indenture that it will maintain rates and charges that are at all times 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 2019, 2018, and 2017 was as follows:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Debt Service Coverage (excluding Capital Facilities Charges)	3.915	3.222	2.990
Debt Service Coverage (including Capital Facilities Charges)	4.666	3.990	3.470

JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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 3.157, 2.628 and 2.315 for 2019, 2018 and 2017, 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:



JOINT MUNICIPAL WATER AND SEWER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018 and 2017)

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 2020:

- Rate increases effective 7/1/2019 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 29¢ for a ¾" meter

- During fiscal year 2019, interest rates did continue to increase. During the development of the fiscal year 2020 budget, the Federal Open Market Committee's (FOMC) benchmark fed funds target rate was 2.25% to 2.50%. However, the interest rate environment has begun to change during fiscal year 2020. Fed officials have lowered interest rates by 0.25% three separate times so far during fiscal year 2020 (July 2019, September 2019, and October 2020). After the October 2019 FOMC meeting, the benchmark fed funds target rate is 1.50% to 1.75%.
 - This recent reduction in interest rates will have some negative impact on the Commission's ability to generate interest income during fiscal year 2020. However, due to the Commission's historically conservative approach to its budget process, and because the Commission does not rely on interest income in order to meet its operating budget, the impact of lower rates is expected to be immaterial to Commission operations.
 - One benefit of lower interest rates to the Commission is the opportunity to take advantage of lower borrowing costs. To that end, the Commission plans to issue Refunding and Improvement bonds during December 2019 in order to realize savings opportunities by refunding several of its currently outstanding bonds and borrow for new infrastructure projects.

- The employer portion of the SC Retirement System contributions has increased 1.00%, from 14.41% to 15.41% in fiscal year 2020 (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 not increase in calendar year 2020. Subscriber premiums will also not increase in 2020. 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 2020.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

ASSETS

	<u>JUNE 30</u>	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 2,411,723	\$ 7,714,131
Cash and Cash Equivalents - Customer Deposits (Restricted)	1,054,188	990,563
Investments	22,318,770	21,780,491
Deposits with Fiscal Agent (Restricted)	794,694	473,059
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$33,807 and \$28,935 respectively)	3,695,814	3,140,772
Due from Other Governments	2,220	851,528
Debt Service Component of Plant Expansion Contracts	104,691	104,691
Inventory	177,008	170,054
Prepaid Expenses	70,956	70,690
Total Current Assets	<u>30,630,064</u>	<u>35,295,979</u>
Non-current Assets:		
Restricted Cash		
Cash and Cash Equivalents	28,500	28,500
Cash and Cash Equivalents - Capital Asset Reserves	1,320,492	1,138,284
Investments	1,575,545	1,583,074
Capital Assets		
Non-depreciable	11,970,975	7,802,846
Depreciable	140,574,750	128,207,534
Less: Accumulated Depreciation	(35,125,138)	(32,271,140)
Tap Fees Receivable	849,250	708,000
Legal Cost of Revenue Bonds (Net of Amortization)	431,584	457,359
Debt Service Component of Plant Expansion Contracts	1,720,678	1,920,578
Lease - Town of Pelion	30,000	31,000
Due from Other Governments	28,848	31,069
Total Non-Current Assets	<u>123,405,484</u>	<u>109,637,104</u>
Total Assets	<u>154,035,548</u>	<u>144,933,083</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Debt Refundings	2,064,993	2,229,528
Net Pension Deferred Outflows	775,269	610,041
Net OPEB Deferred Outflows	27,077	9,594
Total Deferred Outflows of Resources	<u>2,867,339</u>	<u>2,849,163</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 156,902,887</u>	<u>\$ 147,782,246</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

LIABILITIES

JUNE 30

Current Liabilities:

	2019	2018
Accounts Payable	\$ 663,052	\$ 514,335
Construction Contracts Payable	548,184	831,712
Payroll Accruals	127,729	83,235
Compensated Absences	68,078	69,451
Customer Deposits	1,054,188	990,563
Debt Service Component of Plant Expansion Contracts	104,691	104,691
Revenue Bonds Payable	1,105,593	1,189,552
Junior Lien Bond Obligations Payable	843,810	825,088
Accrued Revenue Bond and Note Interest	101,461	104,359
Unearned Revenue	301,921	305,638
Total Current Liabilities	4,918,707	5,018,624

Non-current Liabilities:

Revenue Bonds Payable (Net of Current Portion)	28,434,879	29,619,000
Junior Lien Bond Obligations Payable (Net of Current Portion)	10,510,945	11,554,655
Compensated Absences (Net of Current Portion)	101,211	77,709
Net Pension Liability	4,005,387	3,818,869
Net OPEB Liability	70,673	54,748
Total Long-Term Liabilities	43,123,095	45,124,981
Total Liabilities	48,041,802	50,143,605

DEFERRED INFLOWS OF RESOURCES

Net Pension Deferred Inflows	240,726	165,020
Net OPEB Deferred Inflows	3,226	-
Total Deferred Inflows of Resources	243,952	165,020

NET POSITION

Net Position:

Net Investment in Capital Assets	78,126,258	62,304,930
Restricted for Debt Service	1,672,060	1,687,523
Restricted for Construction Projects	28,500	28,500
Unrestricted	28,790,315	33,452,668
Total Net Position	108,617,133	97,473,621

Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 156,902,887	\$ 147,782,246
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JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

	JUNE 30	
	2019	2018
Operating Revenues:		
Water Sales and Services	\$ 8,620,339	\$ 7,948,591
Sewer Sales and Services	3,013,992	2,666,433
Backflow Fees	850,100	807,455
Hydrant Fees	655,927	641,235
Other Operating Revenues	1,010,335	976,074
Account Maintenance Fees	2,872,449	2,709,497
Total Operating Revenues	<u>17,023,142</u>	<u>15,749,285</u>
Operating Expenses:		
Salaries and Wages	1,894,384	1,918,769
Wholesale Water and Sewer Costs	2,451,092	2,540,746
Other General and Administrative Expenses	3,835,709	3,721,039
Depreciation	2,922,762	2,690,707
Total Operating Expenses	<u>11,103,947</u>	<u>10,871,261</u>
Operating Income	5,919,195	4,878,024
Non-operating Revenues (Expenses):		
Water and Sewer Capital Facility Charges	1,820,766	1,857,285
Interest Income	589,584	218,700
Insurance Reimbursement	46,709	3,197
Gain (Loss) on Sale of Capital Assets	9,645	-
Interest Expense	(1,503,772)	(1,552,887)
Amortization Expense	(188,275)	(267,615)
Total Non-operating Revenues (Expenses)	<u>774,657</u>	<u>258,680</u>
Income Before Capital Contributions	6,693,852	5,136,704
Capital Contributions	<u>4,449,660</u>	<u>3,848,974</u>
Change in Net Position	11,143,512	8,985,678
Net Position - Beginning of Year	<u>97,473,621</u>	<u>88,487,943</u>
Net Position - End of Year	<u>\$ 108,617,133</u>	<u>\$ 97,473,621</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	JUNE 30	
	2019	2018
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 16,754,258	\$ 15,569,270
Cash Paid to Suppliers	(6,012,531)	(6,244,217)
Cash Paid to Employees	(1,865,097)	(1,916,978)
<u>Net Cash (Used in)/Provided by Operating Activities</u>	<u>8,876,630</u>	<u>7,408,075</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(13,245,916)	(5,424,187)
Principal Paid on Bonds and Notes	(2,135,199)	(2,160,219)
Interest Paid on Bonds and Notes	(1,462,605)	(1,511,469)
Capital Grants	1,732,073	1,160,250
Proceeds on Sale of Capital Asset	9,645	-
Capital Charge - Cayce/CWC	(290,460)	(86,561)
City of Cayce - Depreciation Charge	(101,772)	-
Debt Service Reserve Refund - West Columbia	-	418,763
Insurance Reimbursements	46,709	3,197
Water and Sewer Capital Facility Charges	1,455,486	1,637,579
<u>Net Cash (Used in)/Provided by Capital and Related Financing Activities</u>	<u>(13,992,039)</u>	<u>(5,962,647)</u>
Cash Flows From Investing Activities		
Net Transfer (In)/Out of Investment Pool	(530,750)	(10,327,873)
Interest Received	589,584	218,700
<u>Net Cash (Used in)/Provided by Investing Activities</u>	<u>58,834</u>	<u>(10,109,173)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(5,056,575)	(8,663,745)
Cash and Cash Equivalents - Beginning of Year	9,871,478	18,535,222
Cash and Cash Equivalents - End of Year	\$ 4,814,903	\$ 9,871,478

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

Operating Income	\$ 5,919,195	\$ 4,878,024
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	2,922,762	2,690,707
(Increase) Decrease in:		
Accounts Receivable and Other Receivables	(328,792)	(229,631)
Prepaid Expense	(267)	15,586
Inventory	(6,954)	174,838
Net Pension Outflows	(165,228)	91,419
Net OPEB Outflows	(17,483)	(9,594)
Increase (Decrease) in:		
Accounts Payable	148,717	(74,795)
Customer Deposits	63,625	59,075
Accrued Annual Leave	22,129	3,531
Accrued Salaries and Fringes	44,494	(2,825)
Net Pension Inflows	75,706	(63,296)
Net Pension Liability	186,518	32,835
Net OPEB Liability	15,925	(148,340)
Unearned Revenue	(3,717)	(9,459)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 8,876,630</u>	<u>\$ 7,408,075</u>

Supplemental Disclosures

Noncash financing activities:		
Developer contribution of systems	\$ 3,566,895	\$ 1,972,219

The accompanying notes to financial statements are an integral part of this statement.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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. 84, *Fiduciary Activities*, The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 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.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 December 15, 2019. 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.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 consists of supplies and is reported at average cost.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 Deferred 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 Deferred Outflows
This records the net difference between projected and actual earnings on plan investments, 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.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

The Commission currently has two deferrals that meet the criteria for this category. They are:

1) Net Pension Deferred Inflows

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

2) Net OPEB Deferred Inflows

This records the net differences between expected and actual experience of the Commission's OPEB plan (See Note 5).

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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.
- 6) Cyber 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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the Commission had the following deposits:

<u>Deposits</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Rating</u>
Branch Banking and Trust	\$ 4,564,256	\$ 4,771,971	Collateralized
Branch Banking and Trust	250,000	250,000	FDIC Insured

At June 30, 2019 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	\$23,690,334	N/A	Unrated
US Government Backed Securities MM	203,981	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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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. SCLGIP's investment policy requires that the weighted average maturity and weighted average duration of the actively managed fixed income portfolio should be consistent with the liquidity requirements of the pool. The average maturity of SCLGIP's investments at fiscal year-end was less than one year.

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, 2019, 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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3. Capital Assets

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

<u>Asset Class</u>	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Land	\$ 460,159	\$ 6,563,372	\$ -	\$ 73,564	\$ 7,097,095
Construction In Progress	7,342,687	3,419,716	-	(5,888,523)	4,873,880
Total Non-depreciable	7,802,846	9,983,088	-	(5,814,959)	11,970,975
Buildings	1,993,863	-	-	-	1,993,863
Less: Accumulated Depreciation	(945,242)	(73,611)	-	-	(1,018,853)
Machinery & Equipment	1,630,317	32,783	-	-	1,663,100
Less: Accumulated Depreciation	(1,338,582)	(48,165)	-	-	(1,386,747)
Furniture & Fixtures	1,205,558	13,656	-	-	1,219,214
Less: Accumulated Depreciation	(1,061,405)	(57,133)	-	-	(1,118,538)
Vehicles	827,833	62,910	(68,764)	-	821,978
Less: Accumulated Depreciation	(683,446)	(48,625)	68,764	-	(663,306)
Water Distribution System	70,718,145	3,699,442	-	3,297,753	77,715,340
Less: Accumulated Depreciation	(16,887,191)	(1,557,599)	-	-	(18,444,790)
Sewer Collection System	51,831,818	2,812,230	-	2,517,206	57,161,255
Less: Accumulated Depreciation	(11,355,274)	(1,137,628)	-	-	(12,492,902)
Total Depreciable Capital Assets	128,207,534	6,621,021	(68,764)	5,814,959	140,574,750
Total Capital Assets (Before Depreciation)	136,010,380	16,604,109	(68,764)	-	152,545,725
Less: Accumulated Depreciation	(32,271,140)	(2,922,762)	68,764	-	(35,125,138)
Total Capital Assets	\$ 103,739,240	\$ 13,681,347	\$ -	-	\$ 117,420,587

Of the \$4,449,660 shown as contributed capital on Exhibit B, the Statement of Revenues, Expenses and Changes in Net Position, \$3,566,895 was for water distribution and sewer collection systems which were contributed to the Commission by developers in fiscal year 2019. The remaining \$882,766 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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4. Notes and Bonds

Notes and Bonds at June 30, 2019 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.	\$ 3,322,323
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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.	8,137,123
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Total of Junior Lien Bond obligations:	11,459,446
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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.	535,885
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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.	482,141
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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%.	13,030,000
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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%.	8,890,000
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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%.	5,505,000
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Total of Senior Bond obligations:	28,443,026
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Subtotal:	39,902,472
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Less Current Portion:	(2,054,094)
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Total Long Term:	37,848,378
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JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 1,102,103

\$ 135,755 – Premium on Series 2013 Water and Sewer System Refunding and Improvement Revenue Bond 109,358

(\$ 141,537) – Discount on Series 2013 Water and Sewer System Refunding and Improvement Revenue Bond (114,016)

Total of Issuance Premiums/Discounts: 1,097,445

(\$ 1,340,028) – Deferred Charge on Refunding of Series 2002 Junior Lien Bond obligation to the City of West Columbia (790,988)

(\$ 1,239,607) – Deferred Charge on Refunding of Series 2003 Water and Sewer System Revenue Bond (819,898)

(\$ 172,357) – Deferred Charge on Refunding of Series 2008 Water and Sewer System Revenue Bond (23,725)

(\$ 627,547) – Deferred Charge on Refunding of Series 2009 Water and Sewer System Revenue Bond (430,382)

Total of Deferred Charges on Debt Refundings: (2,064,993)

Total of Adjustments: (967,548)

Total Debt (Net of Deferred Charges on Debt Refundings): \$ 38,934,925

Total annual debt service requirements are as follows:

Year Ended June 30,	Bonds		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,564,093	\$ 1,275,488	\$ 490,000	\$ 134,873	\$ 3,464,453
2021	1,889,516	1,237,324	505,000	122,868	3,754,707
2022	1,940,191	1,188,899	515,000	110,495	3,754,585
2023	1,991,339	1,138,876	530,000	97,878	3,758,092
2024	2,047,970	1,077,245	545,000	84,893	3,755,107
2025-2029	9,513,914	4,420,187	2,920,000	218,295	17,072,396
2030-2034	8,135,449	2,709,365	-	-	10,844,814
2035-2039	3,680,000	1,431,614	-	-	5,111,614
2040-2043	3,635,000	453,619	-	-	4,088,619
Total	<u>\$ 34,397,472</u>	<u>\$ 14,932,615</u>	<u>\$ 5,505,000</u>	<u>\$ 769,300</u>	<u>\$ 55,604,387</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Changes in long-term liabilities: Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Due Within One Year
Revenue Bonds Payable	\$ 23,642,578	-	\$ 704,552	\$ 22,938,026	\$ 615,593
Notes from Direct Borrowings/Placements	5,990,000	-	485,000	5,505,000	490,000
Junior Lien Obligation Bonds	12,484,434	-	1,024,988	11,459,446	948,501*
Compensated Absences	147,160	169,289	147,160	169,289	68,078
Total liabilities	42,264,172	169,289	2,361,700	40,071,761	2,122,172
Less Deferred Amounts					
Issuance Discounts/Premiums	1,175,974	-	78,529	1,097,445	78,529
Total	\$ 43,440,146	\$ 169,289	\$ 2,440,229	\$ 41,169,206	\$ 2,200,701

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

The Commission does not have any unused line of credit as of June 30, 2019. Additionally, the Commission does not have any assets pledged as collateral for debt. The Commission's debt obligations are secured by a lien, either parity or junior depending on the circumstances, on Pledged Revenues. If there is an Event of Default in connection with any of the debt obligations secured under the terms of the 1997 Indenture, as amended and supplemented, then the Trustee may, if requested by the holders of not less than 25% in principal amount of the Bonds then Outstanding, declare that all unpaid principal and interest on any Bonds then Outstanding is immediately due and payable.

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.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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:

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 \$1,811,415. 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 2019 is 14.41%. The contributions made for the year ended June 30, 2019 were \$261,025 from the employer and \$163,027 from employees. The contributions made for the three prior fiscal years from the employer were \$248,410 for 2018 (excluding \$17,509 approved credit from SC General Assembly), \$195,297 for 2017, and \$187,267 for 2016. The contributions made for the three prior fiscal years from the employee were \$166,718 for 2018, \$148,227 for 2017, and \$140,064 for 2016. The Commission's 2019 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/incidental death benefits contributions of approximately \$2,717 for the year ended June 30, 2019 at the rate of 0.15% of compensation.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

The amounts paid by the Commission for pension, group-life insurance/incidental 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, 2019, the Commission reported \$4,005,387 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, 2017 actuarial valuations, using membership data as of July 1, 2017, projected forward to June 30, 2018, and financial information of the pension trust funds as of June 30, 2018, using generally accepted actuarial procedures. The 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, 2018, the Commission's SCRS employer allocated percentage was 0.0179%, which is a slight increase from its employer allocated percentage of the NPL measured as of June 30, 2017. For the year ended June 30, 2019 the Commission recognized pension expenses of \$96,995 for SCRS.

At June 30, 2019, 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	\$ 511,527
Contributions made to SCRS from measurement date to June 30, 2019	263,742
Total deferred outflows of resources	<u>\$ 775,269</u>
Deferred Inflows of Resources	
Net differences between expected and actual experience	<u>\$ 240,726</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

The Commission reported \$263,742 as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date and will be recognized as a reduction of the NPL in the year ended June 30, 2020. 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
2020	\$ 164,388
2021	110,954
2022	(1,569)
2023	(2,972)
	\$ 270,801

The following table provides a summary of the actuarial assumptions and methods used to calculate the Total Pension Liability (TPL) as of June 30, 2018:

	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, 2018 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, 2017. The TPL was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2018, 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. The 7.25% assumed rate of return expires on July 1, 2021, and every four years thereafter, and as such, the PEBA Board, in consultation with the Retirement Security Investment Commission, must propose an assumed annual rate of return based on recommendations of the Board's actuary.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Assumptions used in the determination of the June 30, 2018 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 2018 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.

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITS)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
			<u>7.28%</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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	\$ 5,118,141	\$ 4,005,387	\$ 3,209,875

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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the Commission had active construction projects with commitments to contractors of \$3,773,710, of which \$3,020,040 has 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, 2019 through December 3, 2019, 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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	30
	32

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, 2018, 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, 2018 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	3.55%
Measurement Date	4.10%
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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

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:

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

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 THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	Net OPEB Liability (a) - (b)
		Fiduciary Net Position (b)	
Balance at June 30, 2018	\$ 585,164	\$ 530,416	\$ 54,748
Changes for the year:			
Service cost	21,669	-	21,669
Interest on TOL and cash flows	27,597	-	27,597
Differences between expected and actual experience	(3,550)	-	(3,550)
Contributions - employer	-	28,967	(28,967)
Net investment income	-	824	(824)
Benefit payments and implicit subsidy credit	(8,431)	(8,431)	-
Net changes	37,285	21,360	15,925
Balance at June 30, 2019	\$ 622,449	\$ 551,776	\$ 70,673

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	\$ 148,749	\$ 70,673	\$ 1,464

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	\$ (25,719)	\$ 70,673	\$ 188,148

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the Commission recognized OPEB expense of \$28,905. At June 30, 2019, 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>
Differences between expected and actual experience	\$ -	\$ 3,226
Net difference between projected and actual earnings on OPEB plan investments	27,077	-
Total	<u>\$ 27,077</u>	<u>\$ 3,226</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>	
2020	\$ 7,046
2021	7,046
2022	7,044
2023	4,645
2024	(324)
Thereafter	<u>(1,606)</u>
	<u>\$23,851</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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	
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%	
2019	\$ 261,025	(261,025)	\$ -	\$ 1,811,415	14.41%	

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%
2019	0.0179%	\$ 4,005,387	\$ 1,852,425	216.22%	54.10%

* 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, 2019

Other Post-Employment Benefits		
Schedule of Changes in the Net OPEB Liability		
	2019	2018
Total OPEB Liability		
Service Cost at end of year	\$21,669	\$21,038
Interest on the Total OPEB Liability	27,597	25,604
Difference between expected and actual experience	(3,550)	-
Benefit payments*	<u>(8,431)</u>	<u>(1,000)</u>
Net change in Total OPEB Liability	37,285	45,642
Total OPEB Liability - beginning	\$585,164	\$539,522
Total OPEB Liability - ending (a)	\$622,449	\$585,164
Plan Fiduciary Net Position		
Contributions - employer**	\$28,967	\$198,353
Net investment income	824	8,346
Benefit payments*	(8,431)	(1,000)
Administrative expense	-	(11,717)
Net Change in Plan Fiduciary Net Position	\$21,360	\$193,982
Plan Fiduciary Net Position - beginning	\$530,416	\$336,434
Plan Fiduciary Net Position - ending (b)	\$551,776	\$530,416
Net OPEB Liability - ending (a) - (b)	\$70,673	\$54,748

*Benefit payments are net of participant contributions and include payment of 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 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, 2019

Other Post-Employment Benefits Schedule of the Net OPEB Liability			
	2019	2018	2017
Total OPEB Liability	\$622,449	\$585,164	\$539,522
Plan Fiduciary Net Position	<u>551,776</u>	<u>530,416</u>	<u>336,434</u>
Net OPEB Liability	\$70,673	\$54,748	\$203,088
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	88.65%	90.64%	62.36%
Covered Payroll*	\$1,679,466	\$1,679,466	\$1,679,466
Net OPEB Liability as a percentage of covered payroll	4.21%	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		
	2019	2018
Actuarially Determined Employer Contribution (ADEC)	\$108,945	\$127,240
Contributions in relation to the ADEC	<u>28,967</u>	<u>198,353</u>
Annual contribution deficiency (excess)	79,978	(\$71,113)
Covered payroll*	\$1,679,466	\$1,679,466
Actual contributions as a percentage of covered payroll	1.72%	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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	JUNE 30	
	2019	2018
Payroll Fringes	\$ 877,397	\$ 810,224
IVR Transaction and Online Utility Expenses	8,649	8,582
Contracted Services and Maintenance	507,311	464,051
Professional Services	484,793	386,423
Franchise Fees	26,770	26,526
Pelion Lease	1,000	1,000
Right of Way Clearing	2,093	9,446
Grounds Maintenance	17,634	21,015
Advertising	2,870	552
Provision for Uncollectible Accounts	26,489	22,733
Bank Charges	150,870	127,902
Office Supplies	15,197	12,041
Backflow Devices	60,810	52,949
Duplicating	14,264	14,899
Operating and Engineering Supplies	87,442	125,714
Chemicals	156,687	163,473
Equipment Repairs and Maintenance	247,566	216,234
Vehicle Repairs and Maintenance	35,515	26,120
Building Repairs	20,184	19,827
Building Insurance	46,467	48,574
Vehicle Insurance	11,932	16,400
General Tort Liability Insurance and Surety Bond	33,631	30,661
Telephone	35,915	36,417
Postage	10,258	10,141
Meetings, Training and Subscriptions	57,885	79,722
Utilities	426,397	465,452
Gas, Fuel and Oil	48,804	47,807
Uniforms	10,853	10,779
Licenses and Permits	39,206	38,887
Miscellaneous	53,470	145,544
Tap Installation Costs	316,282	275,544
Retrofit Meters and Hydrant Installations	1,068	5,400
Total Other General and Administrative Expenses	<u>\$ 3,835,709</u>	<u>\$ 3,721,039</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)

	2019	2018	2017⁽³⁾	2016⁽¹⁾⁽²⁾	2015	2014	2013	2012	2011	2010
Net Investment in Capital Assets:	\$ 78,126,258	\$ 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
Restricted for Debt Service:	1,672,060	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
Restricted for Capital/Const. Projects:	28,500	28,500	28,500	1,559,128	2,607,568	7,407,748	444,336	1,360,070	2,785,748	3,282,498
Unrestricted:	28,790,315	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
Total Net Position:	\$ 108,617,133	\$ 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

⁽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)

	2019	2018	2017 ⁽³⁾	2016 ⁽²⁾	2015 ⁽¹⁾	2014	2013	2012	2011	2010
Revenues:										
Water Service Revenues	\$ 8,620,339	\$ 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
Wastewater Service Revenues	3,013,992	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
Other Revenues	5,388,811	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
Total Operating Revenues:	17,023,142	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
Operating Expenses:										
Salaries and Wages	1,894,384	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
Wholesale W&S Costs	2,451,092	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
Depreciation	2,922,762	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
General & Admin Exp	3,835,709	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
Total Operating Expenses	11,103,947	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
Operating Income	5,919,195	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
Non-operating revenue (expenses), net	774,657	258,680	(498,227)	747,190	(616,564)	(657,892)	(835,159)	(573,794)	(1,181,715)	269,721
Income before Capital Contributions	6,693,852	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
Capital Contributions	4,449,660	3,848,974	2,610,187	2,053,323	1,123,783	570,215	877,929	465,335	1,175,460	847,797
Change in Net Position	\$ 11,143,512	\$ 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

⁽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 2019

	Actual ⁽¹⁾	Budget ⁽²⁾	Variance	% of Budget Recognized/Spent
General Revenues				
Water Sales & Service	\$ 8,673,994	\$ 8,331,796	\$ 342,198	104.11%
Wastewater Sales & Service	3,010,923	2,897,834	113,089	103.90%
Backflow Fees	850,101	815,043	35,058	104.30%
Hydrant Fees	655,927	643,339	12,588	101.96%
Other Operating Revenues	347,193	342,407	4,786	101.40%
Account Maintenance Fees	2,872,449	2,821,434	51,015	101.81%
Total General Revenues	16,410,589	15,851,853	558,734	103.52%
Tap Fee Connections Cost Recovery				
Tap Fee Connection Costs	301,000	-	301,000	0.00%
Hard costs of Meter Sets	113,500	-	113,500	0.00%
Tap Installation Fee	6,966	-	6,966	0.00%
Total Tap Fee Connections Cost Recovery	421,466	-	421,466	0.00%
Total Operating Revenues	16,832,055	15,851,853	980,200	106.18%
Non-operating Revenues				
Capital Facility Charges	1,196,016	-	1,196,016	0.00%
Interest income	589,584	201,910	387,674	292.00%
Miscellaneous Income	939,119	-	939,119	0.00%
Total Non-operating Revenues	2,724,719	201,910	2,522,809	1349.47%
Total Revenues	19,556,774	16,053,763	3,503,009	121.82%
Direct Operating Expenses				
Salaries and Wages	1,867,006	2,058,206	(191,200)	90.71%
Wholesale Water and Sewer Costs	2,386,091	2,800,000	(413,909)	85.22%
Other General and Administrative Expenses	3,735,556	4,734,836	(999,280)	78.90%
Total Direct Operating Expenses	7,988,648	9,593,042	(1,604,389)	83.28%
Indirect Operating Expenses				
Debt Service ⁽³⁾	3,628,298	3,707,638	(79,340)	97.86%
Capital Outlay	187,995	170,203	17,792	110.45%
Regional WTP & WWTF Charges (Depreciation & Capital Charge)	392,232	68,684	323,548	571.07%
Total Indirect Operating Expenses	4,208,523	3,946,525	262,000	106.64%
Total Direct and Indirect Operating Expenses	12,197,171	13,539,567	(1,342,389)	90.09%
Net	\$ 7,359,603	\$ 2,514,196	\$ 4,845,398	292.72%

⁽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)

	2019				2018				2017				2016				2015			
	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth
Total Water Customers:	17,296		713	4.30%	16,583		681	4.28%	15,902		790	5.23%	15,112		873	6.13%	14,239		686	5.06%
Residential	16,569	95.8%	691	4.35%	15,878	95.7%	674	4.43%	15,204	95.6%	772	5.35%	14,432	95.5%	860	6.34%	13,572	95.3%	664	5.14%
Commercial	716	4.1%	22	3.17%	694	4.2%	8	1.17%	686	4.3%	18	2.69%	668	4.4%	13	1.98%	655	4.6%	18	2.83%
Industrial	11	0.1%	-	0.00%	11	0.1%	(1)	-8.33%	12	0.1%	-	0.00%	12	0.1%	-	0.00%	12	0.1%	4	50.00%
Total Sewer Customers:	5,060		247	5.13%	4,813		246	5.39%	4,567		259	6.01%	4,308		335	8.43%	3,973		238	6.37%
Residential	4,855	95.9%	237	5.13%	4,618	95.9%	241	5.51%	4,377	95.8%	251	6.08%	4,126	95.8%	327	8.61%	3,799	95.6%	230	6.44%
Commercial	191	3.8%	10	5.52%	181	3.8%	5	2.84%	176	3.9%	8	4.76%	168	3.9%	8	5.00%	160	4.0%	7	4.58%
Industrial	14	0.3%	-	0.00%	14	0.3%	-	0.00%	14	0.3%	-	0.00%	14	0.3%	-	0.00%	14	0.4%	1	7.69%

	2014				2013				2012				2011				2010			
	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth	# of Accts	% of Total Accts	# of New Accts	% Growth ⁽¹⁾
Total Water Customers:	13,553		553	4.25%	13,000		605	4.88%	12,395		426	3.56%	11,969		357	3.07%	11,612		1,327	12.90%
Residential ⁽¹⁾	12,908	95.2%	528	4.26%	12,380	95.2%	588	4.99%	11,792	95.1%	407	3.57%	11,385	95.1%	291	2.62%	11,094	95.5%	1,282	13.07%
Commercial	637	4.7%	25	4.08%	612	4.7%	17	2.86%	595	4.8%	17	2.94%	578	4.8%	66	12.89%	512	4.4%	45	9.64%
Industrial	8	0.1%	-	0.00%	8	0.1%	-	0.00%	8	0.1%	2	33.33%	6	0.1%	-	0.00%	6	0.1%	-	0.00%
Total Sewer Customers:	3,735		214	6.08%	3,521		200	6.02%	3,321		154	4.86%	3,167		136	4.49%	3,031		270	9.78%
Residential	3,569	95.6%	203	6.03%	3,366	95.6%	190	5.98%	3,176	95.6%	148	4.89%	3,028	95.6%	143	4.96%	2,885	95.2%	258	9.82%
Commercial	153	4.1%	11	7.75%	142	4.0%	10	7.58%	132	4.0%	5	3.94%	127	4.0%	(7)	-5.22%	134	4.4%	11	8.94%
Industrial	13	0.3%	-	0.00%	13	0.4%	-	0.00%	13	0.4%	1	8.33%	12	0.4%	-	0.00%	12	0.4%	1	9.09%

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

Source: Impresa Utility Billing Software, iCIS

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE V-1

Monthly Charges to Commission
Residential Customers with ¾" Meter and
7,000 Gallons Usage

Monthly Charge Comparison
with Other Regional Municipal Utility Systems⁽¹⁾
for Residential Customers with ¾" Meter and 7,000 Gallons Usage
June 2019

FYE June 30,	Water Charges	Sewer Charges	Total
2019	\$ 45.54	\$ 57.98	\$ 103.52
2018	44.85	56.37	101.22
2017	44.85	54.77	99.62
2016	44.16	53.24	97.40
2015	44.16	51.87	96.03
2014	43.71	50.48	94.19
2013	43.04	48.99	92.03
2012	42.69	47.62	90.31
2011	41.46	44.77	86.23
2010	39.94	41.06	81.00

Utility System	Water Charges	Sewer Charges	Total
Batesburg-Leesville ⁽²⁾	\$ 78.49	\$ 94.24	\$ 172.73
Cayce	62.53	46.71	109.24
Commission	45.54	57.98	103.52
Gilbert-Summit ⁽³⁾	53.25	N/A	53.25
Lexington	66.89	78.09	144.98
Pelion ⁽³⁾	45.54	N/A	45.54
Swansea	56.68	52.93	109.61
West Columbia	45.80	43.70	89.50

⁽¹⁾ Based on outside city rate schedules as of June 2019 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 2019

Utility System	Water Charges	Sewer Charges	Total
Batesburg-Leesville ^{(2) (3)}	\$ 2,126.00	\$ 2,726.00	\$ 4,852.00
Cayce	4,038.42	2,949.67	6,988.09
Commission	2,166.84	2,801.72	4,968.56
Gilbert-Summit ⁽⁴⁾	2,387.50	N/A	2,387.50
Lexington	3,162.94	3,713.34	6,876.28
Pelion ⁽⁴⁾	2,166.84	N/A	2,166.84
Swansea ⁽⁵⁾	N/A	N/A	N/A
West Columbia	2,485.00	2,804.00	5,289.00

⁽¹⁾ Based on outside city rate schedules as of June 2019 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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2010
Effective Date	7/1/2018	7/1/2017	7/1/2016	7/1/2015	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010	1/1/2010	7/1/2009
Water Maintenance Fee ⁽¹⁾	\$ 8.86	\$ 8.73	\$ 8.73	\$ 8.60	\$ 8.60	\$ 8.50	\$ 8.25	\$ 8.25	\$ 8.00	\$ 7.18	\$ 7.07
Water Usage Rate (per kgal) ⁽²⁾	\$ 5.24	\$ 5.16	\$ 5.16	\$ 5.08	\$ 5.08	\$ 5.03	\$ 4.97	\$ 4.92	\$ 4.78	\$ 4.68	\$ 4.61
Sewer Maintenance Fee ⁽¹⁾	\$ 11.43	\$ 11.15	\$ 10.88	\$ 10.61	\$ 10.50	\$ 10.30	\$ 10.00	\$ 9.75	\$ 9.00	\$ 7.32	\$ 7.14
Sewer Usage Rate (per kgal) ⁽²⁾⁽³⁾	\$ 6.65	\$ 6.46	\$ 6.27	\$ 6.09	\$ 5.91	\$ 5.74	\$ 5.57	\$ 5.41	\$ 5.11	\$ 4.82	\$ 4.70
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
Hydrant Fee	\$ 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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Michelin Tire Corp.	\$ 765,252	\$ 699,137	\$ 666,245	\$ 599,503	\$ 589,364	\$ 606,249	\$ 573,829	\$ 544,396	\$ 501,771	\$ 410,164
Blue Granite	\$ 140,045	\$ 136,341	\$ 141,632	\$ 154,341	\$ 169,626	\$ 164,528	\$ 160,998	\$ 175,703	\$ 161,482	\$ 157,076
Lexington County School District #1	\$ 130,860	\$ 125,050	\$ 133,429	\$ 137,393	\$ 130,002	\$ 122,615	\$ 120,431	\$ 130,233	\$ 126,510	\$ 99,985
Prysmian Cables & Systems	\$ 69,242	\$ 60,481	\$ 62,745	\$ 65,708	\$ 50,563	\$ 44,442	\$ 49,935	\$ 59,827	\$ 51,293	\$ 47,501
Lexington Medical Center Extended Care	\$ 64,316	\$ 51,567	\$ 60,830	\$ 55,981	\$ 53,684	\$ 61,884	\$ 56,462	\$ 58,035	\$ 36,555	\$ 29,567
U. S. Foods	\$ 47,295	\$ 41,701	\$ 42,349	\$ 37,626	\$ 39,223	\$ 37,352	\$ 34,789	\$ 34,436	\$ 30,890	\$ 33,429
Persimmon Grove HOA, Inc.	\$ 32,623	\$ 46,769	\$ 44,753	\$ 36,715	\$ 38,742	\$ 29,278	\$ 30,218	\$ 33,128	\$ 28,080	\$ 18,460
Thomas Concrete of South Carolina	\$ 20,025									
Capital Concrete Co.	\$ 19,601	\$ 24,551	\$ 24,540	\$ 20,168	\$ 19,652	\$ 15,165	\$ 13,127	\$ 13,438	\$ 10,429	\$ 12,547
Love's Travel Stops & Country Store	\$ 18,414	\$ 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		\$ 12,506	\$ 13,567
Taylor Sr. Rentals					\$ 18,001					
Golden State Foods						\$ 12,066	\$ 12,989	\$ 13,086	\$ 12,741	\$ 12,210
Lexington Hendrix Shopping Center							\$ 14,347			
Total	\$ 1,307,672	\$ 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
% of Total Operating Revenue	7.68%	7.72%	7.95%	7.81%	8.60%	8.90%	9.31%	9.30%	9.01%	8.49%

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Michelin Tire Corp.	\$ 527,178	\$ 476,950	\$ 441,061	\$ 396,207	\$ 352,282	\$ 374,670	\$ 348,565	\$ 344,666	\$ 254,097	\$ 231,057
Lexington County School District #1	\$ 91,564	\$ 74,025	\$ 76,795	\$ 74,828	\$ 70,110	\$ 59,897	\$ 54,870	\$ 59,256	\$ 66,014	\$ 40,149
Prysmian Cables & Systems	\$ 70,145	\$ 67,991	\$ 74,671	\$ 97,373	\$ 98,852	\$ 72,297	\$ 75,621	\$ 46,990	\$ 51,953	\$ 54,596
U. S. Foods	\$ 42,837	\$ 36,398	\$ 32,076	\$ 22,538	\$ 24,559	\$ 18,227	\$ 18,050	\$ 24,952	\$ 14,741	\$ 10,544
Sandhills Elementary/Intermediate	\$ 21,147	\$ 17,481	\$ 17,763	\$ 18,666	\$ 16,394	\$ 14,666	\$ 13,485	\$ 12,941	\$ 12,070	
Diamond Pet Food Processors	\$ 19,740	\$ 22,570	\$ 15,756	\$ 20,962	\$ 22,149	\$ 19,966	\$ 16,409	\$ 14,911	\$ 12,003	\$ 11,213
The Martin-Brewer Company	\$ 19,740	\$ 13,765	\$ 14,665	\$ 12,107	\$ 11,117	\$ 13,019	\$ 15,376	\$ 17,942	\$ 11,382	\$ 11,348
Love's Travel Stops & Country Store	\$ 19,172	\$ 18,114	\$ 18,152	\$ 17,685	\$ 14,592					
Cooper's Corner	\$ 14,344	\$ 13,624	\$ 14,854	\$ 17,417	\$ 16,968	\$ 16,451	\$ 14,883	\$ 13,649	\$ 13,372	\$ 12,922
International Paper	\$ 11,287					\$ 12,391		\$ 12,196	\$ 9,552	\$ 8,250
San Jose								\$ 12,941		
Wal-Mart		\$ 10,892								
Sudz Car Wash			\$ 12,289			\$ 9,592				
Lexington Dry Cleaning				\$ 12,978						\$ 7,709
Apex Tool Group / Cooper Power Tools					\$ 16,770	\$ 19,379	\$ 15,995		\$ 12,121	\$ 11,632
Total	\$ 837,153	\$ 751,809	\$ 718,082	\$ 690,762	\$ 643,793	\$ 620,963	\$ 582,845	\$ 560,444	\$ 457,305	\$ 399,420
% of Total Operating Revenue	4.92%	4.77%	4.71%	4.68%	4.91%	4.99%	5.09%	4.84%	4.24%	4.06%

⁽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
2019	\$	16,097,699	\$	15,840,316	98.40%
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%

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

Source: Impresa 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)
2019	5.19	4.79	92.34%	7.66%	94.90%	5.10%
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%

⁽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 2019

June 30,	2009A Loan P & I	2009B Loan P & I	2012 Bond P & I	2013 Bond P & I	2014 Bond P & I	Parity Bond Totals	Contractual Obligations	Grand Totals
2020	52,346	46,341	835,575	747,138	624,873	2,306,272	1,158,181	3,464,453
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	\$ 588,896	\$ 509,747	\$ 18,544,825	\$ 16,941,828	\$ 6,274,300	\$ 42,859,596	\$ 12,744,792	\$ 55,604,388

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

Debt and Debt Service per Customer
Last Ten Fiscal Years Summary

Year	Parity Debt ⁽¹⁾	Non-Parity Debt / Contractual Obligations	Total Debt (See Note 4)	Total Annual Debt Service ⁽²⁾	Customers (Water)	Per Customer Total Debt (\$)	Per Customer Debt Service (\$)	Total Personal Income (\$000's)	Debt per Personal Income
2019	29,540,472	11,459,446	40,999,918	3,581,936	17,296	2,370	207	N/A	N/A
2018	30,808,552	12,484,434	43,292,986	3,671,687	16,583	2,611	221	N/A	N/A
2017	32,040,618	13,586,324	45,626,943	3,625,906	15,902	2,869	228	12,932,758	0.25%
2016	33,231,694	14,575,106	47,806,800	3,819,025	15,112	3,163	253	12,261,518	0.27%
2015	34,621,803	15,489,534	50,111,337	3,752,289	14,239	3,519	264	11,770,438	0.29%
2014	35,227,840	16,791,212	52,019,054	3,385,185	13,553	3,838	250	11,036,037	0.32%
2013	27,416,356	17,843,388	45,259,744	3,554,688	13,000	3,482	273	10,384,594	0.26%
2012	28,403,350	18,778,395	47,181,745	3,531,016	12,395	3,807	285	10,090,035	0.28%
2011	28,153,716	16,589,240	44,742,956	2,868,422	11,969	3,738	240	9,571,120	0.29%
2010	28,600,452	10,506,197	39,106,649	2,757,735	11,612	3,368	237	9,064,438	0.32%

⁽¹⁾ Presented net of related premiums, discounts, and adjustments.

⁽²⁾ 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

	2019	2018	2017 ⁽²⁾	2016	2015	2014	2013	2012	2011	2010
Operating Revenue	\$ 17,023,142	\$ 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
Interest and Other Income	645,938	221,897	139,261	81,366	45,774	22,685	76,404	58,207	54,736	58,957
Gross Revenue	17,669,080	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
(Operating Expenses)	(8,181,184)	(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)
Net Revenues	9,487,896	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
Capital Facilities Charges	1,820,766	1,857,285	1,159,204	2,202,475	916,400	1,086,996	499,675	323,325	273,128	1,274,199
Net Revenues and Capital Facilities Charges	11,308,662	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
Total Parity Debt Service	2,423,755	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
Parity Debt Service Coverage @ 110% (Net Revenues)	3.915	3.222	2.990	2.851	2.317	2.208	2.432	2.745	2.243	2.136
Parity Debt Service Coverage @ 120% (Net Revenues and Capital Facilities Charges)	4.666	3.990	3.470	3.678	2.664	2.648	2.672	2.896	2.372	2.770

⁽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 (County of Lexington)
Last Ten Fiscal Years Summary

Year	Population	Total Personal Income (\$000's)	Per Capita Personal Income	Unemployment Rate
2019	N/A	N/A	N/A	N/A
2018	295,032	N/A	N/A	2.9%
2017	290,642	12,932,758	44,497	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%

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)

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lexington Medical Center	6,450	1	4.37%	4,794	1	3.56%
Lexington School District 1	3,550	2	2.40%	3,212	2	2.39%
Amazon	2,825	3	1.91%			
Michelin Tire	2,425	4	1.64%	1,750	6	1.30%
Lexington School District 5	2,354	5	1.59%	2,500	3	1.86%
State Government	2,327	6	1.58%	1,390	8	1.03%
Walmart	2,013	7	1.36%	2,350	4	1.75%
SCANA	1,790	8	1.21%			
County of Lexington	1,741	9	1.18%	1,406	7	1.05%
Lexington School District 2	1,267	10	0.86%	1,350	9	1.00%
UPS				2,310	5	1.72%
Southeastern Freight Lines				800	10	0.59%
	26,742		18.10%	21,862		16.25%

Source: Lexington County, SC 2018 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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Administrative	2	2	2	2	2	2	2	2	2	2
Finance	3	3	3	3	4	3	3	3	3	3
Customer Service	7	6	6	6	6	6	5	6	6	6
Water	9	10	10	10	8	8	8	8	8	8
Sewer	3	4	4	3	4	5	6	6	6	6
Engineering/Cross Connection	6	5	5	5	4	4	5	5	5	5
Total	30	30	30	29	28	28	29	30	30	30

Source: Commission's Payroll Records

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATISTICAL INFORMATION
TABLE XVII

Operating Indicators
Last Ten Fiscal Years Summary

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water										
Metered Customers Served										
End of Year	17,296	16,583	15,902	15,112	14,239	13,553	13,000	12,395	11,969	11,612
Annual Average	16,956	16,263	15,533	14,705	13,896	13,301	12,709	12,205	11,804	11,040
Water Purchased										
Total Gallons	1,895,156,000	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
Daily Average	5,192,208	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
Elevated/Ground Storage (in millions)	6.50	4.50	4.50	4.50	3.75	3.75	3.75	3.75	3.75	4.00
Sewer										
Customers Connected										
End of Year	5,060	4,813	4,567	4,308	3,973	3,735	3,521	3,321	3,168	3,031
Annual Average	4,928	4,696	4,456	4,151	3,855	3,626	3,421	3,262	3,107	2,913
Wastewater Treated										
Total Gallons	442,559,000	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
Daily Average	1,212,490	1,130,060	1,069,381	941,945	940,197	951,321	863,732	833,616	810,740	802,444

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 2019

Water Distribution System		
Appurtenances		Water Mains
Hydrants	2221	Total Linear Feet 1,831,468
Elevated Tanks	6	Total Linear Miles 347
Ground Storage Tanks	2	
Pressure Reducing Stations	11	
Booster Pump Stations	9	
Chlorine Booster Stations	1	
Capacity @ City of West Columbia Surface Water Plant	12.07 MGD	

Sewer Collection System		
Appurtenances		Sewer Pipes
Manholes	1611	Total Linear Feet 593,973
Sewer Pump Stations	27	Total Linear Miles 112
Capacity @ City of Cayce Regional Wastewater Treatment Plant	4.626MGD	

Capital Assets		
Category	Number	Net Book Value
Non-Depreciable Assets:		
Land	N/A	\$ 7,097,095
Construction in Progress	N/A	4,873,880
		11,970,975
Depreciable Assets:		
Buildings	5*	1,993,863
Machinery & Equipment	52	1,663,100
Furniture	N/A	1,219,214
Vehicles	31	821,979
Water Distribution System	N/A	77,715,340
Sewer Collection System	N/A	57,161,255
		140,574,750
Total Capital Assets		152,545,724
Less Accumulated Depreciation		(35,125,138)
Net Total of Capital Assets		\$ 117,420,587

*Excludes various storage facilities and site location buildings.

COMPLIANCE SECTION

THE BRITTINGHAM GROUP, L.L.P.

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

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, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 3, 2019.

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.

A handwritten signature in black ink that reads "The Brittingham Group LLP". The signature is written in a cursive style and is contained within a thin black rectangular border.

West Columbia, South Carolina
December 3, 2019



PROGRESS THROUGH COOPERATION

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