

**BEAUFORT-JASPER COUNTY WATER AUTHORITY  
Beaufort, South Carolina**

**Report of Certified Public Accountants  
Financial Statements  
and Supplementary Financial Information  
Years ended June 30, 1987 and 1986**

C O N T E N T S

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Members of the Authority  
Beaufort-Jasper County Water Authority  
Beaufort, South Carolina

We have examined the financial statements of the Beaufort-Jasper County Water Authority as of and for the year ended June 30, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Beaufort-Jasper County Water Authority for the year ended June 30, 1986, were examined by other auditors whose report dated October 1, 1986, expressed an unqualified opinion on those statements.

In our opinion, the above mentioned 1987 financial statements present fairly the financial position of the Beaufort-Jasper County Water Authority at June 30, 1987, and the results of its operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed as comments and schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Beaufort-Jasper County Water Authority. The information has been subjected to the same auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all respects in relation to the financial statements taken as a whole.

*Cherry, Bekaert & Holland*

August 27, 1987  
Beaufort, South Carolina

Exhibit A

## Beaufort-Jasper County Water Authority

## STATEMENT OF FINANCIAL POSITION

June 30, 1987 and 1986

	June 30, 1987 -----	June 30, 1986 -----
<b>ASSETS</b> -----		
<b>Current Assets:</b>		
Cash	\$ 413,664	\$ 732,751
Accounts receivable-trade (less allowance for doubtful accounts of \$3,724 for 1987 and \$3,498 for 1986) (Note A)	378,348	384,477
Prepayments and fuel stock	20,205	22,991
Cash in escrow	28,307	35,579
	-----	-----
Total current assets	840,524	1,175,798
<b>Restricted Assets: (Note B)</b>		
Controlled by Trustee	1,257,580	1,184,628
Controlled by Water Authority	1,817,874	1,114,886
	-----	-----
Total restricted assets	3,075,454	2,299,514
<b>Property and Equipment:</b>		
Land and land rights	206,274	206,274
Structures and improvements	982,769	971,658
Source of supply equipment	1,785,837	1,762,262
Water treatment plant	5,605,610	5,556,581
Transmission and distribution equipment	9,946,790	9,890,909
Other general equipment	555,267	398,662
Wastewater treatment plant	1,493,006	1,484,547
	-----	-----
Total property and equipment	20,575,553	20,270,893
Less: Accumulated depreciation - water operations	4,390,498	3,887,476
Accumulated depreciation - wastewater operations	122,085	39,995
	-----	-----
Total accumulated depreciation	4,512,583	3,927,471
	-----	-----
Net property and equipment	16,062,970	16,343,422
Construction-in-progress (Note A)	504,766	81,947
<b>Deferred charges:</b>		
Unamortized debt expense	9,273	9,804
	-----	-----
Total assets	\$20,492,987 =====	\$19,910,485 =====

## Beaufort-Jasper County Water Authority

## STATEMENT OF FINANCIAL POSITION

Years ended June 30, 1987 and 1986

	June 30, 1987	June 30, 1986
	-----	-----
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Current Liabilities (payable from current assets):</b>		
Accounts payable-trade	\$ 135,755	\$ 157,645
Advance from Department of Navy (Note E)	297,392	46,000
Accrued annual leave	27,622	24,311
	-----	-----
Total current liabilities (payable from current assets)	460,769	227,956
	-----	-----
<b>Current Liabilities (payable from restricted assets):</b>		
Accounts payable-construction	155,534	66,839
Bonds payable-current portion	63,689	183,800
Accrued interest payable	-	49,913
Customer deposits	55,268	48,175
	-----	-----
Total current liabilities (payable from restricted assets)	274,491	348,727
	-----	-----
<b>Non-Current Liabilities:</b>		
Notes payable	252,929	149,929
Bonds payable	7,022,137	7,266,507
Advance from the Navy (Note E)	496,986	796,033
	-----	-----
Total non-current liabilities	7,772,052	8,212,469
	-----	-----
Total liabilities	8,507,312	8,789,152
	-----	-----
<b>Fund Equity:</b>		
Contributed capital	8,982,758	8,498,235
Contributed capital-restricted	172,713	7,711
	-----	-----
Total contributed capital	9,155,471	8,505,946
	-----	-----
<b>Retained earnings:</b>		
Retained earnings - reserved	2,800,963	1,950,787
Retained earnings - unreserved	29,241	664,600
	-----	-----
Total retained earnings	2,830,204	2,615,387
	-----	-----
Total fund equity	11,985,675	11,121,333
	-----	-----
<b>Total Liabilities and Fund Equity</b>	<b>\$20,492,987</b>	<b>\$19,910,485</b>
	=====	=====

The accompanying notes are an integral part of this exhibit.

Beaufort-Jasper County Water Authority  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
 Years ended June 30, 1987 and 1986

	Wholesale Operations 1987	Retail Operations 1987	Wastewater Operations 1987	Combined Operations 1987	Combined Operations 1986
Operating revenue	\$1,759,162	\$ 733,121	\$ 44,313	\$2,536,596	\$2,476,408
Operating expenses:					
Source of supply	88,018	18,677	-	106,695	73,088
Water treatment operations	446,355	62,580	-	508,935	423,627
Transmission and distribution	236,856	98,856	-	335,712	334,330
General and administrative	360,957	218,549	44,313	623,819	471,382
Depreciation (Note A)	316,117	211,455	82,090	609,662	477,145
Total operating expenses	1,448,303	610,117	126,403	2,184,823	1,779,572
Earnings from operations	310,859	123,004	(82,090)	351,773	696,836
Other income (deductions):					
Interest on debt	(263,933)	(109,243)	-	(373,176)	(299,133)
Interest earned	158,851	67,380	-	226,231	199,973
Amortization of debt expense	(532)	-	-	(532)	(532)
Gain on sale of assets	7,904	1,166	-	9,070	-
Other income	712	739	-	1,451	4,598
Other income (deductions) net	(96,998)	(39,958)	-	(136,956)	(95,094)
Net earnings (loss) (Note I)	\$ 213,861	\$ 83,046	\$(82,090)	214,817	601,742
Retained earnings at beginning of year				2,615,387	2,013,645
Retained earnings at end of year				\$2,830,204	\$2,615,387

The accompanying notes are an integral part of this exhibit.

## Beaufort-Jasper County Water Authority

## STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended June 30, 1987 and 1986

	1987	1986
	----	----
<b>Funds provided by:</b>		
Net earnings	\$ 214,817	\$ 601,742
Add (deduct) items not affecting working capital:		
Depreciation	609,662	477,145
Amortization	532	532
Gain on sale of assets	(9,070)	-
	-----	-----
Working capital provided by operations	815,941	1,079,419
Decrease in working capital	493,851	-
Increase in contributed capital	649,525	947,406
Increase in long-term debt	103,000	1,991,623
Decrease in non-current restricted funds	-	947,897
Decrease in construction-in-progress	-	6,290,555
	-----	-----
	\$2,062,317	\$11,256,900
	=====	=====
<b>Funds used for:</b>		
Increase in working capital	\$ -	\$3,119,156
Increase in property and equipment	304,660	8,137,744
Increase in construction-in-progress	422,819	-
Increase in non-current restricted funds	775,940	-
Decrease in long-term debt	543,417	-
Increase in fixed assets	15,481	-
	-----	-----
	\$2,062,317	\$11,256,900
	=====	=====
<b>Increase (decrease) in working capital:</b>		
Cash	\$ (319,087)	\$ 576,540
Accounts receivable (net)	(6,129)	75,556
Accounts receivable-construction	-	(390,599)
Prepayments and fuel stock	(2,786)	7,388
Accounts payable-construction	(88,695)	513,029
Current installments of long-term debt	(131,281)	2,195,563
Accounts payable - trade	21,890	(156,077)
Accrued interest payable	49,913	200,704
Other accrued expenses	-	6,035
Customer deposits	(7,093)	(10,612)
Cash in escrow	(7,272)	35,579
Accrued annual leave	(3,311)	66,050
	-----	-----
	\$ (493,851)	\$ 3,119,156
	=====	=====

The accompanying notes are an integral part of this exhibit.

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

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Note A - Summary of significant accounting policies:

The Beaufort-Jasper County Water Authority was established by an act of the General Assembly of the State of South Carolina on April 23, 1954. The Authority provides water to various areas of Beaufort and Jasper counties and the three military installations located therein. Additionally, the Water Authority provides sewer service to various areas within the two counties.

The accounting policies of the Beaufort-Jasper County Water Authority conform to generally accepted accounting principles as applicable to governmental units for accounting for an enterprise fund.

(a) Basis of Presentation - Fund Accounting:

The accounts of the Beaufort-Jasper County Water Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities and fund balance, revenues and expenditures. The minimum number of funds are maintained consistent with the requirements of the law.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(continued)



Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

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Note A - Summary of significant accounting policies (continued):

(b) Accounts receivable and allowance for doubtful accounts:

The Water Authority accounts for bad debts on retail accounts by a reserve method. The reserve is based on a four year moving average of accounts receivable charged against the reserve. The allowance for doubtful accounts was \$3,724 and \$3,498 as of June 30, 1987 and 1986, respectively.

c) Basis of Accounting:

The financial statements for the proprietary fund have been presented on the full accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting the enterprise funds from the modified accrual basis to the full accrual basis, the changes required are adjustments for unpaid interest, depreciation, capital expenditures, increases in inventory, prepaid expenses, and payments of principal on outstanding debt. In addition, certain reclassifications are made where appropriate.

d) Fixed Assets:

Property and equipment - Property and equipment is stated at cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to operations.

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

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Note A - Summary of significant accounting policies (continued):

d) Fixed Assets (continued):

Depreciation - The service contract with the Department of the Navy provides for adjustment of the Authority's charges for water service based on the results of annual cost studies starting with the year beginning on July 1, 1969. These studies are to include depreciation as an element of cost of service for the purposes of rate determination. Bond Resolutions require the Authority to charge rates sufficient to build up a reserve for depreciation.

Depreciation has been provided using the straight-line method over the items' estimated useful lives. The estimated useful lives are as follows:

Structures and improvements	10-50 years
Source of supply equipment	10-50 years
Water treatment plant	10-33 years
Transmission and distribution equipment	5-50 years
Other general equipment	3-16 years
Wastewater treatment plant	30 years
Capitalized leases	4-5 years

Construction-in-progress - The Authority is constructing a water line to Cat Island, and has completed the upgrading and expansion of its water plant. Additionally, the Authority is constructing certain wastewater facilities. All costs of construction, interest on interim financing, engineering, legal and accounting, etc., have been capitalized and depreciated over the useful life of the projects when the projects are placed into service.

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

Note A - Summary of significant accounting policies (continued):

e) Amortization:

Loan and bond costs are amortized on the straight-line method over the payment periods of the notes and bonds payable. Amortization expense for the years ended June 30, 1987 and 1986 was \$532 and \$532, respectively.

Note B - Restricted Funds:

Bond Resolutions require all revenues to be deposited with the Bond Trustee for distribution to various funds established by the Resolution. Each of these funds is for restricted purposes, as set forth in the Bond Resolution, and some are under the control of the Trustee. At June 30, 1987, the fund balances are as follows:

	Cash -----	Secure Cash -----	Certificates of Deposit -----	Total -----
<b>Current assets:</b>				
<b>Controlled by Trustee:</b>				
Gross revenue fund	\$137,796	\$ 63,900	\$ 0	\$ 201,696
Bond and interest fund	28,777	0	0	28,777
Cushion fund	1,930	1,025,177	0	1,027,107
	-----	-----	-----	-----
Totals	\$168,503	\$1,089,077	\$ 0	\$1,257,580
	=====	=====	=====	=====
 <b>Controlled by Authority:</b>				
Construction accounts	\$435,108	\$ 0	\$ 10,272	\$ 445,380
Deposit fund	37,391	0	30,616	68,007
Plant enlargement fund	251,320	254,217	0	505,537
Depreciation fund	5,361	349,708	0	355,069
Contingency fund	35,293	408,588	0	443,881
	-----	-----	-----	-----
Totals	\$764,473	\$1,012,513	\$ 40,888	\$1,817,874
	=====	=====	=====	=====

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

Note C - Bonds Payable:

Bonds payable at June 30, 1987 consists of the following:

	Included in current liabilities -----	Included in long-term debt -----
Series A, dated July 1, 1971, in the amount of \$2,430,000, payable in annual installments of \$50,000 to \$165,000 through July 1, 2002; interest at 3 1/2% (this issue is held by the U.S. Department of Housing and Urban Renewal and replaces an earlier issue having the same maturity dates and interest rates). During the year ended June 30, 1987, the payment for the upcoming year was paid. Consequently, there are no payments due on this bond in the upcoming year.	\$ -	\$1,915,000
Series B, dated December 1, 1971, in the amount of \$530,000, payable in annual installments of \$20,000 to \$55,000 from July 1, 1974 to July 1, 1993; interest at 6 1/2% to 6 3/4%. During the year ended June 30, 1987, the payment for the upcoming year was paid. Consequently, there are no payments due on this bond in the upcoming year.	-	305,000
Bonds of 1977, dated October 10, 1977, in the amount of \$1,191,269, payable in monthly installments of \$6,053 including interest at 5% from January, 1978 to October, 2019. These bonds are held by the Farmer's Home Administration.	17,509	1,092,992
Bonds of 1978, dated June 8, 1978, in the amount of \$637,395, payable in monthly installments at \$3,202 including interest at 5% from July, 1980 to June, 2020. These bonds are held by the Farmer's Home Administration.	8,981	584,564
Bonds of 1979, dated December 14, 1978, in the amount of \$336,840, payable in monthly installments of \$1,730 including interest at 5% from February, 1981 to December, 2020. These bonds are held by the Farmer's Home Administration.	5,054	310,966

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

Note C - Bonds payable (continued):

Bonds of 1982, dated December 20, 1982, in the amount of \$834,000, payable in monthly installments of \$3,475 including interest at 5% from February, 1983 to January, 1986 and monthly installments of \$4,159 beginning February, 1986 to December, 2022. These bonds are held by the Farmer's Home Administration.	9,207	809,371
Bonds of 1986, Series A, dated February 27, 1986, in the amount of \$118,000, payable in monthly installments of \$633 including interest at 5% beginning March 1986 to March, 2016. These bonds are held by the Farmer's Home Administration.	1,800	114,798
Bonds of 1986, Series B, dated February 27, 1986, in the amount of \$1,968,200, payable in monthly installments of \$15,029 including interest at 8.375% per annum beginning March, 1986 to December, 2014. These bonds are held by the Farmer's Home Administration.	21,138	1,889,446
	-----	-----
	\$63,689	\$7,022,137
	=====	=====

The annual requirements to pay all debt outstanding as of June 30, 1987 including interest payments of \$7,047,854 are as follows:

Fiscal year Ending -----	Total Bond Requirements -----
1988	\$ 369,672
1989	601,522
1990	600,097
1991	598,347
1992	596,422
1993	599,322
1994	596,722
1995	533,947
1996	534,747
1997	535,372
1998	535,822
1999	536,122
2000	536,197

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

Note C - Bonds payable (continued):

2001	536,122
2002	535,872
2003	540,447
2004-2014	369,672
2015	279,498
2016	187,425
2017	181,728
2018	181,728
2019	181,728
2020	133,304
2021	60,288
2022	49,908
2023	24,954
	-----
	\$14,133,680
	=====

Included in Current Liabilities	Included in Long-Term Debt
-----	-----

Note D - Notes Payable:

Beaufort County, loan not to exceed \$350,000 to assist in construction of Regional Sewer Systems and advanced as construction progresses. A one-time carrying charge of \$25,000 is payable five years from the date of the loan, with interest at 8% per annum thereafter until the principal is repaid

\$ -	\$ 252,929
=====	=====

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

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Note E - Advance from the Navy:

In 1963, the United States Navy advanced to the Authority \$2,000,000 on a contract to provide water service to several Navy installations in the Authority's service area. This outstanding unrefunded connection charge is being repaid monthly by the allowance of a credit against the charge for water delivered to these installations. This credit is calculated as the difference between the monthly rate charged to the Authority's area one wholesale customers and the monthly rate charged to the military installations referred to above. The effect of the application of this monthly allowance to the unrefunded connection charge is to make the monthly rates charged to the military installations referred to above equal to the monthly rates charged to the Authority's area one wholesale customers. In accordance with the provisions of the agreement with the Navy, the amount applied to the unrefunded connection charge for fiscal 1987 and 1986 for this monthly allowance was \$47,655 and \$45,559 respectively.

In addition to the adjustment described above, the contract with the Navy limits the amount the Authority can charge the military installations to certain costs. These costs are calculated using two separate formulas as defined in paragraph 4(c)(1) of the contract and are referred to as the gross cost and the base cost. The Navy's participation in these costs is limited to the lesser of the gross cost or the base cost. The difference between the wholesale rate charged the Navy during the year and the lesser of the base cost or gross cost may be recovered through an adjustment to the unrefunded connection charge. This adjustment is to be made to the rate charged to the Navy during succeeding fiscal years. For the year ended June 30, 1987, the rate charged to the Navy was \$127,906 more than the recoverable cost (as defined); for the year ended June 30, 1986, the amount billed to the Navy was \$184,842 more than the recoverable cost (as defined).

As a result of the adjustment described in the second paragraph above, the Authority intends to adjust the monthly credit described in the first paragraph above by the excess billings for fiscal 1986 during the 1988 fiscal year. Based on this adjustment and the adjustment described in the first paragraph, the amount of the reduction for the unrefunded connection charge for the year ending June 30, 1988 is expected to be \$297,392.

(continued)

Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

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Note F - Contributed capital:

Various agencies of the Federal and State governments and private organizations have contributed funds to the Authority for the construction of wholesale and retail water facilities and lines and wastewater facilities.

Note G - Bond Coverage:

The ratio of gross wholesale revenue less operating and maintenance costs before depreciation and amortization to bond requirements for principal and interest for the year ended June 30, 1987 is computed as follows:

Gross wholesale revenues:	
Revenues	\$1,759,162
Interest earned	158,851
Other income	8,616
	<u>          </u>
Total gross income	1,926,629
Less operating and main- tenance cost before depreciation and amortization	1,132,186
	<u>          </u>
	\$ 794,443
	<u>          </u>
Debt Service:	
Bond Principal	364,481
Interest	369,166
	<u>          </u>
	\$733,647
	<u>          </u>
Ratio	1.08 to 1

(continued)



Beaufort-Jasper County Water Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1987

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**Note H - Pension Costs:**

The Authority participates in the South Carolina Retirement System. All full-time Authority employees are eligible for and must become members of the South Carolina Retirement System. The normal cost is funded by contributions from the members at a rate of 4% of annual wages up to \$4,800 and 6% of annual wages in excess of \$4,800. The Authority's share of normal cost is based on 6.15% of the members wages.

The Authority's contributions for the fiscal years ending June 30, 1987 and 1986 were \$36,277 and \$32,034.

**Note I - Effect on earnings by rate make-up:**

The Water Authority has contracts with certain wholesale purchasers of water providing for rate adjustments based on the annual cost of operations, maintenance, bond and interest cost, cushion funds and other reserves as determined by the Water Authority. In the event these costs increase or decrease by more than one-tenth of a cent per thousand gallons in a given year, a corresponding increase or decrease in the rate can be effected during future fiscal years.

The wholesale rate in effect for the years ended June 30, 1987 and June 30, 1986 exceeded the base cost by 13.42 cents per thousand gallons and by 20.19 cents per thousand gallons, respectively. If these rate adjustments were retroactively applied, the effect would be a decrease in wholesale income of \$263,303 for the year ended June 30, 1987 and a decrease in wholesale income of \$394,893 for the year ended June 30, 1986.

## COMMENTS

### FUNDS ESTABLISHED BY BOND RESOLUTION

**Gross Revenue Fund** - This fund shall consist of all receipts, income and revenues that the Authority shall derive, directly or indirectly, from the operation of the System, including monies derived from the connection fees to be charged for connecting to the System, but shall not include refundable customer deposits which shall remain in the custody of the Authority. This fund shall at all times remain under the custody and control of the Trustee and withdrawals shall be made only by the Trustee. It shall be the duty of the Trustee to effect withdrawals in the order of priority established by Article IX of the Bond Resolution.

**Operation and Maintenance Fund** - This fund is intended to provide for the payment of expenses incurred in connection with the administration and operation of the System, and such expenses as may be reasonably necessary to preserve the System in good repair and working order. Operation and maintenance shall include the fees and charges of the Trustee, the Paying Agent, the Custodians of all funds, the cost of auditing and the premiums for all insurance and fidelity bonds required by the Bond Resolution.

**Bond and Interest Funds** - There are currently six separate bond and interest funds to provide for the payment of principal and interest on the two registered revenue bonds and the second, third, fourth and fifth lien bonds. Payments into these funds shall be made in a manner prescribed by the Bond Resolutions to effect payment of principal and interest as the same falls due. To the extent that it shall be practicable, all sums in these funds in excess of \$5,000, shall be invested in direct obligations of the United States having maturities not later than the occasions when such funds must be used for the payments of principal and interest. All income derived from any such investments shall be added to and remain in said fund, and to the extent that income is so added, payments required by Sections 10.03 and 10.04 may be diminished or omitted during the year.

**Cushion Funds** - There are also currently six separate cushion funds to insure timely payment and for early redemption of the principal and interest on the two registered revenue bonds, and the second, third, fourth and fifth lien bonds. Monies in the Cushion Fund shall be used for the following purposes and for no other:

1. To prevent a default in the payment of principal and interest on the Bonds, by reason of the fact that the monies in the Bond and Interest Fund are insufficient for such purposes;

(continued)

COMMENTS (CONTINUED)

FUNDS ESTABLISHED BY BOND RESOLUTION

Cushion Funds (continued) -

2. To pay the principal, interest and redemption premium of the Bonds in the event that all outstanding Bonds are redeemed as a whole; and
3. To effect partial redemption of the Bonds, provided that such redemption be undertaken in accordance with the provisions of Section 5.04 of the Bond Resolution.

To the extent that it is practicable, all monies in these funds in excess of \$5,000 shall be invested in direct obligations of the United States, or any agency thereof, maturing not later than ten years from the date the investment is made. All income from such investments shall remain in the Cushion Fund.

Monthly deposits shall be made to the six Cushion Funds unless the market value of cash and investments exceeds the following limits:

Cushion Fund for Series A and Series B Bonds - \$350,000

August, 1977 Issue - the highest combined principal and interest requirements of the Bonds in any subsequent year.

June, 1978 Issue - the highest combined principal and interest requirements of the Bonds in any subsequent year.

January, 1979 Issue - the highest combined principal and interest requirements of the Bonds in any subsequent year.

December, 1982 Issue - the highest combined principal and interest requirements of the Bonds in any subsequent year.

December, 1986 Issue - the highest combined principal and interest requirements of the Bonds in any subsequent year.

Depreciation Fund - This fund is intended to build up a reasonable reserve for depreciation of the System. The Authority has placed the reasonable amount equal to 10% of the depreciable assets of the system. Monies in this fund shall be used solely for the purpose of restoring depreciated or obsolete items of the System, except that they may be used to prevent a default of principal and interest of the Bonds, if funds in the Bond and Interest Funds and Cushion Fund are insufficient for such purposes. Monthly deposits of \$5,397 shall be made to the Depreciation Fund unless the market value of cash and investments is greater than \$150,000 at which time no payments are required. Additional payments may be made at the discretion of the Authority.

(continued)

COMMENTS (CONTINUED)

FUNDS ESTABLISHED BY BOND RESOLUTION

Contingency Fund - This fund is intended to build up a reasonable reserve for improvements, betterments and extensions to the System, other than the expenses which are reasonably necessary to maintain the System in good repair and working order, and to defray the cost of unforeseen contingencies. The amount the Authority has designated as a reasonable reserve is 5% of the cost of depreciable assets. Monies in the Contingency Fund may be used to prevent a default in the payments of principal or interest of the Bonds, if the Bond and Interest Fund, Cushion Fund and Depreciation Fund are insufficient for such purposes.

Monthly deposits of \$1,100 shall be made to the Contingency Fund, unless the market value of cash and investments is greater than \$185,000 at which time no payments are required. Additional deposits may be made at the discretion of the Authority.

The following is a summary of funds required to be deposited in the above mentioned Funds for the year ended June 30, 1987:

Bond and interest fund	\$396,516
Cushion fund (Bond issue of 1977-Retail Water Sales)	0
Cushion fund (Bond issue of 1978-Retail Water Sales)	3,000
Cushion fund (Bond issue of 1979-Retail Water Sales)	2,076
Cushion fund (Bond issue of 1982-Wholesale-Retail Water Sales)	4,991
Cushion fund (Bond issue of 1986-Wholesale-Retail Water Sales)	18,795
*Depreciation fund	0
*Contingency fund	0

\* With respect to the depreciation and contingency funds, the Authority has established a policy of achieving a balance equal to 10% and 5% of the depreciable asset values in the respective Funds by fiscal year 1993.

## Beaufort-Jasper County Water Authority

## INSURANCE COVERAGE

June 30, 1987

<u>Policy #</u>	<u>Policy Description</u>	<u>Policy Coverage</u>
F00-633-88	Fire and extended coverage - various locations	\$ 10,956,038
L09601-88	Comprehensive liability: General - bodily injury	\$500 / \$500,000
	- property damage	\$500 / \$1,000,000
	- personal injury	\$500,000
C00450-88	Automobile Collision	Value of Loss
—	Workmen's Compensation	State Law
T00 555-87	Tort Liability - Employees/Directors	\$1,000,000
SP027905295	Schedule property floater: Tractors, mowers, trencher, desk set, base station and trailer	\$93,500
D00403-88	Extended Coverage - Data Processing System	\$115,000

Beaufort-Jasper County Water Authority  
 DETAILED SCHEDULE OF OPERATING EXPENSES  
 Year ended June 30, 1987

Wholesale Operations:	1987 Actual -----	1987 Budget -----	Over (Under) Budget -----
<u>Source of Supply</u>			
Salaries - Maintenance	\$ 25,967	\$ 25,906	\$ 61
Contract/outside maintenance		-	-
Maintenance-pump/chlorinators	715	7,653	(6,938)
Maintenance-structures	11,643	11,875	(232)
Maintenance-equipment	24,469	8,126	16,343
Fuel for equipment	1,545	2,415	(870)
Fuel/power for pumps	23,153	21,080	2,073
Rent-canals and wells	527	528	(1)
Contingency	-	4,400	(4,400)
	88,018	81,983	6,035
<u>Water Treatment</u>			
Salaries - Operations	112,441	112,553	(113)
Salaries - Maintenance	52,814	67,001	(14,187)
Maintenance-structure/grounds	13,899	13,596	303
Maintenance-treatment equipment	9,786	8,477	1,309
Maintenance-instruments	13,524	17,237	(3,713)
Power for treatment plant	154,414	138,008	16,406
Chemicals	84,868	112,647	(27,779)
Lab supplies/equipment	4,341	3,146	1,195
Computer supplies	269	926	(657)
Contingency	-	4,400	(4,400)
Computer programming	-	2,640	(2,640)
	446,355	480,631	(34,276)

(continued)

## Beaufort-Jasper County Water Authority

## DETAILED SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 1987

Wholesale Operations-continued:	1987 Actual -----	1987 Budget -----	Over (Under) Budget -----
<u>Transmission and Distribution</u>			
Salaries - Maintenance	\$ 65,098	\$ 49,596	\$ 15,502
Maintenance-structures	6,436	8,360	(1,924)
Maintenance-tanks	84,301	82,038	2,263
Maintenance-transmission lines	29,003	296,964	(267,961)
Maintenance-fire hydrants	359	-	359
Maintenance-meters	8,301	5,936	2,365
Maintenance-pumps	3,169	8,525	(5,356)
Power for transmission lines	39,182	50,555	(11,373)
Engineering	825	2,936	(2,111)
Maintenance equipment	184	2,640	(4,456)
Contingency	-	4,400	(4,400)
	----- 236,856	----- 511,950	----- (275,094)
<u>General and Administrative</u>			
Salaries-gen/mgt/eng/off	136,896	197,778	(60,882)
Computer programming	5,213	3,335	1,878
Engineering	80	22,000	(21,920)
Office supplies	10,461	5,822	4,639
Social security	28,223	32,088	(3,865)
Retirement	25,437	28,874	(3,437)
Hospital insurance	22,208	22,209	(1)
Fleet insurance	5,082	5,960	(878)
Property insurance	10,798	10,625	173
Workmen's compensation	9,199	9,873	(674)
Unemployment insurance	-	440	(440)
Maint/repairs-office equipment	6,509	4,777	1,732
General liability Insurance	1,716	1,461	255
Postage	1,555	890	665

(continued)

## Beaufort-Jasper County Water Authority

## DETAILED SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 1987

Wholesale Operations-continued:	1987 Actual	1987 Budget	Over (Under) Budget
<u>General and Administrative</u> (continued)	-----	-----	-----
Fidelity bond	\$ 428	\$ 930	\$ (502)
Taxes	2,144	1,293	851
Meeting expense	634	556	78
Telephone	8,153	9,961	(1,808)
Tools	9,276	6,128	3,148
Accounting/audit	13,441	12,408	1,033
Legal	6,425	18,766	(12,341)
Travel/conference	1,765	3,767	(2,002)
Cleaning supplies	805	973	(168)
Mileage expenses	1,630	176	1,454
Bill collecting expense	-	2,200	(2,200)
Training/development	7,612	9,578	(1,966)
Pubs/dues/subscriptions	2,187	2,288	(101)
Bank charges	9,904	7,120	2,784
Fuel/trucks & equipment	11,364	14,792	(3,428)
Directors' fee	4,771	4,963	(192)
Maintenance-vehicles	5,136	8,684	(3,548)
Maintenance-radios	2,943	3,254	(311)
Uniforms	-	3,720	(3,720)
Administrative Expense	-	264	(264)
Contingency	2,825	52,980	(50,155)
Training Grant	4,561	4,576	(15)
Advertising	1,570	1,310	260
	-----	-----	-----
	360,957	516,819	(155,862)
	-----	-----	-----
Depreciation	316,117	243,486	72,631
	-----	-----	-----
Total operating expenses - wholesale operations	\$1,448,303 =====	\$1,834,869 =====	\$(386,566) =====

(continued)



Beaufort-Jasper County Water Authority  
 DETAILED SCHEDULE OF OPERATING EXPENSES  
 Year ended June 30, 1987

Retail Operations:	1987 Actual	1987 Budget	Over (Under) Budget
<u>Source of Supply</u>	-----	-----	-----
Salaries-maintenance	\$ 3,633	\$ 3,533	\$ 100
Maintenance-pumps/chlorinators	1,386	1,044	342
Maintenance-structures	6,692	26,620	(19,928)
Maintenance-equipment	3,431	1,108	2,323
Fuel for equipment	217	329	(112)
Fuel and power for pumps	3,246	2,875	371
Rent Canal	73	72	1
Contingency	-	600	(600)
	-----	-----	-----
	18,677	36,181	(17,504)
	-----	-----	-----
 <u>Water Treatment</u>			
Salaries-operations	15,764	15,348	416
Salaries-maintenance	7,405	9,137	(1,732)
Maintenance-structures/grounds	1,949	1,855	94
Maintenance Treatment equipment	1,372	1,156	216
Maintenance-instruments	1,896	2,351	(455)
Power for treatment plant	21,649	18,819	2,830
Chemicals	11,899	15,361	(3,462)
Lab supplies	609	429	180
Computer supplies	38	126	(88)
Contingency	-	600	(600)
Computer programming	-	360	(360)
	-----	-----	-----
	62,580	65,542	(2,962)
	-----	-----	-----

(continued)

Beaufort-Jasper County Water Authority  
 DETAILED SCHEDULE OF OPERATING EXPENSES  
 Year ended June 30, 1987

Retail Operations-continued:	1987 Actual -----	1987 Budget -----	Over (Under) Budget -----
<u>Transmission and Distribution</u>			
Salaries-maintenance	\$ 9,127	\$ 6,763	\$ 2,364
Maintenance-structures	3,565	1,140	2,425
Maintenance-tanks	11,790	11,187	603
Maintenance-transmission lines	14,309	40,495	(26,186)
Maintenance-fire hydrants	9,522	3,900	5,622
Maintenance-meters	6,065	810	5,255
Maintenance-pumps	500	1,163	(663)
Power for transmission	4,760	6,894	(2,134)
Supplies/meters/pipes/fittings	33,748	38,349	(4,601)
Fire hydrant contract expense	143	-	143
Engineering	12	401	(389)
Maintenance Equipment	5,313	360	4,953
Contingency	-	600	(600)
	----- 98,856	----- 112,062	----- (13,206)
<u>General Administration</u>			
Salaries-new services	20,147	35,836	(15,689)
Salaries-gen/mgt/eng/off	82,143	26,970	55,173
Salaries-meter readers	29,372	31,501	(2,129)
Computer programming	3,750	455	3,295
Engineering	844	3,000	(2,156)
Office supplies	1,467	794	673
Social security	12,027	10,133	(1,894)
Retirement	10,839	9,118	1,721
Hospital insurance	9,463	7,014	2,449
Fleet insurance	713	813	(100)
Property insurance	1,514	1,449	65
Workmen's compensation	3,920	1,346	2,574

(continued)

## Beaufort-Jasper County Water Authority

## DETAILED SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 1987

Retail Operations-continued:	1987 Actual -----	1987 Budget -----	Over (Under) Budget -----
<u>General and Administration</u> (continued)			
Unemployment insurance	\$ -	\$ 60	\$ (60)
Maint/contract/office equip	3,688	4,778	(1,090)
General liability insurance	241	199	42
Postage	5,930	6,524	(594)
Fidelity bond	60	127	(67)
Taxes	834	176	658
Meeting expense	89	76	13
Telephone	12,145	9,961	2,184
Tools	1,300	836	464
Accounting/audit	1,884	1,692	192
Legal	901	2,559	(1,658)
Travel and conference	247	514	(267)
Cleaning supplies	113	133	(20)
Mileage expense	229	24	205
Bill collection expense	2,644	300	2,344
Training development	1,067	1,318	(251)
Publications, subscriptions and dues	307	312	(5)
Bank charges	1,428	971	457
Fuel-trucks and equipment	6,283	2,017	4,266
Directors' fees	669	677	(8)
Maintenance vehicles	720	1,184	(464)
Uncollectible accounts	(96)	2,746	(2,842)
Maintenance radios	413	444	(31)
Uniforms	-	507	(507)
Administrative expense	-	36	(36)
Contingency	396	7,225	(6,829)
Training grant	639	624	15
Advertising	221	179	42
	-----	-----	-----
	218,549	174,628	43,921
	-----	-----	-----
Depreciation	211,455	71,022	140,433
	-----	-----	-----
Total operating expenses - Retail operations	\$610,117 =====	\$459,435 =====	\$150,682 =====

(continued)

## Beaufort-Jasper County Water Authority

## DETAILED SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 1987

Wastewater operations:	1987 Actual -----	1987 Budget -----	Over (Under) Budget -----
<u>General and Administrative</u>			
Salaries mgt/off/eng	\$ 492	\$ 492	\$ -
Salaries maintenance	6,300	3,221	3,079
Salaries operators	14,134	15,511	(1,377)
Bill collecting expense	1,314	1,400	(86)
Professional fees	-	1,000	(1,000)
Lab cost	2,236	777	1,459
Equipment maintenance	5,870	2,552	3,318
Power	9,670	5,634	4,036
Tort liability	-	54	(54)
Property insurance	-	622	(622)
Health insurance	-	357	(357)
Workman's comp	-	358	(358)
Retirement	1,287	1,241	46
Social Security	1,496	1,375	121
Fleet insurance	-	477	(477)
Office supplies	148	245	(97)
Uniforms	-	250	(250)
Training/development/conference	117	200	(83)
Vehicle expense	515	319	196
Telephone	517	395	122
Tool/small equipment	-	800	(800)
Pipe/fittings	-	2,000	(2,000)
Postage/shipping	33	198	(165)
Contingency	184	2,500	(2,316)
	-----	-----	-----
	44,313	41,978	2,335
	-----	-----	-----
Depreciation	82,090	4,858	77,232
	-----	-----	-----
Total operating expenses -			
Wastewater operations	\$126,403	\$46,836	\$79,567
	=====	=====	=====