

DONALDS-DUE WEST WATER & SEWER AUTHORITY

DONALDS, SOUTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Gill D. Timpson
Certified Public Accountant
1203 Ella Street
Anderson, South Carolina 29621
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Independent Auditor's Report

Governing Board
Donalds-Due West Water & Sewer Authority
Donalds, South Carolina

Report on the Financial Statements

I have audited the accompanying basic financial statements of the business type activities of the Donalds-Due West Water & Sewer Authority, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Donalds-Due West Water & Sewerage Authority'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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Donalds-Due West Water & Sewer Authority, as of June 30, 2019 and 2018, and the respective 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 the required supplementary information schedules on pages 44 through 45 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained

during my audit of the basic financial statements. I do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Donalds-Due West Water & Sewer Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The schedule of net earnings for debt services and debt coverage and the various schedules of the Capital Improvement projects are presented for additional analysis. The schedules are not a required part of the financial statement.

The Schedule of Expenditures of federal awards and the other schedules are the responsibility of management and were derived from and relate 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 my opinion, the schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 15, 2020 on my consideration of the Donalds-Due West Water & Sewer Authority's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Donalds-Due West Water & Sewer Authority's 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 Donalds-Due West Water & Sewer Authority's internal control over financial reporting and compliance.

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basis financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by the missing information.

Yours very truly,

Gill D. Timpson, CPA

Gill D. Timpson
Certified Public Accountants
Anderson, South Carolina

January 15, 2020

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
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DONALDS, SOUTH CAROLINA
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DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENT OF NET POSTION
JUNE 30, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1(f) and 4)		
Gross Revenue Account	\$753,509.72	\$845,224.19
Operations and Maintenance Account	<u>163,376.01</u>	<u>143,322.91</u>
Total Cash and Cash Equivalents	916,885.73	988,547.10
Gross Revenue Account- Certificate of Deposits (Note 2)	302,502.03	166,400.28
Accounts Receivable (Note 3)	144,028.64	133,237.31
Accrued Interest Receivable	174.09	195.60
Prepaid Expenses	<u>12,234.94</u>	<u>10,949.19</u>
Total Current Assets	<u>1,375,825.43</u>	<u>1,299,329.48</u>
RESTRICTED ASSETS:		
Cash and Cash Equivalents		
Bond and Interest Account (Notes 2 and 4)	19,913.66	15,577.66
Customer Deposits-(Notes 2 and 4)	70,635.23	65,206.79
Contingent Account-(Notes 2 and 4)	13,062.00	11,843.32
Depreciation Account-(Notes 2 and 4)	129,331.35	117,146.49
Construction Account-(Notes 2 and 4)	11,307.44	11,307.44
Grant Account (Notes 2 and 4)	<u>427.81</u>	<u>427.81</u>
Total Cash and Cash Equivalents- Restricted Assets	<u>244,577.49</u>	<u>221,509.51</u>
Certificates of Deposit-Non-Cash Equivalents		
Customer Deposit (Notes 2 and 4)	20,048.44	20,396.83
Gross Revenue Account (Note 2)	-0-	-0-
Contingent Account-(Notes 2 and 4)	4,711.38	4,793.21
Cushion Account-(Notes 2 and 4)	55,081.33	54,587.83
Depreciation Account-(Notes 2 & 4)	<u>32,077.50</u>	<u>32,634.95</u>
Total Certificates of Deposit- Restricted Assets	<u>111,918.65</u>	<u>112,412.87</u>
Total Restricted Assets	<u>356,596.14</u>	<u>333,922.38</u>
CAPITAL ASSETS (Note 5)		
Land & Construction In Progress	252,711.94	252,711.94
Infrastructure, (Net)	5,062,663.17	4,907,846.61
Building and Furniture, net	79,642.84	84,972.33
Equipment and Vehicle, net	<u>21,799.76</u>	<u>23,472.97</u>
Capital Assets	<u>5,416,817.71</u>	<u>5,269,003.85</u>
Total Assets	<u>\$7,149,239.28</u>	<u>\$6,902,255.71</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019 AND 2018**

DEFERRED INFLOWS OF RESOURCES

	<u>2019</u>	<u>2018</u>
Deferred Pension Charges (Note 8)	\$ 26,599.00	\$ 43,078.00
Total Deferred Outflows of Resources	\$ 26,599.00	\$ 43,078.00

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)
June 30, 2019 and 2018**

LIABILITIES

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS):		
Accounts Payable	\$ 64,760.78	\$ 58,896.50
Bank Overdraft	-0-	-0-
Retention Payable	-0-	-0-
Payroll Taxes Withheld and Accrued	10,640.42	8,047.07
Liability For Overpayment by Customers	2,915.72	3,531.86
Accrued Salaries	3,877.83	3,688.61
Sales & use Tax Payable	265.13	216.04
Accrued Directors' Fees	900.00	725.00
Accrued Compensated Absences	<u>3,884.91</u>	<u>2,051.89</u>
Total Current Liabilities	<u>87,244.79</u>	<u>77,156.97</u>
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):		
Accounts Payable For Capital Assets	-0-	-0-
Customer Deposits Payable-(Note 2)	91,415.42	79,280.00
Accrued Interest Payable	449.13	627.62
Revenue Bonds Payable-Current Portion-(Note 6)	27,208.45	25,640.03
Notes Payable-Current Portion (Note 6)	<u>-0-</u>	<u>-0-</u>
Total Current Liabilities Payable From Restricted Assets	<u>119,073.00</u>	<u>105,547.65</u>
LONG-TERM LIABILITIES:		
Revenue Bonds Payable-(Note 6)	492,584.14	519,790.35
Net Pension Liability (Note 8)	<u>407,400.00</u>	<u>421,192.00</u>
Total Long-Term Liabilities	<u>899,984.14</u>	<u>940,982.35</u>
Total Liabilities	<u>1,106,301.93</u>	<u>1,046,530.35</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Credit (Note 8)	<u>15,754.00</u>	<u>11,417.00</u>
Total Deferred Inflows of Resources	<u>\$ 15,754.00</u>	<u>\$ 11,417.00</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019 AND 2018**

NET POSITION

	<u>2019</u>	<u>2018</u>
NET POSITION:		
Net Invested in Capital Assets (Note 7)	\$ 4,868,030.43	\$ 4,703,356.38
Restricted For Capital Activity And Debt Service (Note 7)	237,523.14	228,374.73
Unrestricted (Note 7)	<u>948,228.78</u>	<u>878,498.63</u>
Total Net Position	<u><u>\$6,053,782.35</u></u>	<u><u>\$5,810,229.74</u></u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>	
OPERATING REVENUES:			
Water Revenue (Net of Allowances) (Note 14)	\$1,149,870.12	\$1,130,862.94	
Late Fees/Cut-On Fees	40,652.53	35,627.95	
Tap Fees	36,825.00	31,075.00	
Sewer Revenue	10,020.94	19,147.66	
Other Operating Revenues	<u>9,339.21</u>	<u>13,266.64</u>	
Total Operating Revenues	<u>\$1,246,707.80</u>	<u>\$1,229,980.19</u>	
OPERATING EXPENSES:			
Purchased Water	369,345.61	371,269.31	
Depreciation (Note 5)	234,030.72	220,893.27	
Salaries	186,304.71	179,047.14	
Repairs & Maintenance	127,279.77	60,215.31	
Group Health Insurance	35,346.36	34,209.33	
Retirement Expense (Note 8)	35,269.54	41,644.71	
Materials and Supplies	25,569.20	37,508.02	
Professional Fees	19,926.66	18,203.32	
Bill Processing Expense	18,103.30	16,376.03	
Gasoline, Oil, and Fuel	17,763.62	16,953.93	
Sewer Service Charges	16,298.64	19,112.93	
Insurance – General	15,461.43	15,516.72	
Payroll Taxes	15,125.44	14,502.54	Utilities
	12,885.91	12,785.46	
Compensated Absences	11,413.48	10,528.43	
Licenses and Permits	10,175.00	10,151.00	
Credit Card Processing Fees	9,778.99	14,767.68	
Tap Installation	9,650.00	1,600.00	
Telephone	9,535.72	10,193.92	
Directors' Fees	8,875.00	9,200.00	
Professional Fees Computer	7,278.43	4,912.75	
Sampling	6,994.00	6,524.00	
New Tap Materials	6,820.10	4,424.74	
Office Supplies	5,026.78	5,674.68	
Dues & Subscriptions	3,674.21	3,038.94	
Collection Expense	3,243.02	2,852.20	
Training	2,348.20	3,008.44	
Computer Expense – Maintenance	1,900.87	1,031.68	
Entertainment	1,600.00	1,835.11	

**The Accompanying Notes Are An Integral Part of The
Financial Statements.**

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING EXPENSES (Continued):		
Uniforms	1,499.75	1,391.13
Contributions	1,431.71	775.00
QS1 Online Bill Pay	1,100.00	-0-
Insurance Expense -Wellness Plan	1,000.00	2,000.00
Sales Tax Expense	971.47	787.20
Advertising	947.50	40.00
Postage	460.50	-0-
Miscellaneous Expense	233.97	355.48
Bank Service Charges	138.00	190.85
Website	-0-	357.50
Janitorial Expense	-0-	250.00
	<u>\$1,234,807.61</u>	<u>\$1,154,128.75</u>
Total Operating Expenses	<u>\$ 11,900.19</u>	<u>\$ 75,851.44</u>
Operating Income <Loss>		
NONOPERATING REVENUES <EXPENSES>		
Interest Income	6,780.14	5,099.49
Gain on Sale of Assets	-0-	-0-
Bond Interest Expense	<27,847.72>	<29,306.69>
	<u><21,067.58></u>	<u><24,207.20></u>
Total Nonoperating Revenues <Expenses>		
INCREASES <DECREASES> IN NET POSITION, BEFORE CAPITAL CONTRIBUTIONS	<u><9,167.39></u>	<u>51,644.24</u>
CAPITAL CONTRIBUTIONS		
Cash Capital Contributions (Note 15)	252,720.00	474,708.00
Total Capital Contributions	<u>252,720.00</u>	<u>474,708.00</u>
INCREASE <DECREASE> IN NET POSITION	<u>243,552.61</u>	<u>526,352.24</u>
NET POSITION AT BEGINNING OF YEAR	<u>5,810,229.74</u>	<u>5,283,877.50</u>
NET POSITION AT END OF YEAR	<u>\$6,053,782.35</u>	<u>\$5,810,229.74</u>

**The Accompanying Notes Are An Integral Part of The
Financial Statements**

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water</u> <u>Division</u>	<u>Sewer</u> <u>Division</u>	<u>Total</u>
OPERATING REVENUES:			
Water Revenue (Net of Allowances) (Note 14)	\$1,149,870.12	\$ -0-	\$1,149,870.12
Late Fees/Cut-on Fees	40,300.94	351.59	40,652.53
Tap Fees	36,508.31	316.69	36,825.00
Sewer Revenue	-0-	10,020.94	10,020.94
Other Operating Revenues	9,258.89	80.32	9,339.21
Total Operating Revenues	1,235,938.26	10,769.54	1,246,707.80
OPERATING EXPENSES:			
Purchased Water	\$ 369,345.61	\$ -0-	\$ 369,345.61
Depreciation (Note 5)	238,381.82	1,648.90	234,030.72
Salaries	184,702.49	1,602.02	186,304.71
Repairs & Maintenance	126,185.16	1,094.61	127,279.77
Group Health Insurance	35,042.38	303.98	35,346.36
Retirement Expense (Note 8)	34,966.22	303.32	35,269.54
Materials & Supplies	25,349.30	219.90	25,569.20
Professional Fees	19,755.29	171.37	19,926.66
Bill Processing Expense	17,947.61	155.69	18,103.30
Gas, Oil and Fuel	17,610.85	152.77	17,763.62
Sewer Service Charges	-0-	16,298.64	16,298.64
Insurance – General	15,328.46	132.97	15,461.43
Payroll Taxes	14,995.36	130.08	15,125.44
Utilities	12,775.09	110.82	12,885.91
Compensated Absence	11,315.32	98.16	11,413.48
Licenses and Permits	10,087.50	87.50	10,175.00
Credit Card Processing Fees	9,694.89	84.10	9,778.99
Tap Installation	9,567.01	82.99	9,650.00
Telephone	9,453.71	82.01	9,535.72
Directors' Fee	8,798.68	76.32	8,875.00
Professional Fees- Computer	7,215.84	62.59	7,278.43
Sampling	6,933.85	60.15	6,994.00
New Tap Materials	6,761.35	58.75	6,820.10
Office Supplies	4,983.55	43.23	5,026.78
Dues and Subscriptions	3,642.61	31.60	3,674.21
Collection Expenses	3,215.13	27.89	3,243.02
Training	2,328.01	20.19	2,348.20
Computer Expenses – Maintenance	1,884.52	16.35	1,900.87
Entertainment	1,586.24	13.76	1,600.00

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water Division</u>	<u>Sewer Division</u>	<u>Total</u>
OPERATING EXPENSES (CONTINUED):			
Uniforms	1,486.85	12.90	1,499.75
Contributions	1,419.40	12.31	1,431.71
QS1 Online Bill Pay	1,090.54	9.46	1,100.00
Insurance Expense – Wellness Plan	991.40	8.60	1,000.00
Sales Tax Expense	963.40	8.35	971.47
Advertising	939.35	8.15	947.50
Postage	456.54	3.96	460.50
Miscellaneous	231.96	2.01	233.97
Bank Service Charges	136.81	1.19	138.00
Website	-0-	-0-	-0-
Janitorial Expense	-0-	-0-	-0-
Total Operating Expenses	<u>1,211,570.02</u>	<u>23,237.59</u>	<u>1,234,807.61</u>
Operating Income <Loss>	<u>24,368.24</u>	<u><12,468.05></u>	<u>11,900.19</u>
NONOPERATING REVENUES <EXPENSES>			
Interest Income	6,721.83	58.31	6,780.14
Gain on Sale of Assets	-0-	-0-	-0-
Bond Interest Expense	<u><27,847.72></u>	<u>-0-</u>	<u><27,847.72></u>
Total Nonoperating Revenues <Expenses>	<u><21,125.89></u>	<u>58.31</u>	<u><21,067.58></u>
Increases <Decreases> in Net Position, Before Capital Contributions	<u>3,242.35</u>	<u><12,409.74></u>	<u><9,167.39></u>
Capital Contributions			
Cash Capital Contributions (Note 15)	<u>252,720.00</u>	<u>-0-</u>	<u>252,700.00</u>
Total Capital Contributions	<u>252,720.00</u>	<u>-0-</u>	<u>252,700.00</u>
Increase <Decrease> in Net Position	255,962.35	<12,409.74>	243,552.61
Net Position at Beginning of Year	<u>5,967,285.34</u>	<u><157,055.60></u>	<u>5,810,229.74</u>
Net Position at End of Year	<u>\$6,223,247.69</u>	<u>\$<169,465.34></u>	<u>\$6,053,788.35</u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water</u> <u>Division</u>	<u>Sewer</u> <u>Division</u>	<u>Total</u>
OPERATING REVENUES:			
Water Revenue (Net of Allowances) (Note 14)	\$1,130,862.94	\$ -0-	\$1,130,862.94
Late Fees/Cut-on Fees	35,157.66	470.29	35,627.95
Tap Fees	30,564.81	510.19	31,075.00
Sewer Revenue	-0-	19,147.66	19,147.66
Other Operating Revenues	13,091.52	175.12	13,266.64
	<u>1,209,676.93</u>	<u>20,303.26</u>	<u>1,229,980.19</u>
OPERATING EXPENSES:			
Purchased Water	\$ 371,269.31	\$ -0-	\$ 371,269.31
Depreciation (Note 8)	219,244.37	1,648.90	220,893.27
Salaries	176,683.72	2,363.42	179,047.14
Repairs & Maintenance	59,420.47	794.84	60,215.31
Retirement Expense (Note 8)	41,095.00	549.71	41,644.71
Materials & Supplies	37,012.91	495.11	37,508.02
Group Health Insurance	33,757.77	451.56	34,209.33
Sewer Service Charges	-0-	19,112.93	19,112.93
Professional Fees	17,963.04	240.28	18,203.32
Gasoline, Oil and Fuel	16,730.14	223.79	16,953.93
Bill Processing Expense	16,159.87	216.16	16,376.03
Insurance – General	15,311.90	204.82	15,516.72
Credit Card Processing Fees	14,572.75	194.93	14,767.68
Payroll Tax Expense	14,311.11	191.43	14,502.54
Utilities	12,616.69	168.77	12,785.46
Compensated Absences	10,389.45	138.98	10,528.43
Telephone	10,059.36	134.56	10,193.92
Licenses and Permits	10,017.01	133.99	10,151.00
Directors' Expense	9,078.56	121.44	9,200.00
Sampling	6,437.88	86.12	6,524.00
Office Supplies	5,599.77	74.91	5,674.68
Professional Fees Computer	4,847.90	64.85	4,912.75
New Tap Materials	4,424.74	-0-	4,424.74
Dues and Subscriptions	2,998.83	40.11	3,038.94
Training	2,968.83	39.71	3,008.44
Collection Expenses	2,814.55	37.65	2,852.20
Insurance Expense – Wellness Plan	1,973.60	26.40	2,000.00
Entertainment	1,810.89	24.22	1,835.11
Tap Installation	1,600.00	-0-	1,600.00
Postage	-0-	-0-	-0-

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018

	Water Division	Sewer Division	Total
OPERATING EXPENSES (CONTINUED):			
Uniforms	1,372.77	18.36	1,391.13
Computer Expense Maintenance	1,018.06	13.62	1,031.68
Sales Tax Expense	776.81	10.39	787.20
Contributions	764.77	10.23	775.00
Website	352.78	4.72	357.50
Miscellaneous Expense	350.79	4.69	355.48
Janitorial Expense	246.70	3.30	250.00
Bank Service Charges	188.33	2.52	190.85
Advertising	39.47	.53	90.00
Return Check Charges	-0-	-0-	-0-
Total Operating Expenses	1,126,280.80	27,847.95	1,154,128.75
Operating Income <Loss>	\$ <83,396.13>	\$ <7,544.69>	\$ <75,851.44>
NONOPERATING REVENUES <EXPENSES>			
Interest Income	5,032.18	67.31	5,099.49
Gain on Sale of Assets	-0-	-0-	-0-
Bond Interest Expense	<29,303.69>	-0-	<29,306.69>
Total Nonoperating Revenues <Expenses>	<24,274.51>	67.31	<24,207.20>
Increases <Decreases> in Net Position, Before Capital Contributions	<59,121.62>	<7,477.38>	<51,644.24>
Capital Contributions			
Cash Capital Contributions (Note 15)	474,708.00	-0-	474,708.00
Total Capital Contributions	474,708.00	-0-	474,708.00
Increase <Decrease> in Net Position	533,829.62	<7,477.38>	526,352.24
Net Position at Beginning of Year as Restated	\$5,433,455.72	<149,578.22>	\$5,283,877.50
Net Position at End of Year	\$5,967,285.34	\$<157,055.60>	\$5,810,229.74

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
FINANCIAL STATEMENTS**

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018
INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts From Customers	1,190,064.41	1,185,805.26
Payments to Suppliers	<788,667.55>	<696,926.33>
Payment to Employees	<184,282.47>	<174,456.09>
Other Receipts	45,986.68	44,018.15
Net Cash Provided by <Used In> Operating Activities	263,101.07	353,440.99
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Cash Provided by Noncapital Financing Activities	-0-	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	<381,844.58>	<539,049.08>
Principal Paid on Revenue Bond Maturities	<25,637.79>	<24,329.32>
Interest Paid on Revenue Bonds	<28,026.21>	<29,334.68>
Contributed Capital-Town of Due West	-0-	-0-
Contributed Capital-From Abbeville County	-0-	-0-
Contributed Capital From US Dept of Commerce	-0-	-0-
Proceeds from Sale of Assets	-0-	-0-
Contributed Capital-State of SC RIA Grant	252,720.00	474,708.00
Net Cash <Used In> Capital and Related Financing Activities	<182,788.58>	<118,005.08>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Certificates of Deposit	<414,008.89>	<278,642.43>
Proceeds from Maturities of Certificates of Deposit	278,642.43	408,510.26
Interest on Investments	6,560.58	5,423.75
Reinvested Interest	-0-	-0-
Net Cash Provided by <Used in> Investing Activities	128,805.88	135,291.58
NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS	<48,493.39>	370,727.49
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	1,210,056.61	839,329.12
CASH AND CASH EQUIVALENTS- END OF YEAR	\$ 1,161,563.22	\$ 1,210,056.61

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE FINANCIAL STATEMENTS

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS

**RECONCILIATION OF OPERATING INCOME <LOSS> TO NET CASH PROVIDED
BY <USED IN> OPERATING ACTIVITIES:**

	<u>2019</u>	<u>2018</u>
Operating Income <Loss>	<u>\$11,900.19</u>	<u>\$ 75,851.44</u>
Adjustments to Reconcile Operating Income to Net Cash Provided		
By Operating Activities:		
Depreciation	234,030.72	220,893.27
<Increase> Decrease in Accounts Receivable	<10,129.04>	<2,854.26>
Increase <Decrease> in Allowance For Doubtful Accounts	<662.29>	<134.74>
<Increase> Decrease in Prepaid Expenses	<1,285.75>	<720.40>
Increase <Decrease> in Accounts Payable	5,864.28	21,929.68
Increase <Decrease> in Bank Overdraft	-0-	-0-
Increase <Decrease> in Payroll Taxes Withheld and Accrued	2,593.35	<2,837.66>
Increase <Decrease> in Use Tax Payable	49.09	37.32
Increase <Decrease> For Overpayment by Customers	<616.14>	564.29
Increase <Decrease> in Directors' Fees Accrued	175.00	-0-
Increase <Decrease> in Accrued Salaries	189.22	248.20
Increase <Decrease> in Customer Deposits	12,135.42	24,680.00
Increase <Decrease> in Accrued Compensated Absences	1,833.02	<649.15>
<Increase> Decrease in Deferred Outflows of Resources	16,479.00	<5,978.00>
Increase <Decrease> in Deferred Inflows of Resources	4,337.00	<6,187.00>
Increase <Decrease> in Net Pension Liability	<u><13,792.00></u>	<u>28,598.00</u>
Total Adjustments	<u>251,200.88</u>	<u>277,589.55</u>
Net Cash Provided by Operating Activities	<u>\$ 263,101.07</u>	<u>\$ 353,440.99</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE FINANCIAL STATEMENTS

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS**

**RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE
STATEMENT OF CASH FLOWS TO THE BALANCE SHEET**

	<u>Balance Sheet</u>		<u>Statement Of Cash Flows</u>
	<u>Current Assets</u>	<u>Restricted Assets</u>	
Cash and Cash Equivalents- 6/30/17	\$643,269.79	\$196,059.33	\$839,329.12
Net Increase <Decrease> 6/30/18	<u>345,277.31</u>	<u>25,450.18</u>	<u>370,727.49</u>
Net Increase <Decrease> Cash and Cash Equivalents- 6/30/19	\$988,547.10	\$221,509.51	\$1,210,056.61
	<u><71,661.37></u>	<u>23,167.98</u>	<u><48,493.39></u>
	<u>\$916,885.73</u>	<u>\$244,677.49</u>	<u>\$1,161,563.22</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

During the year ended June 30, 2019, the Authority had no non-cash transactions. During the year ended June 30, 2018, the Authority had no non-cash transactions.

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE FINANCIAL STATEMENTS**

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies

- a. **Donalds-Due West Water and Sewer Authority is a political subdivision of the State of South Carolina created by Act No. 1675 of 1972, Joint Acts and Resolutions of the General Assembly and empowered thereby to own and operate both water and sewer systems.**
- b. **Reporting Entity - This report includes all operations of the Authority for which the Authority's Governing Board has oversight responsibility. The following criteria were used in determining the operations for which an oversight responsibility existed:**
1. **Financial interdependency**
 2. **Selection of a governing authority**
 3. **Designation of management**
 4. **Ability to significantly influence operations**
 5. **Accountability for fiscal matters**
- c. **Basis of Presentation and Accounting –**
- (1) Enterprise Funding Accounting**
The accounts of the Authority are organized on the basis of an enterprise fund type. Enterprise funds are used to account for depreciation that are financed and operated in a manner similar to private businesses – where the intent of the governing body is that (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.
- (2) Basis of Accounting**
All enterprise fund types are presented on the full accrued basis in accordance with accounting principles generally accepted in the United States of America. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled water fund utility service receivables are recorded at year-end. The Authority applies all Governmental Accounting Standards Board pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, and the Accounting Principles Board of the Committed on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.
- (3) Income Tax Status**
The Authority is a special purpose district as it is exempt from Federal and State Income Taxes under Internal Revenue Code Section 115.

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

- d. **Property, plant, and equipment** - Property, plant and equipment is stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for lines, machinery, equipment and other major renewals and betterments are capitalized. Expenditures for replacement meters and other repairs and maintenance are charged to expense.
- e. **Investments** - Investments are stated at cost which approximates market value.
- f. **Cash and cash equivalents** - For purposes of reporting cash flows, the Authority considers all liquid nonequity investments with an original maturity of three months or less to be cash equivalents.
- g. **Compensated Absences**-The liability for compensated absences is recorded in proprietary fund in accordance with GASB Statement #16. The Authority accrues a liability for compensated absences which meet the following criteria.
- (1) The Authority's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
 - (2) The obligation relates to the rights that vest or accumulate.
 - (2) Payment of the compensation is probable, either through time off or in cash at termination.
 - (4) The amount can be reasonably estimated.
- The Authority accrues sick pay, but it is not paid upon termination. Payment is not probable. The employees are encouraged to take all vacation time during the year and the remainder may be carried over to the next year. Thus, the accrual was made for accrued compensated absences.
- h. **Risk Management** - The Authority had \$1,351,294.39 in one financial institution. The Authority obtained collateral to secure all funds in excess of \$250,000 for that financial institution. The remaining funds were in one institution and all the funds were invested in the different institutions that had FDIC collateral and the remaining amount in total was less than \$250,000. The Dodd-Frank Wall Street Reform Act now provides \$250,000 collateral for each bank.

Also, the Authority has obtained insurance on the assets of the District with replacement coverage up to \$3,389,592 on the buildings and personal property. Also, the Authority has tort liability coverage up to \$1,000,000. The Authority now has fidelity bond coverage which made the Authority in compliance

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1 – Summary of Significant Accounting Policies (Continued)

with its bond covenant. The Authority has coverage through September 30, 2019 for \$600,000 fidelity bond. Also, the Authority has the basic workman's compensation coverage on the employees.

- i. **Inventories** - Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of enterprises fund type inventories are recorded and expensed when purchased rather than when consumed as amount of inventory is immaterial.

- j. **Use of Estimates** – The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as to the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

1 k. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet 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/expenditure) until then. The Authority currently has one type of deferred outflows of resources: (1) The Authority reports deferred pension charges in its statement of net position in connection with its participation in the South Carolina Retirement System. The 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 statement of net position and the balance sheet 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) until that time. The Authority currently has one type of deferred inflow of resources: The Authority reports deferred pension credits in its statement of net position in connection with its participation in the South Carolina Retirement System. The 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.

1 l. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of the Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditor, grantors, contributors, or laws or regulations of other governments.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

Note 1(m) Asset Retirement Obligation (ARO)

An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Authority has determined that they have no asset retirement obligation to record as old water lines are left in the ground to deteriorate or the the general contractor removes the old line when it replaces the lines. Sewer lines transport sewer to a third party that treats the sewer and disposes of the sewer.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 2 - Investments and Funds

Establishment of Funds - The terms of the bond ordinances of 1974 authorizing the waterworks system revenue bonds require that all revenues from the operation of the system shall be deposited in a gross revenue fund and then allocated in the form of monthly transfers to various funds in the following order:

1. Bond and interest fund
2. Cushion fund
3. Operation and maintenance fund
4. Depreciation fund
5. Contingent fund

Bond and interest fund - By agreement between Donalds-Due West Water and Sewer Authority and the USDA – Rural Development, the principal and interest payments on the revenue bonds are being made monthly rather than annually as originally provided in the bond resolution.

During each of the years ended June 30, 2019 and 2018, \$53,664.00 and \$53,664.00 respectively, was transferred to the bond interest account from the gross revenue account. Principal and interest paid from this account for each year totaled \$53,664.00 and \$53,664.00, respectively, leaving a balance in the bank account of \$19,913.66 at June 30, 2019 and \$15,577.66 at June 30, 2018.

Cushion fund - The assets of the cushion fund at June 30, 2019, consist of investments of \$55,006.73 which consist of certificates of deposit with an interest rate of .90% and due to mature during the 2019-2020 fiscal year, and \$74.60 of accrued interest. Under the terms of the bond ordinance, the monthly deposit into the account shall not be less than one-tenth of the required monthly deposit to be made into the bond and interest account and shall continue to be made until the cash and securities on deposit shall equal at least the highest combined principal and interest requirements on the bonds in any subsequent calendar year. The cushion fund at June 30, 2019 was funded in accordance with the terms of the bond ordinance.

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 2 – Investments and Funds (Continued)

Operation and Maintenance fund - The bond ordinance provides that there shall be deposited into the operation and maintenance account that sum which has been currently determined to be the cost of operating and maintaining the system for next ensuing month. At June 30, 2019, the assets of the operations and maintenance fund consisted of cash in a bank account with a balance of \$162,475.32 earning interest at .15% and cash on hand of \$900.69. The operating and maintenance fund at June 30, 2019 was funded in accordance with the terms of the bond ordinance.

Depreciation fund - The bond ordinance specifies that there be transferred monthly from the gross revenue account, one-twelfth of the sum determined to be needed for the depreciation account to restore depreciated and obsolete items of the system for the then current fiscal year. The Authority transferred \$12,000 to the savings account during the year ended June 30, 2019. Some expenditures for restoration of depreciated or obsolete items of the system during the year were made directly from the operation and maintenance account and some of expenditures were paid with the depreciation fund. As of June 30, 2019, the assets of the depreciation fund consisted of cash in a savings account of \$129,331.35, earning interest at .15%; \$32,000.00 in a certificate of deposit earning; and \$48.44 of accrued interest at an interest rate of .90%.

Contingent fund - Under provisions of the bond ordinance, there is to be transferred monthly from revenues of the system to the contingent account, one-twelfth of the sum determined to be needed for the then current fiscal year to build up a reasonable reserve for improvements, betterments, and extensions to the system, other than the expense which are reasonably necessary to maintain the system in good repair and working order, and to defray the cost of unforeseen contingencies. The Authority transferred \$1,200.00 to the savings account during the year. Some improvements to the system were paid directly by the operating and maintenance account and some were paid by the contingent fund. The assets of the contingent fund at June 30, 2019 consisted of cash in a savings account of \$13,062.00 earning interest at 0.15%; \$4,700.00 in a certificate of deposit; and accrued interest of \$11.38 earning interest at the rate of .90%.

Cash and Time Deposits - At year end, the carrying amount of the Authority's funds in a financial institution was \$1,351,294.39. The bank account and time deposits were covered by federal depository insurance up to the maximum level of \$250,000 in each bank. The bank depository pledged collateral of \$1,200,000.00 to cover amounts in excess of \$250,000; hence, the Authority had all of its funds insured by the FDIC and the additional collateral pledged which is in compliance with its bond ordinance. \$222,070.11 was in 1 other institution; thus, all funds were covered by the FDIC collateral.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 2 – Investments and Funds (Continued)

Customer Deposits – The Authority requires customers to make deposits at the time of connection to the system. These deposits are designed to insure payment of final service billings and to protect the Authority against damage to equipment located on the customer’s property. When a customer withdraws from the system, this deposit is refunded less the amount of any charges outstanding against the account. Customer deposits held by the Authority are still owned by its customers; thus, the customer deposits are classified as restricted assets and reported separately on the balance sheet. The Authority has cash in deposited in restricted accounts in less than the customers deposits, thus the account is not funded properly. The Authority transferred \$1,000 to the customer deposit account on December 3, 2019 to fully fund customer deposit account.

Construction Fund-The Authority has established an account that the Authority has restricted to be used for construction. The account had a balance of \$11,307.44 to be used to pay for construction payments after grant funds expensed.

Gross Revenue Fund-The Authority had \$753,509.72 in the gross revenue account certificate of deposit. The accounts had an interest rate of .15% to .90% and accrued interest of \$174.09.

NOTE 3 – Accounts Receivable

The Authority uses the allowance for doubtful account method to write-off accounts estimated to be uncollectible. The following is a summary of receivable at June 30:

	<u>2019</u>	<u>2018</u>
Trade Accounts	\$ 126,699.79	\$ 107,981.70
Unbilled Accounts Receivable	<u>19,267.82</u>	<u>27,856.87</u>
	145,967.61	135,838.57
Less: Allowance For Doubtful Accounts	<u><1,938.97></u>	<u><2,601.26></u>
Totals	<u><u>\$ 144,028.64</u></u>	<u><u>\$ 133,237.31</u></u>

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 4 - Restricted Assets

For the statement of cash flows per GASB #9, cash and cash equivalents includes restricted assets that are cash and cash equivalents and unrestricted assets that are cash and cash equivalents. The cash and cash equivalents as of June 30, 2019 and 2018 are as follows:

	<u>6/30/19</u>	<u>6/30/18</u>
Unrestricted Assets		
Cash and Cash Equivalents	<u>\$916,885.73</u>	<u>\$988,547.10</u>
Restricted Assets		
Cash and Cash Equivalents		
Bond and Interest Account	\$ 19,913.66	\$ 15,577.66
Depreciation Account	129,331.35	117,146.49
Contingent Account	13,062.00	11,843.32
Customer Deposits	70,635.23	65,206.79
Construction Account	11,307.44	11,307.44
Grant Account	<u>427.81</u>	<u>427.81</u>
Total Restricted Assets-		
Cash and Cash Equivalents	<u>244,677.49</u>	<u>221,509.51</u>
Total Cash and Cash Equivalents	<u>\$1,161,563.22</u>	<u>\$1,210,056.61</u>

The components of the restricted assets, liabilities payable from restricted assets, and restricted net assets as of June 30, 2019 were as follows:

	<u>Total</u>	<u>Liabilities</u> <u>Payable From</u>	<u>Net</u>
	<u>Restricted</u>	<u>Restricted</u>	<u>Restricted</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Depreciation and Contingency	\$ 179,182.23	\$ -0-	\$ 179,182.23
Capital Projects	11,735.25	-0-	11,735.25
Customer Deposits	90,683.67	91,415.42	<731.75> (1) see below
Debt Service and Reserves	<u>74,494.99</u>	<u>28,657.58</u>	<u>45,837.41</u>
	<u>\$ 359,096.14</u>	<u>\$ 120,073.00</u>	<u>\$ 237,023.14</u>

For Restricted Assets: Customer Deposits Account:

Per (1) above: Authority fully funded customer deposit account on December 3, 2019 by transferring \$1,000 to customer deposit account.

NOTE 5 – Capital Assets

Depreciation of all exhaustible fixed assets used by the Authority is charged as an expense against operations. Accumulated depreciation is reported on the Authority's balance sheets. Maintenance and repairs are charged to expense as incurred. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water & Sewer System	10 to 50 Years
Old Due West Water System	15 to 40 Years

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 5 – Capital Asset (Continued)

Buildings	10 to 40 Years
Office Equipment	5 Years
Machinery and Equipment	5 to 7 Years
Vehicles	5 to 7 Years
Water and Sewer Lines	10 to 50 Years

A summary of the Authority's property, plant, and equipment at June 30, 2019 and 2018 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 58,292.58	\$ -0-	-0-	\$ 58,292.58
Rights-of-Way	194,419.36	-0-	-0-	194,419.36
Construction-In-Progress	-0-	-0-	-0-	-0-
Total Capital Assets Not Being Depreciated	252,711.94	-0-	-0-	252,711.94
CAPITAL ASSETS BEING DEPRECIATED:				
Water System	8,978,171.46	372,059.56	18,641.00	9,331,590.02
Sewer System	82,444.70	-0-	-0-	82,444.70
Old Due West Water System	127,229.18	-0-	3,059.00	124,170.18
Buildings	169,326.42	2,475.00	-0-	171,801.42
Vehicles	76,441.69	-0-	-0-	76,441.69
Office Equipment	8,113.37	-0-	-0-	8,113.37
Machinery & Equipment	23,549.91	7,310.02	8,029.50	22,830.43
Total Capital Assets Being Depreciated	9,465,276.73	381,844.58	29,729.50	9,817,391.81
LESS: ACCUMULATED DEPRECIATION FOR:				
Water System	4,116,218.25	215,594.10	18,641.00	4,313,171.35
Sewer System	36,551.20	1,648.90		38,200.10
Old Due West Water System	127,229.28	-0-	3,059.00	124,170.28
Buildings	86,031.77	7,221.76	-0-	93,253.53
Vehicles	63,249.46	5,863.35		69,112.86
Office Equipment	6,435.69	582.73	-0-	7,018.37
Machinery & Equipment	13,269.17	3,119.88	8,029.50	8,359.55
Total Accumulated Depreciation	4,448,984.82	234,030.72	29,729.50	4,653,286.04
Total Capital Assets Being Depreciated, Net	5,016,291.91	147,813.86	-0-	5,164,105.77
CAPITAL ASSETS, NET	\$5,269,003.85	147,813.86	-0-	\$5,416,817.71

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 5 – Capital Asset (Continued)

Statutory liens upon the system and its revenues have been created under the terms of the ordinances of the revenue bonds outstanding. These liens will remain in effect until such time as all interest and principal payments have been made.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 6 - Long-term Debt

The Authority's liability on revenue bonds consists of the following:

	<u>2019</u>	<u>2018</u>
<u>Revenue Bonds:</u>		
\$896,000 - 5.25% waterworks system revenue bonds of 1995 payable in monthly installments of \$4,472.00 (principal and interest) through January 2036.	<u>519,792.59</u>	<u>545,430.38</u>
Total Revenue Bond Debt	<u>519,792.59</u>	<u>545,430.38</u>
Less: Current Maturities	<u><27,208.45></u>	<u><25,640.03></u>
Total Long-Term Debt	<u>\$ 492,584.14</u>	<u>\$ 519,790.35</u>

Maturities of long-term debt for each of the years succeeding June 30, 2019 are as follows:

	<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 27,208.45	\$ 27,208.45	\$ 27,208.45	\$ 26,455.55
2021	28,482.20	28,482.20	28,482.20	25,181.80
2022	30,014.03	30,014.03	30,014.03	23,649.97
2023	31,628.25	31,628.25	31,628.25	22,035.75
2024	33,329.27	33,329.27	33,329.27	20,334.73
2025-2029	195,541.53	195,541.53	195,541.53	72,778.47
2030-2034	<u>173,588.86</u>	<u>173,588.86</u>	<u>173,588.86</u>	<u>17,072.86</u>
Totals	<u>\$ 519,792.59</u>	<u>\$ 207,509.13</u>	<u>\$ 519,792.59</u>	<u>\$ 207,509.13</u>

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 6 – Long-Term Debt (Continued)

The following is a summary of bond transactions of the Authority for the years ended June 30, 2018 and 2017.

	<u>Revenue Bonds</u>	<u>Total</u>
Bonds Payable-July 1, 2017	\$ 569,879.70	\$ 569,759.70
Bonds Retired	<u><24,329.32></u>	<u><24,329.32></u>
 Bonds Payable at June 30, 2017	 <u>\$ 545,430.38</u>	 <u>\$ 545,430.38</u>
 Bonds Payable-July 1, 2017	 \$ 545,430.38	 \$ 545,430.38
Bonds Retired	<u><25,637.79></u>	<u><25,637.79></u>
 Bonds Payable at June 30, 2018	 <u>\$ 519,792.59</u>	 <u>\$ 519,792.59</u>

As stated previously, a statutory lien upon the system and its revenues has been created under the terms of the ordinances of the 1974 revenue bond issue. In addition, the \$896,000 revenue bond issue is secured by a pledge of revenue and statutory lien on the waterworks system junior no other bond issue. This lien will remain in effect until such time as all interest and principal payments have been made.

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NET POSITION AND CONTRIBUTED CAPITAL
JUNE 30, 2019 AND 2018

NOTE 7 - Net Position and Contributed Capital

Net Position represent the difference between assets and liabilities. The restricted net position amounts were as follows:

Net Invested in Capital Assets:

	2019	2018
Net Property, Plant, and Equipment in Service	\$ 5,416,817.71	\$ 5,269,003.85
Less: Revenue Bonds Payable	<519,792.59>	<545,430.38>
Notes Payable	-0-	-0-
Accounts Payable For Capital Assets	<28,994.69>	<20,217.09>
Add: Unspent Debt Proceeds	-0-	-0-
 Net Invested in Capital Assets:	 \$ 4,868,030.43	 4,703,356.38

Restricted For Capital Activity and Debt Services:

	2019	2018
Restricted Cash & Cash Equivalents	\$ 244,677.49	\$ 221,509.51
Restricted Certificates of Deposit	111,918.65	112,412.87
Deductions:		
Restricted Cash For Customer Deposits	<91,415.42>	<79,280.00>
Unspent Debt Proceeds	-0-	-0-
Restricted Accounts Payable For Capital Activity	-0-	-0-
Restricted Current Portion of Bonds Payable	<27,208.45>	<25,640.03>
Restricted Accrued Interest Payable	<449.13>	<627.62>
Restricted Current Portion of Notes Payable	-0-	-0-
 Restricted For Capital Activity and Debt Service	 \$ 237,523.14	 \$ 228,374.73

Unrestricted Net Position:

	2019	2018
Total Net Position	\$ 6,053,782.35	\$ 5,810,229.74
Less: Net investments Capital Assets	<4,868,030.43>	<4,703,356.38>
Less: Restricted Net Position	<237,523.14>	<228,374.73>
 Unrestricted Net Position	 \$ 948,228.78	 \$ 878,498.63

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 - Retirement Plan

The Authority has five active employees and one retired employee that participates in the South Carolina Retirement System.

The Authority participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, (State Fiscal Accountability Authority) ("SFAA") which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017 the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement System Invested Commission ("RSIC") as Co-trustees of the Retirement Trust Funds.

For purposes of measuring net pension liability, deferred outflows and inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary and net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (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.

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

Plan Description

The SC Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the SC Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and 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 SC General Assembly at or after the 2012 general elections

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Plan Membership

Membership requirements are prescribed in Title 9 of the SC Code of Laws. A brief summary of the requirements under each system 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 described 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 system is presented below.

SCRS – A Class Two member who has separated from service with a 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 a 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.

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.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Benefit Formula

The benefit formula for full-service retirement annuity effective since July 1, 1989 for the South Carolina Retirement System is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

Retirement Participation

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI programs ended effective June 30, 2018 and a member's participation may not continue after that date.

Plan Contributions

Contributions are described in Title 9 of the South Carolina code of Laws. The PEBA Board may increase the percentage rate in the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the Plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period: this increase is not limited to one-half of one percent per year.

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 8 - Retirement Plans (Continued)

The 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.

Plan Contributions: Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in the SCRS ("Plans") employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain a thirty-year amortization period; this increase is not limited to one-half of one percent per year.

After June 30, 2027 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 funding ratio) this is equal to or greater than eighty-five percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five 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 eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

The Retirement System Funding and Administration Act of 2017 increases employer contribution rates to 14.41 percent for the SCRS effective July 1, 2018. It establishes a ceiling on employee contribution rates at 9 percent for the SCRS. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five. The Authority contributed \$27,954.13 to the SCRS plan.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

Note 8- Retirement Plan (Continued)

As noted above, both employees and the Authority are required to contribute to the Plans at rates established and as amended by the PEBA. The Authority's contributions are actuarially determined, but are communicated to and paid by the Authority as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS Rates		
	2017	2018	2019.
Employer Contribution rate: (1)			
Retirement	11.41%	13.41%	14.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	11.56%	13.56%	13.56%
Employee Rate	8.66%	9.00%	9.00%

Note (1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The SC Retirement System's Employee Class Two and Class Three rates was 9% of earnedable compensation. Also, the SC Retirement's Employee Class Two and Employee Three rate was 14.41% earnable compensation.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

The required contributions, incidental death benefits, and percentages of amounts contributed by the Authority to the Plans for the past three years were as follows:

Year Ended June 30, .	SCRS Contributions		Incidental Death	
	Required	%Contributed	Rate	contribution
2019	\$ 27,954.13	14.41%	.15%	290.98
2018	\$ 25,539.56	13.41%	.15%	282.62
2017	\$ 21,420.36	11.41%	.15%	283.17

Eligible payrolls of the Authority covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll.
2019	\$ 193,991.21
2018	\$ 188,415.76
2017	\$ 188,777.83

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

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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 during the valuation process are subject to continual revision as actual results are compared with part 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. The last experience report was performed on data through June 15, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020 annual valuation is completed.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued) The June 30, 2018, (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2017, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2018, using generally accepted actuarial principles. Information included in the later schedules is based on the certification provided by GRS. The net pension liability is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67, less that system’s fiduciary net position.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2017, valuations for SCRS.

	SCRS	
Actuarial Cost Method	Entry age normal	
Investment Rate of Return	(1)	7.25%
Projected Salary Increases	3.0% to 12.5% (varies by service)	
Benefit Adjustments	Lesser of 1% or \$500 annually	

(1) 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.

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

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined by PEBA in accordance with GASB 67 less that System’s fiduciary net pension.

The total pension liability is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements located at <http://www.peba.sc.gov/assets/financialsretirement.pdf>. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purposes of satisfying the requirements of GASB Nos.67 and 68 are not applicable for other purposes, such as determined the plans’ funding requirements.

A plan’s Net Pension Liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by the Government Accounting Standards Boards (GASB) as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan’s fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL.

As previously communication by PEBA, the financial reporting changes required by GASB 68 are likely to result in increased volatility in an employers’ reported proportionate share of the NPL from one year to the next. Regardless of the NPL reported on the employer’s financial statements, the employer is responsible only for making the contributions required by the state law during any given year. Employers cannot pay down or pay off their proportionate share of the NPL because SCRS is a multiple employer, cost-sharing defined benefit plan.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: The net pension liability (“NPL”) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less the System’s fiduciary net position. NPL totals, as of June 30, 2019, measurement date of June 30, 2018, for the SCRS and the Authority, are present in the following table:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer’s Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>	<u>Authority Proportionate Share of the Collective Net Pension Liability</u>
SCRS	\$48,821,730,067	\$26,414,916,370	\$22,406,813,397	54.1%	100%
Authority	\$880,307	\$480,223	\$407,356	54.1%	.001818%

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 8 – Retirement Plan (Continued)

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

The total pension liability is calculated by the Systems' actuary, and each Plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability 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 performance 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 Plans' funding requirements.

At June 30, 2019 the Authority reported liabilities of approximately \$407,400 for its proportionate share of the net pension liabilities for the SCRS. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of June 30, 2015 that was projected forward to the measurement date. The Authority proportion of the net pension liabilities were based on the projection of the long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2018 measurement date, the Authority's SCRS proportion was .001818%, which was a decrease of .000053 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of approximately \$23,733 for the SCRS. At June 30, 2019, the Authority reported deferred outflows of resourced (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
SCRS		
Differences Between Expected and Actual Experience	\$ 735	\$ 2,397
Change in Assumptions	16,163	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,472	-0-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	3,229	13,357
Employer Contributions Subsequent to the Measurement Date	<u>7,024</u>	<u>-0--</u>
Total SCRS	<u>33,623</u>	<u>15,754</u>

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Authority’s Pension Liability Pension Expense and Deferred Outflows/ Inflows of Resources to Pension: Approximately \$7,024 that were reported as deferred outflows of resources related to the City’s contributions subsequent to the measurement date to the SCRS will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2019. 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:

<u>Year Ended June 30</u>	<u>SCRS</u>
2020	8,498
2021	5,366
2022	<2,650>
2023	<369>
Total	<u>10,845</u>

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. the projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in 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 benefits payments to determine the total pension liability.

Sensitivity Analysis: The following table presents the sensitivity of the Authority proportionate share of the net pension liability of the Plans to change in the discount rate, calculated using the discount rate of 7.25%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than he current rate:

<u>Systems</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Authority’s proportionate share of the net pension liability of the SCRS	\$ 520,582	407,400	326,486

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Authority’s Pension Liability Pension Expense and Deferred Outflows/ Inflows of Resources to Pension:

<u>Authority’s Net Net Pension Liability</u>	<u>Authority’s Deferred Outflows of Resources</u>	<u>Authority’s Deferred Inflows of Resources</u>	<u>Authority’s Share of Pension Expense</u>	<u>Authority’s Expense Allocation Percent of SCRS</u>
Authority \$ 407,400	\$ 33,623	\$ 15,754	\$ 39,660	.001818%

Plan’s Fiduciary Net Position: Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing 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 Authority reported a payable of approximately \$9,852 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 Salaries and on the financial statements and was paid in July, 2019.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon a 30-year capital markets assumption. 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 investment fees.

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

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Egoity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/ Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	<u>2.0%</u>	0.34%	<u>0.01%</u>
	100%		
Total Expected Real Return			5.03%
Inflation for Acturial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.28%</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the SC Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

Other Postemployment Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina (“State”) provides health, dental, and long-term disability benefits (“OPEB Plan”) to retired State and Authority employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Employee Insurance Program (“EIP”), a part of the State Budget and Control Board (“SBCB”).

Generally, retirees are eligible for the health and dental benefits if they have established 10 years of retirement service credit. For new hires on or after May 2, 2008, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding. Benefits become effective when the former employee retirees under a state retirement system (i.e. SCRS, PORS, etc.). Basic long-term disability (“BLTD”) benefits are provided to active state, school district and participating local government employees approved for disability. Complete financial statements for the OPEB plans may be obtained by writing to the Financial Manager Risk Management Service, Municipal Associate of SC, P.O. Box 12109, Columbia, SC 29221.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

NOTE 8 – Retirement Plan (Continued)

The Code of Laws of the State, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriation by the General Assembly for active employees to the EIP and participating retirees to the SBCB except for the portion funded through the pension surcharge (retiree surcharge) who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Authority has no liability beyond the payment of monthly contributions.

The required employer contribution surcharge percentages were 5.50%, 5.50%, and 5.50% for the years ended June 30, 2019, 2018, and 2017, respectively. The Actual required employer contribution surcharge amounts were approximately \$ -0-, \$ -0-, and \$ -0- for the years ended June 30, 2019, 2018, and 2017, respectively. The actual contribution rates and amounts were 100% of the required employer contribution surcharge percentages and amounts for the OPEB Plan for all years presented. No retired employees had any payments made for them. District had no retired employees participating this year; thus, no payment made for them.

NOTE 9 - Income Tax Status

The Authority is a special purpose district; as it is exempt from taxation under Internal Revenue Code Section 115.

Note 10 - Subsequent Events

The Authority replaced the Ford 2008 F-250 truck that was totalled with a new Chevrolet Silverado truck at a cost of \$33,327.

The Authority awarded the contract for the Stoll Industry Project at a cost of \$169,925 in the new fiscal year.

Note 11 - Economic Dependency

In 2018 and 2019, the Authority had a customer that was a significant customer, the customer purchased 2,957,060 gallons and 2,957,000 gallons of water for 16 different accounts which accounted for \$16,523.43 and \$17,413.36 in water revenue, respectively. The customer had a balance due to the Authority of \$1,528.32 and

\$1,389.71 at June 30, 2019 and 2018, respectively. In 2019 and 2018, another customer had an accounts receivable of \$1,592.61 and \$1,410.60 and total gallons of 2,840,966 and 2,650,000 gallons and water revenue of \$21,427.16 and \$17,228.83 respectively.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018**

Note 11 - Economic Dependency (Continued)

In 2019 and in 2018, another customer purchased \$12,089.20 and \$14,472.25 of water revenue and \$11,869.20 and \$15,492.25 of sewer revenue with accounts receivable of \$449.25 and \$4,987.88 at June 30, 2019 and June 30, 2018. The customer purchased 2,084,510 and 2,580,330 gallons of water and sewer service in 2019 and 2018, respectively.

In 2019, a fourth customer had usage of 12,338,460 gallons of water for a total amount of \$85,752.32 for the year. The customer owed the Authority \$6,500.33 at June 30, 2019. In 2018, the customer purchased 12,297,550 gallons of water and the amount of revenue was \$85,106.50 with amounts receivable of \$7,738.50 at June 30, 2018.

NOTE 12 - Interest Cost

In 2018, total interest incurred was \$29,306.69 of which \$-0- was capitalized, and \$29,306.69 was charged to operations. In 2019, total interest incurred was \$27,847.2, of which \$-0- was capitalized, and \$27,847.72 was charged to operations.

NOTE 12(b) – Net Working Capital

Net working capital is current assets (\$1,375,825.43) less current liabilities (\$87,244.79) equals (\$1,288,580.64).

Note 13 - Changes in Bonds Payable and Notes Payable

	Year End June 30, <u>2018</u>	Additional <u>Borrowings</u>	Payments on <u>Debts</u>	Year End June 30, <u>2019</u>
\$896,000-5.25% water-works system revenue bonds of 1995 payable in installments of \$4,472.00 (principal and interest through January, 2036.	<u>545,430.38</u>	-0-	<u><25,637.79></u>	<u>519,792.59</u>
Totals	\$ 545,430.38	\$ -0-	<\$25,637.79>	\$ 519,792.59

DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 14 – Allocation of Expenses

The Authority allocated expenses and revenues between the water and sewer divisions for the June 30, 2019 fiscal year as 99.14% and 0.86%, respectively, based on revenue. The Authority allocated expenses and revenues between the water and sewer divisions for the June 30, 2018 fiscal year as 98.68% and 1.32%, respectively, based on revenue.

NOTE 15 – Contributed Capital

During the June 30, 2019 fiscal year, the Authority received an RIA Grant from the State of SC Rural Instructure Agency which was used for a new waterline installation. The grant was for \$252,720. The grant was not pass-through grant from any federal agency.

During the June 30, 2018 fiscal year, the Authority received an RIA Grant from the State of South Carolina. The grant was a pass-through grant for \$474,708 which was new waterline. The grant was a pass-through grant from the Environmental Protection Agency.

NOTE 16 – Capitalization Threshold

The Authority uses a capitalization threshold of \$2,500.00 that extends the useful life of assets that are infrastructure. The Authority uses a capitalization threshold of \$1,500 for office furniture and office equipment.

NOTE 17 – Contingent Liabilities

The Authority had no contingent liabilities to disclose per Authority's attorney. All water agencies were evaluated as of the date of the audit report.

NOTE 18-Commitments

In past years, the Authority entered into a tank maintenance service agreement with a service company. Under the agreement, the company will repair, paint, and maintain tanks of the Authority. The agreement expense was \$33,050.07 for the current year and \$31,609.42 for the past fiscal year. For future years, the maintenance company's fee will be the same amount unless the maintenance company notifies the Authority 90 days before the contract expires, and the company may raise the fee by 5% for any future years. All commitments were evaluated as of the date of the audit report.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 19-Department of Health and Environmental Control Violation

The Authority has had elevated levels of lead results from test of lead in water during the current fiscal year. After the end of the fiscal year, the Authority had levels of lead in water that were in violation of DHEC regulations and was subject to a fine from DHEC. The Authority is working with the water supplier and the Authority's engineer to find a method to remove the lead from the water. No provision for any liability has been made to the financial statements as the cost and the best method to correct the lead problem has not been determined.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
JUNE 30, 2019**

	6/30/19	6/30/18	6/30/17
Authority's Proportion of the net pension liability	.001818%	.001871%	.001838%
Authority's Proportionate share of the net pension liability	407,400	421,192	367,172
Authority covered—employee payroll	193,991	188,416	178,005
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	210.01%	223.54%	206.27%
Plan Fiduciary net portion as a percentage of total pension liability	54.04%	53.34%	60.40%

DONALD-DUE WEST WATER AUTHORITY
JUNE 30, 2019
REQUIRED SUPPLEMENTARY INFORMATION
SOUTH CAROLINA RETIREMENT SYSTEM
SCHEDULE OF PENSION CONTRIBUTION
JUNE 30, 2019

	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>
Contractually required contribution	\$27,954	25,267	21,540
Contribution in relation to the			
Contractually required contribution	<u>27,954</u>	<u>25,267</u>	<u>21,540</u>
Contribution Deficiency <Excess>	-0-	-0-	-0-
Authority covered-employee payroll	193,991	188,416	188,778
Contributions as a portion of covered-			
Employee payroll	14.41%	13.41%	10.41%

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
INSURANCE POLICIES AND FIDELITY BONDS
JUNE 30, 2019**

Supplementary Schedule 1

<u>Company</u>	<u>Policy Number</u>	<u>Policy Date From - To</u>	<u>Type of Coverage</u>	<u>Amount</u>
SC Insurance Reserve Co.	T141190120	5/15/19- 5/15/2020	Tort Liability	\$1,000,000
State Worker's Compensation	10-064153-5	1/01/19- 12/31/19	Basic Limit	
SC Insurance Reserve Co.	L141190120	5/15/19- 5/15/2020	Truck Liability On 3 trucks Limit	1,000,000
			Basic Economic Loss (each person) Uninsured Motorists	1,000
				Basic Limits
SC Insurance Reserve Co.	C141190120	5/15/19- 5/15/2020	Collision	200
			Comprehensive	200
				Deductible
SC Insurance Reserve Co.	F141190120	5/15/19- 5/15/2020	Water Tank	1,165,000
			Building	155,992
			Contents of Building	60,000
			Water Tank- SC-178	1,777,992
			(4) SCATA Systems	2,700
			(2) Pressure Reducing Valves	193,000
			Shop	45,000
			Shop Contents	20,000
Fidelity Deposit Co. of Maryland	CCP-0068482-01	9/11/18 9/11/19	Employee Theft Coverage	600,000 Deductible 6,000

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF WATER SYSTEM IMPROVEMENT PROJECT
FOR THE YEARS ENDED JUNE 30, 2019**

**SC Infrastructure Authority – Grant #F 5-16-012001-03
June 30, 2018 Project**

	<u>Description</u>	<u>Cost</u>
J & M Construction	Construction of Pinehurst Subdivision Water System improvements	\$ 407,208.00
Dunn & Assoc.	Design of Water System Improvement Project, Project Management and Inspection of Project work. Engineering Fees	<u>67,500.00</u>
	Project Cost	<u><u>\$ 474,708.00</u></u>

SC Rural Infrastructure Authority	Loan Assistance that it received as a Pass-through Grant from US Environmental Protection Agency	<u><474,708.00></u>
	Funds Unaccounted For	<u><u>-0-</u></u>

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
COLLEGE STREET WATER LINE UPGRADE PROJECT
FOR THE YEAR ENDED JUNE 30, 2019**

**SC Rural Infrastructure Authority – Grant # R-17-1124
Water System Improvement**

	<u>Description</u>	<u>Cost</u>
Corbett & Son Construction, LLC	Construction of College Street Waterline	\$267,600.00
Dunn & Associates	Design Water System Improvement Project, Project Management And Inspection of Project Work	<u>51,872.22</u>
	Project Cost	<u>\$319,472.22</u>
SC Rural Infrastructure Authority	Grant Proceeds Received for Cost of Project. Grantee Required to pay all Non-construction cost Associated with Grant	<u>\$252,720.00</u>
	Funds unaccounted For	<u>-0-</u>

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Department of Agriculture Rural Development:			
Water and Waste Disposal Systems For Rural Communities	10.760	N/A	(Note 2) \$ <u>545,430</u>
Total US Department of Agriculture			\$ <u>545,430</u>
Total Expenditures of Federal Awards			\$ <u>545,430</u>

See Accompanying Notes To Schedule of Expenditures of Federal Awards.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Donalds-Due West Water & Sewer Authority under programs of the federal governments for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Donalds-Due West Water & Sewer Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Donalds-Due West Water & Sewer Authority.

Note 2- Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. The Authority's financial statement have been presented using the economic resources, measurement focus, and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are required when an obligation has been incurred. Water revenue and sewer revenue are presented net of bad debt.

Note 3 - Loans Outstanding

Donalds-Due West Water & Sewer Authority had the following loan balances outstanding at end of the June 30, 2019 fiscal year. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Amount Outstanding
Water And Waste Disposal Systems For Rural Communities	10.760	\$ 519,793.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF NET EARNINGS FOR DEBT SERVICE AND DEBT COVERAGE
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

SCHEDULE 4

	<u>2019</u>	<u>2018</u>
Operating Income <Loss>	\$ 11,900.19	\$ 75,851.44
Adjustments to derive Net Earnings:		
Depreciation	234,030.72	220,893.27
Contributed Capital – Cash for Operations	-0-	-0-
Interest Income	6,780.14	5,099.49
Gain on Sale of Assets	<u>-0-</u>	<u>-0-</u>
Net Earnings per Bond Resolution	<u>\$ 252,711.05</u>	<u>301,844.20</u>
Total Debt Service Paid	\$ 53,664.00	\$ 53,664.00
Debt Coverage	<u>\$ 199,014.05</u>	<u>\$ 248,180.20</u>
Percent Debt Coverage	<u>370.91%</u>	<u>462.47%</u>

The Authority's Bond Resolution requires that Net Earnings as defined in the Bond Resolution, equal to at least 110% of the annual principal and interest requirements of all series of bonds outstanding in such years. For the years ended June 30, 2019 and 2018, the Authority's "Net Earnings" were 370.91% and 462.47%, respectively of its annual principal and interest requirements of all series of bonds. Management believes the Authority is in compliance with all bond covenants and restrictions.

**The Accompanying Notes Are An Integral Part Of The
Financial Statements.**

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

January 15, 2020

Department of Agriculture

No matters reported on.

Sincerely yours,

Matthew Cox

**Matthew Cox, Manager
Donalds-Due West Water & Sewer Authority**

Gill D. Timpson
Certified Public Accountant
1203 Ella Street
Anderson, South Carolina 29621
(864) 224-8138

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

Governing Board
Donalds-Due West Water & Sewer Authority
Donalds, South Carolina

I 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 business-type activities of Donalds-Due West Water & Sewer Authority as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which comprise Donalds-Due West Water and Sewer Authority's basic financial statements and have issued my report thereon dated January 15, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Donalds-Due West Water & Sewer Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Donalds-Due West Water & Sewer Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Donalds-Due West Water & Sewer Authority'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.

My 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 and therefore, material weaknesses or significant deficiencies that may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that I consider to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Donalds-Due West Water & Sewer Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Donalds's Due West Water & Sewer Authority's Response to Findings

Donalds-Due West Water & Sewer Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Donalds-Due West Water & Sewer Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Yours very truly,

Gill D Timpson

Gill D. Timpson
Certified Public Accountant
Anderson, SC 29621

January 15, 2020

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Page 2

Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

<u>CFDA Number</u>	<u>Name Of Federal Program Or Cluster</u>
------------------------	---

No Major Programs

Dollar threshold used to distinguish
between type A and type B
programs:

\$ 750,000.00

Auditee qualified as low-risk
auditee:

X yes no

Section II - Financial Statement Findings

2019-001 Lack of Segregation of Duties

Condition: The Authority does not have segregation of duties as the same employee is performing duties that overlap each other in responsibility.

Criteria: The Authority has two employees, the one employee who prepares the bills, collects customer's payments, prepares all checks, and prepares the deposit slips. The other employee prepares daily reports and collects payments.

Effect: Funds may be misappropriated with the same employees performing duties that overlap each other.

Cause: The Authority is not large enough to hire any additional office personnel to perform the duties.

Perspective Information: A sample of 48 invoices was tested and vouched 24 invoices to the general ledger, and 24 items from the general ledger was traced back to the invoices. Also, 12 days were selected and traced the activity for the funds coming into the general ledger.

Identification of a repeat finding: This is a repeat finding from the previous audit; 2018-001 finding.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Page 3

Section II – Financial Statement Findings (Continued)

2019-001-Segregation of Duties (Continued)

Recommendation: The general manager needs to continue approving invoices before being paid and comparing invoices with checks before signing them.

The director, with check signing authority needs to compare the checks with the invoices and signing off on the invoices before signing the checks as part of dual signature on checks. Also, the general manager needs to compare billings with the following month's collections to see that percent collected remains constant compared to each billing monthly. Also, the Authority needs to continue its fidelity bond coverage as it currently has it.

Views of responsible officials and planned corrective actions: The general manager will continue to approve all invoices before payment. All the board members review all the invoices after being paid at the monthly board meeting, and they inquire about any invoice that there is any question on their part about. Also, the general manager will compare the collections on account with the prior month's billing to be certain that percent collected remains constant. The general manager has separated the collections of accounts receivable into two parts to break down that area. The general manager has engaged the data processing firm to provide payroll services. The general manager plans to continue with same fidelity bond coverage that is currently in place.

2019-002 Insufficient Funding of the Customer Deposit reserve account.

Condition: The liability account for the amount of customer deposits exceeds the amount that the Authority has in its two separate bank accounts to funds the liability to the customer for their deposits.

Criteria: The Authority needs to have internal controls in place to verify at the end of each month that sufficient funds are in the two bank accounts to pay off the customer deposit liability account for customer deposits.

Cause: There are no procedures in place to check that the two bank accounts for the customer deposits exceeds the liability account for customer deposits.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Page 4

Section II- Financial Statement Findings (Continued)

2019-002-Insufficient Funding of the Customer Deposit reserve account (Continued)

Effect: Because of the lack of procedures to check each month that the bank accounts for customer deposits exceeds the liability accounts for customer deposits, the liability account may exceed the bank accounts without knowledge of management.

Perspective Information: The client personnel deposit customer deposits in the customer deposits each day they have any customer deposit. The client personnel get approval from the general manager to refund a customer deposit when a customer closes her account.

Recommendation: Procedures should be in place that the personnel of the Authority check the balances in the two bank accounts to verify that the balance in the two accounts exceed the balance in the detailed subsidiary ledger for customer deposits.

View of Responsible Officials and Planned Corrective Actions: On December 3, 2019, authority transferred \$1,000 to the customer deposit to fully fund the customer deposit account. Also, the office manager will obtain the balance at the end of the month for the two customer deposit bank account and will run the detailed customer deposit subsidiary ledger to be certain that two customer deposit accounts exceed the subsidiary ledger balance. If the detailed subsidiary exceeds the two bank accounts, then the general manager will approve transferring sufficient funds to cover the difference.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Page 5

Section III – Federal Award Findings And Questioned Costs

None

Yours very truly,

Gill D Timpson

Gill D. Timpson, CPA

January 15, 2020

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

January 15, 2020

**Oversight Agency: US Department of Agriculture
Rural Development**

Donalds-Due West Water & Sewer Authority respectively submits the following corrective action plan for the year ended June 30, 2019.

**Name and address of independent public accounting firm:
Gill D. Timpson, CPA
1203 Ella Street
Anderson, SC 29621**

Audit Period: June 30, 2019

The findings from the January 15, 2020 Schedule of Findings and Questioned are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Audit Results, does not include findings and is not addressed.

Section II - Financial Statement Findings

Significant Deficiency

2019-001 – Segregation of Duties

Recommendation: The Authority's general manager needs to continue comparing approved invoices with printed checks before signing the checks. The director with check signing authority needs to review the invoices and sign off on the invoice as approval and then sign the check. Also, the general manager needs to compare the District's collections of accounts with prior month's billing to be certain the percent collected remains constant. Also, the general manager will continue with the current fidelity bond coverage on the office manager.

Action Taken: We concur with the recommendation. The general manager will continue with the current fidelity bond coverage. Also, the general manager will continue to compare the approved invoices to printed checks to be certain the amount paid agrees with the approved invoices. The general manager will compare the collection of accounts with the prior month's billing to see that percent collected remains constant. The Authority's directors will review the invoices after being paid at the monthly board meeting. The Authority will implement the recommendations by February 28, 2020.

**DONALDS-DUE WEST WATER & SEWER AUTHORITY
DONALDS, SOUTH CAROLINA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Section II - Financial Statements Findings (Continued)

2019-002-Insufficient Funding of Customer Deposit Reserve Account

Recommendation: The Authority's general manager needs to get the office manager to run the detailed subsidiary ledger for customer deposits and obtain the balance of customer deposits at the end of the subsidiary ledger. Then, the office manager needs to get the balance of the two customer deposit accounts after the bank reconciliation has been performed. Then, the office manager needs to compare the two bank account balances to the end of the customer deposits subsidiary ledger. If the balance in the two bank accounts equals or exceeds the detailed subsidiary ledger, then the amounts are accepted as correct. If the customer deposit liability account is greater, then, the office manager needs to get the general manager to approve transferring funds to fully fund the liability account.

Action Taken: We concur with the recommendation. The office manager will test the balance in the liability account and compare it to reconciled balance in the two bank accounts. If the two bank accounts exceed the liability account, then no further action is needed. If the liability account exceeds the two bank accounts, then the general manager will approve transferring sufficient funds to fully fund the liability account.

Section III - Federal Award Findings And Questioned Costs

No recommendations were made.

If the U.S. Department Of Agriculture, Rural Development, has questions regarding this plan, please call Matthew Cox at 864-379-2226.

Sincerely yours,

Matthew Cox

**Matthew Cox, General Manager
DonalDs-Due West Water & Sewer Authority**

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American Institute of
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January 15, 2020

Donalds-Due West Water and Sewer Authority
Donalds, South Carolina

Dear Board Members:

In planning and performing my audit of the financial statements of the Donalds-Due West Water & Sewer Authority for the years ended June 30, 2019 and 2018. I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I consider to be control deficiencies under standards established by the American Institute of Certified Public Accountants. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet significant enough to merit attention by those charged with governance.

There are also inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in preparation of financial statements. Further, future periods are subject to the risk that the procedures may become inadequate because of change in conditions and that the degree of compliance with the procedures may deteriorate.

January 15, 2020

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Continued

The immaterial instances of significant deficiencies are as follows:

- (1) The Authority requires new customers to make a customer deposit to assure that the customer's last bill will be paid for if the customer leaves without paying. The majority of customers use less than the customer deposit for their final monthly bill. The customer makes a deposit when they open an account, and the deposit is entered in the computer as the deposit for the customer. The office personnel need to go over the subsidiary general ledger and be certain deposits in the subsidiary ledger are recorded in the computer customer deposit account on a monthly basis. Also, the office personnel should review the current customers in the computer and be certain all customers have the correct deposit. At the completion of this procedure, the office personnel should run the computer customer deposit account subsidiary ledger each month, they should it reconcile it with the customer deposit amount on the monthly statement from the data processing firm.
- (2) The office managers need to be certain to enter the date that is on the payroll report from the payroll processing firm on the payroll checks for the employees to be certain all payroll reports report the proper payroll in the correct quarter.

This report is intended solely for the information and use of the board members, management, others within the organization, and federal awarding agencies and pass-through entities.

Yours very truly,

Gill D Timpson

Gill D. Timpson
Certified Public Accountant
Anderson, South Carolina

January 15, 2020