Mount Pleasant Waterworks

POPULAR Annual Financial Report

For the Year Ended June 30, 2019
Mount Pleasant, South Carolina
OSPREY (Pandion haliaetus)

Ospreys, fish-hawk, habitat is along coastlines, lakes and rivers worldwide. An Osprey can be seen flying or hovering over the water and will dive feet-first to catch fish with its talons. Osprey will often curl their wings, making a M shape, before they dive.

Source: http://www.audubon.org
Pictures courtesy of Mark L. Coffin
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VISION
Mount Pleasant Waterworks strives to be a trusted leader in our community and the water industry.

MISSION
The MPW team provides water services of exceptional quality, value, and reliability, while protecting public health, safety, and the environment.

VALUES
The MPW team is passionately committed to:
- HONESTY: In all actions by employees and commissioners
- FAIRNESS: To our customers, employees, and other stakeholders
- QUALITY: Of our products, services, and processes
- INNOVATION: By seeking positive change
It is with great pleasure for the Commission to present the 2019 Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2019. The financial information presented was derived from the Commission’s Comprehensive Annual Financial Report (CAFR).

The CAFR is prepared in conformance with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements applicable to an enterprise fund, and includes financial statements audited by Mauldin & Jenkins, LLC. The CAFR includes financial statements, notes, schedules, and statistical information.

The PAFR is unaudited and not presented in conformity with GAAP, and is presented in a less technical format for easier reading to increase the public awareness about the Commission’s financial conditions and its financial performance. The information in this report is an unaudited financial summary of the CAFR.

For those interested in additional details, the CAFR, along with the PAFR, is available online at the Commission’s website at: 

mountpleasantwater.com

Sincerely
Mount Pleasant Waterworks
Mark L. Coffin, CGMA
Chief Financial Officer
PROFILE OF THE GOVERNMENT

The Commission, empowered by South Carolina Code of Laws section 5-31-210, is governed by seven Commissioners, five elected by the public for staggered terms of six years, the Mayor, and the Chairman of the Water Supply Committee of Town Council. Only Town Council is empowered to approve the borrowing of money for system purposes; however, the sole power to impose and fix rates, dispose of surplus revenues, and otherwise control and direct the fiscal affairs of the system, is vested with the Commissioners.

The Commission was originally designated to provide water and wastewater services within the corporate limits of the Town of Mount Pleasant. In accordance with the Water Quality Management Plan required by PL 92-500, Section 208, the wastewater service area was expanded in 1985 to include all areas within Charleston County between the Wando River, the Intracoastal Waterway and the Town of Awendaw, including the Town of Mount Pleasant. With the merger of the Bulls Bay Rural Community Water District in March 1990, the water service area was extended from the Santee River to the Cooper River, an area 42 miles in length. Enlargement of the Commission’s service area demonstrated the need for progressive provision of adequate water and wastewater services to the East Cooper area of Charleston County.

The popular name of the Commission is

Mount Pleasant Waterworks (MPW).

HISTORY & SYSTEM

The Town of Mount Pleasant began operating its water system in 1935, and designed the system to have 160,000 gallons per day capacity. The system initially included 179 water meters to serve the Town’s population. Now, MPW serves more than 40,300 water accounts, with an average daily usage of 9.5 million gallons a day (MGD). MPW purchases approximately 65% of its water from the Charleston Water System (CWS) and operates four reverse osmosis plants (RO), six deep wells, eight ground storage and one elevated storage facilities, with 582 miles of water mains.
The wastewater system began operations in 1942 by collecting wastewater for discharge into the Charleston Harbor. Construction started on the first primary treatment facility in 1969 and commenced operations in June 1970. This initial facility had a treatment capacity of 1.4 MGD but was expanded in 1976 to process as much as 3.7 MGD. In 1989, an outfall line was constructed to transport all of MPW’s treated wastewater 4,700 feet into the Charleston Harbor, to ensure maximum dilution. In 1995, the Rifle Range Road Treatment Plant came online with an initial capacity of 3 MGD, later increased to 6 MGD. Currently, the total wastewater treatment capacity is 9.7 MGD, and an average of 8.1 MGD is treated. The system includes 515 miles of lines, and 163 wastewater pump stations. The Commission is in the process of expanding the Rifle Range Road Wastewater Treatment Plant capacity by 3.2 MGD for a total of 9.2 MGD.

SIGNIFICANT EVENTS

- The United States Census Bureau estimated the population for Mount Pleasant for 2018 was 89,000, a 3.1% increase. The growth of Charleston County was 1.1%.
- Total water gallons sold increased by 1.6%, of which irrigation water gallons sold increased 12.6%.
- The Commission completed a project to replace approximately 38,000 meters with an advanced metering infrastructure system that will provide hourly customer readings versus the prior system of one reading per month.
- The Commission, for the fourth year in a row, was impacted by a weather-related event with Hurricane Florence visiting the Mount Pleasant area. In addition, the Commission’s service area was impacted by an incipient drought during the fourth quarter of the fiscal year.
- Mount Pleasant Waterworks ranked as one of the Best Places to Work in South Carolina in the small-to-medium employer category for the fourth consecutive year. In fact, this year, Mount Pleasant Waterworks was named one of the top ten employers in South Carolina.
Commissioners

Back Row: Secretary-Treasurer Mac Jenkinson, Vice Chairman Susan Mellichamp, Diane Lauritsen, Ph.D., Town Council Member and Chairman of the Town’s Water Supply Committee Joe Bustos,
Front Row: John Burn, Chairman Rick Crosby and Mayor Will Haynie
## ELECTED COMMISSIONERS

<table>
<thead>
<tr>
<th>COMMISSIONERS</th>
<th>YEAR FIRST ELECTED</th>
<th>TERM EXPIRES</th>
<th>POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rick M. Crosby</td>
<td>1998</td>
<td>2019</td>
<td>Chairman</td>
</tr>
<tr>
<td>Diane Lauritsen, Ph.D.</td>
<td>2002</td>
<td>2021</td>
<td>Commissioner</td>
</tr>
<tr>
<td>Susan I. Mellichamp</td>
<td>2004</td>
<td>2023</td>
<td>Vice-Chairman</td>
</tr>
<tr>
<td>H. Mac Jenkinson</td>
<td>2009</td>
<td>2021</td>
<td>Secretary-Treasurer</td>
</tr>
<tr>
<td>John Burn</td>
<td>2013</td>
<td>2019</td>
<td>Commissioner</td>
</tr>
<tr>
<td>Will Haynie</td>
<td>2017</td>
<td>2021</td>
<td>Mayor, Town of Mount Pleasant</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Town Council Member Town</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Water Supply Committee</td>
</tr>
<tr>
<td>Joe Bustos</td>
<td>2015</td>
<td>2019</td>
<td>Chairman</td>
</tr>
</tbody>
</table>

## MANAGEMENT TEAM

<table>
<thead>
<tr>
<th>TEAM MEMBERS</th>
<th>YEAR FIRST APPOINTED</th>
<th>POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. Clay Duffie</td>
<td>1989</td>
<td>General Manager</td>
</tr>
<tr>
<td>David P. Niesse</td>
<td>2004</td>
<td>Engineering Manager</td>
</tr>
<tr>
<td>Brian P. Head</td>
<td>2006</td>
<td>Technical Services Manager</td>
</tr>
<tr>
<td>Nicole F. Bates</td>
<td>2006</td>
<td>Customer Services Manager</td>
</tr>
<tr>
<td>Christi A. Fowler</td>
<td>2009</td>
<td>Human Resources Manager</td>
</tr>
<tr>
<td>Mark L. Coffin</td>
<td>2013</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Ross Wattay</td>
<td>2015</td>
<td>Field Services Manager</td>
</tr>
<tr>
<td>Franklin Allan Clum, Jr.</td>
<td>2016</td>
<td>Operations Manager</td>
</tr>
</tbody>
</table>
Popular Annual Financial Award

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Mount Pleasant Waterworks for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Mount Pleasant Waterworks has received a Popular Award for last year, its first publication, (fiscal year 2018). Mount Pleasant Waterworks believes our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

Comprehensive Annual Financial Reporting

Mount Pleasant Waterworks’ Comprehensive Annual Financial Report (CAFR) for the year ended 2018 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. As such, the CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. Mount Pleasant Waterworks believes its current CAFR continues to conform to the Certificate of Achievement program requirements and is submitting the CAFR for the current year to the GFOA to determine its eligibility for another Certificate.
Government Finance Officers Association

Award for
Outstanding Achievement in Popular Annual Financial Reporting

Presented to
Mount Pleasant Waterworks
South Carolina

For its Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill
Executive Director/CEO
Financial Services Mission Statement

To provide outstanding financial leadership and accounting, ensuring accountability and transparency through integrity, teamwork, expertise, and outstanding customer service in an efficient and effective manner and in conformity with professional, ethical, industry and legal requirements and standards.
FINANCIAL POSITION & PERFORMANCE
The Commission was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment. This is the 23nd consecutive year that the Commission has received this prestigious award.

Finance and Accounting Team

Mark L. Coffin, CGMA  Chief Financial Officer
Jeff Clark        Accounting Supervisor
Brian King        Budget and Procurement Supervisor
Kelly Hobart      Business Data Analysts
Quinteria Mazyck-Wilson  Project Accountant
Barbara Harmony    Financial Specialist
Dianna Kirkpatrick Financial Specialist
Angie Kuras        Financial Specialist
Mark King          Inventory Technician
Mark Levy          Inventory Technician
The increase in total net position of $18.6 million was attributable to an increase in net operating revenue of $5.4 million and an increase in capital assets by $38.4 million. The increase in capital assets includes an additional $22 million construction-in-progress primarily attributable to the Rifle Range Road Wastewater Treatment Plant project.
Net capital assets increased by $38.4 million during fiscal year 2019 as the Commission continues to invest in its infrastructure. Construction in progress of $59 million includes projects in progress as of the end of the fiscal year. The Rifle Range Road Wastewater Treatment Plant project accounted for $31.8 million of the construction in progress.

- Gross asset is the recorded cost of the asset
- Net book is less accumulated depreciation
Major projects include the rehabilitation and expansion of the Rifle Range Road Wastewater Treatment Plants ($72 million) anticipated to be online in 2021, and the AMI meter project where the Commission replaced approximately 37,500 AMR (automatic meter reading) with state of the art, AMI (advanced meter infrastructure). The AMR system required a meter reader to drive up and down roads and streets to capture the meter reading. The meter reading was limited to one reading per month. The AMI system allows the meters to be read by a tower and capture hourly readings. The data capture will allow customer service to notify customers of continual usage or high readings. Also, the data will be valuable to the Commission as they analyze water demand and consumption.

Other projects include a third point of delivery from Charleston Water System, replacement of two deep wells, and other replacement and rehabilitation of system distribution, collection and treatment assets.

The Commission, utilizing an asset management program continues to re-invest and invest in the infrastructure of the utility to maintain a high level of reliability and dependability of the system assets.
The series 2017B and 2018A State Revolving Loans (SRF) are currently in the draw stage.

Commission’s Bond Ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>Standard &amp; Poor’s</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>AA+</td>
<td>Aa1</td>
</tr>
</tbody>
</table>
The implementation of GASB 68 - related to pensions was recorded as of July 1, 2014 (fiscal year 2015) resulting in a charge against Net Position of $11.5 million dollars.

The implementation of GASB 75 – related to other postemployment benefits was recorded as of July 1, 2017 (fiscal year 2018) resulting in a charge against Net Position of $8.5 million dollars.
The increase in operating income before depreciation during fiscal year 2019 is attributable to increased water sales, especially irrigation, as the Commission’s service area during the fourth quarter (April through June) was in an incipient drought. Rainfall can influence water sales based on the timing and quantity received. Rainfall during this fourth quarter of fiscal year 2019 was 56% lower than the previous year during the same period. The Commission’s highest daily demand records were broken 12 times during May of 2019 to include a one-day demand record of 16.9 million gallons.
## Capital Contributions

**Capital Contributions** – Contributions include impact fees, developer contributions of systems, and other capacity and supplemental support by other utilities and governments. Impact fees represent charges against new development to recover capital costs previously incurred for available system capacity or to develop new service capacity. Developers contribute completed systems they have constructed under state and local guidelines. Developers generally do not desire and are not permitted to operate water and wastewater systems. Contributed capital is recorded at acquisition value.

### Capital Contributions

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td><strong>Impact Fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>$2,196</td>
<td>$3,376</td>
</tr>
<tr>
<td>Wastewater</td>
<td>4,696</td>
<td>7,182</td>
</tr>
<tr>
<td><strong>Total Impact Fees</strong></td>
<td>6,893</td>
<td>10,558</td>
</tr>
<tr>
<td><strong>Developer Impact Fees</strong></td>
<td>4</td>
<td>38</td>
</tr>
<tr>
<td><strong>Developer (Contributed Systems)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>3,899</td>
<td>5,429</td>
</tr>
<tr>
<td>Wastewater, other than pump stations</td>
<td>3,132</td>
<td>7,134</td>
</tr>
<tr>
<td>Wastewater, pump stations</td>
<td>-</td>
<td>2,330</td>
</tr>
<tr>
<td><strong>Total Developer System Contributions</strong></td>
<td>7,031</td>
<td>14,893</td>
</tr>
<tr>
<td><strong>Total Capital Contributions</strong></td>
<td>$13,927</td>
<td>$25,489</td>
</tr>
</tbody>
</table>
Earnings coverage of principal and interest payments is a primary industry measure of financial strength and additional borrowing capacity. The Commission is obligated to meet specific debt service coverage by bond ordinance and covenants. The debt coverage targets are listed below.

Legal Tests as Required by Bond Ordinance

<table>
<thead>
<tr>
<th>Test 1</th>
<th>Net Operating Revenue</th>
<th>Total Debt Service</th>
<th>=&gt; 1.0 or</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Net Operating Revenue is Operating Revenue less Operating Expense

<table>
<thead>
<tr>
<th>Test 2</th>
<th>Net Operating Revenue + Impact Fees</th>
<th>Total Debt Service</th>
<th>=&gt; 1.2 or</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>120%</td>
</tr>
</tbody>
</table>

Cost Recovery Policy (Internal Policy)

9.6 Debt Service Coverage Action Trigger

“Whenever Test 1 is estimated to equal 2.00 or less, the Commission will take necessary corrective actions to ensure that the ratio remains at or above the mandatory level. These corrective actions may include increasing rates and charges, reducing operating expenses, or retiring existing debt.”
Irrigation water sales increased 12.6% during fiscal year 2019. The Commission’s customer base grew by 1.9% as the population continued to grow at over 3%.
Best Places to Work in South Carolina Award

Mount Pleasant Waterworks ranked as one of the Best Places to Work in South Carolina in the small-to-medium employer category for the fourth consecutive year. In fact, this year, Mount Pleasant Waterworks was named one of the top ten employers in South Carolina. The Best Places to Work program, created by SC Biz News, the South Carolina Chamber of Commerce and Best Companies Group, was designed to identify, recognize, and honor employers in the state that benefit the state's economy, workforce, and businesses.

To qualify for this award, an extensive two-part survey process was conducted. The first part consisted of evaluating our company’s workplace policies, practices, philosophy, systems, and demographics. The second part consisted of a survey to measure employee satisfaction. The combined scores determined the top companies and the final rankings. Seventy-five companies from across the state were recognized, and Mount Pleasant Waterworks ranked in the top ten for 2019.