ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

ANDERSON REGIONAL
JOINT WATER SYSTEM

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2020 AND 2019

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED JUNE 30, 2020 AND 2019

Prepared By
Finance Department | Kendall Cleary, CPA | Accountant

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

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ANDERSON, SOUTH CAROLINA

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INTRODUCTORY SECTION

ANDERSON REGIONAL
JOINT WATER SYSTEM

998 Hunters Trail Anderson, SC 29625
Phone: 864-332-6534 Fax: 864-224-6116
www.arjwater.com

October 6, 2020

To the Commissioners and Customers
of Anderson Regional Joint Water System

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") for Anderson Regional Joint Water System (the "Joint Water System") for the year ended June 30, 2020. The Joint Water System assumes responsibility for the accuracy and completeness of the information contained in this report, including all necessary disclosures. The CAFR is designed to provide the reader with a comprehensive understanding of the Joint Water System's financial activities. The enclosed information has been presented to the best of our knowledge and belief.

The Joint Water System's management has established a system of internal controls designed to provide reasonable, but not absolute, assurance for the safeguarding of assets and financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognized that the cost of internal controls should not exceed the benefits.

Pursuant to Section 6-25-140 of the S.C. Code of Laws, an annual audit is required of each joint water system. The accompanying financial statements were audited by Greene Finney, LLP, Certified Public Accountants. Their unmodified report on the financial statements is included in the financial section of this report.

Following the Independent Auditor's Reports, in the financial section of this report is the Management's Discussion and Analysis ("MD&A"). The MD&A provides an overview and analysis of the Joint Water System's financial statements. This Letter of Transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE SYSTEM

The Joint Water System was established in 2002 when thirteen separate member agencies purchased the Lake Hartwell Water Treatment Plant from Duke Power. Since the purchase of the plant, the Joint Water System has added one additional member agency and is governed by a thirteen-member Board of Commissioners. The thirteen-member Board represents fourteen member agencies including: City of Anderson, Big Creek Water District, Broadway Water District, Belton-Honea Path Water Authority, Town of Central, City of Clemson, Hammond Water District, Homeland Park Water District, Town of Pendleton, Powdersville Water, Sandy Springs Water District, Starr-Iva Water District, West Anderson Water District, and Town of Williamston. The System also services Clemson University as a non-governing wholesale customer.

The Lake Hartwell Water Treatment Plant is a 48 MGD pant that provides water on a wholesale basis to the various water districts. In addition to the water treatment plant, the Joint Water System operates the South Anderson Water Supply which is a raw water intake and pump station that supplies raw water to a local industry. With 50 miles of transmission main, the Joint Water System provides water to approximately 200,000 citizens across Anderson, Pickens, and Abbeville Counties.

FINANCIAL PROFILE OF THE SYSTEM

The Joint Water System adopts an annual budget for management and financial planning purposes. During the budgeting process, the Board reviews and assesses future financial plans including: future rate setting projections, future foreseen debt service needs, and future capital purchases. The Joint Water System adopts the budget prior to the beginning of each fiscal year, and sets rates to meet financial, debt, and contractual obligations. One financial benchmark and contractual obligation that the Joint Water System strives to maintain is a favorable debt service coverage ratio. In the Bond Resolutions, the Joint Water System agrees to maintain a debt service coverage ratio of at least 120%. For the year ended June 30, 2020, the debt service ratio was 145%.

LONG TERM FINANCIAL PLANNING

Multi-Year Financial Plan:

The Joint Water System prepares a 20-year Financial Pro Forma Forecast for long-term financial planning. This tool allows the Joint Water System to estimate future capital and financial needs based on growth and other economic indicators. The results produced by the pro forma are incorporation into the Joint Water System's yearly budget and capital improvement plan, which estimates the cost, timing, and funding source of future capital projects.

Miscellaneous Revenue Policy:

The miscellaneous revenue policy allows for no more than 25% of miscellaneous revenues to be used to fund same year expenses. Unused miscellaneous revenues shall accrue to the operating fund for future year capital requirements.

Rate Stabilization Fund:

Revenues collected in the System Repair and Replacement ("R&R") Fund and the Pumped R&R Fund in excess of fund requirements are transferred to the Rate Stabilization Fund for use in mitigating future year rate spikes.

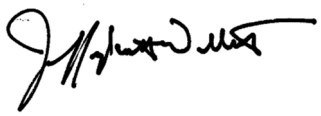
LOCAL ECONOMY

The service area continues to experience modest population growth and job creation. Due in large part to the COVID-19 pandemic, the unemployment rate in the area was 8.5% in fiscal year 2020 compared to 3.2% in fiscal year 2019. By June 2020, most industries in the area were approaching normal production levels and no major industries in the area permanently closed as a result of the pandemic. Sustained population growth provides the basis for projecting increased annual water demands over the immediate term. The service area is well positioned geographically and with adequate infrastructure for sustained future growth in both population and job creation.

ACKNOWLEDGEMENTS

We appreciate the hard work consistently displayed by our commissioners and employees to provide high-quality, clean, safe, reliable, and an economical flow of drinking water to our wholesale customers in Anderson, Pickens, and Abbeville Counties.

Respectively Submitted,



Scott Willett
Executive Director

Anderson Regional Joint Water System

List of Principal Officials

Board of Commissioners

Commissioner		Agency
Benjie McGill*	Chairman	City of Clemson
Dyke Spencer*	Vice-Chairman	Powdersville Water
Jeff Caldwell*	Secretary	City of Anderson
Dwight Edwards*	Past-Chairman	West Anderson Water District
Chuck Cortez*	At Large	Hammond Park Water District
Patrick Jackson*	At Large	Starr-Iva Water and Sewer District
Chuck Cortez		Big Creek Water and Sewerage District
Robert Earle		Sandy Springs Water District
Mitch Ellenburg		Belton-Honea Path Water Authority
Larry Harrell		Homeland Park Water District
Doug Locke		Broadway Water and Sewerage District
Keith Malone		Town of Pendleton
Phillip Mishoe		Town of Central
David Rogers		Town of Williamston

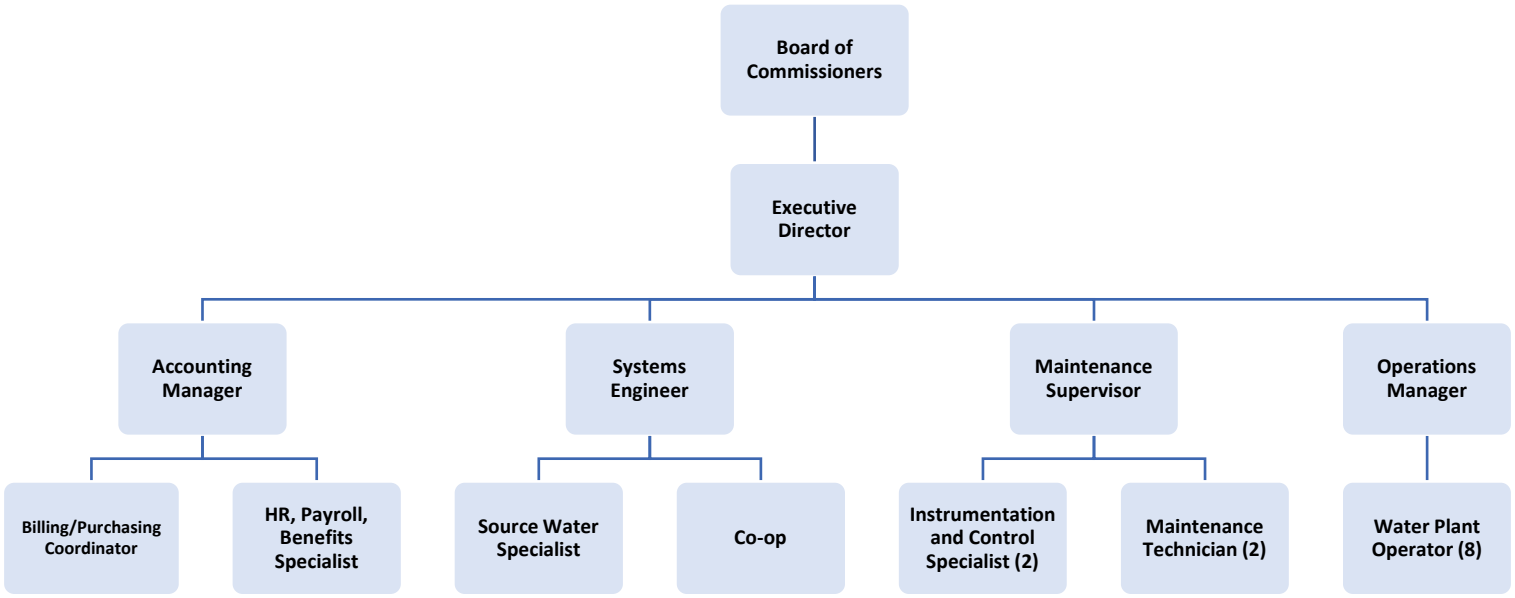
*Executive Committee

Executive Director

Scott Willett

Anderson Regional Joint Water System

Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Anderson Regional

Joint Water System, South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Anderson Regional Joint Water System
Anderson, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Anderson Regional Joint Water System, South Carolina (the "Joint Water System"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Joint Water System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Anderson Regional Joint Water System, South Carolina, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Joint Water System's basic financial statements. The introductory section, supplementary information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 on our consideration of the Joint Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Joint Water System's internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
October 6, 2020

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDING JUNE 30, 2020 AND 2019

Board of Commissioners of the Anderson Regional Joint Water System and to the community we serve:

We are pleased to transmit the Annual Financial Report of the Anderson Regional Joint Water System ("Joint Water System") for the fiscal years ending June 30, 2020 and 2019. Statement No. 34 of the Governmental Accounting Standards Board ("GASB") requires that management provide a discussion and analysis to accompany the financial statements. This discussion and analysis of the Joint Water System's financial performance provides an overview of financial activities for the fiscal years ending June 30, 2020, 2019, and 2018, and should be read in conjunction with the Joint Water System's financial statements.

The Joint Water System operates as a utility enterprise and maintains accounting records in accordance with the U.S. generally accepted accounting principles as prescribed by the GASB. The basic financial statements include: **Statements of Net Position**; **Statements of Revenues, Expenses, and Changes in Net Position**; **Statements of Cash Flows**; and **Notes to the Financial Statements**.

The **Statements of Net Position** present the financial position of the Joint Water System as of a specific date. These statements provide information about the nature and amount of resources (assets and deferred outflows of resources) and obligations (liabilities and deferred inflows of resources), with the difference reported as net position, some of which may be restricted in accordance with bond covenants and Board of Commissioners' ("Board") policy. Over time, increases and decreases in net position may serve as indicators of whether the financial position of the Joint Water System is improving or deteriorating.

The **Statements of Revenues, Expenses, and Changes in Net Position** present the results of the business activities over the course of the fiscal year and information about how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information on the Joint Water System's cost recovery. During fiscal year 2020, the Joint Water System recovered 94.2% of its revenue under a direct cost recovery formula. The remaining 5.8% of system costs are recovered under a revenue neutral wholesale rate under contracted sales to Clemson University, compared to 6.1% in fiscal year 2019 and 5.5% in fiscal year 2018.

The **Statements of Cash Flows** present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. These statements present cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **Notes to the Financial Statements** provide required disclosures and other information essential to fully understand the data provided in the statements. Required supplementary information and supplementary information contain additional financial data and though not a required part of the financial statements, this data enhances information provided to users.

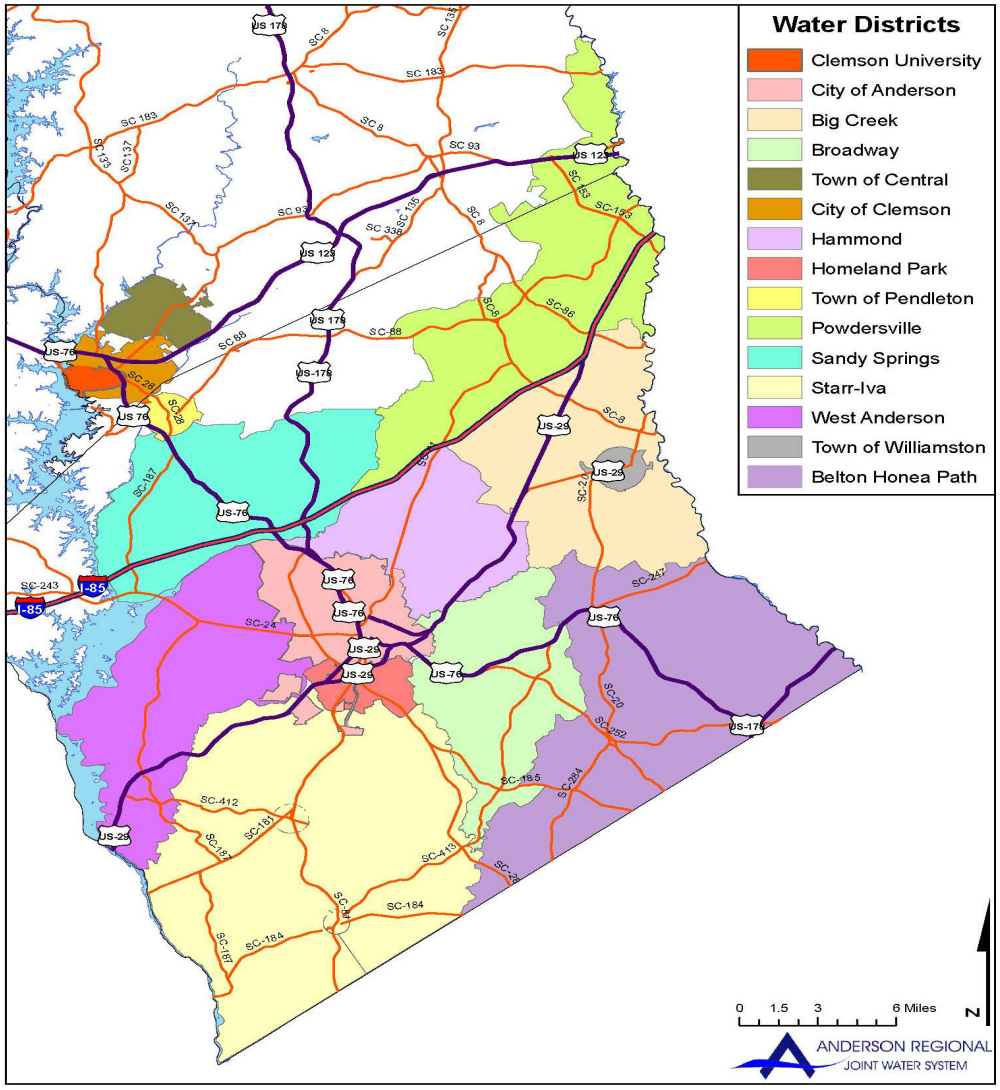
Responsibility for the accuracy of the data as well as the thoroughness of the presentation rests with the management of the Joint Water System. To the best of our knowledge, the enclosed data are accurate in all material respects and adequately present the financial position of the Joint Water System.

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDING JUNE 30, 2020 AND 2019

The Joint Water System

Pursuant to Section 6-25-50 of the S.C. Code of Laws, the Anderson County Joint Municipal Water System, subsequently renamed the Anderson Regional Joint Water System pursuant to Resolution No. 10-12-04, effective October 12, 2004, established an entity for including, but not limited to, the planning, financing acquisition and location of water supply and water distribution systems to insure for an adequate, reliable and economical supply of water to the persons and property served by the members of the Joint Water System, and such other purposes as are or may be permitted by law.



A thirteen-member Board of Commissioners ("Board" or "Commission") representing the fourteen participating member agencies governs the Joint Water System. Clemson University is serviced as a non-governing wholesale customer. The Commissioners serve at the pleasure of their appointing Boards or Councils. The Board, under authority of state law, has and may exercise all powers which are granted to special purpose districts by the Constitution and Laws of South Carolina, except the power to levy and collect taxes.

Actions by the Commission are approved via two voting procedures: agency votes and flow-based votes. Debt issuances are approved based on agency votes, with each agency receiving 1 vote. Debt issuances resulting in increases to total capacity require unanimous consent of the agencies participating in the issue. All other debt issuances, for example, necessary to maintain system reliability or refinancing existing debt, require approval of a two thirds super-majority. Officers are selected based on simple majority of agency votes.

All other board actions, including budget adoption, contract award and policy changes require approval of a simple majority of flow-based votes. One thousand flow-based votes are allocated proportionately based an agency's pro rata water purchases during the preceding calendar year. In addition, each commissioner is entitled to 1 vote. The vote allocation is re-computed annually.

Commission Flow-Based Vote Allocation

	2020 Votes		2019 Votes		2018 Votes	
	Flow	*Total*	*Flow*	*Total*	*Flow*	*Total*
City of Anderson	273	274	278	279	271	272
Big Creek	55	56	61	62	59	60
Broadway	43	44	46	47	45	46
Belton/Honea Path	0	1	0	1	0	1
Town of Central	0	1	0	1	0	1
City of Clemson	126	127	121	122	119	120
Hammond	135	136	123	124	129	130
Homeland Park	39	40	43	44	41	42
Pendleton	25	26	19	20	15	16
Powdersville	11	12	19	20	31	32
Sandy Springs	115	116	112	113	114	115
Starr Iva	60	61	62	63	59	60
West Anderson	84	85	84	85	84	85
Williamston	34	35	32	33	33	34
System Total	**1000**	**1014**	**1000**	**1014**	**1000**	**1014**

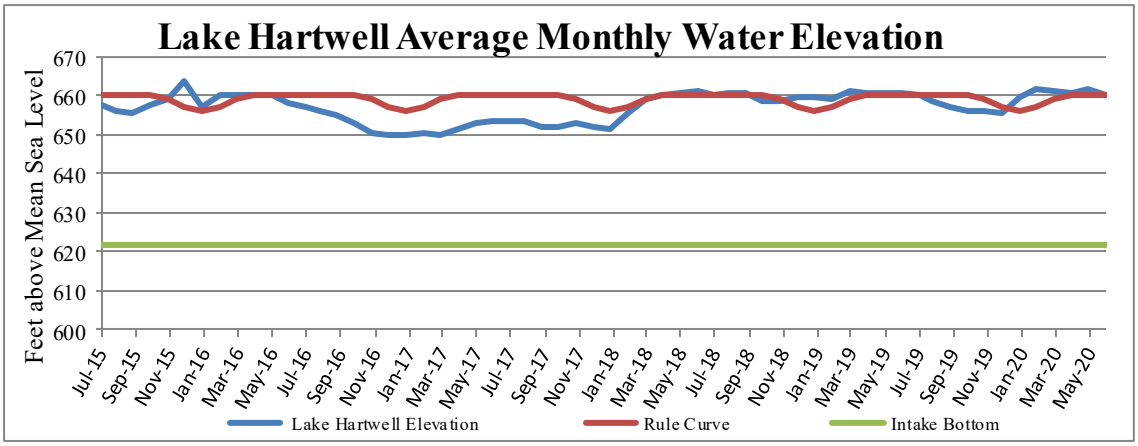
FISCAL YEAR 2020 IN REVIEW

Economic Factors

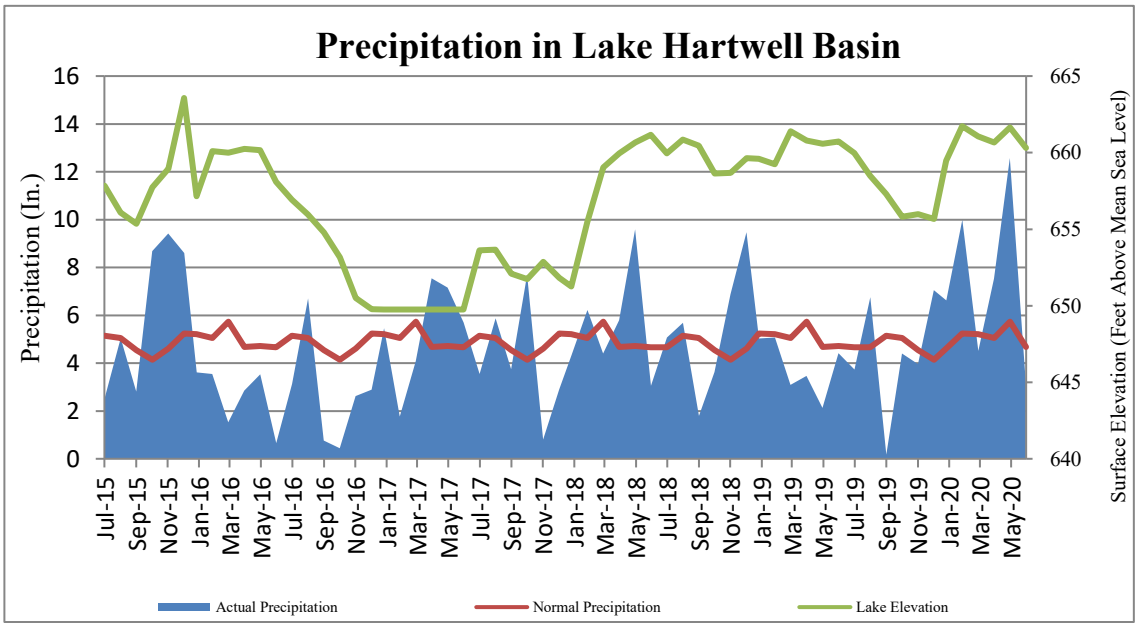
On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency due to the COVID-19 outbreak and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As local and federal governments recommended or mandated restrictions on industries and travel in an effort to curb the COVID-19 outbreak by changing consumer behavior, the Joint Water System member agencies with a heavy industrial presence experienced a negative financial impact and a positive financial impact on member agencies that are mostly residential. The net impact on the Joint Water System was minimal. Management continues to actively monitor the impact from the COVID-19 outbreak on its financial condition, liquidity, operations, workforce, and customers.

Stable Water Resource Supplies

Fiscal year 2020 was characterized by increased rain, but still within normal range for annual precipitation, resulting in stable source water levels in the region. Supplies started the year at full-pool and remained there the entire fiscal year. Ground water levels which provide a long-term indicator of future stream flows remained near long-term median levels.



Source: USACE

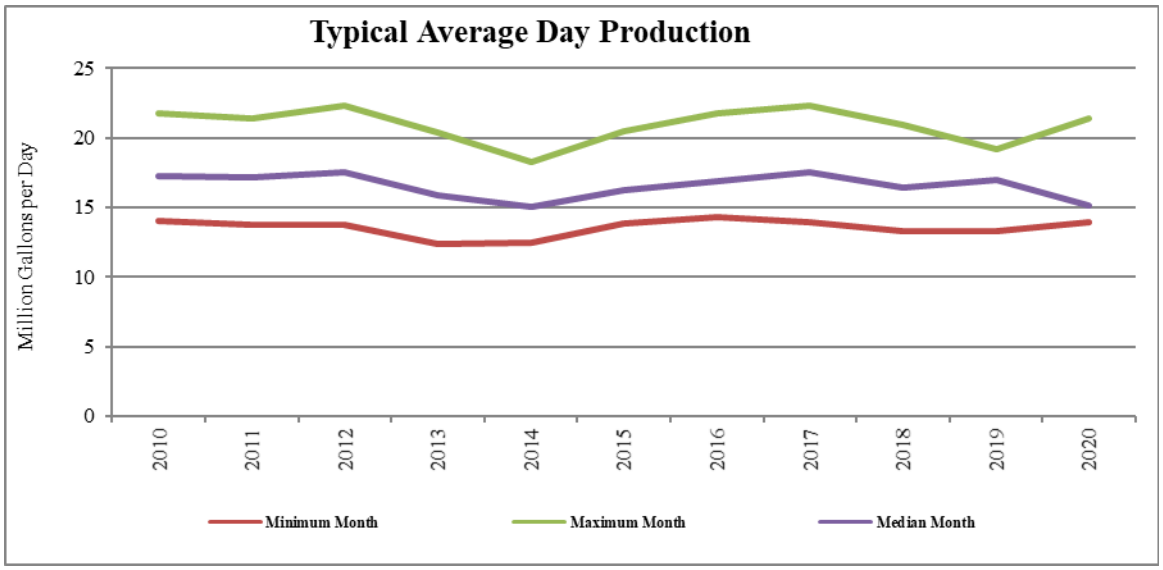


Source: USACE

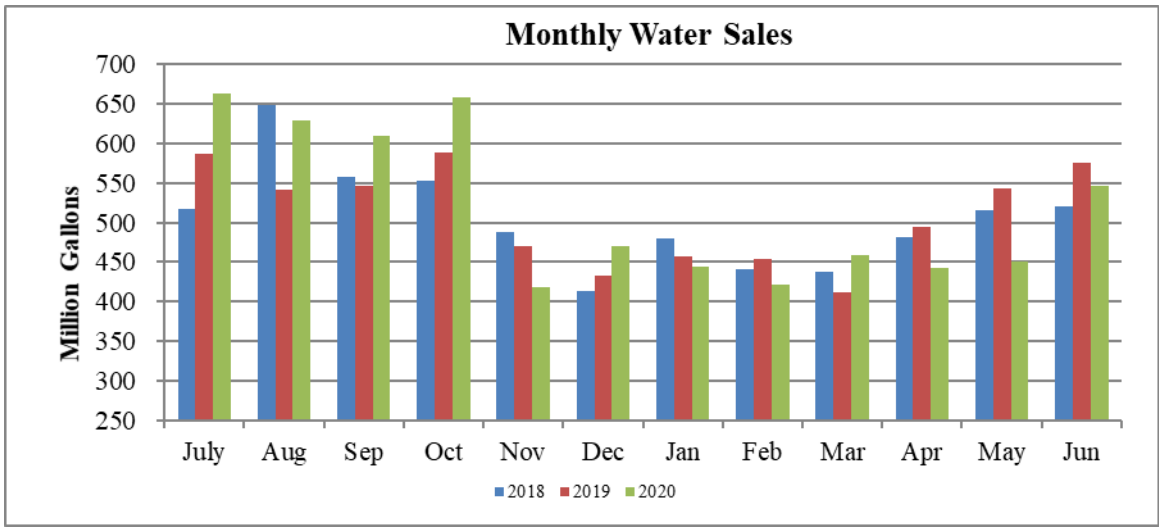
Demand and Consumption

During the fist half of fiscal year 2020, the immediate area experienced stable rainfall and a robust local economy. Beginning in March 2020, the local economy began to experience the impacts of the COVID-19 pandemic and the government mandated restrictions on industries and travel. The member agencies that rely heavily on industries for water sales saw a decrease in demand. Comparitively, member agencies that serve mostly residential areas saw an increase in demand due to remote work and a lack of traveling. These factors provide the impetus for the overall water purchased during fiscal year 2020 to increase by 1.8% from fiscal year 2019.

Examination of typical average day water production data shows a stabilization in average per capita demand during the minimum month compared to the long-term average. This trend would be consistent with demand hardening at the reduced use levels associated with continued conservation behavior brought about by the 2008-2010 economic recession. Per capita water demand during the maximum month increased from the previous year, but the median month declined, showing the impact of the rainy weather and changing habits due to COVID-19 had on total demand over the entire fiscal year.



As the chart below illustrates, the first four months of fiscal year 2020 had higher water sales compared to the previous year due to stable rain fall and a robust economy. January 2020 through June 2020 experienced significantly higher rainfall than average which resulted in decreased water sales. The remainder of the year had average rainfall resulting in similar water sales compared to fiscal year 2019.



Water Purchases
In Gallons

	2020		2019		2018	
Anderson	1,551,010,429	24.96%	1,601,455,883	26.23%	1,550,307,863	25.61%
Big Creek	315,500,000	5.08%	341,000,000	5.59%	346,400,000	5.72%
Broadway	255,064,351	4.11%	254,509,570	4.17%	260,901,281	4.31%
Clemson	767,367,509	12.35%	709,287,155	11.62%	678,279,597	11.20%
Clemson University	357,523,888	5.75%	368,504,193	6.04%	339,557,047	5.61%
Hammond	802,207,708	12.91%	719,674,319	11.79%	721,836,600	11.92%
Homeland Park	238,282,493	3.84%	233,363,541	3.82%	242,189,114	4.00%
Pendleton	147,377,208	2.37%	132,686,522	2.17%	85,184,693	1.41%
Powdersville	61,810,837	0.99%	51,800,000	0.85%	180,700,000	2.98%
Sandy Springs	677,007,000	10.90%	646,722,002	10.59%	644,365,000	10.64%
Starr-Iva	362,248,451	5.83%	356,585,786	5.84%	347,549,155	5.74%
West Anderson	487,684,885	7.85%	497,168,675	8.14%	476,433,623	7.87%
Williamston	189,669,235	3.05%	192,152,054	3.15%	180,843,845	2.99%
TOTAL	6,212,753,994	100.00%	6,104,909,700	100.00%	6,054,547,818	100.00%

System Initiatives

Additional Water Supply Storage Allocation

The Joint Water System's storage rights were initially contracted with the U.S. Army Corps of Engineers for 50 years with the contract expiring in 2017. During fiscal year 2018, the Joint Water System paid the final payment of the original contract of $2,155,900 to secure the original raw water rights. Additional capacity sufficient to meet customer demands for an estimated 30 years was sought in fiscal year 2012. During fiscal year 2020, the new allocation study was not completed.

STATISTICS

Financial Planning

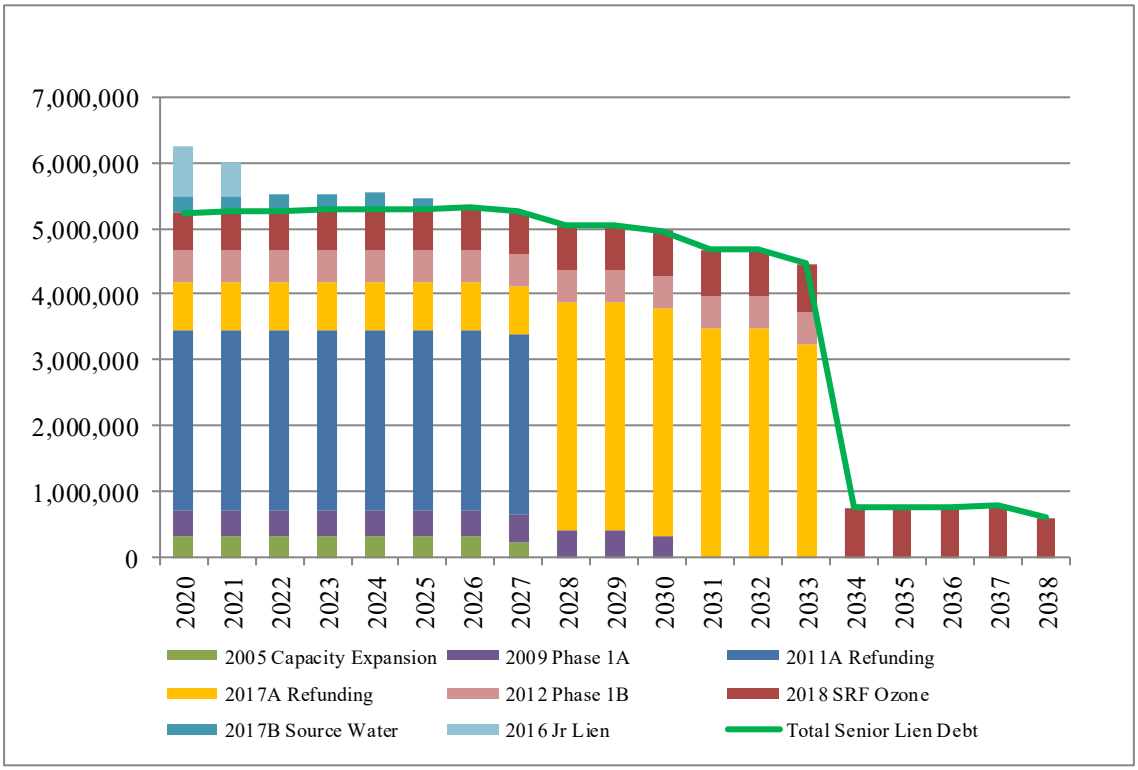
The Board has adopted a Comprehensive Financial Policy that details the parameters necessary to develop a financial model capable of evaluating multiple planning scenarios. The financial model predicts revenue, expenses and water revenue requirements of the utility allowing debt issuances to be optimized under each scenario. The financial model is annually updated to provide multiple year projections for the System and estimated impacts on each member agency.

The Joint Water System adheres to SC state guidelines requiring insured or collateralized accounts with respect to investment policies for all of its funds. While the System bylaws allow the use of limited variable interest rate debt, the Commission has elected to utilize only fixed rate debt issuances. Debt issuances have been made seeking to minimize the total debt outstanding as well as year-over-year debt service cost increases wherever possible.

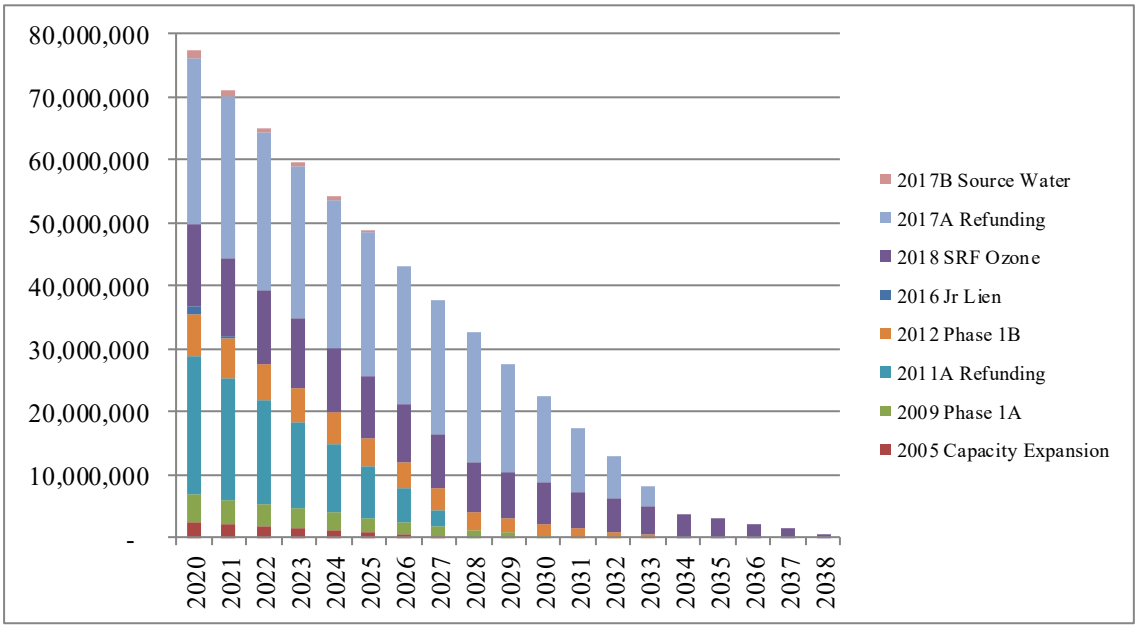
The Joint Water System bond covenants are strong with step-up provisions and absolute repayment obligations. All of the Joint Water System's debt payments, regarding revenue bonds and other loan and repayment contracts, are being made in accordance with prescribed requirements. In addition to the strong financial planning during the budget preparation cycle, it has an excellent record of executing the adopted annual budget. As a result, the Joint Water System is able to maintain an AA- rating on its outstanding bonds from Standard & Poor's and an Aa3 rating from Moody's.

The chart below depicts the Joint Water System's existing and planned annual debt repayment plans.

Annual Debt Service



Total Debt Outstanding



Potable Joint Water System Annual Revenue

FY	O&M Revenue	Debt Service	R&R Revenue	Total Revenue	Demand (kGals)	Average Unit cost
2011	$3,721,351	$4,528,610	$1,286,708	$9,536,669	6,437,476	1.48
2012	3,475,668	4,706,978	1,421,477	9,604,096	6,327,755	1.52
2013	3,549,009	4,538,853	1,392,002	9,479,864	5,852,492	1.62
2014	3,413,820	4,693,037	1,436,050	9,542,907	5,569,827	1.71
2015	3,902,083	4,636,153	1,412,363	9,950,599	6,033,435	1.65
2016	4,228,816	4,652,903	1,422,323	10,304,042	6,345,893	1.62
2017	4,695,657	4,614,029	1,417,697	10,727,382	6,428,531	1.67
2018	4,683,984	4,658,154	1,497,837	10,839,975	6,054,547	1.79
2019	4,405,153	5,264,847	1,623,394	11,293,394	6,104,910	1.85
2020	$4,637,725	$5,272,163	$1,630,008	$11,539,896	6,212,754	1.86

In lieu of fully funding depreciation, the Joint Water System collects funds for Repair and Replacement ("R&R"). The Water Sale and Purchase Agreement stipulates that an amount equivalent to 30% of the gross debt service payments on senior lien bonds be set aside to fund capital refurbishments. While many of the physical facilities are approaching 45 years of life, refurbishments have reduced the effective age (age since last major refurbishment) to less than 10 years on all major equipment classes.

Joint Water System Depreciation

FY	Annual Depreciation	Cumulative Depreciation	Annual R&R	Cumulative R&R	Cumulative Depreciation Funding (%)
2011	$1,595,802	$12,220,430	$1,286,708	$10,404,789	85.14%
2012	1,649,085	13,869,515	1,421,477	11,826,266	85.27%
2013	1,737,462	15,606,977	1,392,002	13,218,268	84.69%
2014	2,049,183	17,656,160	1,436,050	14,654,318	83.00%
2015	2,222,702	19,878,863	1,412,363	16,066,681	80.82%
2016	2,238,239	22,117,102	1,422,323	17,489,004	79.07%
2017	2,259,007	24,376,109	1,417,697	18,906,701	77.55%
2018	2,424,418	26,800,527	1,497,837	20,404,538	76.13%
2019	2,644,014	29,444,541	1,623,394	22,027,932	74.81%
2020	$2,690,616	$32,135,157	$1,630,008	$23,657,940	73.62%

FINANCIAL STATEMENTS

Statements of Net Position

The Statements of Net Position are a financial snapshot of the Joint Water System at June 30, 2020, 2019, and 2018 for both the potable and raw water activities. It presents the fiscal resources of the Joint Water System (assets and deferred outflows of resources), the claims against those resources (liabilities and deferred inflows of resources) and the residual available for future operations (net position). Balance sheet items are classified by liquidity as either current or non-current. Net position is classified by the ways in which they may be used for future operations.

The Joint Water System's total assets at June 30, 2020, 2019, and 2018 were $95,695,051, $97,716,670, and $100,659,048, respectively. Assets consisted primarily of net capital assets, which account for $84,106,187 of total assets for fiscal year 2020. The Joint Water System uses its capital assets to facilitate its mission, which is to provide the highest quality water at the lowest possible price. Comparable figures for total capital assets the two previous years were $86,783,845 for fiscal year 2019 and $88,935,536 for fiscal year 2018.

Depreciation provides an ongoing mechanism for accumulating sufficient reserves to replace plant capital when it reaches the end of its useful life. Depreciation is an annual expense that effectively reduces net position to account for facility aging. Accumulated depreciation was $32,135,157 through fiscal year 2020, $29,444,541 through fiscal year 2019, and $26,800,527 through fiscal year 2018. In lieu of funding depreciation, the Joint Water System utilizes a set of Repair and Replacement Accounts. Presently, these accounts have collected 73.62% of cumulative depreciation, compared to 74.81% in fiscal year 2019 and 76.13% in fiscal year 2018.

The Joint Water System's total liabilities at June 30, 2020 totaled $65,386,892, of which $38,823,640 was Bond debt (which includes a premium on the bonds) used to fund capital projects. Comparably, the Joint Water System's total liabilities at June 30, 2019 totaled $70,157,907, of which $42,058,898 was Bond debt (which includes a premium on the bonds), and at June 30, 2018 totaled $75,774,689, of which $45,189,150 was Bond debt used to fund capital projects.

Anderson Regional Joint Water System
Condensed Statements of Net Position

	June 30,		
	2020	**2019**	**2018**
Current and other assets	$ 11,382,715	$ 10,714,629	$ 11,493,875
Note Receivable	206,149	218,199	229,637
Capital assets, net	84,106,187	86,783,842	88,935,536
Total Assets	95,695,051	97,716,670	100,659,048
Deferred losses on refundings	3,154,282	3,557,804	3,961,326
Deferred pension charges	397,463	461,704	588,867
Total deferred outflows of resources	3,551,745	4,019,508	4,550,193
Current liabilities	5,434,953	5,708,311	6,564,898
Noncurrent liabilities	59,951,939	64,449,596	69,209,791
Total liabilities	65,386,892	70,157,907	75,774,689
Deferred pension credits	21,715	28,939	45,458
Total deferred inflows of resources	21,715	28,939	45,458
Net investment in capital assets	25,701,780	23,982,911	20,985,489
Restricted	8,258,996	8,420,416	7,932,707
Unrestricted	(122,587)	(853,995)	470,898
Total net position	$ 33,838,189	$ 31,549,332	$ 29,389,094

The Joint Water System's net position is separated into three categories. The first category, net investment in capital assets, consists of capital assets (net of depreciation) less related outstanding debt (including deferred losses on refundings) incurred to purchase or produce those assets. The net investment in capital assets balances for 2020, 2019, and 2018 were $25,701,780, $23,982,911, and $20,985,489, respectively. The second category, restricted, consists of restricted assets less accrued interest on construction related long-term debt and funds reserved for use in future years for rate stabilization. The restricted balances for 2020, 2019, and 2018 were $8,258,996, $8,420,416, and $7,932,707, respectively. The third category, unrestricted net assets, consists of all other balance sheet amounts unrelated to acquisition of capital assets. The balances unrestricted balances for 2020, 2019, and 2018 were ($122,587), ($853,995), and $470,898, respectively.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses and changes in net position present the financial activity of the Joint Water System for the years ended June 30, 2020, 2019, and 2018. The Joint Water system operates two separate activities: a potable water system comprising 97.8% of total and a raw water system comprising the balance. Detailed information by activity can be found in the Combining Schedule of Revenues, Expenses and Changes in Net Position. The focus of the following discussion is on operating revenues and expenses that have a significant effect on the provision of water to the customers of the Joint Water System.

Anderson Regional Joint Water System
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30,		
	2020	**2019**	**2018**
Operating Revenues			
Operations and maintenance	$ 4,637,725	$ 4,405,153	$ 4,683,984
Debt service	5,272,163	5,264,847	4,658,154
Renewal and replacement	1,630,008	1,623,394	1,497,837
Miscellaneous	138,747	93,994	121,179
Total operating revenues	11,678,643	11,387,388	10,961,154
Operating Expenses			
Operations and maintenance	2,512,128	2,489,320	2,197,611
Administrative expenses	2,175,957	2,012,528	2,004,218
Depreciation	2,690,616	2,644,014	2,424,418
Total operating expenses	7,378,701	7,145,862	6,626,247
Net operating income	4,299,942	4,241,526	4,334,907
Nonoperating revenues (expenses)	(2,011,085)	(2,131,635)	(1,894,868)
Contributions in aid of construction	-	50,347	466,275
Increase in net position	2,288,857	2,160,238	2,906,314
Net position, beginning of year	31,549,332	29,389,094	26,482,780
Net position, end of year	$ 33,838,189	$ 31,549,332	$ 29,389,094

Operating Revenues

Total Operating Revenues are generated under four categories: Operations and Maintenance Fees including Miscellaneous, Capital Charge for Debt Service, Renewal and Replacement Charges, and Raw Water. The potable water activity contributed 97.8% of the $11,678,643 in total operating revenues for fiscal year 2020. In comparison, potable water actively contributed 97.9% and 97.8% for fiscal year 2019 and 2018, respectively. As shown in the financial statements, total operating revenue for 2020 increased 2.6% from 2019 and operating revenue for 2019 increased 3.9% from 2018 with relatively equivalent changes in each category.

Non-operating Revenues (Expenses)

Non-operating revenues (expenses) are made up of the cumulative of interest income plus proceeds from the sales of assets and grant revenues received, less interest paid on bonds and notes payable and any applicable water credits. For fiscal year 2020 net non-operating expense was ($2,011,085), compared to ($2,131,635) and ($1,894,868) for 2019 and 2018, respectively.

Operating Expenses

The condensed statements of revenues, expenses, and changes in net position show the three main categories of operating expenses. On the full financial statements presented with the Basic Financial Statements and during the budget process, operating expenses are further categorized into six functional budget groups. Operations and maintenance expenses detail the major costs of operating the water treatment plant such as chemicals, electricity, laboratory costs, and routine repairs and replacements. Administrative expenses cover most general expenses of doing business, including payroll and employee benefits. Large infrequent repairs or refurbishments that significantly extend the life of a capital item are funded from the System Repair and Replacement Fund or the Pumped Repair and Replacement Fund. Operating expenses for fiscal year 2020 were $7,378,701, an increase of 3.3% from fiscal year 2019 and an increase of 11.4% from fiscal year 2018.

Statements of Cash Flows

Net cash provided by operating activities was $6,956,821 in fiscal year 2020 compared to $7,562,497 in 2019 and $6,653,634 in 2018. The Joint Water System spent $89,584 for acquisition and construction of capital assets in fiscal year 2020 compared to $1,505,538 in 2019 and $9,133,939 in 2018. Normal debt service payments resulted in principal payments of $4,541,545 and interest payments of $1,902,515 for revenue bonds and other long-term debt during fiscal year 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Joint Water System upgrades the Water Treatment Plant and supporting facilities on an ongoing basis. Total capital assets as of June 30, 2020 were $84,106,187, a decrease of $2,677,655 from fiscal year 2019. Capital asset additions during the year consisted of $12,961 related to the Highview Generator Project. These additions were offset by depreciation expense of $2,690,616.

Total capital assets as of June 30, 2019 were $86,783,842, a decrease of $2,151,694 from fiscal year 2018. The decrease in capital assets from 2018 to fiscal year 2019 was primarily due to various additions of $492,320 offset by depreciation expense of $2,644,014.

See Note 3 in the accompanying notes to the financial statements for additional discussion of capital asset activity.

Debt Administration

	2020	2019	2018
Series 2005, SRF	$ 1,924,930	$ 2,186,114	$ 2,441,503
Series 2009A, SRF 1A	3,586,772	3,912,209	4,230,426
Series 2011A, Advance Refunding	16,360,000	18,270,000	20,080,000
Series 2012B, SRF 1B	5,492,371	5,852,216	6,204,077
Series 2016, Jr Lien	510,176	1,265,555	2,009,234
Series 2017, SRF	11,730,976	12,272,676	12,804,377
Series 2017A, Refunding	20,373,000	20,545,000	20,712,000
Series 2017B, Jr Lien	$ 993,000	$ 1,209,000	$ 1,414,000

The Joint Water System currently has four revenue bonds outstanding and four other long-term debt issuances outstanding. The Joint Water System had no new debt issuances during fiscal year 2020 and regular principal and interest payments were made.

In June 2011, the Joint Water System issued $27,745,000 in revenue bonds in order to refund the remaining balance of the 2002 Bond Issue. The balance of the 2011 Bond Issue as of June 30, 2020 is $16,360,000.

In February 2016, the Joint Water System issued $3,700,000 in revenue bonds in order to refund the remaining 2009B Bond Issue and to begin the engineering and design phases of the Advanced Oxidation (Ozone) Treatment Process capital project. The balance of the loan as of June 30, 2020 is $510,176.

In October 2017, the Joint Water System issued $20,712,000 in revenue bonds in order to refund the remaining balance of the 2012A Bond issue. The balance on the 2017A bond issue as of June 30, 2020 is $20,373,000. During the same October 2017 issuance, the Joint Water System also issued $1,702,303 in revenue bonds in order to make the final payment of the original contract to secure raw water rights from the Amy Corps of Engineers. The balance on the 2017B bond issue as of June 30, 2020 is $993,000.

In December 2005, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of $4,878,605 to fund the construction on the expansion and upgrade of the Water Treatment Plant. The balance on the 2005 SRF Loan as of June 30, 2020 is $1,924,930.

In April 2009, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of $7,212,765 to fund water treatment main improvements (Phase 1A). The balance on the 2009A SRF Loan as of June 30, 2020 is $3,586,772.

In April 2012, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of $7,850,000 to fund water treatment main improvements (Phase 1B). The balance on the 2012B SRF Loan as of June 30, 2020 is $5,492,371.

In February 2017, the Joint Water System entered into a loan agreement with the State Revolving Fund for an amount of $13,500,000 to fund the construction of the Advanced Oxidation (Ozone) Treatment Process. The balance on the 2017 SRF Loan is $11,730,976.

See Note 5 in the accompanying notes to the financial statements for additional discussion of long-term debt activity.

Debt Service Coverage Requirements

In the Bond Resolutions, the Joint Water System covenants and agrees that it will, at all times, maintain rates sufficient to yield annual Net Earnings in the fiscal year equal to at least one hundred twenty percent of the sum of the annual debt service payments for all senior lien bonds outstanding (1.20x). Net earnings are derived by adjusting the change in net position. The Joint Water System continues to use Pay as You Go ("PAYGO") financing of capital projects to minimize debt issuance levels which reduces current year net operating income, but provides reduced debt service expenses in future years. For fiscal year 2020, the debt service ratio was 1.45x, compared to 1.45X and 1.55X in 2019 and 2018, respectively.

Rate Covenant Compliance

	2020	2019	2018
Increase in Net Position	$ 2,288,857	$ 2,160,238	$ 2,906,314
Less Contributions in Aid	-	(50,347)	(466,275)
Plus Interest Expense	2,071,821	2,193,873	1,929,505
Plus Water Credits	147,748	149,341	147,396
Plus Depreciation	2,690,616	2,644,014	2,424,418
Plus Contingency Reserve Draws	271,000	466,000	132,000
Plus Change in Net Pension Balances	179,423	96,893	130,162
Net Earnings	$ 7,649,465	$ 7,660,012	$ 7,203,520
Debt Service	$ 5,272,163	$ 5,264,847	$ 4,658,154
Debt Service Coverage Ratio	**1.45X**	**1.45X**	**1.55X**
1.20X Required			

Requests for Information

This report is provided as a general overview of the Anderson Regional Joint Water System finances and demonstrates its accountability for the money it receives and the stewardship of the facilities it maintains. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Executive Director
Anderson Regional Joint Water System
998 Hunters Trail
Anderson, SC 29625

BASIC FINANCIAL STATEMENTS

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,259,693	$ 402,225
Restricted cash and cash equivalents	319,533	2,405,463
Restricted investments	8,636,194	6,764,021
Accounts receivable		
Trade	982,529	971,223
Accrued interest	72,479	72,479
Prepaid expenses	112,287	99,218
Total current assets	11,382,715	10,714,629
Noncurrent assets:		
Note receivable	206,149	218,199
Capital assets, net:		
Non-depreciable	13,317,547	13,594,534
Depreciable	70,788,640	73,189,308
Total noncurrent assets	84,312,336	87,002,041
Total assets	95,695,051	97,716,670
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refundings	3,154,282	3,557,804
Deferred pension charges	397,463	461,704
	3,551,745	4,019,508
LIABILITIES		
Current liabilities:		
Accounts payable	80,011	219,191
Accrued interest	696,731	749,068
Accrued expenses and other liabilities	220,027	198,507
Current portion of revenue bonds	2,918,176	3,053,379
Current portion of other long-term debt	1,520,008	1,488,166
Total current liabilities	5,434,953	5,708,311
Noncurrent liabilities:		
Revenue bonds, less current portion	35,905,464	39,005,519
Other long-term debt, less current portion	21,215,041	22,735,049
Net pension liability	2,831,434	2,709,028
Total noncurrent liabilities	59,951,939	64,449,596
Total liabilities	65,386,892	70,157,907
DEFERRED INFLOWS OF RESOURCES		
Deferred pension credits	21,715	28,939
NET POSITION		
Net investment in capital assets	25,701,780	23,982,911
Restricted for debt service and renewal and replacement	8,258,996	8,420,416
Unrestricted	(122,587)	(853,995)
Total net position	$ 33,838,189	$ 31,549,332

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

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Operations and maintenance	$ 4,637,725	$ 4,405,153
Debt service	5,272,163	5,264,847
Renewal and replacement		
Water system	1,561,647	1,555,184
Pump station	68,361	68,210
Miscellaneous	138,747	93,994
Total operating revenues	11,678,643	11,387,388
OPERATING EXPENSES		
Salaries and wages	1,374,560	1,352,999
Payroll taxes and employee benefits	668,166	538,854
Operations and maintenance	2,512,128	2,489,320
Professional fees	39,030	23,600
Insurance	94,201	97,075
Total operating expenses before depreciation	4,688,085	4,501,848
Depreciation	2,690,616	2,644,014
Total operating expenses	7,378,701	7,145,862
Net operating income	4,299,942	4,241,526
NON-OPERATING REVENUES (EXPENSES)		
Interest income	208,484	211,579
Water credits	(147,748)	(149,341)
Interest expense	(2,071,821)	(2,193,873)
Net non-operating expenses	(2,011,085)	(2,131,635)
INCOME BEFORE CONTRIBUTIONS	2,288,857	2,109,891
Contributions in aid of construction	-	50,347
Increase in net position	2,288,857	2,160,238
NET POSITION, beginning of year	31,549,332	29,389,094
NET POSITION, end of year	$ 33,838,189	$ 31,549,332

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

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 11,519,589	$ 11,868,023
Paid to suppliers for goods and services	(3,213,092)	(2,965,269)
Paid to employees for services	(1,349,676)	(1,340,257)
Net cash provided by operating activities	6,956,821	7,562,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(89,584)	(1,505,538)
Payments on revenue bonds	(3,053,379)	(2,925,679)
Proceeds from Contribution Receivables	-	516,622
Payments on long-term debt	(1,488,166)	(1,457,168)
Interest paid	(1,902,515)	(2,048,603)
Net cash used in capital and related financing activities	(6,533,644)	(7,420,366)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	(1,872,173)	(721,751)
Interest received	208,484	211,579
Collection of notes receivable	12,050	11,438
Net cash used in investing activities	(1,651,639)	(498,734)
Net decrease in cash and cash equivalents	(1,228,462)	(356,603)
CASH AND CASH EQUIVALENTS, beginning of year	2,807,688	3,164,291
CASH AND CASH EQUIVALENTS, end of year	$ 1,579,226	$ 2,807,688
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 4,299,942	$ 4,241,526
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	2,690,616	2,644,014
Water credits	(147,748)	(149,341)
Changes in assets and liabilities:		
Accounts receivable	(11,306)	629,978
Prepaid expenses	(13,069)	48,141
Accounts payable	(62,557)	43,696
Accrued expenses and other liabilities	21,520	7,590
Net pension liability	122,406	(13,751)
Changes in deferred outflows and inflows:		
Deferred pension charges	64,241	127,163
Deferred pension credits	(7,224)	(16,519)
Net cash provided by operating activities	$ 6,956,821	$ 7,562,497
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 1,259,693	$ 402,225
Restricted cash and cash equivalents	319,533	2,405,463
	$ 1,579,226	$ 2,807,688
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Acquisition of capital assets not yet paid for	$ -	$ 1,013,218

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

The Anderson Regional Joint Water System (the "Joint Water System") is a special purpose district created by the General Assembly of the State of South Carolina on February 28, 2000. A thirteen-member Board of Commissioners representing the fourteen participating member agencies governs the Joint Water System. Clemson University also purchases water from the System, but because of state statute is exempt from membership on the Board. The fourteen member agencies who serve on the Board of Commissioners are as follows:

- Anderson, City of (Electric City Utilities)
- Belton-Honea Path Water Authority
- Big Creek Water & Sewerage District
- Broadway Water & Sewerage District
- Central, Town of
- Clemson, City of
- Hammond Water District
- Homeland Park Water District
- Pendleton, Town of
- Powdersville Water
- Sandy Springs Water District
- Starr-Iva Water and Sewer District
- West Anderson Water District
- Williamston, Town of

The Joint Water System's function is to plan and finance acquisition and location of water supply and water distribution systems to insure for an adequate, reliable and economical supply of water to the persons and property served by the members of the Joint Water System. During April 2002, water treatment facilities, equipment and trunk lines were acquired by the Joint Water System's issuance of Series 2002 Revenue Bonds. It is the Joint Water System's policy to maintain customer user rates sufficient to meet operational and maintenance expenses and to pay debt service on debt issued to finance acquiring, upgrading and maintaining the System.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

REPORTING ENTITY

This report includes all operations of the Joint Water System for which the Joint Water System's Commissioners are financially accountable. The Joint Water System does not have any component units.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

Fund Accounting

The Joint Water System maintains a single enterprise fund (one of the proprietary fund types) to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Basis of Accounting

The financial statements of the Joint Water System have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Joint Water System's accounting policies are described below.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as required by GAAP. Basis of accounting refers to the timing of recording revenues and expenses. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses and liabilities are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Joint Water System's principal ongoing operations. The principal operating revenues of the Joint Water System are charges to customers for water. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Joint Water System's policy to use restricted resources first, and then unrestricted resources as needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The Joint Water System considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months when initially purchased are reported as investments.

Certain cash and cash equivalents are classified as restricted on the balance sheet because their use is limited by debt covenants or by the Board of Commissioners.

Investments

The Joint Water System's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Joint Water System to invest in the following:

(a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

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

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

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

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

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

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

The Joint Water System's cash and investment objectives are preservation of capital, liquidity and yield. The Joint Water Systems guaranteed investment contract is reported at contract value. The Joint Water System reports its other cash and investments at fair value which is normally determined by quoted market prices.

RECEIVABLES AND REVENUES

All trade and other receivables are shown net of an allowance for uncollectible amounts (if material). Trade receivables are generally comprised of amounts due from a member agency, grantor, and other fees and charges. Revenues and receivables, based on water consumption, are recognized when services are provided and are billed monthly.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

INVENTORIES AND PREPAID ITEMS

The Joint Water System accounts for inventories and prepaid items under the consumption method as they are expensed when consumed (except when immaterial). Inventory items are reflected at average cost, determined generally on a first-in, first-out basis.

CAPITAL ASSETS

The Joint Water System defines capital assets as assets with an initial, individual cost of more than $5,000. Capital assets are recorded at cost. Donated capital assets are recorded at estimated acquisition value (as estimated by the Joint Water System) at the date of donation. Capital assets are depreciated on the straight-line method over the estimated useful lives.

Estimated useful lives of the respective capital assets as follows:

Treatment facilities, trunk lines, and equipment	15 - 40 years
Operations and maintenance equipment	5 - 15 years
Office furniture and fixtures	3 - 7 years
Vehicles	5 years

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. Interest costs related to construction is capitalized as part of the capitalized value of the asset constructed. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction in progress at June 30, 2020 represents the SAWS pump installation.

COMPENSATED ABSENCES

It is the Joint Water System's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick pay benefits. Unused vacation and compensatory time are accumulated in varying amounts based on years of service up to a maximum of 240 hours of vacation (with those within three years of retirement allowed to accumulate up to 360 hours). Regular full-time employees accumulate 12 days of sick leave per year with a maximum of 720 hours to start each fiscal year.

Earned vacation and compensatory time will be paid out when used or at retirement up to the maximum limits. Sick leave will only be paid out when used by an employee for personal illness and any remaining unused sick leave balances will be forfeited upon separation of employment.

The Joint Water System reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the Joint Water System's financial statements.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the Joint Water System's financial statements when incurred. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred.

UNEARNED REVENUE

Unearned revenues in the Joint Water System represent amounts collected, but not earned.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Joint Water System currently has two types of deferred outflows of resources: (1) The Joint Water System reports deferred losses on refundings which are the differences between the reacquisition prices and the net carrying amount of the defeased debt. These losses are deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of deferred losses on refundings is included in interest expense in the Statements of Revenues, Expenses and Changes in Net Position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

The Joint Water System also reports deferred pension charges in connection with its participation in the South Carolina Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or a reduction of an expense) until that time. The Water System currently has one type of deferred inflows of resources. The Joint Water System reports deferred pension credits in connection with its participation in the South Carolina Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

PENSIONS

The Joint Water System recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Joint Water System's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Joint Water System's fiscal year-end (see Note 6 and the required supplementary information immediately following the notes to the financial statements for more information). Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

NET POSITION

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statements of Net Position. Net position is classified into three components as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of items that do not meet the definition of "restricted" or "net investment in capital assets."

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Joint Water System's deposits might not be recovered. The Joint Water System does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2020, none of the Joint Water System's bank balances of $1,622,509 (with a carrying value of $1,579,226) were exposed to custodial credit risk. Comparatively, as of June 30, 2019, none of the Joint Water System's bank balances of $2,896,128 (with a carrying value of $2,807,688) were exposed to custodial credit risk.

INVESTMENTS

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

As of June 30, 2020, the Joint Water System had the following investments:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Investment Maturities in Years < 1 yr	Investment Maturities in Years > 5 yrs
LGIP	NR, NR	N/A	$ 2,488,985	$ 2,488,985	$ -
Guaranteed Investment Contract	NR, NR	N/A	2,537,980	-	2,537,980
Government Money Market Funds	AAAm, Aaamf	Level 1	3,609,229	3,609,229	-
Total			$ 8,636,194	$ 6,098,214	$ 2,537,980

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.
NR – Not rated.
N/A -- Not applicable.

As of June 30, 2019, the Joint Water System had the following investments:

Investment Type	Credit Rating ^	Fair Value Level (1)	Fair Value	Investment Maturities in Years < 1 yr	Investment Maturities in Years > 5 yrs
LGIP	NR, NR	N/A	$ 510,598	$ 510,598	$ -
Guaranteed Investment Contract	NR, NR	N/A	2,537,980	-	2,537,980
Government Money Market Funds	AAAm, Aaamf	Level 1	3,715,443	3,715,443	-
Total			$ 6,764,021	$ 4,226,041	$ 2,537,980

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.
NR – Not rated.
N/A -- Not applicable.

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Joint Water System does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Joint Water System does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The Joint Water System places no limit on the amount the Joint Water System may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures. The Joint Water System's Guaranteed Investment Contract ("GIC") with Morgan Stanley exceeds 5% of the Joint Water System's investments for the years ended June 30, 2020 and 2019.

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

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

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

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

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

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

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

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

RESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS

Provisions of the revenue bonds require the Joint Water System to establish various funds and restrict the use of certain cash, cash equivalents, and investments. A brief description follows:

Current principal and interest payments funds - reports resources accumulated for the next principal and interest payments.

Debt service reserves funds - reports resources set aside to cover potential future deficiencies in the current principal and interest payments funds.

Renewal and replacement ("R&R") funds - reports resources restricted primarily to fund capital asset replacements.

Cash, cash equivalents, and investments are restricted as follows at June 30:

	2020	2019
Current principal and interest payments	$ 3,256,313	$ 3,212,509
Debt service reserves	2,890,896	3,040,915
Capital Improvements	506,765	337,069
Renewal and replacement	2,301,753	2,578,991
Total restricted cash, cash equivalents, and investments	$ 8,955,727	$ 9,169,484

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the Joint Water System for the year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Increases	Decreases	Transfers	Balance at June 30, 2020
Capital assets not being depreciated:					
Land	$ 3,203,896	$ -	$ -	$ -	$ 3,203,896
Construction In progress	793,609	12,961	-	(289,948)	516,622
Water storage agreement	9,597,029	-	-	-	9,597,029
Total capital assets not being depreciated	13,594,534	12,961	-	(289,948)	13,317,547
Capital assets being depreciated:					
Facilities and improvements	100,644,761	-	-	289,948	100,934,709
Buildings	1,067,238	-	-	-	1,067,238
Machinery and equipment	921,850	-	-	-	921,850
Total capital assets being depreciated	102,633,849	-	-	289,948	102,923,797
Less accumulated depreciation for:					
Facilities and improvements	28,293,372	2,642,157	-	-	30,935,529
Buildings	293,276	27,310	-	-	320,586
Machinery and equipment	857,893	21,149	-	-	879,042
Total accumulated depreciation	29,444,541	2,690,616	-	-	32,135,157
Total capital assets being depreciated, net	73,189,308	(2,690,616)	-	289,948	70,788,640
Total Capital Assets, Net	$86,783,842	$(2,677,655)	$ -	$ -	$84,106,187

Depreciation expense for the year ended June 30, 2020 was $2,690,616.

Capital asset activity for the Joint Water System for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Increases	Decreases	Transfers	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	$ 3,203,896	$ -	$ -	$ -	$ 3,203,896
Construction In progress	466,277	327,332	-	-	793,609
Water storage agreement	9,597,029	-	-	-	9,597,029
Total capital assets not being depreciated	13,267,202	327,332	-	-	13,594,534
Capital assets being depreciated:					
Facilities and improvements	100,479,773	164,988	-	-	100,644,761
Buildings	1,067,238	-	-	-	1,067,238
Machinery and equipment	921,850	-	-	-	921,850
Total capital assets being depreciated	102,468,861	164,988	-	-	102,633,849
Less accumulated depreciation for:					
Facilities and improvements	25,698,909	2,594,463	-	-	28,293,372
Buildings	265,966	27,310	-	-	293,276
Machinery and equipment	835,652	22,241	-	-	857,893
Total accumulated depreciation	26,800,527	2,644,014	-	-	29,444,541
Total capital assets being depreciated, net	75,668,334	(2,479,026)	-	-	73,189,308
Total Capital Assets, Net	$88,935,536	$(2,151,694)	$ -	$ -	$86,783,842

Depreciation expense for the year ended June 30, 2019 was $2,644,014.

NOTE 4 – DEFERRED LOSSES ON REFUNDINGS

Deferred losses on refunding debt consisted of the following at June 30:

	2020	2019
Deferred losses on refundings	$ 5,148,541	$ 5,148,541
Less: accumulated amortization	(1,994,259)	(1,590,737)
Deferred losses on refundings, net	$ 3,154,282	$ 3,557,804

Amortization expense was $403,522 for the year ended June 30, 2020, compared to $403,522 for the year ended June 30, 2019.

NOTE 5 – LONG-TERM OBLIGATIONS

REVENUE BONDS PAYABLE

The Joint Water System is obligated on various series of revenue bonds issued for purposes of acquiring water treatment facilities, equipment, and trunk lines. Each debt issue is either publicly traded ("PT") or direct borrowings/placements ("DB/DP"). The revenue bonds are generally secured/collateralized by the underlying property and contain acceleration clauses in an event of default (as defined). The debt also requires various restricted accounts (i.e. debt service reserve, renewal and replacement, etc.) to be established and maintained by the Joint Water System. Revenue bonds outstanding are as follows:

	2020	2019
Series 2011A serial bonds (PT) dated June 15, 2011 with annual principal payments ranging from $90,000 to $2,690,000, plus interest at 2.00 to 5.00 percent payable semi-annually through July 15, 2026.	$ 16,360,000	$ 18,270,000
Series 2016 serial bonds (DB/DP) dated February 18, 2016, bearing interest at the rate of 1.562%. The Bond is payable in monthly installments of principal and interest of $64,146.20 for a period of sixty months through February 18, 2021 (junior lien debt).	510,176	1,265,555
Series 2017A serial bonds (DB/DP) dated October 25, 2017 with annual principal payments ranging from $167,000 to $3,198,000, plus interest at 2.69% payable annually through June 30, 2033.	20,373,000	20,545,000
Series 2017B serial bonds (DB/DP) dated October 25, 2017 with annual principal payments ranging from $19,822 to $20,762, plus interest at 2.70% payable monthly through October 25, 2024 (junior lien debt).	993,000	1,209,000
Gross debt	38,236,176	41,289,555
Premium on Series 2011A bonds	587,464	769,343
Net debt	38,823,640	42,058,898
Less current portion	(2,918,176)	(3,053,379)
Long-term portion	$ 35,905,464	$ 39,005,519

Interest expense on revenue bonds totaled $1,365,843 for the year ended June 30, 2020, compared to $1,483,130 for the year ended June 30, 2019. Amortization of the 2011A bond premium totaled $181,879 for the year ended June 30, 2020, compared to $204,573 for the year ended June 30, 2019.

The revenue bonds are payable solely from and secured by a pledge of the gross revenues of the Joint Water System.

Provisions of the revenue bond agreements require the Joint Water System to maintain user rates sufficient to generate net earnings, as defined by the agreements, of at least 120 percent of the combined annual principal and interest payments, make timely payment of principal and interest on all outstanding debt, maintain required funds for debt service reserves, and meet various other general requirements specified in the bond agreements. Net earnings as defined in the revenue bond agreements provides that the Joint Water System can add back as income amounts transferred from the R&R fund to defray the costs of unforeseen contingencies ("Contingencies"). Management believes that the Joint Water System was in compliance with these covenants at June 30, 2020 and June 30, 2019.

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

REVENUE BONDS PAYABLE (CONTINUED)

Future amounts required to pay principal and interest on publicly traded revenue bonds (Series 2011A serial bonds) outstanding at June 30, 2020 are as follows:

June 30,	Principal	Interest	Total
2021	$ 2,015,000	$ 719,525	$ 2,734,525
2022	2,120,000	626,750	2,746,750
2023	2,210,000	529,100	2,739,100
2024	2,325,000	415,725	2,740,725
2025	2,440,000	296,600	2,736,600
2026-2027	5,250,000	225,400	5,475,400
	$ 16,360,000	$ 2,813,100	$ 19,173,100

Future amounts required to pay principal and interest on direct borrowing/placement revenue bonds outstanding at June 30, 2020 are as follows:

June 30,	Principal	Interest	Total
2021	$ 903,176	$ 572,695	$ 1,475,871
2022	409,000	558,928	967,928
2023	415,000	547,859	962,859
2024	431,000	536,480	967,480
2025	277,000	526,061	803,061
2026-2030	9,654,000	2,202,195	11,856,195
2031-2033	9,787,000	393,426	10,180,426
	$ 21,876,176	$ 5,337,644	$ 27,213,820

The $20,712,000 (original amount issued) in waterworks system revenue bond Series 2017A were issued to advance refund $18,640,000 of outstanding bonds. The net proceeds of $20,883,320 (after a transfer of $265,333 from an existing debt escrow account and payment of $94,013 in underwriting fees, insurance, and other issuance costs) were used to purchase SLGS Treasury securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeated and the liability for those bonds has been removed from the financial statements. These advanced refunded bonds of $18,640,000 will ultimately be redeemed in July 2022.

The Joint Water System's 2017 and 2011 bond refundings resulted in a loss of $2,576,244 and $2,572,297, respectively. The loss is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization is expensed over the term as a component of interest expense. The unamortized balance follows the debt for purposes of calculating the various components of net position. See Note 4 for more details on the outstanding balances of the deferred losses on refundings at June 30, 2020 and June 30, 2019.

OTHER LONG-TERM DEBT

The Joint Water System is obligated on various other long-term debt issued for purposes of upgrading water treatment facilities, equipment, and trunk lines. Each of the other long-term debt issues are considered direct borrowings/placements and are generally secured/collateralized by the underlying property and contain acceleration clauses in an event of default (as defined). Revolving fund loans outstanding are as follows:

	2020	2019
On December 16, 2005, the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to $4,878,604 to fund construction on the expansion and upgrade of the Water Treatment Plant. The Joint Water System was reimbursed costs during construction. On May 1, 2007, the Joint Water System began making quarterly principal and interest payments. The first 19 payments of $81,318 at 3 percent and the remaining 61 payments of $77,045 at 2.25 percent.	$ 1,924,930	$ 2,186,114

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

OTHER LONG-TERM DEBT (CONTINUED)

	2020	2019
On April 9, 2009, the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to $7,212,765 to fund Water Transmission Main Improvements – Phase 1A. The Joint Water System was reimbursed for costs during construction. On July 1, 2010, the Joint Water System began making quarterly principal and interest payments. The first 6 payments of $114,048 at 3.5 percent and the remaining 73 payments of $102,682 at 2.25 percent.	$ 3,586,772	$ 3,912,209
On April 19, 2012, the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to $8,000,000 to fund Water Transmission Main Improvements – Phase 1B. The Joint Water System was reimbursed for costs during construction. On September 1, 2013, the Joint Water System began making quarterly principal and interest payments of $125,896 at 2.25 percent interest through September 1, 2014. Effective December 1, 2014, a new quarterly payment amount of $122,124 was recalculated with payments through June 2033.	5,492,371	5,852,216
On February 12, 2017 the Joint Water System entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow up to $13,500,000, plus capitalized interest, if any, to fund cost of construction of an Ozone addition. The Joint Water System will be reimbursed for costs during construction. On July 1, 2018, the Joint Water System began making quarterly principal and interest payments of $203,234 at 1.90 percent interest through April 1, 2038.	11,730,976	12,272,676
Gross debt	22,735,049	24,223,215
Less current portion	(1,520,008)	(1,488,166)
Long-term portion	$ 21,215,041	$ 22,735,049

Interest expense on the long-term debt totaled $491,543 for the year ended June 30, 2020, compared to $511,794 for the year ended June 30, 2019.

Future amounts required to pay principal and interest on other long-term debt outstanding at June 30, 2020 are as follows:

June 30,	Principal	Interest	Total
2021	$ 1,520,008	$ 458,434	$ 1,978,442
2022	1,552,536	425,906	1,978,442
2023	1,585,764	392,679	1,978,443
2024	1,619,707	358,735	1,978,442
2025	1,654,382	324,060	1,978,442
2026-2030	7,679,981	1,107,967	8,787,948
2031-2035	4,879,420	440,772	5,320,192
2036-2038	2,243,251	69,862	2,313,113
	$ 22,735,049	$ 3,578,415	$ 26,313,464

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term debt for the year ended June 30, 2020.

	2020			
	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Revenue Bonds - PT	$ 18,270,000	$ -	$ (1,910,000)	$ 16,360,000
Revenue Bonds - DB/DP	23,019,555	-	(1,143,379)	21,876,176
Net Premium on Revenue Bonds - PT	769,343	-	(181,879)	587,464
State Revolving Loans - DB/DP	24,223,215	-	(1,488,166)	22,735,049
	$ 66,282,113	$ -	$ (4,723,424)	$ 61,558,689

Changes in long-term debt for the year ended June 30, 2019.

	2019			
	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Revenue Bonds - PT	$ 20,080,000	$ -	$ (1,810,000)	$ 18,270,000
Revenue Bonds - DB/DP	24,135,234	-	(1,115,679)	23,019,555
Net Premium on Revenue Bonds - PT	973,916	-	(204,573)	769,343
State Revolving Loans - DB/DP	25,680,383	-	(1,457,168)	24,223,215
	$ 70,869,533	$ -	$ (4,587,420)	$ 66,282,113

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS

RISK MANAGEMENT

The Joint Water System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Joint Water System continues to carry commercial insurance coverage for property and casualty insurance and has effectively managed risk through various employee education and prevention programs. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions of coverage compared to the prior year.

HEALTH INSURANCE

The Joint Water System offers medical and life insurance through the State of South Carolina. The Joint Water System pays the entire cost of the employee portion of medical and dental coverage, and will pay a portion of dependent coverage if elected by the employee. Medical and life insurance totaled $177,107 for the year ended June 30, 2020, compared to $146,005 for the year ended June 30, 2019. The Joint Water System does not provide medical insurance to retirees.

DEFERRED COMPENSATION PLAN

The Joint Water System offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, which is administered and controlled by the State of South Carolina. The plan, available to all Joint Water System employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors of the Joint Water System in an amount equal to the fair market value of the deferred account for each participant. CitiStreet (under state contract) is the program administrator of the 457 Plan.

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN

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

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

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS" or "Plan"), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the SCRS is presented below.

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

Plan Benefits

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

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

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Plan Benefits (Continued)

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for the SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022 (the employer contribution rate was frozen for the upcoming fiscal year - see "*Subsequent Event to the Plan Measurement Date*" at the end of this section for more details). If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rate upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rate until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

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

	SCRS		
	2018	2019	2020
Employer Rate:^			
Retirement	13.41%	14.41%	15.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	13.56%	14.56%	15.56%
Employee Rate	9.00%	9.00%	9.00%

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

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Plan Contributions (Continued)

The required contributions and percentages of amounts contributed to the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Contributions Required	% Contributed
2020	$ 204,182	100%
2019	190,650	100%
2018	$ 169,891	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS contribution increase for the year ended June 30, 2018 (measurement date). The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2018 (measurement date) to the Joint Water System was $10,786 for the SCRS.

Eligible payrolls covered under the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Payroll
2020	$ 1,312,221
2019	1,309,406
2018	$ 1,252,881

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), and are based on an actuarial valuation performed as of July 1, 2018. The TPL was rolled-forward from the valuation date to the Plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of the June 30, 2019 and 2018 measurement dates for the SCRS.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by serivce)
Benefit Adjustments	Lesser of 1% or $500 annually

* Includes inflation at 2.25%.

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

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

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

Long-Term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 and 2019 fiscal years. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	**12.0%**		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	**15.0%**		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	**14.0%**		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. The NPL total, as of the June 30, 2019 measurement date and the June 30, 2018 measurement date, for the SCRS is presented in the following table:

Measurement Date	TPL	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the TPL
June 30, 2019	$ 50,073,060,256	$ 27,238,916,138	$ 22,834,144,118	54.4%
June 30, 2018	$ 48,821,730,067	$ 26,414,916,370	$ 22,406,813,697	54.1%

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

At June 30, 2020 and 2019, the Joint Water System reported a liability of $2,831,434 and $2,709,028, respectively, for its proportionate share of the NPL for the SCRS. The NPL was measured as of June 30, 2019 and 2018, and the TPL for the Plan used to calculate the NPL was determined based on the most recent actuarial valuation report as of July 1st of the preceding year that was projected forward to the measurement date. The Joint Water System's proportion of the NPL was based on a projection of the Joint Water System's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2019 measurement date, the Joint Water System's SCRS proportion was .012400 percent, which was an increase of 0.000310 from its proportion measured as of June 30, 2018. At the June 30, 2018 measurement date, the Joint Water System's SCRS proportion was .012090 percent, which was an increase of 0.000005 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2020, the Joint Water System recognized pension expense of $383,604 for the SCRS. At June 30, 2020, the Joint Water System reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 1,946	$ 20,341
Change in Assumptions	57,057	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	25,068	-
Changes in Proportion and Differences Between the Employer Contribution and Proportionate Share	109,210	1,374
Joint Water System's Contributions Subsequent to the Measurement Date	204,182	-
Total SCRS	$ 397,463	$ 21,715

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

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

For the year ended June 30, 2019, the Joint Water System recognized pension expense of $287,544 for the SCRS. At June 30, 2019, the Joint Water System reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 4,890	$ 15,942
Change in Assumptions	107,479	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	43,033	-
Changes in Proportion and Differences Between the Employer Contribution and Proportionate Share	115,652	12,997
Joint Water System's Contributions Subsequent to the Measurement Date	190,650	-
Total SCRS	$ 461,704	$ 28,939

For the year ended June 30, 2020, the Joint Water System contributions subsequent to the measurement date of $204,182 are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2021. For the year ended June 30, 2019, the Joint Water System contributions subsequent to the measurement date of $190,650 were reported as deferred outflows of resources and were recognized as a reduction of the NPL in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	2020	2019
2020	$ -	$ 150,116
2021	147,528	122,892
2022	(4,274)	(26,388)
2023	18,268	(4,505)
2024	10,044	-
Total	$ 171,566	$ 242,115

Discount Rate

The discount rate used to measure the TPL for the current and preceding year was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

NOTE 6 – RISK MANAGEMENT AND EMPLOYEE BENEFITS (CONTINUED)

RETIREMENT PLAN (CONTINUED)

Sensitivity Analysis

The following table presents the sensitivity of the Joint Water System's proportionate share of the NPL of the Plan to changes in the discount rate for the year ended June 30, 2020 (measurement date of June 30, 2019), calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Joint Water System's proportionate share of the net pension liability of the SCRS	$ 3,567,014	$ 2,831,434	$ 2,217,549

The following table presents the sensitivity of the Joint Water System's proportionate share of the NPL of the Plan to changes in the discount rate for the year ended June 30, 20219 (measurement date of June 30, 2018), calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Joint Water System's proportionate share of the net pension liability of the SCRS	$ 3,461,635	$ 2,709,028	$ 2,170,987

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Payable to Plan

The Joint Water System reported a payable of $25,013 to the PEBA as of June 30, 2020, representing required employer and employee contributions for the month of June 2020 for the SCRS. This amount is included in Accrued Expenses and Other Liabilities on the financial statements and was paid in July 2020. The Joint Water System reported a payable of $24,194 to the PEBA as of June 30, 2019, representing required employer and employee contributions for the month of June 2019 for the SCRS. This amount is included in Accrued Expenses and Other Liabilities on the financial statements and was paid in July 2019.

Subsequent Event to the Plan Measurement Date

In May 2020, due to the global health crisis/pandemic caused by the COVID-19 virus, the South Carolina General Assembly included a provision in its continuing resolution for suspending the statutory employer contribution rate increase of 1% for the 2020-2021 fiscal year. This means that the employer contribution rate for the Plan during the 2020-2021 fiscal year, as expressed as a percentage of earnable compensation, shall remain at the same rate as imposed for the 2019-2020 fiscal year.

NOTE 7 – COMMITMENTS

In February 2013, the Joint Water System entered into a fifteen-year agreement for commercial power electric service. During the initial period of the agreement the Joint Water System is required to pay an excess facilities charge of $1,535 per month through February 2028. The agreement expense was $18,420 for the years ended June 30, 2020 and 2019. Future amounts to be paid for the commercial power electric service agreement are as follows:

Year Ended June 30,	2020	2019
2020	$ -	$ 18,420
2021	18,420	18,420
2022	18,420	18,420
2023	18,420	18,420
2024	18,420	18,420
2025	18,420	18,420
2026 - 2028	49,120	49,120
Total	$ 141,220	$ 159,640

During 2019, the South Carolina Department of Transportation ("SCDOT") has requested the Joint Water System to move its 30" DIP water line at Dixon Road. The Joint Water System does not believe that the water line needs to be moved and that the road construction work can proceed as planned. If SCDOT's request to move the water line is successful, the total estimated cost for this project is approximately $1,400,0000. At this time, it is uncertain (not probable) as to the final outcome on these discussions and thus no amounts have been recorded in these financial statements.

NOTE 8 - MAJOR CUSTOMERS

At June 30 2020, the Joint Water System had four customers which accounted for 27 percent, 12 percent, 11 percent, and 10 percent of operating revenue and 25 percent, 12 percent, 10 percent, and 10 percent of trade accounts receivable. At June 30 2019, the Joint Water System had three customers which accounted for 27 percent, 12 percent, and 10 percent of operating revenue and 27 percent, 12 percent, and 9 percent of trade accounts receivable.

NOTE 9 – CONTINGENCIES AND UNCERTAINTIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, workforce, and customers/constituents.

The Joint Water System's position as a wholesale water provider and the unconditional nature of the obligations of the Member Agencies to make payments under the Municipal Water Sale Agreement have largely insulated The Joint System from significant negative financial impacts resulting from the effects of COVID-19 on the State and national economy. During this period, there were no defaults in the payment obligations of the Water Purchasers, nor did The Joint System experience a significant decrease in the overall demand for potable water among the Member Agencies.

NOTE 10 – SUBSEQUENT EVENT

In August 2020, the Joint Water System issued the Series 2020A and Series 2020B Refunding Revenue Bonds in the combined amount of $21,785,000. The Series 2020A, in the amount of $9,270,000, fully refunded the 2005 SRF Loan, 2009 SRF Loan, and the 2012 SRF Loan with a premium of $1,675,782 and issuance costs of $133,000. Principal is due in annual installments of $400,000 to $965,000 beginning in July 2021 and ending in July 2033. Interest is payable semiannually in July and January at a rate of 3% to 4%. The Series 2020B, in the amount of $12,515,000, partially advance refunded Series 2011A Revenue Bonds with bond issuance costs of $186,342. Principal is due in annual installments of $20,000 to $2,540,000 beginning in July 2021 and ending in July 2026. Interest is payable semiannually in July and January with rates ranging from 0.465% to 1.109%. These advanced refunding will decrease total future debt service payments by approximately $1,960,000.

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REQUIRED SUPPLEMENTARY INFORMATION

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF ANDERSON REGIONAL JOINT WATER SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Anderson Regional Joint Water System's Proportion of the Net Pension Liability	0.012400%	0.012090%	0.012095%	0.019200%	0.011083%	0.011640%	0.011640%
Anderson Regional Joint Water System's Proportionate Share of the Net Pension Liability	$ 2,831,434	$ 2,709,028	$ 2,722,779	$ 2,332,496	$ 2,101,944	$ 2,004,022	$ 2,087,801
Anderson Regional Joint Water System's Covered Payroll	$ 1,309,406	$ 1,252,881	$ 1,220,323	$ 1,057,430	$ 1,039,146	$ 1,056,723	$ 995,630
Anderson Regional Joint Water System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.24%	216.22%	223.12%	220.58%	202.28%	189.64%	209.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	56.39%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The Joint Water System adopted GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
The discount rate was lowered from 7.5% to 7.25% beginning with the year ended June 30, 2017 measurement date.

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 204,182	$ 190,650	$ 169,891	$ 141,070	$ 116,952	$ 113,267	$ 112,013
Contributions in Relation to the Contractually Required Contribution:							
Contributions from the Anderson Regional Joint Water System	204,182	190,650	159,105	141,070	116,952	113,267	112,013
Contributions from the State	-	-	10,786	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Anderson Regional Joint Water System's Covered Payroll	$ 1,312,221	$ 1,309,406	$ 1,252,881	$ 1,220,323	$ 1,057,430	$ 1,039,146	$ 1,056,723
Contributions as a Percentage of Covered Payroll	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

Notes to Schedule:

The Joint Water System adopted GAS #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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SUPPLEMENTARY INFORMATION

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	Potable Water	Raw Water	Total
OPERATING REVENUES			
Operations and maintenance	$ 4,425,523	$ 212,202	$ 4,637,725
Debt service	5,272,163	-	5,272,163
Renewal and replacement			
Water system	1,520,234	41,413	1,561,647
Pump station	68,361	-	68,361
Miscellaneous	138,747	-	138,747
Total operating revenues	11,425,028	253,615	11,678,643
OPERATING EXPENSES			
Salaries and wages	1,374,560	-	1,374,560
Payroll taxes and employee benefits	668,166	-	668,166
Operations and maintenance	2,330,366	181,762	2,512,128
Professional fees	39,030	-	39,030
Insurance	94,201	-	94,201
Total operating expenses before depreciation	4,506,323	181,762	4,688,085
Depreciation	2,372,644	317,972	2,690,616
Total operating expenses	6,878,967	499,734	7,378,701
Net operating income (loss)	4,546,061	(246,119)	4,299,942
NON-OPERATING REVENUES (EXPENSES)			
Interest income	208,484	-	208,484
Water credits	(147,748)	-	(147,748)
Interest expense	(2,071,821)	-	(2,071,821)
Net non-operating expenses	(2,011,085)	-	(2,011,085)
INCOME BEFORE CONTRIBUTIONS	2,534,976	(246,119)	2,288,857
Contributions in aid of construction	-	-	-
Increase (decrease) in net position	2,534,976	(246,119)	2,288,857
NET POSITION, beginning of year	26,129,949	5,419,383	31,549,332
NET POSITION, end of year	$ 28,664,925	$ 5,173,264	$ 33,838,189

ANDERSON REGIONAL JOINT WATER SYSTEM
ANDERSON, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019

	Potable Water	Raw Water	Total
OPERATING REVENUES			
Operations and maintenance	$ 4,205,548	$ 199,605	$ 4,405,153
Debt service	5,264,847	-	5,264,847
Renewal and replacement			
Water system	1,518,190	36,994	1,555,184
Pump station	68,210	-	68,210
Miscellaneous	93,994	-	93,994
Total operating revenues	11,150,789	236,599	11,387,388
OPERATING EXPENSES			
Salaries and wages	1,352,999	-	1,352,999
Payroll taxes and employee benefits	538,854	-	538,854
Operations and maintenance	2,314,753	174,567	2,489,320
Professional fees	23,600	-	23,600
Insurance	97,075	-	97,075
Total operating expenses before depreciation	4,327,281	174,567	4,501,848
Depreciation	2,326,042	317,972	2,644,014
Total operating expenses	6,653,323	492,539	7,145,862
Net operating income (loss)	4,497,466	(255,940)	4,241,526
NON-OPERATING REVENUES (EXPENSES)			
Interest income	211,579	-	211,579
Water credits	(149,341)	-	(149,341)
Interest expense	(2,193,873)	-	(2,193,873)
Net non-operating expenses	(2,131,635)	-	(2,131,635)
INCOME BEFORE CONTRIBUTIONS	2,365,831	(255,940)	2,109,891
Contributions in aid of construction	50,347	-	50,347
Increase (decrease) in net position	2,416,178	(255,940)	2,160,238
NET POSITION, beginning of year	23,713,771	5,675,323	29,389,094
NET POSITION, end of year	$ 26,129,949	$ 5,419,383	$ 31,549,332

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STATISTICAL SECTION

STATISTICAL SECTION
TABLE OF CONTENTS

This part of Anderson Regional Joint Water System's ("Joint Water System") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Joint Water System's overall financial health.

Contents	**Page(s)**
Financial Trends Information *These schedules contain trend information to help the reader understand how the Joint Water System's financial performance and well-being have changed over time.*	63-64
Revenue Capacity Information *These schedules contain information to help the reader assess the Joint Water System's most significant local revenue source.*	65-66
Debt Capacity Information *These schedules present information to help the reader assess the affordability of the Joint Water System's current levels of outstanding debt and the Joint Water System's ability to issue additional debt in the future.*	67-68
Demographic and Economic Information *These schedules offer demographic and economic indicators to help the reader understand the environment within which the Joint Water System's financial activities take place.*	69-70
Operating Information *These schedules contain service and infrastructure data to help the reader understand how the information in the Joint Water System's financial report relates to the services the Joint Water System provides and the activities it performs.*	71-73

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Anderson Regional Joint Water System
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year									
	2011	**2012**	**2013^**	**2014**	**2015(1)**	**2016**	**2017^**	**2018**	**2019**	**2020**
Net investment in capital assets	$ (2,960,025)	$ 6,764,644	$ 10,381,807	$ 13,051,846	$ 14,347,080	$ 14,989,451	$ 19,878,163	$ 20,985,489	$ 23,982,911	$ 25,701,780
Restricted for debt service and renewal and replacement	7,706,397	4,368,198	6,581,662	6,239,421	6,330,607	6,653,008	7,006,699	7,932,707	8,420,416	8,258,996
Unrestricted	3,433,770	2,665,474	3,364,198	2,301,035	(514,825)	(331,653)	(402,082)	470,898	(853,995)	(122,587)
Total net position	$ 8,180,142	$ 13,798,316	$ 20,327,667	$ 21,592,302	$ 20,162,862	$ 21,310,806	$ 26,482,780	$ 29,389,094	$ 31,549,332	$ 33,838,189

^As restated
(1) Restated due to the implementation of GASB #68 on pensions.

Anderson Regional Joint Water System
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2011	**2012**	**2013^**	**2014**	**2015(1)**	**2016**	**2017^**	**2018**	**2019**	**2020**
OPERATING REVENUES										
Operation and maintenance	$ 3,314,929	$ 3,381,270	$ 3,549,009	$ 3,413,820	$ 3,902,083	$ 4,228,816	$ 4,695,657	$ 4,683,984	$ 4,405,153	$ 4,637,725
Debt service	5,455,845	4,706,978	4,538,853	4,693,037	4,636,153	4,652,903	4,614,029	4,658,154	5,264,847	5,272,163
Renewal and replacement										
Water system	1,339,986	1,340,324	1,312,796	1,364,045	1,341,219	1,350,834	1,347,009	1,426,240	1,555,184	1,561,647
Pump station	81,641	81,153	79,206	72,005	71,144	71,489	70,688	71,597	68,210	68,361
Miscellaneous	61,355	94,368	48,652	38,140	162,336	85,634	99,678	121,179	93,994	138,747
Total operating revenues	10,253,756	9,604,093	9,528,516	9,581,047	10,112,935	10,389,676	10,827,061	10,961,154	11,387,388	11,678,643
OPERATING EXPENSES										
Salaries and wages	1,036,241	1,098,752	1,030,091	1,038,668	1,116,469	1,068,753	1,210,804	1,170,826	1,352,999	1,374,560
Payroll taxes and employee benefits	315,476	316,715	378,340	363,824	433,579	403,306	456,396	592,894	538,854	668,166
Operations and maintenance	1,614,201	1,744,900	1,869,062	2,233,994	2,968,608	2,834,616	2,698,472	2,197,611	2,489,320	2,512,128
Professional fees	82,789	38,434	68,093	57,001	134,612	145,737	194,928	151,769	23,600	39,030
Insurance	65,105	77,632	83,228	90,647	94,995	88,388	84,244	88,729	97,075	94,201
Total operating expenses before deprecation	3,113,812	3,276,433	3,428,814	3,784,134	4,748,263	4,540,800	4,644,844	4,201,829	4,501,848	4,688,085
Depreciation	1,814,277	1,867,560	1,955,937	2,267,658	2,441,177	2,456,714	2,259,007	2,424,418	2,644,014	2,690,616
Total operating expenses	4,928,089	5,143,993	5,384,751	6,051,792	7,189,440	6,997,514	6,903,851	6,626,247	7,145,862	7,378,701
Net operating income	5,325,667	4,460,100	4,143,765	3,529,255	2,923,495	3,392,162	3,923,210	4,334,907	4,241,526	4,299,942
NON-OPERATING REVENUES										
Interest income	272,102	227,164	158,947	158,650	158,133	157,646	160,739	182,033	211,579	208,484
Gain (loss) on sale of capital assets	8,452	2,500	-	(3,346)	-	-	-	-		
Water credits	(940,928)	(223,841)	(160,466)	(143,790)	(144,177)	(144,164)	(144,171)	(147,396)	(149,341)	(147,748)
Interest expense	(3,192,740)	(2,666,291)	(2,436,919)	(2,352,959)	(2,394,320)	(2,257,700)	(2,197,538)	(1,929,505)	(2,193,873)	(2,071,821)
Amortization	(89,925)	(70,051)	-	-	-	-	-	-	-	-
Net non-operating expenses	(3,943,039)	(2,730,519)	(2,438,438)	(2,341,445)	(2,380,364)	(2,244,218)	(2,180,970)	(1,894,868)	(2,131,635)	(2,011,085)
INCOME BEFORE CONTRIBUTIONS	1,382,628	1,729,581	1,705,327	1,187,810	543,131	1,147,944	1,742,240	2,440,039	2,109,891	2,288,857
Contributions in aid of construction	3,479,154	3,888,593	5,628,942	76,825	3,217	-	-	466,275	50,347	-
Change in net position	4,861,782	5,618,174	7,334,269	1,264,635	546,348	1,147,944	1,742,240	2,906,314	2,160,238	2,288,857
NET POSITION, beginning of year	**3,336,618**	**8,180,142**	**13,798,316**	**20,327,667**	**21,592,302**	**20,162,862**	**21,310,806**	**26,482,780**	**29,389,094**	**31,549,332**
Prior period adjustment/Restatement	-	-	(804,918)	-	(1,975,788)	-	3,429,734	-	-	-
NET POSITION, end of year	**$ 8,198,400**	**$ 13,798,316**	**$ 20,327,667**	**$ 21,592,302**	**$ 20,162,862**	**$ 21,310,806**	**$ 26,482,780**	**$ 29,389,094**	**$ 31,549,332**	**$ 33,838,189**

^As restated
(1) Restated due to the implementation of GASB #68 on pensions.

Anderson Regional Joint Water System
Customers in Gallons and Dollars
Last Ten Fiscal Years

	Fiscal Year									
In Gallons	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
City of Anderson	1,612,278,950	1,601,112,501	1,494,611,114	1,515,362,989	1,659,869,416	1,692,085,040	1,675,420,886	1,550,307,863	1,601,455,883	1,551,010,429
Hammond Water District	697,100,000	705,300,000	622,300,000	611,716,150	695,128,492	742,951,907	817,724,414	721,836,600	719,674,319	802,207,708
City of Clemson	717,600,000	719,600,000	624,500,000	619,933,190	687,687,393	684,002,810	719,833,496	678,279,597	709,287,155	767,367,509
Sandy Springs Water District	732,082,000	739,907,000	685,171,000	574,342,000	634,376,000	693,464,000	676,145,000	644,365,000	646,722,002	677,007,000
West Anderson Water District	507,349,000	510,139,000	456,863,000	437,154,070	483,558,585	488,211,643	499,088,397	476,433,623	497,168,675	487,684,885
Starr-Iva Water District	412,500,000	347,100,000	357,600,000	349,500,000	344,625,844	335,393,612	344,136,647	347,549,155	356,585,786	362,248,451
Clemson University	340,000,000	349,000,000	324,200,000	290,319,434	325,848,985	334,739,199	372,396,234	339,557,047	368,504,193	357,523,888
Big Creek Water District	352,900,000	352,100,000	356,000,000	320,500,000	327,300,000	319,300,000	329,500,000	346,400,000	341,000,000	315,500,000
Broadway Water District	280,414,280	258,756,300	239,967,800	219,143,702	246,409,751	265,805,885	266,481,792	260,901,281	254,509,570	255,064,351
Homeland Park Water	235,392,000	214,220,000	224,319,000	246,768,000	244,141,000	260,162,000	235,569,245	242,189,114	233,363,541	238,282,493
Town of Williamston	256,800,000	227,300,000	206,400,000	222,527,864	182,186,406	199,366,923	201,995,056	180,843,845	192,152,054	189,669,235
Town of Pendleton	111,380,000	109,720,000	106,560,000	103,760,000	108,510,000	110,180,000	103,540,000	85,184,693	132,686,522	147,377,208
Powdersville Water District	171,680,000	193,500,000	153,900,000	58,800,000	121,700,000	220,230,000	168,700,000	180,700,000	51,800,000	61,810,837

	Fiscal Year									
In Dollars	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
City of Anderson	$ 2,580,348	$ 2,590,282	$ 2,498,978	$ 2,657,415	$ 2,767,976	$ 2,802,047	$ 2,861,114	$ 2,909,988	$ 3,071,297	$ 3,088,871
Sandy Springs Water District	1,207,703	1,215,510	1,174,368	1,168,649	1,215,057	1,258,638	1,280,991	1,305,225	1,360,301	1,394,760
City of Clemson	925,719	938,967	840,701	951,472	1,014,988	1,039,026	1,087,300	1,087,486	1,155,688	1,224,273
Hammond Water District	908,188	914,731	838,792	907,984	962,662	999,185	1,099,190	1,057,912	1,112,860	1,177,184
West Anderson Water District	632,157	639,016	610,298	636,466	665,973	677,507	724,872	734,071	770,078	779,940
Clemson University	503,200	530,480	502,510	449,562	550,685	585,767	687,497	617,994	681,733	672,145
Starr-Iva Water District	593,303	567,273	584,918	586,511	586,004	583,391	607,711	630,307	655,026	672,084
Big Creek Water District	521,828	523,160	523,522	536,951	550,207	547,475	563,446	595,746	611,431	600,271
Broadway Water District	348,431	341,086	316,790	339,786	361,180	376,588	391,688	403,150	418,561	427,805
Town of Williamston	350,225	331,781	317,934	345,782	322,584	334,333	344,850	337,965	356,705	359,852
Homeland Park Water	280,457	272,514	286,555	304,076	302,273	316,774	311,761	326,381	324,699	336,689
Town of Pendleton	191,391	188,239	181,454	194,782	200,872	205,410	202,753	197,450	242,112	259,268
Powdersville Water District	$ 217,271	$ 232,832	$ 212,519	$ 157,624	$ 192,614	$ 273,812	$ 262,532	$ 269,084	$ 169,595	$ 171,728

Anderson Regional Joint Water System
Ten Largest Businesses
Last Ten Fiscal Years

In Gallons	Fiscal Year 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Clemson University	340,000,000	349,000,000	324,200,000	290,319,434	325,848,985	334,739,199	385,745,471	339,557,047	368,504,193	357,523,888
Michelin (Sandy Springs)	179,299,615	149,305,900	142,815,800	146,465,300	131,032,000	145,248,800	139,164,600	140,023,800	222,301,600	133,258,500
Michelin (City of Anderson)	27,376,800	27,002,800	34,244,936	46,922,788	60,248,408	58,219,084	54,603,910	54,039,260	59,875,156	65,877,108
Glen Raven Mills	49,272,300	49,871,800	51,070,900	52,254,700	51,988,600	60,195,300	65,070,700	66,003,000	63,463,200	52,062,500
AnMed Health (City of Anderson)	54,500,028	54,215,040	42,340,540	41,762,336	48,153,996	54,138,744	49,830,264	48,756,884	43,254,620	41,881,268
Robert Bosch Corporation	39,061,000	42,100,000	38,833,000	39,157,000	40,527,000	40,356,000	41,489,000	41,610,000	43,168,000	38,993,000
Owens Corning Fiberglass	68,644,708	66,219,692	62,219,388	65,429,804	68,760,648	79,341,856	45,749,176	48,577,364	69,273,028	33,314,424
JPS Composite Materials Corp	28,238,496	28,603,520	33,291,236	33,339,856	32,992,784	30,138,416	26,600,376	29,920,000	38,250,476	31,529,696
Anderson University						30,143,652	23,597,904	32,294,900	33,502,172	28,288,612
AnMed Health (Hammond)	32,442,000	29,796,000	28,376,000	30,014,000	29,433,000	30,182,000		33,887,000	25,870,000	26,698,000
Electrolux Home Products				27,833,000	29,835,000		20,894,000			
First Quality Tissue SE		240,116,976	556,752,856							
Utility Services of South Carolina	22,819,000									

In Dollars	Fiscal Year 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Clemson University	$ 503,000	$ 530,480	$ 502,510	$ 449,562	$ 550,685	$ 585,767	$ 687,497	$ 617,994	$ 681,733	$ 672,145
Michelin (Sandy Springs)	280,999	276,359	444,657	316,339	280,999	290,729	319,973	331,630	344,566	318,215
Michelin (City of Anderson)	65,654	69,583	88,108	124,094	160,440	159,898	153,784	147,594	164,015	188,629
Glen Raven Mills	178,864	190,524	202,796	215,124	178,684	316,745	420,463	447,734	430,722	359,709
AnMed Health (City of Anderson)	97,684	104,485	84,314	84,248	98,799	114,317	104,268	104,519	98,558	101,386
Robert Bosch Corporation	133,649	144,092	134,943	131,645	151,452	153,208	175,682	162,051	168,352	158,182
Owens Corning Fiberglass	171,412	180,997	179,098	183,454	182,928	199,280	145,629	183,220	197,029	199,880
JPS Composite Materials Corp	48,297	52,487	60,898	60,982	60,384	55,461	49,359	55,084	73,335	64,720
Anderson University						95,978	73,500	103,502	112,712	108,488
AnMed Health (Hammond)	111,291	107,448	104,392	110,949	119,964	$ 121,082		$ 141,545	$ 90,796	$ 107,425
Electrolux Home Products*				$ 187,411	$ 200,924		$ 146,942			
First Quality Tissue SE		$ 134,095	$ 270,617							
Utility Services of South Carolina	$ 77,235									

*Data not available for Electrolux Home Products for year 2011 thruough 2013

Anderson Regional Joint Water System
Ratios of Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Revenue bonds*	State revolving loans	Note Payable	Personal income (in thousands)	Estimated Population (1)	As a share of personal income	Per capita
2011^	$ 57,625,627	$ 10,327,618	$ 411,284	$ 5,690,731	192,765	1.20%	$ 355
2012	53,497,352	12,153,460	343,122	5,783,186	194,646	1.14%	339
2013	52,340,641	16,003,977	272,157	5,928,003	195,779	1.16%	350
2014	49,494,056	16,350,486	198,274	6,074,773	197,117	1.09%	335
2015	46,904,694	15,531,019	121,353	6,662,035	199,222	0.94%	314
2016	47,230,642	14,665,796	41,269	6,855,779	200,506	0.90%	309
2017	44,687,195	16,882,731	-	6,953,875	202,140	0.89%	305
2018	45,189,150	25,680,383	-	7,244,229	206,527	0.98%	343
2019	42,058,898	24,223,215	-	7,774,898	207,924	0.85%	319
2020	$ 38,823,640	$ 22,735,049	$ -	$ 5,676,996	214,097	1.08%	$ 288

(1) Sources: Appalachian Council of Governments, Federal Reserve Bank of St. Louis
* Debt balances include premiums and discounts
^As restated

Anderson Regional Joint Water System
Debt Service Coverage Ratio
Last Ten Fiscal Years

	Fiscal Year									
	2011~	**2012~**	**2013^~**	**2014**	**2015(1)**	**2016**	**2017^**	**2018**	**2019**	**2020**
Change in Net Position	$ 4,861,782	$ 5,618,174	$ 7,334,269	$ 1,264,635	$ 546,348	$ 1,147,944	$ 1,742,240	$ 2,906,314	$ 2,160,238	$ 2,288,857
Less Contributions in Aid	(3,479,154)	(3,888,593)	(5,628,942)	(76,825)	(3,217)	-	-	(466,275)	(50,347)	-
Plus Interest Expense	3,192,736	2,666,291	2,436,919	2,352,959	2,394,320	2,257,700	2,197,538	1,929,505	2,193,873	2,071,821
Plus Water Credits	940,928	223,841	160,466	143,790	144,177	144,164	144,171	147,396	149,341	147,748
Plus Gain/Loss on Capital Assets	8,452	2,500	-	3,346	-	-	-	-	-	-
Plus Depreciation	1,814,277	1,867,560	1,955,937	2,267,658	2,441,177	2,456,714	2,259,007	2,424,418	2,644,014	2,690,616
Plus Contingency Reserve Draws	-	-	-	467,841	613,887	180,000	25,500	132,000	466,000	271,000
Plus Changes in Pension Related Balances	-	-	-	-	-	11,401	34,884	130,162	96,893	179,423
Net Earnings	$ 7,339,021	$ 6,489,773	$ 6,258,649	$ 6,423,404	$ 6,136,692	$ 6,197,923	$ 6,403,340	$ 7,203,520	$ 7,660,012	$ 7,649,465
Debt Service	$ 4,738,747	$ 4,709,821	$ 4,562,007	$ 5,033,392	$ 4,657,618	$ 4,652,903	$ 4,614,092	$ 4,658,154	$ 5,264,847	$ 5,272,163
Debt Serivice Coverage Ratio*	1.55X	1.38X	1.37X	1.28X	1.32X	1.33X	1.39X	1.55X	1.45X	1.45X

*1.20X Required
^As restated
~Recalculated based on updated methods
(1) Restated due to the implementation of GASB #68 on pensions.

Anderson Regional Joint Water System
Principal Employers (Anderson and Pickens County)
Current Fiscal Year and Nine Fiscal Years Ago

	Fiscal Year 2020			Fiscal Year 2011		
Employer	Employees	Rank	% of System Employment	Employees	Rank	% of System Employment
Clemson University	5,693	1	2.66%	4,395	1	2.28%
Anderson County School Districts	4,184	2	1.95%	5,085	2	2.64%
Anderson Area Medical Center	3,777	3	1.76%	3,500	3	1.82%
Electrolux Home Products, Inc.	1,950	4	0.91%	1,400	5	0.73%
State of South Carolina	1,719	5	0.80%	1,826	4	0.95%
Robert Bosch Corporation	1,431	6	0.67%	1,380	6	0.72%
Michelin Tire Corporation	1,365	7	0.64%	800	8	0.42%
Anderson County	1,118	8	0.52%	990	7	0.51%
Techtronic Industries Power Equipment	1,100	9	0.51%			
Tri-County Technical College	856	10	0.40%			
Glen Raven				772	9	0.40%
Wal-Mart Supercenters				725	10	0.38%

Anderson Regional Joint Water System
Demographic and Economic Data
Last Ten Fiscal Years

Fiscal Year	Estimated Population (1)	Personal income (1)	Unemployment Rate (2)
2011	192,765	$ 30,014	10.8%
2012	194,646	30,167	9.6%
2013	195,779	30,716	8.0%
2014	197,117	31,418	6.1%
2015	199,222	34,228	6.1%
2016	200,506	35,083	5.0%
2017	202,140	35,297	4.1%
2018	206,527	36,147	3.8%
2019	207,924	38,271	3.2%
2020	214,097	$ 26,516	8.5%

(1) Sources: Appalachian Council of Governments
(2) Federal Reserve Bank of St. Louis

Anderson Regional Joint Water System
Departmental Breakdown of System Employees
Last Ten Fiscal Years

	Fiscal Year									
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Department										
Administrative	5	5	5	4	4	3	3	3	3	3
Engineering	1	1	1	1	1	1	1	1	1	1
Maintenance	5	5	6	6	6	6	6	6	6	6
Operations	9	9	9	8	8	7	7	7	7	7
	20	20	21	19	19	17	17	17	17	17

Anderson Regional Joint Water System
Capital Assets
Last Ten Fiscal Years

	Fiscal Year									
Water Distribution System	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Appurtenances										
Elevated Tanks	10	10	10	10	10	10	10	10	10	10
Ground Storage Tanks	3	3	3	3	3	3	3	3	3	3
Booster Pump Stations	2	2	2	2	2	2	2	2	2	2
Master Meters	41	41	41	41	41	41	41	41	41	41
Plant Capacity	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD	48 MGD
Water Mains										
Total Linear Feet	253,440	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000
Total Linear Miles	48	50	50	50	50	50	50	50	50	50

Anderson Regional Joint Water System
Wholesale and Retail Level of Effort
For the Year Ended June 30, 2020

	Wholsale Water Rate (per 5,000 gals)	Retail Water Rate (per 5,000 gals)	Median Household Income	Wholesale Level of Effort	Retail Level of Effort
City of Anderson	$ 9.96	$ 24.79	$ 37,513	0.32%	0.79%
Big Creek Water District	9.51	50.00	51,273	0.22%	1.17%
Broadway Water & Sewer District	8.39	57.60	50,849	0.20%	1.36%
City of Clemson	7.98	33.70	40,318	0.24%	1.00%
Clemson University[1]	9.40	N/A	N/A	N/A	N/A
Hammond Water District	7.34	34.32	79,345	0.11%	0.52%
Homeland Park Water & Sewer District	7.06	29.35	30,562	0.28%	1.15%
Town of Pendleton	8.80	36.85	35,610	0.30%	1.24%
Powdersville Water District	13.89	39.09	73,411	0.23%	0.64%
Sandy Springs Water District	10.30	42.94	64,635	0.19%	0.80%
Starr-Iva Water & Sewer District	9.28	48.85	40,011	0.28%	1.47%
West Anderson Water District	8.00	42.40	57,828	0.17%	0.88%
Town of Williamston	$ 9.49	33.18	44,321	0.26%	0.90%
Town of Central[2]	N/A	$ 26.00	$ 28,249	N/A	1.10%

Per the Rural Infrastructure Authority, any amount above a 2% level of effort for retail water rates is considered unaffordable.

[1] Clemson University is a state agency that does not bill water to consumers based on consumption.

[2] Town of Central sits on the Board of Anderson Regional Joint Water System, but they are not billed directly for wholesale water. The Town of Central receives wholesale water via the City of Clemson and are billed by them accordingly.

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COMPLIANCE SECTION

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Anderson Regional Joint Water System
Anderson, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Anderson Regional Joint Water System, South Carolina (the "Joint Water System"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Joint Water System's basic financial statements, and have issued our report thereon dated October 6, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
October 6, 2020