

**JOINT MUNICIPAL
WATER AND SEWER COMMISSION**

ANNUAL REPORT

January 31, 2011

CUSIP Prefix 529055

Submitted in compliance with the provisions a Disclosure Dissemination Agent Agreement between the Commission and Digital Assurance Certification, L.L.C. dated as of March 1, 2003, which was executed in connection with the Commission's \$15,845,000 Water and Sewer System Revenue Bonds, Series 2003.

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INTRODUCTION

This Annual Report of the Joint Municipal Water and Sewer Commission (the “Commission”) is submitted in compliance with the provisions of a Disclosure Dissemination Agent Agreement dated March 1, 2003, entered into between the Commission and Digital Assurance Certification, L.L.C. (“DAC”) in connection with the Commission’s \$15,845,000 Water and Sewer System Revenue Bonds, Series 2003 (the “Bonds”). 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 Annual Report and future Annual Reports 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.

This Annual Report, as of the date hereof, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. No persons at the Commission have undertaken to independently verify information pertaining to nongovernmental data and activities contained in this Annual Report, 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.

FINANCIAL INFORMATION

General Purpose Financial Statements

The Commission’s General Purpose Financial Statements for the 2009-10 Fiscal Year appear as Appendix A to this Annual Report.

Five-Year Summary

The following financial information sets forth a summary of the statements of operations of the Commission for each of the fiscal years ended June 30, 2006 through 2010, which statements are derived from the Commission’s audited financial statements for such years. The financial statements were audited by Brittingham, Brown, Prince and Hancock, LLC, Certified Public Accountants. No additional procedures have been undertaken by an independent accounting firm in connection with the financial information set forth in this Annual Report.

Joint Municipal Water and Sewer Commission
Five Fiscal Years Statement of Revenues, Expenses and Changes in Fund Net Assets

	2006	2007 ⁽¹⁾	2008	2009	2010
Operating Revenues:					
Water Sales and Service	\$3,973,273	\$ 4,579,276	\$ 5,349,108	\$ 4,770,958	\$ 5,466,085
Sewer Sales and Service	1,008,977	1,023,613	1,189,786	1,252,658	1,427,240
Other Operating Revenues	212,072	883,204	1,369,030	190,501	742,711
Account Maintenance Fees	867,824	1,024,479	1,159,973	1,241,085	1,395,995
Backflow Fees	228,818	305,568	335,466	336,621	389,930
Hydrant Fees	296,637	340,326	372,180	378,543	403,997
Total Operating Revenues	<u>\$6,587,601</u>	<u>\$8,156,466</u>	<u>\$ 9,775,543</u>	<u>\$ 8,170,366</u>	<u>9,825,957</u>
Operating Expenses:					
Salaries and Wages	\$ 1,140,852	\$ 1,287,344	\$ 1,378,993	\$ 1,521,531	\$ 1,550,262
Depreciation	1,125,244	1,552,009	1,811,789	1,852,786	1,893,733
Payroll Fringes	324,339	371,103	410,244	430,945	505,162
Contracted Services and Maintenance	330,126	275,891	302,191	354,713	352,864
IVR Transactions & Online Utility Exp	0	0	0	0	6,562
Professional Services	282,319	194,148	211,432	178,250	195,395
Grounds Maintenance	17,786	17,464	17,630	33,895	32,609
Franchise Fees	0	0	0	0	5,626
Sludge Removal	29,303	0	0	0	0
Pelion Lease	0	0	0	0	1,000
Advertising	19,167	11,337	2,053	73	923
Bank Charges	20,149	28,155	39,279	53,777	65,698
Office Supplies	11,704	16,222	14,303	14,704	14,677
Duplicating	16,514	18,906	19,298	8,113	12,625
Operating Supplies	32,869	31,424	83,699	81,434	102,068
Chemicals	70,220	59,316	84,960	102,203	151,033
Equipment Repair and Maint	215,719	170,767	173,205	172,660	144,474
Vehicle Repairs and Maint	24,671	33,285	34,075	28,426	23,049
Building Repairs	226	5,838	30,470	8,525	5,461
Equipment Rental	0	5,100	0	568	124
Building Insurance	11,873	12,631	20,778	7,178	10,791
Vehicle Insurance	15,012	16,498	19,084	13,306	17,629
Gen Tort Liab Ins./Surety Bond	14,232	16,792	22,081	16,144	15,644
Telephone	39,173	39,949	33,397	35,561	29,616
Postage	41,779	50,820	54,663	11,072	18,889
Transportation and Education	21,648	25,604	21,504	29,927	31,057
Utilities	171,874	181,392	256,806	267,910	284,406
Gas, Fuel and Oil	64,154	87,459	98,809	72,330	68,491
Uniforms	10,223	16,219	15,769	17,515	12,455
Licenses and Permits	15,997	15,054	15,054	18,292	25,834
Miscellaneous	51,355	48,890	68,986	56,859	57,158
Tap Installation Costs	218,585	120,800	116,308	16,177	162,478
Wholesale Cost of Water	867,474	1,180,887	1,188,428	1,257,195	1,249,086
Wholesale Cost of Sewer	118,451	256,161	228,568	274,580	347,790
Prov for Uncollectible Accts	15,175	15,918	26,737	24,403	34,548
Retrofit Meters	146,715	423,272	334,386	2,625	18,951
Backflow Devices	61,066	57,659	63,631	0	36,642
Right of Way Clearing	0	5,550	0	5,353	7,709
Total Operating Expenses	<u>\$ 5,545,994</u>	<u>\$ 6,649,857</u>	<u>\$ 7,198,610</u>	<u>\$ 6,969,030</u>	<u>\$ 7,492,523</u>
Operating Income	<u>\$ 1,041,607</u>	<u>\$ 1,506,609</u>	<u>\$ 2,576,933</u>	<u>\$ 1,201,336</u>	<u>\$ 2,333,434</u>
Non-operating Revenues (Expenses)					
Water & Sewer CFC's	\$ 3,392,558	\$ 3,251,557	\$ 3,724,674	\$ (75,208)	\$ 1,274,198
Interest Income	295,205	437,147	470,089	125,083	56,126
Insurance Reimbursement	21,579	22,133	5,041	2,650	2,831
Municipal Grants	158,636	450,000	174,586	1,476,963	514,404
Gain (Loss) on Sale of FA	0	7,335	0	0	0
Interest Expense	(576,033)	(1,157,387)	(1,286,731)	(1,101,806)	(1,374,174)
Amortization Expense	(179,079)	(269,752)	(265,719)	(202,238)	(182,360)
Litigation Settlement	0	(275,000)	(693,662)	0	0
Repurchase Capacity-Swansea	0	(125,100)	0	0	0
Loss on Abandonment of Assets	0	0	0	(327,135)	(21,305)
Net Income	<u>\$ 4,154,474</u>	<u>\$ 3,847,542</u>	<u>\$ 4,708,211</u>	<u>\$ 1,099,645</u>	<u>\$ 2,603,155</u>
Capital Contributions/Deletions	2,454,317	8,021,325	3,608,048	2,027,306	847,797
Net Assets – July 1	27,524,401	34,133,192	46,002,059	54,315,318	57,442,269
Net Assets – June 30	<u>\$ 34,133,192</u>	<u>\$ 46,002,059</u>	<u>\$ 54,315,318</u>	<u>\$ 57,442,269</u>	<u>\$ 60,893,222</u>

⁽¹⁾ Difference in Operating Expenses shown in Annual Report for Fiscal Year 2007 is due to litigation settlement being reclassified as a non-operating expense.

Historical Coverage

The following table summarizes certain historical financial information related to the System's debt service coverage, as prepared by the Commission.

Fiscal Year Ended June 30,					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Revenue	\$ 6,587,602	\$ 8,156,466	\$ 9,775,543	\$ 8,170,366	\$ 9,825,958
Interest and Other Income ⁽¹⁾	<u>295,205</u>	<u>466,615</u>	<u>475,130</u>	<u>127,733</u>	<u>56,126</u>
Gross Revenue	6,882,807	8,623,081	10,250,673	8,298,099	9,882,084
(Operating Expenses) ⁽²⁾⁽³⁾	<u>(4,420,750)</u>	<u>(5,097,848)</u>	<u>(5,386,821)</u>	<u>(5,116,244)</u>	<u>(5,598,790)</u>
Net Revenues	2,462,057	3,525,233	4,863,852	3,181,855	4,283,294
Capital Facilities Charges	<u>3,392,558</u>	<u>3,251,557</u>	<u>3,724,674</u>	<u>(75,208)</u>	<u>1,274,199</u>
Net Revenues and Capital Facilities Charges	5,854,615	6,776,790	8,588,526	3,106,647	5,557,493
Total Parity Debt Service ⁽⁴⁾⁽⁵⁾	1,250,772	1,394,043	1,392,370	1,437,325	2,007,023
Parity Debt Service Coverage (Net Revenues)	1.97	2.53	3.49	2.21	2.13
Parity Debt Service Coverage (Net Revenues and Capital Facilities Charges)	4.68	4.86	6.17	2.16	2.77

⁽¹⁾ Includes interest earnings on debt service funds and operating funds. Excludes encumbered grant funding.

⁽²⁾ Excludes depreciation.

⁽³⁾ Difference in Operating Expenses shown in Annual Report for Fiscal Year 2007 is due to litigation settlement being reclassified as a non-operating expense.

⁽⁴⁾ Excludes debt service on contractual obligations related to the System, but which are not taken into account for purposes of complying with the Commission's "Rate Covenant." See, "Outstanding Indebtedness" for a description of current outstanding contractual obligations.

⁽⁵⁾ Debt Service for the fiscal years ended June 30, 2006, 2007, 2008 and 2009 excludes interest payments made on bond anticipation notes, which amounted to \$112,400, \$113,100, \$116,640 and \$75,870 respectively. Non-parity debt service is included as a contractual obligation in the "Outstanding Indebtedness" section of this report.

Budget

The following table sets forth the budgeted revenues and expenses of the System for the fiscal year ended June 30, 2010, as amended periodically according to budgetary policies, the actual results for such fiscal year and the variance therefrom, and the currently budgeted revenues and expenses for the fiscal year ending June 30, 2011 (as initially adopted).

	Budgeted - Fiscal Year ended June 30, 2010	Actual Results - Fiscal Year ended June 30, 2010	Variance - Over / (Under) Budget	Budgeted - Fiscal Year ending June 30, 2011
Operating Revenues:				
Water Sales and Service	\$ 5,685,606	5,466,084	(\$ 219,522)	\$ 5,719,970
Sewer Sales and Service	1,297,067	1,427,240	130,173	1,419,297
Hydrant Fees	379,300	403,997	24,697	393,202
Other Operating Revenues	417,473	742,712	325,239	387,721
Account Maintenance Fees	1,278,188	1,395,995	117,807	1,631,389
Cross Connection	319,000	389,930	70,930	345,000
Total Operating Revenues	\$ 9,376,634	\$ 9,825,958	\$ 449,324	\$ 9,896,579
Operating Expenses:				
Salaries and Wages	\$ 1,550,553	\$ 1,550,263	\$ (290)	1,576,587
Depreciation ⁽¹⁾	0	1,893,733	1,893,733	0
Payroll Fringes	507,547	505,064	(2,483)	526,973
Contracted Services and Maintenance	390,088	352,865	(37,223)	384,000
Professional Services	273,250	195,398	(77,852)	434,000
Due to Other Governments	0	6,626	6,626	0
Right of Way Clearing	10,000	7,709	(2,291)	10,000
Advertising	3,250	1,111	(2,139)	3,000
Office Supplies	20,750	14,677	(6,073)	22,250
Duplicating	16,721	12,625	(4,096)	17,500
Operating Supplies	105,050	102,068	(2,982)	85,000
Chemicals	154,000	151,033	(2,967)	165,000
Equipment Repair and Maintenance	246,625	144,474	(102,151)	247,500
Vehicle Repairs and Maintenance	38,825	23,049	(15,776)	40,000
Building Repairs	16,000	5,462	(10,538)	20,000
Equipment Rental	5,000	124	(4,876)	5,000
Building Insurance	20,000	10,791	(9,209)	21,000
Vehicle Insurance	20,000	17,629	(2,371)	21,000
General Tort Liability Ins./Surety Bond	18,000	15,644	(2,356)	18,000
Telephone	42,300	29,616	(12,684)	41,000
Postage	19,600	18,890	(710)	10,000
Transportation and Education	42,589	31,058	(11,531)	43,910
Utilities	309,250	284,406	(24,844)	325,000
Gas, Fuel and Oil	89,358	68,491	(20,867)	118,250
Uniforms	13,825	12,456	(1,369)	16,900
Licenses and Permits	26,750	25,834	(916)	31,000
Miscellaneous	173,565	161,932	(11,633)	204,500
Tap Installation Costs	232,500	162,478	(70,022)	125,000
Retrofit Meters/New Hydrant Installation	19,000	18,951	(49)	5,000
Wholesale Cost of Water	1,330,467	1,249,086	(81,381)	1,335,000
Wholesale Cost of Sewer	299,241	347,790	48,549	335,000
Provision for Uncollectible Accounts	0	34,548	34,548	26,700
Backflow Devices	36,650	36,642	(8)	40,000
Total Operating Expenses	\$ 6,030,754	\$ 7,492,523	\$ 1,461,769	\$ 6,254,070
Non-operating Revenues (Expenses)				
Water and Sewer Tap Fees	355,500	1,274,198	918,698	75,750
Interest Income	104,192	56,126	(48,066)	42,178
Insurance Reimbursement	0	2,831	2,831	0
Net Grant Income	108,051	514,404	406,353	0
Gain (Loss) on Sale of Fixed Asset	0	(21,305)	(21,305)	0
Interest Expense	(1,393,010)	(1,374,174)	18,836	(1,386,495)
Amortization Expense	(144,847)	(182,360)	(37,513)	(106,488)
Net Income	\$ 2,375,766	\$ 2,603,155	\$ 227,389	\$ 2,267,454

⁽¹⁾Depreciation is not budgeted as a single line item, but rather the Commission individually budgets those items that are subject to the Depreciation and Capital Improvements Fund (as described in Section 6.7 of the Indenture of Trust). Pursuant to the Indenture, the Commission maintains this fund in which it deposits from time to time an amount determined in the Annual budget to be used solely for the purpose of restoring or replacing depreciated or obsolete properties of the system, and paying the costs of improvements, betterments and extensions to the System, other than those necessary to maintain the system in good repair and working order.

Outstanding Indebtedness

The following table presents information on the Commission's debt service obligations as of July 1, 2010 on the Bonds and other obligations of the Commission, the proceeds from which were applied to improvements to the System and the principal of and interest on which are payable from the "Net Revenues" of the System. All amounts are rounded to the nearest dollar.

Summary of Financial Indebtedness of the System								
June 30,	2003 Bonds P & I	2008 Bond P & I	2009 Bond P & I	2009A Loan P & I	2009B Loan P & I	Parity Bond Totals	Contractual Obligations ⁽¹⁾⁽²⁾	Grand Total
2011	\$ 868,843	\$ 470,473	\$ 665,518	\$ 61,548	\$ 48,319	\$ 2,114,701	\$ 753,721	\$ 2,868,422
2012	868,480	468,257	656,386	61,548	48,319	2,102,990	703,231	2,806,221
2013	862,742	475,664	663,785	61,548	48,319	2,112,058	695,566	2,807,624
2014	866,793	472,319	659,481	61,548	48,319	2,108,460	532,441	2,640,901
2015	865,312	473,599	664,707	61,548	48,319	2,113,485	532,441	2,645,926
2016	868,375	469,315	663,996	61,548	48,319	2,111,553	532,441	2,643,994
2017	870,819	469,655	662,581	61,548	48,319	2,112,922	532,441	2,645,363
2018	867,619	474,431	660,462	61,548	48,319	2,112,379	532,441	2,644,820
2019	869,009	468,455	667,640	61,548	48,319	2,114,971	532,441	2,647,412
2020	869,769	472,103	658,646	61,548	48,319	2,110,385	532,441	2,642,826
2021	1,394,879	0	664,182	61,548	48,319	2,168,928	532,441	2,701,369
2022	1,396,219	0	663,546	61,548	48,319	2,169,632	532,441	2,702,073
2023	1,395,219	0	661,972	61,548	48,319	2,167,058	532,441	2,699,499
2024	1,392,644	0	664,460	61,548	48,319	2,166,971	532,441	2,699,412
2025	1,394,144	0	660,776	61,548	48,319	2,164,787	532,441	2,697,228
2026	1,393,394	0	666,153	61,548	48,319	2,169,414	396,982	2,566,396
2027	1,395,394	0	660,124	61,548	48,319	2,165,385	0	2,165,385
2028	1,394,894	0	663,156	61,548	48,319	2,167,917	0	2,167,917
2029	1,391,894	0	664,782	61,548	48,319	2,166,543	0	2,166,543
2030	1,395,556	0	0	61,548	44,292	1,501,397	0	1,501,397
2031	1,391,675	0	0	0	0	1,391,675	0	1,391,675
2032	1,395,481	0	0	0	0	1,395,481	0	1,395,481
2033	1,391,513	0	0	0	0	1,391,513	0	1,391,513
Totals	\$ 26,800,667	\$ 4,714,271	\$ 12,592,353	\$ 1,230,962	\$ 962,353	\$ 46,300,606	\$ 8,938,793	\$ 55,239,399

⁽¹⁾Represents obligations to the County of Lexington for repayment of loan, as well as an obligation to the City of West Columbia regarding a Junior Lien Bond, and various Capital Lease Obligations.

⁽²⁾The Commission partnered with the City of Cayce on a State Drinking Water Revolving Loan as Junior Lien debt. This loan closed in Fiscal Year 2010. Quarterly debt service payments for these loans will not commence until construction is complete. Future annual reports will include final debt service payments in the table labeled "Contractual Obligations" shown on following page.

Bonds					
Issue Date	Principal Amount	Description	Annual Payments	Pymt Start Date	Pymt End Date
Series 2003	\$ 15,845,000	Water and Sewer System Revenue Bonds	Varies	12/2003	6/2033
Series 2008	\$ 4,560,000	Water and Sewer System Refunding Revenue Bond	Varies	12/2008	6/2020
Series 2009	\$ 8,500,000	Water and Sewer System Revenue Bond	Varies	12/2009	6/2029
Series 2009A	\$ 1,027,626	State Drinking Water Revolving Loan - Boiling Springs Rd Water Main Extension	\$ 61,548	10/2010	7/2030
Series 2009B	\$ 874,887	State Drinking Water Revolving Loan - AAA Utilities Acquisition	\$ 48,319	9/2010	6/2030

Contractual Obligations				
Contract Date	Description	Annual Pymts	Pymt Start Date	Pymt End Date
5/1998	Lexington County Loan Agreement - Swansea Sewerline (annual payments)	\$ 150,000	5/2004	5/2013
3/2005	City of West Columbia Junior Lien Bond for Lake Murray Plant Expansion (Non-parity debt service obligation)	532,441	3/2006	2/2026
3/2005	City of West Columbia Junior Lien Bond for old outstanding debt. (Non-parity debt service obligation)	38,359	3/2006	6/2010
9/2009	City of Cayce 2009 Junior Lien SRF Loan (Commission's portion)	816,524	12/2011	9/2031
Contract Date	Description	Monthly Pymts	Pymt Start Date	Pymt End Date
7/2007	John Deere Credit Excavator	1,103	8/1/2007	7/1/2011
1/2008	Ford Motor Credit Service Truck	1,641	3/1/2008	2/1/2013

THE COMMISSION

Rates, Fees and Charges

General. The Commission fixes and revises its rates, fees and charges to its retail customers from time to time. Charges are fixed by contract with respect to any wholesale customer.

The current schedules became effective July 1, 2010. Prior to the July 1, 2010 adjustment, the most recent rate changes had been implemented January 1, 2010.

Principal charges billed by the Commission consist of one-time charges imposed prior to provision of service, a basic service charge for water and/or sewer service, a hydrant fee, and a usage charge for each 1,000 gallons used. Other charges are assessed for various miscellaneous transactions.

Wholesale customers pay for water actually delivered to them at adjustable rates established by contract that will not be less than the estimated operation and maintenance cost to the Commission to produce and deliver the water.

Collection and Enforcement of Service Charges. Water and sewer service charges imposed by the Commission on retail customers are billed and collected on a monthly basis. All customers must pay their bills within 15 days of billing date or be subjected to a 5% late payment charge. If any bill remains unpaid 10 days thereafter, service to that customer is discontinued until the customer has paid the past due amount with 5% penalty and a service restoration charge of \$75.00. A reminder notice is sent to the customer after the 15-day period of the initial billing date, which indicates the date of discontinuance of service if the amount due remains unpaid.

If necessary, the Commission may proceed to recover outstanding amounts by filing a lien after complying with the statutory regulations against the property served. Certain amounts are written off as uncollectible debts and removed from accounts receivable. The Commission also participates in the Municipal Association of South Carolina's "Setoff Debt" Program, which allows the SC Department of Revenue to collect any delinquent account or debt owed to certain public bodies. The Department of Revenue deducts the amount of the debt from the debtor's state income tax refund. The money is channeled to the Commission minus an administrative fee.

Rate Regulation. The Commission is authorized, by state law, to fix and revise from time to time rates, fees and other charges for the use of and for services furnished or to be furnished by any water or sewer system owned, operated or maintained by the Commission and on account of which the Commission shall have issued revenue bonds. Such rates, fees and charges are, by law, to be fixed and revised as to provide funds, with other funds available for such purposes, sufficient at all times (a) to pay the cost of maintaining, repairing and operating the System on account of which bonds are issued, including reserves for such purposes and for replacement and depreciation and necessary extensions, (b) to pay the principal of and the interest on the revenue bonds as the same shall become due and reserves therefore, and (c) to provide a margin of safety for making such payments.

The following outlines the current monthly water and sanitary sewer rates effective as of July 1, 2010.

Schedule of Rates					
Effective July 1, 2010					
<u>Monthly Maintenance Fees (according to meter size)</u>					
Meter Size	Water Only		Sewer Only		Two Services
3/4"	\$	8.00	\$	9.00	17.00
1"		17.59		19.80	37.39
1 1/4"		33.49		37.69	71.18
1 1/2"		33.49		37.69	71.18
2		52.58		59.18	111.76
3		103.53		116.54	220.07
4		160.85		181.06	341.91
6		320.08		360.25	680.33
8		511.12		575.30	1,086.42
<u>Volume Charges per Thousand Gallons for Water/Sewer</u>					
	Water Charge		Sewer Charge		
Residential	\$	4.78	\$	5.11	\$51.10 Max for sewer (Max 10,000 gallons)
Commercial		4.91		5.25	
Industrial		4.54		4.87	
<u>Cross Connection Control</u>					
Backflow Protection Fee (Residential - per month)				\$	5.50
<u>Fire Protection Charges</u>					
Hydrant Fee (Residential - per month)				\$	3.00
Hydrant Fee (Commercial - per on-site hydrant per month)				\$	3.00
Sprinkler Heads (per sprinkler head - maximum charge of 500 heads)				\$	0.40
Fire Line Connection Charge per inch				\$	974.00
Dedicated Fireline (Hydrant only)				\$	2,000.00

Number of Customers

The following table provides information on the average number of active water and sanitary sewer service customers for each of the last five fiscal years.

Historical Average annual number of customers

<u>Fiscal Year</u>	<u>Water Customers</u>	<u>Growth %</u>	<u>Sewer Customers</u>	<u>Growth %</u>
2006	7,651	10.23	1,898	9.46
2007	8,706	13.79	2,232	17.60
2008	9,614	11.00	2,560	15.00
2009	10,118	5.25	2,721	6.29
2010	11,040	9.12	2,913	7.06

Statistical Data

The following statistical information is taken from reports of the Commission for the fiscal years ended June 30, 2006 through 2010.

	<u>Water</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Metered Customers Served</u>					
End of year	8,125	9,130	9,905	10,285	11,612
Annual Average	7,651	8,706	9,614	10,118	11,040
<u>Water Purchased</u>					
Total Gallons	1,113,377,000	1,261,770,000	1,432,726,000	1,273,312,000	1,372,603,000
Daily Average	3,050,348	3,456,904	3,925,277	3,488,526	3,760,556
<u>Water Sold</u>					
Total Gallons	982,626,000	1,162,125,000	1,276,069,000	1,186,636,000	1,254,616,000
Daily Average	2,692,126	3,183,904	3,496,079	3,251,058	3,437,304
<u>Elevated Storage (in millions)</u>	4.00	4.00	4.00	4.00	4.00

	<u>Sewer</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Customers Connected</u>					
End of Year	2,025	2,395	2,642	2,761	3,031
Annual Average	1,898	2,232	2,560	2,721	2,913
<u>Sewer Treated</u>					
Total Gallons	261,084,700	259,422,000	265,938,000	278,847,000	292,892,000
Daily Average	715,300	710,745	728,597	763,964	802,444

INFORMATION

Further inquiries and requests for additional copies of this Annual Report should be addressed to: Stephen H. Mann, General Manager, Joint Municipal Water and Sewer Commission, PO Box 2555, Lexington, South Carolina 29071-2555.

APPENDIX A

GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COMMISSION FOR THE FISCAL YEAR ENDED JUNE 30, 2010

[ATTACHED]

JOINT MUNICIPAL
WATER AND SEWER COMMISSION
BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

JOINT MUNICIPAL
WATER AND SEWER COMMISSION
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Brittingham, Brown, Prince & Hancock, LLC

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Members: American Institute of Certified Public Accountants · South Carolina Association of Certified Public Accountants · National Association of Certified Valuation Analysts

Independent Auditor's Report

To the Commissioners
Joint Municipal Water and Sewer Commission
Lexington, South Carolina

We have audited the accompanying basic financial statements of the Joint Municipal Water and Sewer Commission (The Commission) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2010 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, on the immediate following pages, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James T. Brittingham, C.P.A. (1924-1995) · Kerry R. Brown, C.P.A. · Kenneth E. Prince, C.P.A. · James T. Brittingham, Jr., C.P.A. · William H. Hancock, C.P.A. / P.F.S. · A. Scott Hendrix, M.B.A., C.P.A., C.V.A.
Dawn A. Wetherley, CPA · Audrea LL Watlington, CPA

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Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Other General and Administrative Expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brittingham, Brown, Prince & Hancock

September 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Commission's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Commission's financial position is strong, as is evidenced in the accompanying financial data. The Commission has seen an increase in growth during the current fiscal year and corresponding increase in net income. It should be noted that even in this uncertain economic environment, the Commission still saw growth in both water and sewer customers. The increases observed, together with sound fiscal management, have contributed to the financial strength of the Commission. The Commission exceeded debt service coverage requirements and was in compliance with all debt covenants required by borrowing Agreements. The following are key financial highlights:

- The Commission saw a net income of \$2.6 million, an increase over the prior year of \$1.5 million or 136%. Nearly half of that increase, or 47%, is due to water sales, largely from the increase in the Commission's customer base. Further, 36% is attributable to the implementation in the prior fiscal year of measures directed at assisting the developers who are building in the Commission's service area. The steps taken to aid the developers as well as their prudent response to those measures lessened the negative impact on the Commission's books from developer write-downs and the like.
- Further, the Commission's management and staff remain committed to displaying excellent efforts to act as good stewards of the Commission's resources. The positive response from all staff members continuously looking for more efficient ways to conserve resources is evident in the overall financial health of the Commission.
- The Commission recognized an increase in its customer base in the amount of 1,321 or 12.84% for water customers. The majority of those customers, 806, came through system acquisition and franchises. However, the remaining 515 customers still reflect an increase over last year of 5%, which is a percentage point higher than at the same time last fiscal year. Sewer saw an increase of 271 customers, or 9.82%, during fiscal year 2010.
- Work was complete, or near complete, on several main projects towards the end of the fiscal year. The Boiling Springs Rd water main extension and booster pump station, as well as the AAA Utilities acquisition and upgrades were two of the main projects completed in FY2010. The cost of these improvements was funded largely by SRF loans that the Commission executed as well as Community Development Block Grant monies provided by the county and the Commission's cash reserves. Also, property was purchased for the Two Notch Rd elevated tank.
- Recall that in the prior fiscal year, management of the Commission felt it was a feasible business decision to make certain concessions with developers to assist them in alleviating some of the financial burden during these unusual financial times. In March 2009, it was discussed with the Board of the Commission and an agreement was reached for temporary conditions that would help those developers who are experiencing difficulty in the housing market. Subsequent to those temporary conditions, discussions were held with the Board to enact a more permanent solution for the provision of the Commission's tap fee payment policies. Those steps are being taken to provide additional payment options to the developers who elect to build in the Commission's service area. It can be noted that, again, this is an area that is well received by the Commission's business partners.

- Total assets at year-end were \$102.5 million and exceeded liabilities in the amount of \$60 million (i.e. net assets). Total assets increased 6.6 million and total net assets increased \$3.45 million. Unrestricted net assets were \$13.3 million.
- Operating revenues were \$9.8 million, an increase from fiscal year 2009 in the amount of \$1.65 million or 21%. Total operating revenues exceeded budget projections by 5%.
- Operating expenses, excluding depreciation, increased by \$482 thousand or 10% from fiscal year 2009 keeping in line with growth and demonstrating efficient use of available funds in the completion of the major projects that were undertaken during the fiscal year. Further, this figure was well below budgeted amounts, approximately 14%.
- Operating income was \$2.33 million in fiscal year 2010, \$1.2 million for 2009 and \$2.5 million for 2008. This is a good indicator of the sound financial health of the Commission and its ability to sustain itself through difficult financial times.
- Capital Facility Charges increased by \$1.35 million from 2009. This demonstrates the positive effect of the diligent efforts of the Commission to cooperate with its business partners to work toward the betterment of the community. Capital contributions were \$847 thousand, consisting of those systems coming from developers.

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 operation indicators used in the Commission's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Commission using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; a statement of cash flows; and notes to the financial statements.

The *statement of net assets* presents the financial position of the Commission on a full accrual historical cost basis. The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Commission is improving or deteriorating.

While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the *statement of revenues, expenses, and changes in fund net assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets 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 generally accepted accounting principles. 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 draft financial statements were prepared by an external auditor. The Commission's staff has reviewed, approved and accepted 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.

Summary of Organization and Business

The Joint Municipal Water and Sewer Commission was formed in October, 1992 under provisions of existing state code of the Joint Municipal Water Systems Act, 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 Lexington County 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, 2010, was comprised of 11,612 retail accounts and the following wholesale water customers: The Towns of Swansea, and Gaston, as well as the Gilbert-Summit Rural Water District. The Commission assumed franchise operations of the Towns of South Congaree and Pelion in the fiscal year, as well as the acquisition of AAA Utilities. Historically, the Commission has provided limited water supplies to the Town of Lexington and the City of Cayce as needed. Commission headquarters are located on Two Notch Road in Lexington, 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, and customer revenues.

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 plant on Lake Murray is the sole source from which the Commission obtains its water. Wastewater services are provided by the City of Cayce, which provides wholesale treatment services to the Commission for its service area.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management and planning. Comments regarding budget to actual variances and year-to-year variances are included in each section by the name of the statement of account.

Condensed Financial Statements

Condensed Statement of Net Assets	June 30		Variance	
	2010	2009	Dollars	%
Capital assets:				
Producing assets	\$71,605,883	\$69,265,941	2,339,942	3.38%
Construction in progress	6,397,806	1,801,213	4,596,593	255.19%
Current assets, restricted assets and bond costs	24,553,210	24,892,638	-339,428	-1.36%
Total Assets	102,556,899	95,959,792	6,597,107	6.87%
Current Liabilities	4,038,785	3,466,446	572,339	16.51%
Long term Liabilities	37,624,892	35,051,077	2,573,815	7.34%
Total Liabilities	41,663,677	38,517,523	3,146,154	8.17%
Net assets:				
Invested in capital assets, net of related debt	42,582,495	40,709,556	1,872,939	4.60%
Restricted for Construction Projects	3,282,499	5,704,100	-2,421,601	100.00%
Restricted for Debt Service	1,707,821	1,555,761	152,060	9.77%
Unrestricted	13,320,407	9,472,852	3,847,555	40.62%
Total Net Assets	60,893,222	57,442,269	3,450,953	6.01%

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets	Budget and Actual			Variance of 2008 Actual Data To			
	Year Ended June 30,			Budget		2009	
	2010		2009	Dollars	%	Dollars	%
	Actual	Budget	Actual	Favorable (Unfavorable)			
Revenues:							
Water service revenues	\$5,466,085	\$5,685,606	\$4,770,957	-\$219,521	-3.86%	\$695,128	14.57%
Wastewater service rev.	1,427,240	1,406,351	1,252,658	20,889	1.49%	174,582	13.94%
Other Revenues	2,932,633	1,157,773	2,146,750	1,774,860	153.30%	785,883	36.61%
Total Operating revenues	\$9,825,958	\$8,249,730	\$8,170,365	\$1,576,228	19.11%	\$1,655,593	20.26%
Operating Expenses:							
Salaries and Wages	1,550,262	1,550,403	1,521,531	141	0.01%	-28,731	-1.89%
Wholesale W&S Costs	1,596,876	1,629,708	1,531,775	32,832	2.01%	-65,101	-4.25%
Depreciation	1,893,733	n/a	1,852,786	n/a	n/a	-40,947	-2.21%
General & Admin Exp	2,451,652	2,850,643	2,062,938	398,991	14.00%	-388,714	-18.84%
Total Operating Expenses	\$7,492,523	6,030,754	\$6,969,030	431,964	7.16%	-523,493	-7.51%
Operating Income	2,333,435	2,218,976 *	1,201,335	2,008,192 *	90.50% *	1,132,100	94.24%
Non-operating revenue							
(expenses), net	\$ 269,721		-101,691			371,412	365.24%
Income before	2,603,156		1,099,644			1,503,512	136.73%
Capital Contributions							
Capital Contributions	847,797		2,027,306			-1,179,509	-58.18%
Net Assets - July 1	57,442,269		54,315,318			3,126,951	5.76%
Net Assets - June 30	60,893,222		57,442,269			3,450,953	6.01%

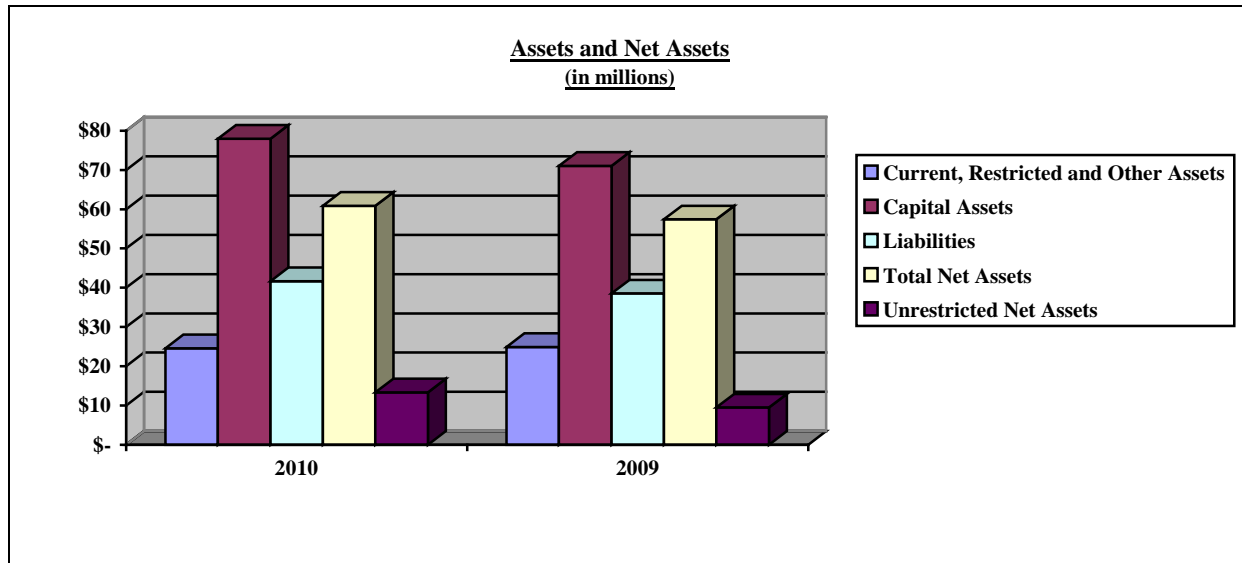
* Note: Depreciation expense is not included in these figures.

Other Selected Information

Selected data for analysis	2010	2009	Change	
			Amount	%
Employees at year end (includes 3 Part-time employees)	31	31	0	0%
Water and wastewater customer accounts at year end:				
Water customers	11,612	10,285	1327	13%
Wastewater customers	3,031	2,761	270	10%
Water consumption (in millions):				
Wholesale	102.4	107.9	-5.5	-5%
Retail residential and commercial	<u>1,148.6</u>	<u>1,070.7</u>	<u>77.9</u>	7%
Total water consumption	1,251.0	1,178.6	72.4	6%
Wastewater service to customers (in millions):				
Wholesale	44.7	41.5	3.2	8%
Retail residential and commercial	<u>286.5</u>	<u>277.1</u>	<u>9.4</u>	3%
Total wastewater service to customers	331.2	318.6	12.6	4%
Revenues per thousand gallons consumed/treated:				
Water service revenues:				
Wholesale	1.09	1.41	-0.32	-23%
Retail residential and commercial	4.59	4.31	0.28	6%
Wastewater service revenues:				
Wholesale	1.50	1.41	0.09	6%
Retail residential and commercial	4.75	4.31	0.44	10%
Expenses per thousand gallons consumed/treated:				
Water/wastewater expenses excluding depreciation	3.54	3.60	-0.06	-2%

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 assets with comparisons to the prior year.

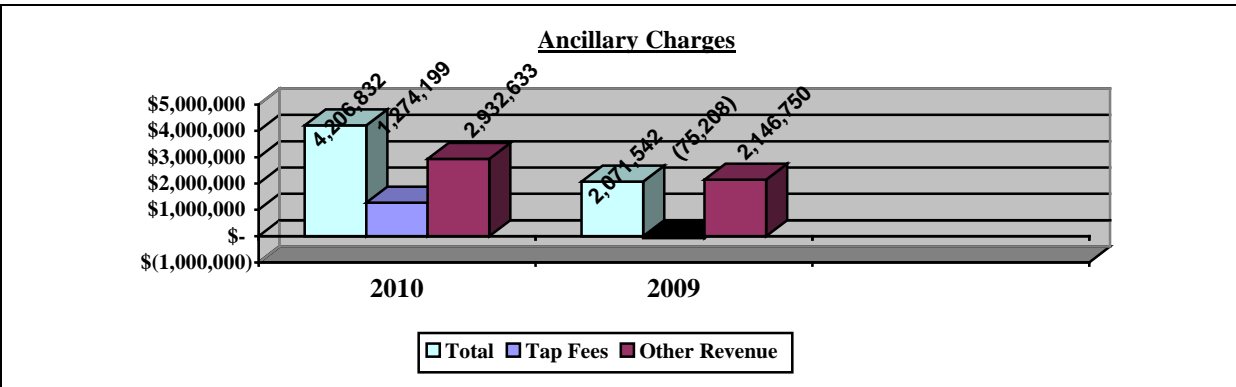
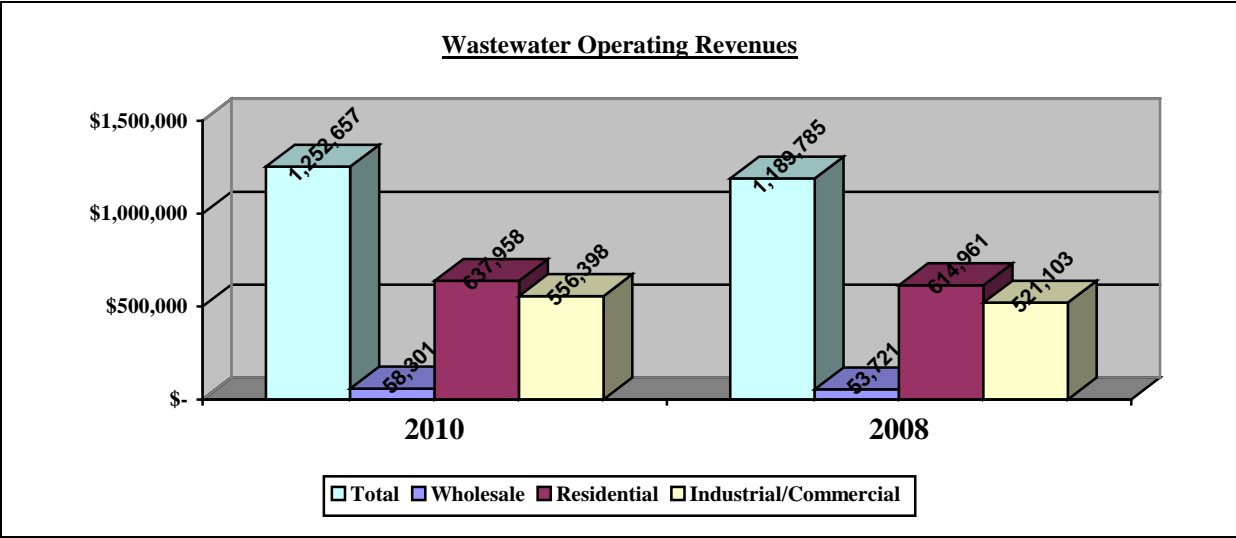
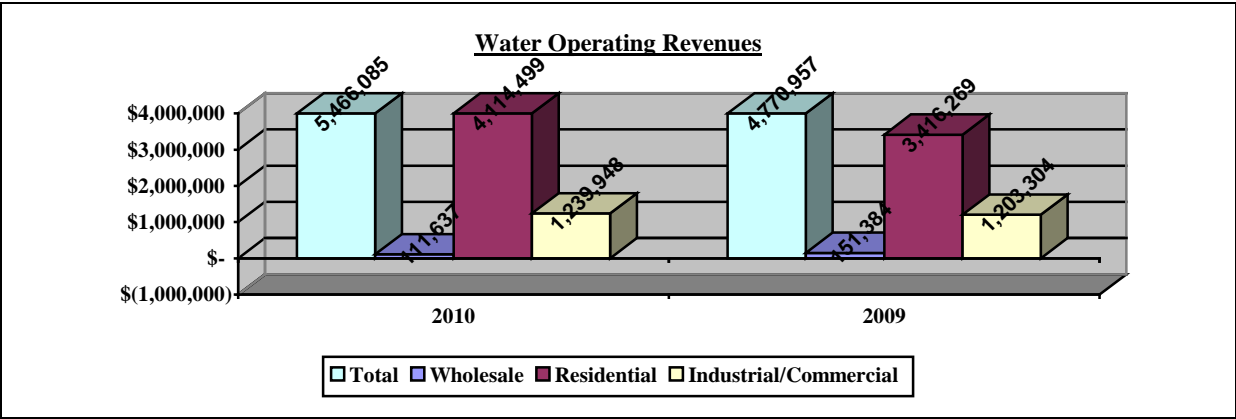


Total assets grew \$6.6 million or 6.9%. This increase was primarily related to the issuance of revenue bonds, for which the disbursement of proceeds is pending, as well as the addition of capital assets, including work on the capital improvements program, developer contributions, and other asset acquisitions. Restricted assets related to debt service increased by \$152 thousand.

Total net assets increased \$3.45 million, resulting directly from capital contributions and capacity fees restricted to capital activity and debt service. Unrestricted net assets increased \$3.8 million.

Results of Operations

Operating Revenues: Revenues from operations fall into three general categories: water service, wastewater service and ancillary charges. Ancillary charges include tap fees, account set up and penalty 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 and industrial/commercial customers. The following chart depicts water and wastewater service revenues for the last two fiscal years.



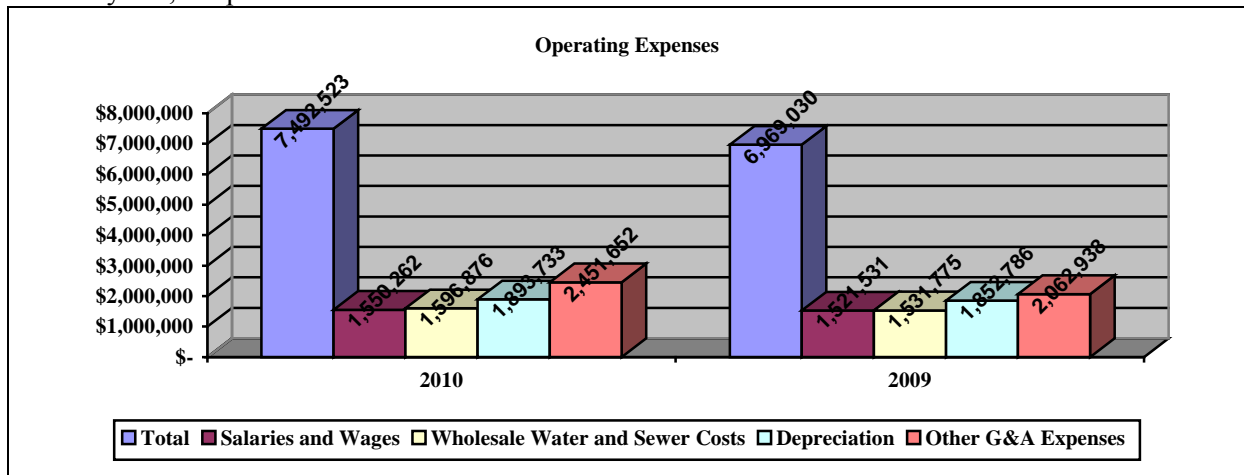
The average realized rate from wholesale water sales was \$1.09 per thousand gallons in 2010 versus \$1.41 per thousand gallons in 2009 and \$1.55 in 2008.

The average realized rate from retail water sales was \$4.59 per thousand gallons in 2010, \$4.31 in 2009 and \$4.45 in 2008. The percentage of water revenues to total operating revenues was 56% for 2010 and 58% for 2009.

The average realized rate from retail wastewater sales was \$4.75 per thousand gallons in 2010 and \$4.31 in 2009, an increase of 10%. Retail wastewater customers' account for 87% of total wastewater treated. The percentage of wastewater revenues to total operating revenues was 15% for 2010 and 2009.

Expenses: The Commission operates and maintains a potable water distribution system and has sufficient capacity allocated at the Cayce WWTF 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 according to an agreement between the City and the Commission.

Operating income was \$2.33 million in fiscal year 2010, \$1.2 million for 2009 and \$2.5 million for 2008. This is a good indicator of the sound financial health of the Commission and its ability to sustain itself through difficult financial times. Operating expenses, including depreciation and overhead for the last two years, are pictured below.



	2010	%	2009	%
Salaries and Wages	1,550,262	21%	1,521,531	22%
Wholesale W&S Cost	1,596,876	21%	1,531,775	22%
Depreciation	1,893,733	25%	1,852,786	27%
General & Administrative Exp	2,451,652	33%	2,062,938	30%
Total Operating Expenses	7,492,523	100%	6,969,030	100%

Salaries and wages remained unchanged comparing 2010 to 2009 due to certain expenses being reclassified as operating expenses. The Commission granted a 2% cost of living wage increase at the beginning of fiscal year 2010.

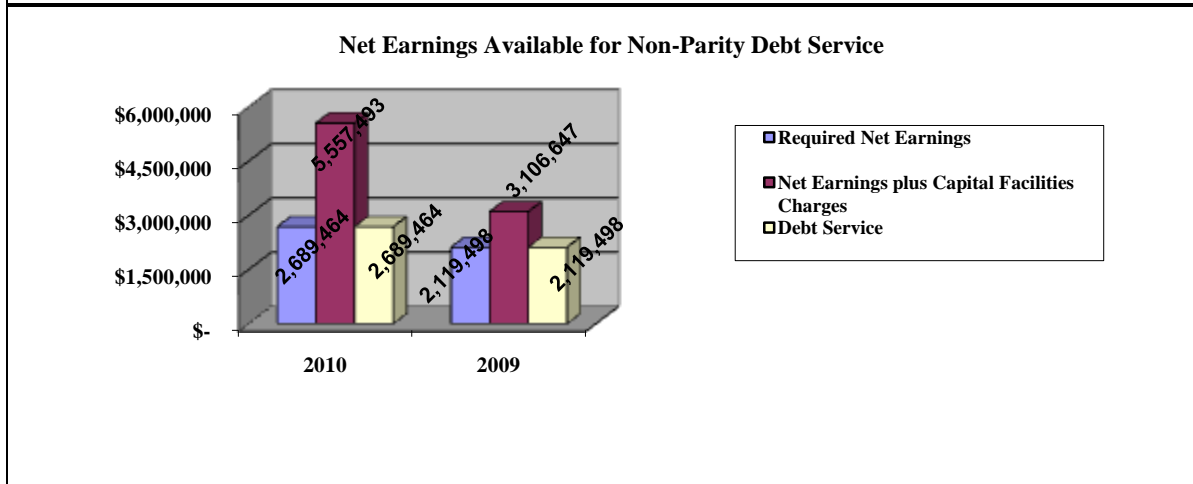
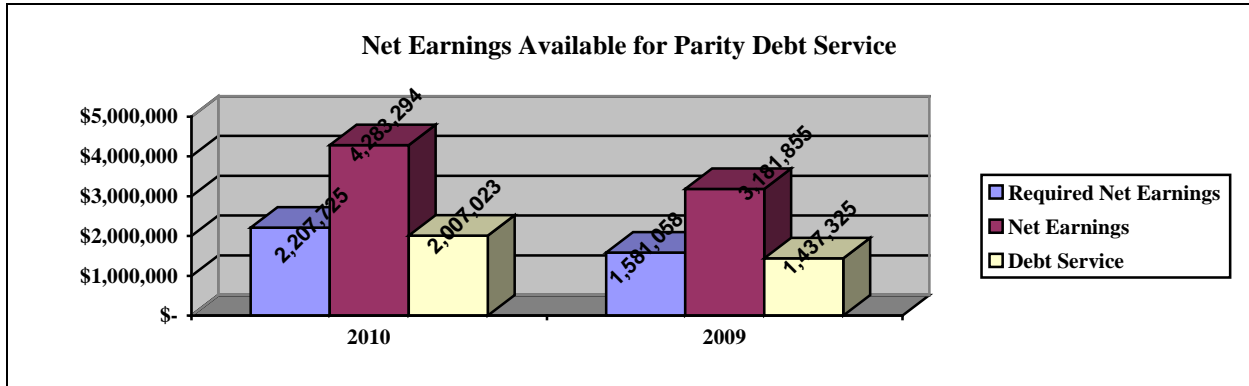
Rate Covenant

In the Bond Resolutions, the Commission covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the Commission, together with other income, that will yield annual Net Earnings in the fiscal year equal to at least 110% of the sum of the annual debt service payments for all parity bonds outstanding. Net earnings is defined by the bond resolution 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 Resolution 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 Resolution 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 2010 and 2009 was 2.77 and 2.16, respectively, including capacity fees, and 2.13 and 2.21, excluding capacity fees.

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. As such, the Commission has obligated its revenues to assist in funding this expansion by means of Junior Lien Bonds. The Commission's old indebtedness to the City of West Columbia for the 2002 Bond was elevated to Junior Lien status, and the new indebtedness regarding the State Revolving Fund (SRF) Loan also maintains Junior Lien Bond status. The bond indenture requires that debt service coverage for Junior Lien Bonds be maintained at 100%. The Commission has met and exceeded this requirement by maintaining Non-Parity Debt Service coverage, including tap fees, at 2.07 for 2010 and 1.47 for 2009. 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:



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>2010</u>	<u>2009</u>	<u>Variance</u>
Total Operating Revenues	9,825,958	8,170,365	1,655,593
Net Cash provided by Operations	4,129,093	2,645,557	1,483,536
Net Operating Cash (as a % of Operating Revenue)	42%	32%	

Capital Assets and Debt Administration

Property, plant and equipment in service, excluding depreciation, increased \$7.2 million in 2010 with \$847 thousand from non-cash developer contributions, and the remaining \$6.44 million funded by, bond issues, capacity fees and operating funds previously restricted for contingency and depreciation. During fiscal year 2010, \$5.2 million was expended on Construction in Progress.

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 capital improvement program, 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.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

ASSETS

	JUNE 30	
	2010	2009
Current Assets:		
Cash and Cash Equivalents	\$ 4,064,446	\$ 1,603,052
Investments	6,198,786	7,167,341
Deposit with Fiscal Agent	44,370	44,370
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$25,014 and \$15,867 respectively)	2,657,207	2,092,535
Grants Receivable	8,192	1,048,380
Due from Other Governments	24,654	102,073
Series 2002 Jr Lien Def. Chg - Current Portion	37,223	37,223
Series 2005 Jr Lien Def. Chg - Current Portion	106,489	106,489
Inventory	210,670	308,028
Prepaid Expenses	51,272	42,072
Total Current Assets	13,403,309	12,551,563
Restricted Assets - Cash		
Cash and Cash Equivalents	150,000	250,000
Investments	4,795,949	7,009,862
Total Restricted Assets	4,945,949	7,259,862
Property, Plant and Equipment:		
Land	158,883	158,883
Buildings	1,523,964	1,509,489
Machinery & Equipment	1,195,316	1,184,011
Office Furniture & Equipment	596,634	535,458
Vehicles	809,706	793,133
Water Distribution System	49,657,360	46,022,414
Sewage Treatment System	31,793,986	32,841,093
Construction in Progress	6,397,806	1,801,213
	92,133,655	84,845,694
Less: Accumulated Depreciation	(14,129,966)	(13,778,540)
Total Fixed Assets	78,003,689	71,067,154
Other Assets:		
Tap Fees Receivable-after one year	2,003,750	1,643,250
Legal Cost of Revenue Bonds (Net of Amortization)	565,455	604,104
Series 2002 Junior Lien Bond Def. Chg	1,088,773	1,125,996
Series 2005 Junior Lien Bond Def. Chg	1,568,352	1,674,840
Series 2005 DSRF - City of West Columbia	212,976	-
Series 2005 DSRF - City of Cayce	710,021	-
Lease - Town of Pelion	39,000	-
A/R Town of Gaston Sewer Line	15,625	33,023
Total Other Assets	6,203,952	5,081,213
Total Assets	102,556,899	95,959,792

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

LIABILITIES AND NET ASSETS

	JUNE 30	
	2010	2009
Current Liabilities:		
Accounts Payable	\$ 718,700	\$ 421,997
Construction Contracts Payable	253,767	161,466
Accrued Salaries	86,254	78,347
Compensated Absences	117,359	110,644
Accrued Payroll Fringes	213	231
Customer Deposits	465,706	403,731
Current Obligation Under Capital Lease	31,578	31,650
Current Portion of Revenue Bonds	864,957	755,000
Current Portion 2002 Junior Lien Bond Obligation	38,359	38,359
Current Portion 2005 Junior Lien Bond Obligation	396,863	389,716
Accrued Revenue Bond and Note Interest	99,277	85,960
Deferred Revenue	811,701	839,345
Due to Other Governments	4,054	
Note Payable-Lex Cty - Current	150,000	150,000
Total Current Liabilities	4,038,786	3,466,446
 Long-Term Liabilities:		
Note Payable-Long Term	300,000	450,000
Revenue Bonds Payable (Net of Current Portion)	30,482,257	27,330,000
Series 2005 Junior Lien Bond	6,809,408	7,206,272
Obligation Under Capital Lease	33,227	64,805
Total Long-Term Liabilities	37,624,892	35,051,077
Total Liabilities	41,663,679	38,517,523
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	42,582,495	40,709,556
Restricted for Debt Service	1,707,821	1,555,761
Restricted for Construction Projects	3,282,498	5,704,100
Unrestricted	13,320,409	9,472,852
Total Net Assets	60,893,222	57,442,269

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	For The Year Ended June 30			
	2010		2009	
<u>Operating Revenues:</u>				
Water Sales and Service	\$	5,466,085		\$ 4,770,957
Sewer Sales and Service		1,427,240		1,252,658
Backflow Fees		389,930		336,621
Hydrant Fees		403,997		378,543
Other Operating Revenues		742,711		190,501
Account Maintenance Fees		1,395,995		1,241,085
<u>Total Operating Revenues</u>		9,825,957		8,170,365
<u>Operating Expenses</u>				
Salaries and Wages	\$	1,550,262		\$1,521,531
Wholesale Water and Sewer Cost		1,596,876		1,531,775
Depreciation		1,893,733		1,852,786
Other General and Administrative Expenses		2,451,652	7,492,523	2,062,938
		7,492,523		6,969,030
<u>Operating Income</u>		2,333,434		1,201,335
<u>Nonoperating Revenues (Expenses):</u>				
Water and Sewer Capital Facility Charges		1,274,198		(75,207)
Interest Income		56,126		125,083
Insurance Reimbursement		2,831		2,650
Capital Grants		514,404		1,476,963
Interest Expense		(1,374,174)		(1,101,806)
Amortization Expense		(182,360)		(202,238)
Loss on Abandonment of Assets		(21,305)	269,720	(327,135)
		269,720		(101,690)
<u>Income Before Capital Contributions</u>		2,603,155		1,099,645
<u>Capital Contributions</u>		847,797		2,027,306
<u>Net Assets - July 1</u>		57,442,269		54,315,318
<u>Net Assets - June 30</u>		60,893,222		57,442,269

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEARED ENDED JUNE 30, 2009)

	For the Year Ended June 30	
	2010	2009
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$ 9,236,117	\$ 8,481,869
Cash Paid to Suppliers	(3,571,383)	(4,349,288)
Cash Paid to Employees	(1,535,641)	(1,487,024)
Net Cash Provided (Used) by Operating Activities	4,129,093	2,645,557
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and Construction of Capital Assets	(4,927,391)	(2,098,812)
Proceeds Capital Lease	-	-
Principal Paid on Bonds and Capital Lease	(1,176,366)	(5,700,184)
Interest Paid on Bonds and Notes	(1,395,800)	(1,091,326)
Principal Paid on Notes	(150,000)	(150,310)
Bond Anticipation Note Paid	-	(3,000,000)
Proceeds on Sale of Capital Asset	12,898	-
Bond Anticipation Note Proceeds		
Bond Proceeds	1,267,079	13,060,000
Bond Issue Costs	-	(82,908)
Capital Grant	1,639,976	517,785
Debt Service Reserve Funding	(922,997)	-
Prepayment of Lease	(39,000)	-
Insurance Reimbursements	2,831	2,650
Payment to Fiscal Agent	(44,370)	(44,370)
Principal Received Municipal Note	17,398	10,208
Litigation Settlement	-	-
Water and Sewer Capital Facility Charges	709,448	766,792
Net Cash Provided (Used) For Capital and Related Financing Activities	(5,006,294)	2,189,525
<u>Cash Flows From Investing Activities</u>		
Increase In Investments	3,182,468	(5,406,322)
Interest Received	56,126	125,083
Net Cash Provided (Used) By Investing Activities	3,238,594	(5,281,239)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	2,361,393	(446,157)
Cash and Cash Equivalents - Beginning of Year	1,853,052	2,299,209
<u>Cash and Cash Equivalents - End of Year</u>	4,214,445	1,853,052
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	2,333,434	1,201,335
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,893,733	1,852,786
(Increase) Decrease in:		
Accounts Receivable and Other Receivables	(658,171)	291,004
Prepaid Expense	(9,200)	(3,695)
Inventory	97,358	(308,028)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	389,004	(442,819)
Customer Deposits	61,975	23,555
Accrued Annual Leave	6,714	17,992
Accrued Salaries and Fringes	7,889	16,482
Deferred Revenue	6,356	(3,055)
Net Cash Provided by Operating Activities	4,129,093	2,645,557

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

The financial statements of the Joint Municipal Water and Sewer Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity

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

The Joint Municipal Water and Sewer Commission operates under the control of the Joint Municipal Water and Sewer Commission Commissioners. The accompanying financial statements present the financial position and results of operations and cash flows of the Joint Municipal Water and Sewer Commission.

As required by generally accepted accounting principles, the financial reporting entity is defined as the primary government and its component units. 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 Joint Municipal Water and Sewer Commission is defined herein as a primary entity.

Basis of Presentation

The Commission operates as a proprietary fund and is accounted for on the economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (cont'd.)

Basis of Presentation (cont'd.)

The Commission generally follows private sector standards of accounting and financial reporting issued prior to December 1, 1989, except those that conflict with or contradict GASB pronouncements, in accounting and reporting of transactions of its proprietary fund. The Commission has elected not to follow subsequent private sector guidance.

Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB 34). This statement established financial reporting standards for state and local governments including special purpose governments such as the Commission. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretations require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the basic financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives. The Commission implemented GASB 34 as of June 30, 2004.

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.

Restricted Assets

Certain proceeds of enterprise fund operations, as well as certain resources set aside for the repayment of the outstanding Revenue Bond, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Cash received for customer deposits is also restricted.

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.

Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (cont'd.)

Unamortized Revenue Bond Discounts and Issuance Costs

The Joint Municipal Water and Sewer Commission capitalized the bond discounts and issuance costs of its Revenue Bond. The net, unamortized, portion of these costs are shown as other assets on the balance sheet, and are expended 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 is immaterial, hence the election of straight-line amortization.

Fixed Assets

Fixed assets used in proprietary type funds are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at cost or estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized in the proprietary fund as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed.

It is the policy of the 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

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 termination.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (cont'd.)

Compensated Absences (cont'd.)

Vested or accumulated vacation leave of Joint Municipal Water and Sewer 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.

Capital Facility Charges

The Commission accounts for capital facility charges as non-operating revenue. The portion of tap fees that represent a reimbursement of installation cost is recognized as an operating revenue.

Risk Management

Joint Municipal Water and Sewer 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 below listed risks:

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

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

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

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

Estimates

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2. Deposits and Investments

As of June 30, 2010, the Commission had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unrated</u>
SC Local Government Investment Pool	\$10,819,143	Unrated
US Government Backed Securities MM	175,592	Unrated

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

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

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. It is the policy of the Commission to obtain adequate collateralization on all deposits that exceed FDIC insurance coverage. As of June 30, 2010, no funds were exposed to custodial credit risk.

Note 3. Property, Plant, and Equipment

Activity in property, plant and equipment for the year ended June 30, 2010 was as follows:

<u>Asset Class</u>	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Land	\$ 158,883			\$ 158,883
Buildings	1,509,489	14,475		1,523,964
Machinery & Equipment	1,184,011	136,432	125,126	1,195,316
Furniture & Fixtures	535,458	61,176		596,634
Vehicles	793,133	53,058	36,486	809,706
Water Dist.	46,022,414	3,645,561	10,616	49,657,359
Sewer Coll.	32,841,093	371,593	1,418,699	31,793,986
Construction In Progress	1,801,213	5,208,589	611,997	6,397,806
Total Assets	84,845,694	9,490,884	2,202,924	92,133,655
Less Accum. Depreciation	(13,778,540)	(1,893,733)	(1,542,308)	(14,129,966)
Total Fixed Assets	71,067,154	7,597,151	660,616	78,003,689

\$847,797 of the additions for water distribution and sewer collection systems was contributed to the Commission by developers in the current fiscal year.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4. Notes, Bonds, and Capital Leases

Notes, Bonds and Capital Leases at June 30, 2010 consists of the following:

Capital Lease	\$ 64,805
Promissory note payable to the County of Lexington, SC, non-interest bearing, with principal payments of \$150,000 due on the sixth and subsequent anniversary of the date of the loan.	450,000
\$15,845,000 - 2003 Water and Sewer Systems Revenue Bond due in annual installments of \$145,000 to \$1,330,000 through 2033, interest at 3% to 5%.	15,240,000
Series 2002 Junior Lien Bond obligation to the City of West Columbia pursuant to a new water purchase contract signed February 24, 2005 that required that the Commission recognize a portion of the City's bonded debt for water plant expansion.	38,359
Series 2005 Junior Lien Bond obligation to the City of West Columbia pursuant to a new water purchase contract signed February 24, 2005 that required that the Commission recognize a portion of the City's bonded debt for water plant expansion.	7,206,271
\$4,560,000 - 2008 Water Sewer Systems Revenue bond due in annual payments of \$315,000 to \$455,000 through 2020, Interest at 3.759%.	3,870,000
\$8,500,000 - 2009 Water and Sewer Sytem Revenue bond due in annual payments of \$280,000 to \$635,-000 through 2029, Interest at 4.69%.	8,220,000
\$1,024,919 - 2009A State Revolving Fund (SRF) Water and Sewer Systems Revenue bond for Boiling Springs Rd Water Main Extension, Blended Interest Rate at 1.84%, includes capitalized interest of \$2,707.	703,508
\$874,221 - 2009B State Revolving Fund (SRF) Water and Sewer Systems Revenue bond for AAA Utilities acquisition and upgrades, Interest Rate at 1%, includes capitalized interest of \$666.	566,944

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4. Notes, Bonds, and Capital Leases (cont'd.)

Series 2009 Junior Lien Bond obligation to the City of West Cayce pursuant to a new wastewater services agreement signed September 16, 2009 that required that the Commission recognize a portion of the City's bonded debt for wastewater plant expansion, includes capitalized interest of \$24,175.	<u>2,746,762</u>
Subtotal:	39,106,649
Less: Current Portion	<u>(1,481,757)</u>
Total:	37,624,892

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$1,481,927	\$1,386,495	\$2,868,422
2012	1,888,764	1,676,576	3,565,341
2013	2,008,909	1,709,660	3,718,569
2014	1,883,604	1,668,243	3,551,848
2015	1,931,501	1,625,372	3,556,874
2016 – 2020	8,618,063	6,032,643	14,650,705
2021 – 2025	9,405,852	3,914,786	13,320,638
2026 – 2030	8,068,030	1,954,298	10,022,328
2031 – 2033	<u>3,820,000</u>	<u>358,669</u>	<u>4,178,669</u>
Total	<u>39,106,649</u>	<u>20,326,743</u>	<u>59,433,393</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5. Employee Retirement Systems

The majority of 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 the Retirement Division of the State Budget and Control Board, 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. 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 South Carolina Retirement Division maintains four independently 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 the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon completion of 15 years of credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years of credited service. A group-life insurance benefit equal to an employees' annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

The Commission's total covered payroll for the fiscal year was \$1,447,878. Since July 1, 2006, employees participating in the SCRS are required to contribute 6.5% of all compensation, excluding bonuses. 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) established by the State Budget and Control Board. The employer contribution rate is 9.24%. The contributions made for the year ended June 30, 2010 were \$133,784 from the employer and \$94,112 from employees. The Commission's 2010 contributions represented less than one percent of total contributions required of all participating entities. Also, the Commission paid employer group-life insurance contributions of approximately \$2,172 for the year ended June 30, 2010 at the rate of .15% of compensation.

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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 and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of 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) established by the State Budget and Control Board. 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.

Note 6. Deferred Revenue

Deferred 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 403(b) plans is placed in trust for the contributing employee. The Commission has no liability for losses under the plans. Under the Section 457 plan, all deferred compensation plan amounts and earnings remain assets of the employees.

Note 8. Single Audit

The Commission expended more than \$500,000 in federal financial assistance and therefore was required to have an audit performed under the single audit requirements.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to facilitate financial analysis. Certain 2009 amounts have been reclassified to conform to the 2010 presentations.

Note 10. 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, 2010, the Commission had active water main extension construction projects and line replacement projects with commitments to contractors of \$253,766.

Note 11. Subsequent Events

The Commission has evaluated all events subsequent to the basic financial statements for the year ended June 30, 2010 through September 22, 2010, which is the date the financial statements were available to be issued, and determined that there are no additional subsequent events requiring note disclosure.

Note 12. Post-Employment Benefits Other Than Pension

Plan Description

The Commission's defined benefit postemployment healthcare plan (the Plan), which the Commission initiated November 2007, provides medical and dental insurance to eligible retirees under the Medicare age of 65. Employees become eligible when the employee qualifies for retirement benefits under the SCRS and has 10 years of continuous service with the Commission and was employed with the Commission at the time of retirement. Information regarding SCRS eligibility may be obtained from the Comprehensive Annual Financial Report of the Plan. See Note 5.

As of July 1, 2009, the measurement date for the plan year 2010, there were 30 covered participants; 1 member is a retiree receiving benefits and 29 are active participants.

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.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12. Post-Employment Benefits Other Than Pensions (continued)

Funding Policy

The Commission makes a monthly contribution for retiree-only healthcare coverage for currently eligible employees based on its current plan. The monthly contribution that the Commission contributed for fiscal year 2009-2010 was \$2,075. For current retirees the Commission makes a percentage of the healthcare contributions based on years of service. For 10 years (minimum) of service the Commission pays 25% of the retiree's healthcare and dental premium. For 15 years of service the percentage increases 50%, an employee with 20 years of service is eligible for 75% and for an employee who retires from the Commission with 25 or more years of continuous service the Commission pays 100% of the premium until the employee reaches age 65. For the fiscal year 2009-2010, the Commission contributed \$14,000 for future retiree healthcare coverage.

The Commission's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is based on an actuarial valuation that is prepared in accordance within certain parameters. The current rate is 1½ percent of annual covered payroll.

Annual OPEB Cost and Funded Status and Funding Progress

For the fiscal year 2009-2010, the Commission's annual OPEB cost was \$ 20,700 for the Plan, which was equal to the ARC. The following table shows the components of the Commission's annual OPEB cost for the fiscal year ended June 30, 2010:

Normal Cost	\$ 7,500
10 Year amortization of unfunded accrued liability (UAL)	<u>13,200</u>
Total Annual Required Contribution	<u>\$ 20,700</u>

Contributions included \$ 14,000 paid by the Commission to the Plan to pre-fund benefits and \$6,700 made by the Commission through payment of covered participants' explicit and implicit subsidized benefits.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12. Post-Employment Benefits Other Than Pensions (cont'd)

The Commission implemented GASB Statement No. 45 in fiscal year 2009-2010. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB (obligation) asset for the fiscal year ended June 30, 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
6-30-2010	\$20,700	100%	\$ 0

At June 30, 2010, the actuarial accrued liability for benefits (AAL) was \$112,100, with \$14,000 in Plan assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$98,100. The funded ratio (Actuarial value of Plan assets/AAL) was 12.5 percent. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,364,800, and the ratio of the UAAL to covered payroll was 7.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

JOINT MUNICIPAL WATER AND SEWER COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12. Post-Employment Benefits Other Than Pensions (cont'd)

The Commission uses the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included a 6.5% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 8.10%. The trend rate, based on the Getzen Trend model, is graded to 4.5 percent over 80 years. Both rates included a payroll growth rate of 4%. The dental cost trend rate was assumed to be 5.0% per annum. The asset valuation method used is market value. The ORBET trust's actuarial consultants intend to use a smoothing method over a 5 year period with the assumed investment rate of return. The Plan's UAAL is being amortized on the level dollar method. The remaining amortization period at June 30, 2010, was 9 years.

JOINT MUNICIPAL WATER AND SEWER COMMISSION
SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	Fiscal Year Ended	
	2010	2009
Payroll Fringes	\$ 505,162	\$ 430,945
IVR Transaction and Online Utility Expenses	6,562	\$0
Contracted Services and Maintenance	352,864	354,713
Professional Services	195,395	178,250
Franchise Fees	5,626	-
Pelion Lease	1,000	-
Right of Way Clearing	7,709	5,353
Grounds Maintenance	32,609	33,895
Advertising	923	73
Provision for Uncollectible Accounts	34,548	24,403
Bank Charges	65,698	53,777
Office Supplies	14,677	14,704
Backflow Devices	36,642	1
Duplicating	12,625	8,113
Operating and Engineering Supplies	102,068	81,434
Chemicals	151,033	102,203
Equipment Repairs and Maintenance	144,474	172,660
Vehicle Repairs and Maintenance	23,049	28,426
Building Repairs	5,461	8,525
Equipment Rental	124	568
Building Insurance	10,791	7,178
Vehicle Insurance	17,629	13,306
General Tort Liability Insurance and Surety Bond	15,644	16,144
Telephone	29,616	35,561
Postage	18,889	11,072
Meetings, Training and Subscriptions	31,057	29,927
Utilities	284,406	267,910
Gas, Fuel and Oil	68,491	72,330
Uniforms	12,455	17,515
Licenses and Permits	25,834	18,292
Miscellaneous	57,158	56,859
Tap Installation Costs	162,478	16,177
Retrofit Meters and Hydrant Installations	18,951	2,625
Total Operating Expenses	<u>\$2,451,652</u>	<u>\$2,062,939</u>

JOINT MUNICIPAL WATER AND SEWER COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY GRANT
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
CDBG - Entitlement Grants Cluster-Cluster			
Department of Housing and Urban Development Direct Programs			-
Total Department of Housing and Urban Direct Programs			-
Department of Housing and Urban Development Pass-Through Programs From			
COUNTY OF LEXINGTON-Community Development Block Grants/Entitlement Grants	14.218		\$ 400,000
ARRA-Community Development Block Grants/Entitlement Grants	14.218		-
Total Community Development Block Grants/Entitlement Grants			400,000
Total Department of Housing and Urban Development Pass-Through Programs			<hr/> 400,000
Total Department of Housing and Urban Development			<hr/> 400,000
Total CDBG - Entitlement Grants Cluster-Cluster			<hr/> 400,000
Other Programs			
United States Environmental Protection Agency Direct Programs			-
Total United States Environmental Protection Agency Direct Programs			-
United States Environmental Protection Agency Pass-Through Programs From			
STATE OF SOUTH CAROLINA-Capitalization Grants for Drinking Water State Revolving Funds	66.468		108,895
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468		512,459
Total Capitalization Grants for Drinking Water State Revolving Funds			<hr/> 621,354
Total United States Environmental Protection Agency Pass-Through Programs			<hr/> 621,354
Total United States Environmental Protection Agency			<hr/> 621,354
Total Other Programs			<hr/> 621,354
Total Expenditures of Federal Awards			<hr/> <hr/> 1,021,354

SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR JOINT MUNICIPAL WATER AND SEWER COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Schedule 3

Section I - Summary of Auditor's Results:

Financial Statements:

The independent auditor's report on the financial statements expressed an unqualified opinion.

Internal Control over Financial Reporting:

The audit disclosed no material weaknesses or significant deficiencies, relating to the audit of the financial statements.

Noncompliance Material to Financial Statements:

There were no noncompliance findings that were material to the financial statements.

Federal Awards:

Internal Control Over Major Programs:

There were no material weaknesses or significant deficiencies reported relating to the audit of the major federal award programs.

The auditor's report issued on compliance for major programs expressed an unqualified opinion.

There were no audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133.

The major programs of the Joint Municipal Water Sewer Commission in the audit were:

U.S. Department of Housing & Urban Development	CFDA # 14.218
United States Environmental Protection Agency	CFDA # 66.468
United States Environmental protection Agency ARRA	CFDA # 66.468

The threshold used for distinguishing between Type A and B programs was \$300,000.

The Joint Municipal Water and Sewer Commission did not qualify as a low-risk auditee.

Section II – Financial Statement Findings:

None Reported

Section III - Federal Award Findings and Questioned Cost:

None Reported – No Prior year findings.



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National Association of Certified Valuation Analysts · Association of Certified Fraud Examiners

**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
Lexington, South Carolina

We have audited the basic financial statements of the Joint Municipal Water and Sewer Commission (hereafter referred to as the Commission), as of and for the year ended June 30, 2010, as listed in the table of contents and have issued our report thereon dated September 22, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commissions's internal control over financial reporting.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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*.

This report is intended solely for the information and use of management, and the commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Brittingham, Brown, Prince & Hancock

September 22, 2010

James T. Brittingham, C.P.A. (1924-1995) · Kerry R. Brown, C.P.A. · Kenneth E. Prince, C.P.A. · James T. Brittingham, Jr., C.P.A. · William H. Hancock, C.P.A. / P.F.S. · A. Scott Hendrix, M.B.A., C.P.A., C.V.A
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Commissioners
Joint Municipal Water and Sewer Commission
Lexington, South Carolina

Compliance

We have audited the Joint Municipal Water and Sewer Commission's (hereafter referred to as the Commission) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2010. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Commissioners, federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Brittingham, Brown, Prince & Hancock

September 22, 2010