

GAFFNEY BOARD OF PUBLIC WORKS

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MARCH 31, 2020 AND 2019**

GAFFNEY BOARD OF PUBLIC WORKS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-11
Basic Financial Statements		
Statements of Net Position - Proprietary Fund	A	12-13
Statements of Revenues, Expenses and		
Changes in Net Position - Proprietary Fund	B	14
Statements of Cash Flows - Proprietary Fund	C	15-17
Statements of Fiduciary Net Position - OPEB Trust Fund	D	18
Statements of Changes in Fiduciary Net Position - OPEB Trust Fund	E	19
Notes to Financial Statements		20-40
Required Supplementary Information	<u>Schedule</u>	
Schedule of Changes in Net OPEB Liability and Related Ratios	1-1	41
Schedule of OPEB Investment Returns	1-2	42
Schedule of the Board's OPEB Contributions	1-3	43
Schedule of the Board's Proportionate Share of the Collective		
Net Pension Liability (SCRS)	2-1	44
Schedule of the Board's Contributions (SCRS)	2-2	44
Supplementary Information		
Schedules of Water Department Operations - Proprietary Fund	3-1	45-46
Schedules of Sewer Department Operations - Proprietary Fund	3-2	47
Schedules of Electrical Department Operations - Proprietary Fund	3-3	48
Schedules of Warehouse, Clinic/Safety		
and Administrative Department Expenses - Proprietary Fund	3-4	49-50
Historical Statements of Revenues, Expenses		
and Debt Service Coverage	3-5	51

To the Board of Commissioners of
Gaffney Board of Public Works
Gaffney, South Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Gaffney Board of Public Works as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Gaffney Board of Public Works' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of Gaffney Board of Public Works as of March 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gaffney Board of Public Works' basic financial statements. The supplementary schedules of departmental operations and historical statements of revenues, expenses and debt service coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules, as detailed above, 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 audits 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
July 24, 2020

**Board of Public Works
Management's Discussion and Analysis (Unaudited)**

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

Financial Highlights

Management believes the Board's financial condition is very strong. During FY 2020 revenues have increased in water, but decreased in the sewer and electric departments from FY 2019. Departmentally, water, depreciation, and administrative expenses have increased while sewer and electrical expenses have decreased. The contributing factors to the increases in expenses were plant operations and maintenance, materials and supplies, renovations at the operations center, and salaries. As for the electrical department decreases, PMPA voted to continue operating under a reduced working capital. This reduction was returned to all participants as a credit through December 2019. The Board has continued to improve service, provide for future growth, and maintain a very stable and competitive rate structure. Also, the Board has remained well within its debt covenants, with stringent financial policies and guidelines set by the Board and management. The following are key financial highlights for FY 2020 and FY 2019.

Total assets and deferred outflows of resources for FY 2020 year-end were \$62,768,830 and exceeded liabilities and deferred inflows of resources by \$40,163,894. Of the total net position, \$18,049,318 was unrestricted. Total assets and deferred outflows of resources for FY 2019 year-end were \$59,905,724 and exceeded liabilities and deferred inflows of resources by \$37,848,819. Of the total net position, \$17,852,360 was unrestricted. Total net position increased compared to prior year. The current year operations resulted in an increase in net position of \$2,315,075.

Debt service coverage was 436% in FY 2020 and 523% in FY 2019; both years exceeded the 120% required by the Board's bond covenants.

For FY 2020, the Board sold approximately 244 million kwh of electricity and 2.19 billion gallons of potable water and treated 1.15 billion gallons of wastewater. This compares to 247 million kwh of electricity, 2.09 billion gallons of potable water, and 1.14 billion gallons of wastewater in FY 2019.

Operating revenues for FY 2020 were \$38,118,542 as compared to \$38,380,626 for FY 2019.

Operating expenses for FY 2020 were \$36,636,526 as compared to \$35,328,740 for FY 2019. Management and staff are continually evaluating operations to control and/or reduce costs and improve efficiency.

Interest income on investments increased over last year with the continued improvement in interest rates on the certificate of deposits. Interest income for FY 2020 totaled \$204,812 compared to \$123,576 for FY 2019.

The Board transferred 3.05% of electric sales, the equivalent of a franchise fee, to the City of Gaffney in accordance with our Intergovernmental Agreement. The transfer for FY 2020 was \$689,812 compared to \$693,771 for FY 2019.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements, notes to the financial statements, and supplementary information. The MD&A represents management's examination and analysis of the Board's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Board's strategic plan, budget, bond resolutions, and other management tools were used for this analysis.

The basic financial statements consist of the Enterprise Fund, which is a type of Proprietary Fund to account for its electric, water, and sewer operations, that reports information about the Board using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and notes to the financial statements. The financial statements also include the Pension (Other Post-Employment Benefits) Trust Fund, a type of Fiduciary Fund, used to account for resources held in trust for retirees and beneficiaries covered by the Board's Retiree Healthcare Plan. The accounting for the fiduciary fund is much like that used for the proprietary fund.

The *statements of net position* present the financial position of the Board on a full accrual basis. The statements of net position present information on all the Board's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in the net position are one indicator of whether the financial position of the Board is improving or deteriorating.

While the statements of net position provide information about the nature and amount of resources and obligations at year-end, the *statements of revenues, expenses, and changes in net position* present the results of the business and fiduciary activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the Board's recovery of its costs. Rate setting policies are different methods of cost recovery not fully provided for by generally accepted accounting standards. The primary objectives of the rate model are to improve equity among customer classes and to insure that capital costs are allocated on a basis of long term capacity needs, ensuring growth pays for growth.

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

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the Board's proportionate share of the collective net pension liability and contributions to the retirement system, as well as the schedules in changes in the net OPEB liability and ratios, contributions and investment returns. *Supplementary information*, immediately following the *required supplementary information*, includes detailed schedules of departmental operations and historical statements of revenues, expenses and debt service coverage.

Financial Analysis

The following comparative condensed financial statements and other information serve as the key financial data and indicators for management, monitoring, and planning.

Condensed Financial Statements

Condensed Statements of Net Position

Assets:	3/31/2020	3/31/2019	3/31/2018
Current and Other Assets	\$ 36,547,863	\$ 35,493,216	\$ 38,452,919
Capital Assets	23,944,852	22,560,728	22,273,081
Total Assets	60,492,715	58,053,944	60,726,000
Total Deferred Outflows of Resources	2,276,115	1,851,780	1,665,022
Liabilities:			
Current Liabilities	9,118,012	7,995,170	7,471,748
Long-Term Liabilities	13,383,183	13,944,889	13,375,316
Total Liabilities	22,501,195	21,940,059	20,847,064
Total Deferred Inflows of Resources	103,741	116,846	83,253
Net Position:			
Net Investment in Capital Assets	21,781,780	19,193,742	18,689,412
Restricted for Debt Service Reserve Fund	332,796	333,230	332,646
Restricted for Capital Projects	-	469,487	-
Unrestricted	18,049,318	17,852,360	22,438,647
Total Net Position	\$ 40,163,894	\$ 37,848,819	\$ 41,460,705

Condensed Financial Statements - continued

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Revenues:	3/31/2020	3/31/2019	3/31/2018
Operating Revenues			
Water Department	\$ 7,307,391	\$ 7,081,075	\$ 7,236,146
Sewer Department	5,981,616	6,129,410	6,098,863
Electrical Department	24,829,535	25,170,141	24,663,435
Non-operating Revenues	242,085	119,779	102,298
Total Revenues	38,360,627	38,500,405	38,100,742
Expenses:			
Operating Expenses, Excluding Depreciation			
Water Department	5,243,750	4,522,131	4,107,843
Sewer Department	3,945,510	3,349,564	3,252,700
Electrical Department	19,762,541	20,480,669	22,529,285
Warehouse, Clinic/Safety, and Administrative Departments	4,706,501	4,144,977	3,981,501
Depreciation Expense	2,978,224	2,831,399	2,965,011
Non-operating Expenses	92,688	113,906	136,836
Total Expense	36,729,214	35,442,646	36,973,176
Deficiency, Before Capital Contributions	1,631,413	3,057,759	1,127,566
Capital Contributions	683,662	935,288	12,000
Increase (Decrease) in Net Position	2,315,075	3,993,047	1,139,566
Net Position Beginning of Year - Restated (2019)	37,848,819	33,855,772	40,321,139
Net Position End of Year	\$ 40,163,894	\$ 37,848,819	\$ 41,460,705

General Trends and Significant Events

In FY 2020 the overall number of electric, water, and sewer accounts increased. Electric service accounts increased overall by 12; water service accounts increased by 12; and wastewater accounts increased by 25.

The Board had 244 million kwh electrical sales for FY 2020 and 247 million kwh in FY 2019, for a total decrease of 1.2% in electrical sales. Brown Packing was the Board's largest electric demand customer in 2020.

The volume of water sold in FY 2020 was approximately 2.191 billion gallons and 2.096 billion gallons was sold in FY 2019, netting an increase in sales of 4.53%. The FY20 increase in sales was seen in the industrial customer category. Industrial water customer sales accounted for approximately 42% of the total usage. During FY 2020 and FY 2019, the Nestle Corporation was the Board's largest water customer, accounting for approximately 11% in FY 2020 and 11% in FY 2019 of total water sales. FY 2020 wholesale water sales accounted for 23% of the total usage. The City of Blacksburg was the largest wholesale customer for FY 2019.

The volume of wastewater billed in FY 2020 was 1.147 billion gallons and 1.14 billion gallons in FY2019, which was a .61% increase in sales. During FY 2020 and FY 2019, the Nestle Corporation was the Board's largest sewer customer. In FY 2020 they contributed to approximate 16% of the total sewer usage for the utility.

Financial Condition

The Board experienced an increase in its net position of \$2,315,075 for FY 2020 after experiencing an increase of \$3,993,047 for FY 2019. The Board's financial condition remains strong at year-end with adequate liquid assets, reliable facilities to meet demand, and a reasonable level of an unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

Total assets and deferred outflows of resources combined for FY 2020 were \$62,768,830, with a \$21,781,780 net investment in capital assets, \$332,796 restricted for the debt service reserve fund, and \$18,049,318 unrestricted for a \$40,163,894 total net position. Total assets and deferred outflows of resources combined in FY 2019 were \$59,905,724, with a \$19,193,742 net investment in capital assets, \$333,230 restricted for the debt service reserve fund, \$469,487 restricted for capital projects, and \$17,852,360 unrestricted for a \$37,848,819 total net position.

Accounts receivable for FY 2020 were \$2,891,201 compared to \$2,946,337 in FY 2019.

Results of Operations

Operating Revenues:

Revenues from operations fall into three categories: electric service, water service and wastewater service. The ancillary charges such as tap fees, service charges and penalties are shown in each of the respective categories. The Board has inside and outside the city residential, commercial, and industrial water and sewer customer classes. The Board has seven electric customer classifications; residential all gas, residential gas hot water heater, residential total electric, commercial, commercial total electric, industrial, and economic development.

The average realized rate from electrical sales in FY 2020 was \$101.76 per thousand kwh delivered compared to \$101.90 and \$110.60 in FY 2019 and FY 2018, respectively. The average realized rate from water sales in FY 2020 was \$3.34 per thousand gallons compared to \$3.38 and \$4.30 in FY 2019 and FY 2018, respectively. The average realized rate from wastewater treatment in FY 2020 was \$5.22 per thousand gallons treated compared to \$5.38 and \$5.26 in FY 2019 and FY 2018, respectively.

Operating Expenses:

The Board operates and maintains an electrical distribution system, a potable water treatment and delivery system, and a wastewater collection and treatment system. The overhead electrical distribution system consists of 16 dedicated circuits originating from 6 different outdoor substations. The water is treated at the Victor Gaffney and Cherokee Water Treatment Plants with a capacity of 12 million gallons per day and 6 million gallons per day, respectively. During FYs 2020, 2019 and 2018, the Cherokee Water Treatment plant did not operate due to decreased system demands.

The following table shows the operating expenses for each of the departments.

Actual Amounts in 1000s	2020	2019	2018
Water operating expenses			
Total	\$ 6,335	\$ 5,519	\$ 5,077
Excluding depreciation	5,243	4,522	4,108
Wastewater operating expenses			
Total	\$ 4,721	\$ 4,072	\$ 4,139
Excluding depreciation	3,945	3,349	3,253
Electric operating expenses			
Total	\$ 20,787	\$ 21,515	\$ 23,555
Excluding depreciation	19,762	20,481	22,529

The average electric operating cost per thousand kwh delivered was \$85.19 in FY 2020 versus \$87.11 and \$105.63 in FY 2019 and FY 2018, respectively. The average water operating cost per thousand gallons consumed was \$2.89 in FY 2020 versus \$2.63 and \$2.39 in FY 2019 and FY 2018, respectively. The wastewater operating cost per thousand gallons treated was \$4.12 in FY 2020 versus \$3.57 and \$3.57 in FY 2019 and FY 2018, respectively. The domestic component of the wastewater flow is relatively constant and directly proportional to the domestic water flow but the industrial component and required treatment fluctuates with the strength of the industrial waste stream. The sewer surcharge rates, industrial discharge permits and other associated fees related to the industrial wastewater are designed to recover the additional expenses incurred due to the higher strength waste. The relatively stable cost per thousand gallons is an indication that the industrial fee structure is effective in recovering those costs.

Capital Contributions and Grants:

The Board agrees to own and operate water and sewer lines that are funded by developers as long as the facilities are installed in accordance with the Board's specifications. The Board also receives contributions from developers and occasionally, contributions from federal/state agencies and other entities in the form of grants for capital projects.

During FY 2020, the total contributed assets were \$683,662; the following contributions and grants make up that amount:

- Water line extension capital contributions totaled \$190,389.
- Two large sewer projects had capital contributions in FY 2020: \$195,000 for Project Clary Wastewater Extension, and the remaining \$273,273 in grant monies from the Rural Infrastructure Authority for Rutledge Suez Wastewater Improvements were spent and reimbursed during the current year.
- The Board also received \$25,000 in grant monies from the U.S. Department of Interior for the Lake Welch Walking Trail.

Cash Flow Activity

The following table shows the Board's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total operating revenues	\$38,118,542	\$38,380,626	\$37,998,444
Net cash provided by operations	<u>\$ 6,042,165</u>	<u>\$ 6,144,399</u>	<u>\$ 3,981,206</u>
Net operating cash as a % of operating revenue	15.9%	16.0%	10.5%

Capital Assets and Debt Administration

Capital Assets

At the end of FY 2020, the Board had \$23,944,852 invested in capital assets as provided in the following schedule:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Transmission, Distribution, and Treatment Facilities	\$ 134,116,697	\$ 132,112,731	\$ 130,519,216
Property and Other Facilities	5,752,300	5,332,120	5,310,351
Vehicles, Office and Maintenance Equipment	7,296,418	6,481,573	6,240,839
Construction in Progress	<u>1,810,371</u>	<u>1,181,085</u>	<u>39,473</u>
	148,975,786	145,107,509	142,109,879
Accumulated Depreciation	<u>(125,030,934)</u>	<u>(122,546,781)</u>	<u>(119,836,798)</u>
	<u><u>\$ 23,944,852</u></u>	<u><u>\$ 22,560,728</u></u>	<u><u>\$ 22,273,081</u></u>

For FY 2020, the Board spent \$3,628,975 on significant improvements and additions, compared to \$2,211,205 and \$677,642 in FY 2019 and FY 2018, respectively.

In FY 2020, capital expenses included significant additions to construction in progress through construction of electric, water, and sewer infrastructure of \$1,534,027 for the Logan Street water line upgrade, Jenny's Lane (Project Peach) and Project Clary sewer lines, and the Interstate 85 widening project. The additional significant improvements of \$2,094,948 were spent on office renovations, electrical meter upgrades, services and transformers, the Rutledge-Suez Street sewer line and heavy equipment and vehicles.

For more information on the changes in capital assets, see Note 3 to the financial statements.

Debt Administration

Rate Covenant

In the Board's Bond Resolution, the Board covenants and agrees that it will operate the System in an efficient and economical manner and establish and collect rates and charges for the services and facilities furnished by the Board. Those rates and charges with other income will yield annual Net Revenues in the fiscal year equal to at least one hundred twenty percent (120%) of the amounts required to be deposited into each Bond and Interest Redemption Fund for the current Fiscal Year. The Board's Total Debt Service Coverage for FY20 was 4.36. Net revenues are defined by the bond resolution to mean, the revenues of the System after deducting the expenses of operating and maintaining the System.

If in any Fiscal Year the revenues are insufficient to satisfy the rate covenant, the Bond Resolution obligates the Board to employ a Consulting Engineer to examine the fees, rates, and other charges of the System and methods of the operations of the system and make recommendations as the Consulting Engineer believes are appropriate to enable the Board to satisfy the rate covenant.

For revenue bond debt service coverage from March 31, 2011 through 2020 see Schedule 3-5 of the Financial Statements.

Outstanding Debt

The Board has \$1,463,000 in long-term debt outstanding at FY 2020, as provided in the following schedule:

	2020	2019	2018
Revenue Bonds			
2009 Combined Utility System Refunding Bond	\$ 620,000	\$ 900,000	\$ 1,170,000
2015 Combined Utility System Refunding Bond	843,000	1,672,000	2,491,000
Total Long-term Debt Outstanding	<u>\$ 1,463,000</u>	<u>\$ 2,572,000</u>	<u>\$ 3,661,000</u>

The Board had no significant transactions during the year. For more information on changes in long-term liabilities, see Note 4 to the financial statements.

Economic Factors

In March of 2020 the South Carolina Governor Issued a State of Emergency for the ongoing COVID-19 pandemic. The emergency order required various business and operations to shut down and thus effected the Board's incoming revenue. The Governor also requested utilities forgo terminating service for non-payment during the pandemic. Due to the Board fiscal year cycles, FY 2020 had minimal impact from the emergency declarations, however, neither the Board staff or Commissioners, can control or predict future decisions, actions, events, or financial circumstances related to the ongoing COVID-19 Pandemic.

The positive financial position at year end confirms the Board continues to take necessary measures to keep the utility in a stable economic position.

Request for Information

This financial report is intended to provide a general overview of the Board's finances. For questions concerning this report or other requests for financial information, please contact:

General Manager
Gaffney Board of Public Works
P.O. Box 64
Gaffney, South Carolina 29342
(864) 488-8800

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF NET POSITION - PROPRIETARY FUND
MARCH 31, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 20,928,033	\$ 19,332,004
Investments	4,155,734	3,133,105
Accounts receivable - net of allowance for doubtful accounts of \$64,600 and \$67,770 at March 31, 2020 and 2019, respectively	2,891,201	2,946,337
Other receivables	1,646,198	1,908,438
Inventories	1,478,611	1,471,919
Prepaid expenses	<u>122,840</u>	<u>190,616</u>
Total Current Assets	<u>31,222,617</u>	<u>28,982,419</u>
Noncurrent Assets		
Restricted cash	3,400,934	3,746,723
Investments	1,924,312	2,764,074
Capital assets - nondepreciable	3,628,836	3,002,886
Capital assets - net of accumulated depreciation	<u>20,316,016</u>	<u>19,557,842</u>
Total Noncurrent Assets	<u>29,270,098</u>	<u>29,071,525</u>
Total Assets	<u>60,492,715</u>	<u>58,053,944</u>
Deferred Outflows of Resources		
Deferred loss on refundings	30,745	59,369
Deferred amounts related to pensions	1,733,659	1,323,561
Deferred amounts related to OPEB	<u>511,711</u>	<u>468,850</u>
Total Deferred Outflows of Resources	<u>2,276,115</u>	<u>1,851,780</u>

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF NET POSITION - PROPRIETARY FUND - CONTINUED
MARCH 31, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
Current Liabilities		
Accounts payable	1,120,843	1,057,220
Accrued salaries and related withholdings	498,550	361,724
Accrued compensated absences	562,555	450,300
Accrued interest	3,018	4,900
Accrued expenses	2,393,405	2,065,520
Payable from restricted assets - customer deposits	3,068,138	2,944,006
Advanced tapping fees	9,500	2,500
Bonds payable - current portion	1,462,003	1,109,000
Total Current Liabilities	9,118,012	7,995,170
Long-term Liabilities		
Net pension liability	11,870,958	10,789,370
Net OPEB liability	1,512,225	1,694,370
Bonds payable - net of current portion	-	1,461,149
Total Long-term Liabilities	13,383,183	13,944,889
Total Liabilities	22,501,195	21,940,059
Deferred Inflows of Resources		
Deferred amounts related to pensions	88,843	99,503
Deferred amounts related to OPEB	14,898	17,343
Total Deferred Inflows of Resources	103,741	116,846
Net Position		
Net investment in capital assets	21,781,780	19,193,742
Restricted - debt service reserve fund	332,796	333,230
Restricted - capital projects	-	469,487
Unrestricted	18,049,318	17,852,360
Total Net Position	\$ 40,163,894	\$ 37,848,819

The accompanying notes are an integral part of the financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Water department	\$ 7,307,391	\$ 7,081,075
Sewer department	5,981,616	6,129,410
Electrical department	<u>24,829,535</u>	<u>25,170,141</u>
	<u>38,118,542</u>	<u>38,380,626</u>
Operating Expenses		
Water department	5,243,750	4,522,131
Sewer department	3,945,510	3,349,564
Electrical department	19,762,541	20,480,669
Warehouse, clinic/safety and administrative departments	4,706,501	4,144,977
Depreciation expense	<u>2,978,224</u>	<u>2,831,399</u>
	<u>36,636,526</u>	<u>35,328,740</u>
Operating Income (Loss)	1,482,016	3,051,886
Nonoperating Revenues (Expenses)		
Interest income	204,812	123,576
Gain (loss) on sale of capital assets	37,273	(3,797)
Interest expense	<u>(92,688)</u>	<u>(113,906)</u>
	<u>149,397</u>	<u>5,873</u>
Increase (Decrease) in Net Position - Before Capital Contributions	1,631,413	3,057,759
Capital Contributions	<u>683,662</u>	<u>935,288</u>
Increase (Decrease) in Net Position	2,315,075	3,993,047
Net Position - Beginning of Year	<u>37,848,819</u>	<u>33,855,772</u>
Net Position - End of Year	<u>\$ 40,163,894</u>	<u>\$ 37,848,819</u>

The accompanying notes are an integral part of the financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows Provided (Used) by Operating Activities		
Cash received from customers	\$ 38,442,918	\$ 37,852,535
Cash paid to suppliers for goods and services	(21,488,344)	(21,978,855)
Cash paid to or for the benefit of employees	(10,912,409)	(9,729,281)
	<u>6,042,165</u>	<u>6,144,399</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Proceeds from the sale of capital assets	40,362	-
Acquisition and construction of capital assets	(4,365,685)	(3,097,278)
Capital contributions	683,662	913,519
Principal paid on revenue bonds	(1,109,000)	(1,089,000)
Interest paid	(63,210)	(84,429)
	<u>(4,813,871)</u>	<u>(3,357,188)</u>
Cash Flows Provided (Used) by Investing Activities		
Interest received on cash investments	204,812	123,576
Sale (purchase) of investments	1,017,006	(252,773)
	<u>1,221,818</u>	<u>(129,197)</u>
Net Increase in Cash and Cash Equivalents	2,450,112	2,658,014
Cash and Cash Equivalents - Beginning of Year	<u>23,250,517</u>	<u>20,592,503</u>
Cash and Cash Equivalents - End of Year	<u>\$ 25,700,629</u>	<u>\$ 23,250,517</u>

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 1,482,016	\$ 3,051,886
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	2,978,224	2,831,399
Pension expense	1,364,405	838,206
OPEB expense	(227,451)	(140,564)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	55,136	(153,650)
Unbilled revenue	262,240	(67,441)
Inventories	(6,445)	(99,337)
Other current assets	67,776	(34,383)
Deferred outflows related to pensions	(703,575)	(585,139)
Increase (decrease) in liabilities:		
Accounts payable	63,623	851,598
Accrued salaries and related withholdings	136,826	(11,961)
Accrued compensated absences	112,255	67,816
Accrued interest	(1,882)	(1,749)
Accrued expenses	327,885	(249,769)
Customer deposits	124,132	154,487
Advanced tapping fees	7,000	(307,000)
	<u>4,560,149</u>	<u>3,092,513</u>
Net Cash Provided by Operating Activities	<u>\$ 6,042,165</u>	<u>\$ 6,144,399</u>
Noncash Investing, Capital and Financing Activities		
Contribution of capital assets	\$ -	\$ 12,000
Amortization expense included in interest	\$ (29,478)	\$ (29,477)

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Cash and Investments as Shown on the Statements of Net Position and Statements of Cash Flows		
Statements of Net Position classifications		
Current assets		
Cash	\$ 20,928,033	\$ 19,332,004
Investments	<u>4,155,734</u>	<u>3,133,105</u>
	<u>25,083,767</u>	<u>22,465,109</u>
Noncurrent assets		
Restricted cash	3,400,934	3,746,723
Investments	<u>1,924,312</u>	<u>2,764,074</u>
	<u>5,325,246</u>	<u>6,510,797</u>
	<u><u>\$ 30,409,013</u></u>	<u><u>\$ 28,975,906</u></u>
Cash flow classifications		
Petty cash	\$ 2,500	\$ 2,500
Cash deposits	23,937,168	22,713,965
Money market funds	<u>1,760,961</u>	<u>534,052</u>
Total cash and cash equivalents	25,700,629	23,250,517
Certificates of deposit	<u>4,708,384</u>	<u>5,725,389</u>
	<u><u>\$ 30,409,013</u></u>	<u><u>\$ 28,975,906</u></u>

The accompanying notes are an integral part of the financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF FIDUCIARY NET POSITION - OPEB TRUST FUND
MARCH 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 10,546,662	\$ 10,023,795
Total Assets	<u>\$ 10,546,662</u>	<u>\$ 10,023,795</u>

LIABILITIES AND NET POSITION

Total Liabilities	\$ -	\$ -
Net Position Restricted for OPEB	<u>\$ 10,546,662</u>	<u>\$ 10,023,795</u>

The accompanying notes are an integral part of the financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - OPEB TRUST FUND
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Additions		
Employer contributions	\$ 725,721	\$ 602,952
Net investment income - interest and accrued income	<u>80,367</u>	<u>91,710</u>
Total Additions	<u>806,088</u>	<u>694,662</u>
Deductions		
Benefit payments	275,721	302,952
Administrative expenses	<u>7,500</u>	<u>7,500</u>
Total Deductions	<u>283,221</u>	<u>310,452</u>
Net Increase in Net Position	522,867	384,210
Net Position Restricted for OPEB - Beginning of Year	<u>10,023,795</u>	<u>9,639,585</u>
Net Position Restricted for OPEB - End of Year	<u><u>\$ 10,546,662</u></u>	<u><u>\$ 10,023,795</u></u>

The accompanying notes are an integral part of the financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Gaffney Board of Public Works (the Board) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Board's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from these estimates.

Reporting Entity

The Gaffney Board of Public Works was created pursuant to Act No. 389 of the Acts and Joint Resolutions of the South Carolina General Assembly, 1907. This and other Acts empower the Board to be the sole provider of electric, water and sewer services within the corporate limits of the City of Gaffney and surrounding areas, to establish rules and regulations and to set rates for such services. The Board is governed by an elected five-member Board of Commissioners.

Financial Statements and Method of Accounting

Under accounting principles generally accepted in the United States of America (GAAP), the Board is considered to be a self-supporting enterprise, and these financial statements are presented accordingly. Enterprise funds, a type of proprietary fund, are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles.

The Board's financial statements also provide information on the Board's other postemployment benefit (OPEB) trust fund, a Fiduciary Fund. The OPEB trust fund accounts for the activities of the Retiree Health Plan, which accumulate resources for medical costs for eligible retirees and their dependents.

Both the enterprise and OPEB trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Use of Restricted Resources

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

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

For purposes of reporting cash flows, all investments with a maturity of three months or less at the time of purchase are considered to be cash equivalents.

Investments

Investments are reported at fair value.

Inventories

Inventories are stated at the lower of cost (moving average) or net realizable value. Inventories consist of expendable supplies held for consumption.

Capital Assets

Capital assets are stated at cost. Donated capital assets are recorded at estimated acquisition value on the date donated. Major outlays for capital assets and improvements of \$500 or more are capitalized as projects are constructed. Interest costs associated with monies borrowed and used to finance construction of capital projects have been expensed as a period cost in the year in which it became due.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Years
Water plant and lines	20-50
Sewer plant and lines	20-33.3
Electrical	10-25
Office and warehouse buildings	20-40
Office equipment	10
Equipment and vehicles	4-8

Compensated Absences

Eligible employees receive Personal Time Off (PTO) based on years of service ranging from five (5) to thirty (30) days annually. The PTO policy provides for no carry over from one calendar year to the next. All unused PTO as of December 31st is paid on an annual basis.

Long-term Debt

Bond premium and discounts are deferred and equally amortized over the life of the bonds.

Pensions

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows and Inflows of Resources

In the Statements of Net Position, in addition to assets and liabilities, separate sections for deferred outflows and deferred inflows of resources are reported. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an expense until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. The Board's deferred outflows of resources are deferred amounts arising from refunding of debt and amounts related to the Board's defined benefit pension plan and other post-employment benefits (OPEB). The Board's deferred inflows of resources are amounts related to the Board's defined benefit pension plan and other post-employment benefits.

Capital Contributions

The Board frequently has contributions to its sewer and water system from developers and contractors. In addition, the Board receives grant monies for construction of improvements or extensions to its system at various times. These contributions are recognized in the Statements of Revenues, Expenses and Changes in Net Position when earned. For the years ended March 31, 2020 and 2019, the Board received capital contributions of \$683,662 and \$935,288, respectively.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Credit Risk - State statutes authorize the Board to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool. The Board has no formal investment policy that would further limit its investment choices.

Interest rate risk - the Board does not have a formal investment policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At March 31, 2020 and 2019 the Board had the following investments:

Investment Type	Maturity	2020	2019	Rating
Dreyfus Treasury Prime Cash Management	<60 days	\$ 389,298	\$ 362,261	AAAm
Edward Jones Money Market Fund	<60 days	1,371,662	171,791	AAAm
		<u>\$ 1,760,961</u>	<u>\$ 534,052</u>	

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – CONTINUED

The Gaffney Board of Public Works is required under bond indenture agreements and GASB to segregate certain assets. The following assets have been segregated and are restricted in use. The assets listed below are shown in their respective categories in the accompanying statements of net position.

	<u>2020</u>	<u>2019</u>
Noncurrent Assets		
Restricted cash		
Debt service reserve fund	\$ 332,796	\$ 333,230
Capital projects	-	469,487
	<u>332,796</u>	<u>802,717</u>
Customer deposits	3,029,175	2,927,733
Operation HOPE	38,963	16,273
	<u>3,068,138</u>	<u>2,944,006</u>
	<u><u>\$ 3,400,934</u></u>	<u><u>\$ 3,746,723</u></u>

The following assets, although not legally restricted, have been designated by the Board:

	<u>2020</u>	<u>2019</u>
Depreciation fund	\$ 13,487,597	\$ 12,237,597
Contingency fund	8,498,182	8,448,182
	<u><u>\$ 21,985,779</u></u>	<u><u>\$ 20,685,779</u></u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 3 - CAPITAL ASSETS

Components of capital assets include the following for the fiscal years ended March 31, 2020 and 2019:

	2020				
	Balance at March 31, 2019	Additions	Deletions	Transfers	Balance at March 31, 2020
Capital Assets					
Non depreciable					
Land and land rights	\$ 1,821,801	\$ -	\$ (3,336)	\$ -	\$ 1,818,465
Construction in progress	1,181,085	1,538,891		(909,605)	1,810,371
	<u>3,002,886</u>	<u>1,538,891</u>	<u>(3,336)</u>	<u>(909,605)</u>	<u>3,628,836</u>
Depreciable					
Water plant and lines	52,897,811	196,410	(32,000)	645,155	53,707,376
Sewer plant and lines	42,289,493	295,469	(3,275)	264,450	42,846,137
Electrical distribution and transmission lines	36,925,427	771,003	(133,248)	-	37,563,182
Office and warehouse buildings	3,510,319	423,516	-	-	3,933,835
Office equipment	1,953,602	168,790	(4,876)	-	2,117,516
Equipment and vehicles	4,527,971	971,606	(320,674)	-	5,178,903
	<u>142,104,623</u>	<u>2,826,794</u>	<u>(494,073)</u>	<u>909,605</u>	<u>145,346,949</u>
	<u>145,107,509</u>	<u>4,365,685</u>	<u>(497,409)</u>	<u>-</u>	<u>148,975,785</u>
Accumulated Depreciation					
Water plant and lines	43,899,967	1,052,466	(32,000)	-	44,920,433
Sewer plant and lines	38,010,163	707,864	(3,273)	-	38,714,754
Electrical distribution and transmission lines	31,472,380	882,591	(133,248)	-	32,221,723
Office and warehouse buildings	3,166,682	41,379	-	-	3,208,061
Office equipment	1,664,706	98,347	(4,876)	-	1,758,177
Equipment and vehicles	4,332,883	195,577	(320,674)	-	4,207,786
	<u>122,546,781</u>	<u>2,978,224</u>	<u>(494,072)</u>	<u>-</u>	<u>125,030,933</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,560,728</u>				<u>\$ 23,944,852</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 3 - CAPITAL ASSETS - CONTINUED

	2019				
	Balance at March 31, 2018	Additions	Deletions	Transfers	Balance at March 31, 2019
Capital Assets					
Non depreciable					
Land and land rights	\$ 1,800,032	\$ 21,769	\$ -	\$ -	\$ 1,821,801
Construction in progress	39,473	1,305,957	-	(164,345)	1,181,085
	<u>1,839,505</u>	<u>1,327,726</u>	<u>-</u>	<u>(164,345)</u>	<u>3,002,886</u>
Depreciable					
Water plant and lines	52,053,426	767,804	(1,381)	77,962	52,897,811
Sewer plant and lines	42,057,065	222,428	-	10,000	42,289,493
Electrical distribution and transmission lines	36,408,725	507,437	(67,118)	76,383	36,925,427
Office and warehouse buildings	3,510,319	-	-	-	3,510,319
Office equipment	1,863,695	142,824	(52,917)	-	1,953,602
Equipment and vehicles	4,377,144	150,827	-	-	4,527,971
	<u>140,270,374</u>	<u>1,791,320</u>	<u>(121,416)</u>	<u>164,345</u>	<u>142,104,623</u>
	<u>142,109,879</u>	<u>3,119,046</u>	<u>(121,416)</u>	<u>-</u>	<u>145,107,509</u>
Accumulated Depreciation					
Water plant and lines	42,984,249	917,099	(1,381)	-	43,899,967
Sewer plant and lines	37,305,328	704,835	-	-	38,010,163
Electrical distribution and transmission lines	30,671,035	868,463	(67,118)	-	31,472,380
Office and warehouse buildings	3,125,465	41,217	-	-	3,166,682
Office equipment	1,621,924	95,699	(52,917)	-	1,664,706
Equipment and vehicles	4,128,797	204,086	-	-	4,332,883
	<u>119,836,798</u>	<u>2,831,399</u>	<u>(121,416)</u>	<u>-</u>	<u>122,546,781</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,273,081</u>				<u>\$ 22,560,728</u>

Depreciation expense for the fiscal years ending March 31, 2020 and 2019 was \$2,978,224 and \$2,831,399, respectively.

NOTE 4 - LONG-TERM DEBT

Components of long-term debt include the following for the fiscal years ending March 31, 2020 and 2019.

	2020				
	Balance at March 31, 2019	Additions	Reductions	Balance at March 31, 2020	Due Within One Year
Bonds Payable:					
Revenue bonds	\$ 2,572,000	\$ -	\$(1,109,000)	\$ 1,463,000	\$ 1,463,000
Less deferred amounts					
Bond discount	(1,851)	-	854	(997)	(997)
	<u>\$ 2,570,149</u>	<u>\$ -</u>	<u>\$(1,108,146)</u>	<u>\$ 1,462,003</u>	<u>\$ 1,462,003</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 4 - LONG-TERM DEBT - CONTINUED

	2019				
	Balance at March 31, 2018	Additions	Reductions	Balance at March 31, 2019	Due Within One Year
Bonds Payable:					
Revenue bonds	\$ 3,661,000	\$ -	\$(1,089,000)	\$ 2,572,000	\$1,109,000
Less deferred amounts					
Bond discount	(2,706)	-	855	(1,851)	-
	<u>\$ 3,658,294</u>	<u>\$ -</u>	<u>\$(1,088,145)</u>	<u>\$ 2,570,149</u>	<u>\$1,109,000</u>

Revenue bonds payable at March 31, 2020 and 2019 were comprised of the following issues:

	2020	2019
\$3,320,000 Combined Utility System Refunding Revenue Bonds, Series 2009 of the City of Gaffney, South Carolina, dated May 20, 2009. Annual maturities of \$220,000 to \$620,000 and semi-annual interest rates from 1.30% to 4.00% maturing in 2021. Bonds were issued to refund the remaining balance of the series 2001 bonds.	\$ 620,000	\$ 900,000
\$4,889,000 Combined Utility System Refunding Revenue Bonds, Series 2015 of the City of Gaffney, South Carolina, dated March 16, 2015. Annual maturities of \$792,000 to \$843,000 and semi-annual interest rate of 1.45% maturing in 2021. Bonds were issued to refund the remaining balance of the series 2005 and 2006 bonds.	843,000	1,672,000
	1,463,000	2,572,000
Less current maturities	(1,463,000)	(1,109,000)
Bonds payable - net of current portion	<u>\$ -</u>	<u>\$ 1,463,000</u>

Debt service requirements to maturity for the Revenue Bonds are as follows:

Fiscal Year Ended March 31	Principal	Interest	Total
2020	<u>\$ 1,463,000</u>	<u>\$ 37,024</u>	<u>\$ 1,500,024</u>

Arbitrage rebate liabilities

Arbitrage represents the difference or "spread" between lower interest rates on tax-exempt government securities and the higher interest on taxable investment securities. The Internal Revenue Code requires local governments to rebate arbitrage earnings to the federal government every five years for as long as the local government has tax-exempt bonds outstanding. No estimate of potential liability, if any, has been made on the accompanying financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 5 - DEFEASANCE OF DEBT AND ADVANCED REFUNDINGS

The proceeds from previous bonds issued that defeased certain bonds in prior years were placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust accounts' assets and the liabilities for the defeased bonds are not included in the Board's financial statements. At March 31, 2020 and 2019, there are no bonds outstanding considered defeased from prior years.

In current and prior years, advance refundings resulted in book losses that are being amortized over the original remaining life of the old bonds that were defeased or the life of the new bonds, whichever is shorter. The unamortized losses at March 31, 2020 and 2019 are included as a deferred outflow of resources on the statements of net position. Amortization has been included in interest expense and was \$28,623 for both the years ended March 31, 2020 and 2019.

NOTE 6 - PENSION PLAN

Plan Description - The Board, as the employer, participates in the South Carolina Retirement System (SCRS) Plan - a cost-sharing multiple-employer defined benefit pension plan administered and managed by the South Carolina Public Employee Benefit Authority (PEBA), a state agency. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through 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 Lake Drive, Columbia, SC 29223.

Benefits Provided/Membership - SCRS provides retirement and other benefits for teachers and employees of the state, and its political subdivisions. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

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. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit.

An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years.

Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 6 - PENSION PLAN - CONTINUED

Benefits Provided/Membership - Continued - The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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.

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

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 8%. If the most recent annual actuarial valuation of the System for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the 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 85%. If contribution rates are decreased pursuant to this provision and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July first, and annually thereafter as necessary, the 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%.

Required employee (both Class II and III) contribution rates for the years ended March 31, 2020 and 2019 was 9.00%. Required employer contribution rates for the years ended March 31, 2020 and 2019 were 15.41% and 14.41%, respectively. Both required employee and employer contribution rates are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws. Employers also contribute an additional .15% of earnable compensation, if participating in the death benefit program.

Contributions to the Plan from the Board were \$917,745 and \$755,374, for the years ended March 31, 2020 and 2019, respectively. For the State's year ended June 30, 2018, the State General Assembly appropriated funds to cover 1% of the 2% contribution rate increase for all employers participating in the State retirement plans. For the year ended March 31, 2019, \$46,443 of contributions paid on behalf of the Board by the General Assembly for SCRS was recognized as other operating revenues.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 6 – PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At March 31, 2020, the Board reported a net pension liability of \$11,870,958 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The allocation of the Board's proportion shares of the collective net pension liability and pension expense were calculated on the basis of the Board's contributions actually remitted to the plan relative to the total contributions remitted to the plan for all participating employers, less employer contributions that are not representative of future contributions effort, as of June 30, 2018. Based upon this information, the Board's proportion of the collective net pension liability was .051988%, an increase of .00384%, since June 30, 2018, the prior measurement date.

For the years ended March 31, 2020 and 2019, the Board recognized pension expense of \$1,364,405 and \$884,647, respectively. At March 31, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 685,771	\$ (88,843)
Changes in assumptions	239,217	-
Net difference between projected and actual earnings on pension plan investments	105,098	-
Board contributions subsequent to the measurement date	703,575	-
Total	<u>\$ 1,733,661</u>	<u>\$ (88,843)</u>
2019		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,971	\$ (99,503)
Changes in assumptions	428,062	-
Net difference between projected and actual earnings on pension plan investments	171,389	-
Board contributions subsequent to the measurement date	585,139	-
Total	<u>\$ 1,323,561</u>	<u>\$ (99,503)</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 6 - PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued - \$703,575 reported as deferred outflows of resources related to pensions in 2020, resulted from Board contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended March 31, 2021. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2020	\$ (573,600)
2021	(110,862)
2022	(211,186)
2023	(45,595)
	<u>\$ (941,243)</u>

Actuarial Assumptions - Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued for the period ending July 1, 2015.

The June 30, 2019 total pension liability, net pension liability, and sensitivity information determined by the July 1, 2018 valuation, used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
Projected salary increases	3.0% to 12.5% (varies by service and includes 2.25% inflation)
Benefit adjustments	lesser of 1% or \$500 annually
Investment rate of return	7.25% (includes 2.25% inflation)

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. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 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 following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes 5.00% real rate of return and a 2.25% inflation component.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 6 – PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued -

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Global Equity	51%	3.61%
Real Assets	12%	0.69%
Opportunistic	8%	0.26%
Credit	15%	0.64%
Rate Sensitive	14%	0.21%
Total Expected Return	100%	5.41%
Inflation for Actuarial Purposes		2.25%
		7.66%

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 actuarially determined rates based on the provisions of the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Board's proportionate share of the collective net pension liability calculated using the discount rate of 7.25%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the collective net pension liability	\$ 14,954,923	\$ 11,870,958	\$ 9,297,210

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan, administered by PEBA, is available in the Systems' audited financial statements for the fiscal year ended June 30, 2019 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2019. The additional information is publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 7 - DEFERRED COMPENSATION PLANS

The Board offers its employees and Commissioners a deferred compensation plan through the South Carolina Deferred Compensation Commission, created in accordance with the Internal Revenue Code Sections 457 and 401(k). The plan, available to all Board employees and Commissioners, permits them to defer a portion of their salary, up to the maximum allowed by law, until future years. The Board does not "own" the amounts deferred by plan participants or the related income on those amounts and does not have a contractual liability to the plan participants, except as it relates to employer matching contributions.

The Board matches employee contributions to the Section 457 and 401(k) plans. Effective 4/1/2017, The Board increased its matching contribution from 50% as of March 31, 2017, to 100% for the year ending March 31, 2018. The Board's match for the fiscal years ended March 31, 2020 and 2019 was \$666,886 and \$571,435, respectively.

In addition, the Board matches contributions for selected management employees, up to the maximum amount allowed by the 457 and 401(k) plans and pays related personal income taxes, to nonqualified supplemental retirement plans. The Board's expense for the years ended March 31, 2020 and 2019 was \$87,330 and \$93,166, respectively, for the contributions and related income taxes.

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS

Plan Description

Plan Administration and Benefits - The Gaffney Board of Public Works Retiree Healthcare Plan (the plan), is a single employer defined benefit plan, administered by the Board, governed by an elected 5 member Commission, to provide certain post-employment benefits (OPEB). The plan provides medical and dental insurance coverage through third-party insurers to all retirees and their dependents who meet the SCRS qualifications for unreduced retirement and have been employed by the Board a minimum of 20 consecutive years prior to their retirement from SCRS. Commissioners must have served two full terms or 12 consecutive years. Retirees must have attained the minimum age of 60 years prior to retirement and qualifying spouses must be the spouse on record at the time of the employee's retirement. The Board, upon majority vote of the elected 5 member Board of Commissioners, has the authority to establish and amend benefit provisions.

Plan Membership - Membership in the Plan as of March 31, 2018, the date of the latest actuarial valuation was:

Inactive plan members or beneficiaries receiving benefits	38
Active plan members	73
Total plan members	<u>111</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS – CONTINUED

Plan Description – Continued

Contributions - The contribution requirements of plan members and the Board are established and may be amended by the Board of Commissioners, upon majority vote of its members. The Board pays the entire premium for eligible retirees under 65. Medicare retirees (those retirees 65 and over) have their own supplemental health plan that is reimbursed monthly for their health and drug premiums from their supplemental plan by the Board. The Board contributes to the plan on a pay-as-you-go basis based on contractual insurance premiums and through separate contributions to the Gaffney, SC Board of Public Works Retirement Benefits Trust, a voluntary employee benefit association (VEBA) trust, as determined annually by the Board. The Board contributions for the years ended March 31, 2020 and 2019 were \$725,721 and \$602,952, respectively that included an implicit subsidy of \$46,145 and \$50,702, respectively. \$450,000 and \$300,000 of the total contributions were set aside for the VEBA for years ended March 31, 2020 and 2019, respectively. The plan is accounted for as a trust fund as presented in the basic financial statements.

Investments

Investment policy - The Plan's policy in regard to the allocation of invested assets can be established and may be amended by the Board of Commissioners by a majority vote of its members. As of March 31, 2020, The Board of Commissioners has not established an investment policy.

The Board makes contributions to the VEBA throughout the year. The Trustee is responsible for maintaining records and accounts for the assets. The Board invests the assets in the VEBA in accordance with state statutes.

The assets are currently invested in cash and cash equivalents. As a result, the long-term rate of return was assumed to equal the long-term inflation assumption of 2.25%.

Rate of return - For the year ended March 31, 2020 and 2019, the annual money rate of return on investments (in this case, cash and cash equivalents), net of investment expenses, was .79% and .94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board at March 31, 2020 and 2019 were as follows:

	2020	2019
Total OPEB liability	\$ 12,058,887	\$ 11,718,165
Plan fiduciary net position	(10,546,662)	(10,023,795)
Net OPEB liability	<u>\$ 1,512,225</u>	<u>\$ 1,694,370</u>
Plan fiduciary net position as a percentage of the total OPEB liability	87.46%	85.54%

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability of the Board - Continued

Actuarial Assumptions and Methods - the total OPEB liability was determined by an actuarial valuation as of March 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	Market Value
Inflation	2.25%
Salary Increases	3.00% to 7.00%, including inflation
Investment Rate of Return	2.25%
Demographic Assumptions	Based on the experience study covering the five year period ending June 30, 2015 as conducted for the South Carolina Retirement System (SCRS). For the OPEB valuation, the standard SCRS retirement rates were adjusted to reflect the Board's retiree medical plan design.
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality table for Females are used with fully generational mortality projections from the year 2016 based on Scale AA from the year 2016. The following multipliers are applied to the base tables: 100% for male SCRS members, 111% for female SCRS members.
Health Care Trend Rates	<u>Pre-65</u> : Initial rate of 6.40% declining to an ultimate rate of 4.15% over 15 years; ultimate trend rate includes a 0.15% adjustment for the excise tax. <u>Post-65</u> : Initial rate of 6.30% declining to an ultimate rate of 4.00% after 14 years.
Participation Rates	It was assumed that 95% of eligible retirees would choose to receive retiree health care benefits through the employer.
Other Information	
Notes	There were no changes to the assumptions

The actuarial valuation was performed as of March 31, 2018. Update procedures were used to roll forward the total OPEB liability to March 31, 2020.

Discount Rate - A Single Discount Rate of 2.25% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 2.25%. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability of the Board - Continued

Sensitivity of Net OPEB Liability - Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following represents the plan's net OPEB liability, calculated using a Single Discount Rate of 2.25%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

1% Decrease 1.25%	Current Single Discount Rate Assumption 2.25%	1% Increase 3.25%
\$ 3,876,518	\$ 1,512,225	\$ (346,730)

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following represents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ (743,002)	\$ 1,512,225	\$ 4,521,400

Changes in the Net OPEB Liability

	2020		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of March 31, 2019	\$ 11,718,165	\$ 10,023,795	\$ 1,694,370
Changes for the Year			
Service cost	351,873	-	351,873
Interest on the total OPEB liability	264,515	-	264,515
Difference between expected and actual experience	55	-	55
Change of assumptions	-	-	-
Employer contributions	-	725,721	(725,721)
Net investment income	-	80,367	(80,367)
Benefit payments	(275,721)	(275,721)	-
Administrative expense	-	(7,500)	7,500
Net Changes	340,722	522,867	(182,145)
Balance as of March 31, 2020	\$ 12,058,887	\$ 10,546,662	\$ 1,512,225

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability - Continued

	2019		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of March 31, 2018	\$ 11,023,012	\$ 9,639,585	\$ 1,383,427
Changes for the Year			
Service cost	351,643	-	351,643
Interest on the total OPEB liability	248,566	-	248,566
Difference between expected and actual experience	417,684	-	417,684
Change of assumptions	(19,788)	-	(19,788)
Employer contributions	-	602,952	(602,952)
Net investment income	-	91,710	(91,710)
Benefit payments	(302,952)	(302,952)	-
Administrative expense	-	(7,500)	7,500
Net Changes	695,153	384,210	310,943
Balance as of March 31, 2019	<u>\$ 11,718,165</u>	<u>\$ 10,023,795</u>	<u>\$ 1,694,370</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ending March 31, 2020 and 2019, the Board recognized OPEB expense of \$452,124 and \$411,686, respectively. At March 31, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience, liability	\$ 314,510	\$ -
Changes in assumptions	-	(14,898)
Difference between expected and actual experience, assets	197,201	-
	<u>\$ 511,711</u>	<u>\$ (14,898)</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 8 – POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience, liability	\$ 366,073	\$ -
Changes in assumptions	-	(17,343)
Difference between expected and actual experience, assets	102,777	-
	<u>\$ 468,850</u>	<u>\$ (17,343)</u>

The above deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending March 31	Net Deferred Outflows (Inflows)
2021	\$ 104,896
2022	104,896
2023	104,897
2024	79,204
2025	49,173
Thereafter	53,747
	<u>\$ 496,813</u>

NOTE 9 - EMPLOYMENT AGREEMENTS

The Board has an agreement with the general manager that provides for a minimum base salary, various benefits and a six (6) year severance package in the event of termination without cause.

NOTE 10 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is insured under policies through the South Carolina Office of Insurance Services, South Carolina Reserve Fund (the Fund) that is a public entity risk pool. The Board pays premiums to the Fund for its general liability, property and accidental insurance. The agreement for formation of the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial companies for each insured event.

The Board did not have settled claims that exceeded the Board's insurance coverage in any of the past three years.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 10 - RISK MANAGEMENT - CONTINUED

The Board provides group health insurance for all of its full time employees under the State Insurance Plan. The Board pays the employee and qualifying dependent premiums for this insurance plan. In addition to this plan, the Board provides employees and Commissioners with a health reimbursement account intended to assist in payment of increased deductibles and out of pocket, medical, dental, vision and prescription expenses.

The Board also participates in the South Carolina Municipal Insurance Trust for workers compensation insurance coverage up to the statutory limits.

NOTE 11 - INTERDEPARTMENTAL ALLOCATION OF COSTS

The Board records on its books, costs allocated to various departments, with the offsetting expense charged to the individual department. These amounts are included in the utility expenses of the administrative, clinic/safety, warehouse, water and sewer departments, and the offset is shown as a reduction of the total expenses of the water, sewer and electrical departments.

NOTE 12 - FRANCHISE FEES

The Board pays the City of Gaffney a fee of 3.05% of electricity sales. For the fiscal years ended March 31, 2020 and 2019, the Board paid the City \$689,811 and \$693,771, respectively, in franchise fees.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Piedmont Municipal Power Agency

The City of Gaffney is a charter member of the Piedmont Municipal Power Agency (PMPA) that was formed in 1979. PMPA is a public body corporate and politic of the State of South Carolina consisting of ten municipalities in South Carolina, which purchase electric power from PMPA. PMPA owns a 25% undivided interest in Unit 2 of Duke Power's Catawba Nuclear Station in York County, South Carolina. The City and therefore the Board has agreed pursuant to the Catawba Nuclear Project Power Sales Agreement, in exchange for a share of the power and energy from the Catawba Nuclear Station, to take or pay for the cost of its share (10.05%) of the Catawba Project output whether or not the Project is operable or operating.

Such costs are all of PMPA's costs resulting from or attributable to the ownership, operation, maintenance, termination, retirement from service, decommissioning of, necessary repairs and additions, and amounts required to be deposited to debt service funds. In addition, if any other party to the agreement defaults, the City/Board's share of the Project output would increase pro rata by a maximum of 25% of the nondefaulting participant's Catawba share prior to any such increases. The Sales Agreement is in effect until the later of January 1, 2022 or the completion of payment and satisfaction of bond obligations under the agreement. In no case may the agreement extend beyond August 1, 2035.

The City/Board is also party to a Supplemental Power Sales Agreement with PMPA under which it has agreed to take and pay for electric power and energy requirements in excess of those supplied under the Power Sales Agreement. The term of this agreement expires August 2030.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 13 – COMMITMENTS AND CONTINGENCIES – CONTINUED

A. Piedmont Municipal Power Agency - Continued

The City and the Board are not required to make any payments to PMPA under these agreements except from the revenues of its electric system.

For the years ended March 31, 2020 and 2019, the Board's purchased power expense from PMPA was \$17,383,573 and \$18,701,915, respectively. Also, the amount included in accrued expenses for accrued purchased power from PMPA at March 31, 2020 and 2019 is \$1,557,672 and \$1,232,960 respectively.

B. Annual Leave/PTO

As described more fully in Note 1, the total amount of PTO accumulated and unused, as of March 31, 2020 and 2019 is as follows:

	2020	2019
Beginning of the year liability	\$ 450,300	\$ 382,484
Increase	577,232	493,588
Decrease	(464,977)	(425,772)
End of year liability	<u>\$ 562,555</u>	<u>\$ 450,300</u>

C. Unemployment Compensation

The Board is required to pay unemployment compensation on covered employees. It has chosen the alternative of paying claims as billed by the South Carolina Employment Security Commission. However, under this method of funding, no accurate estimate of potential liability has been made.

D. Contract Commitments

There were no outstanding commitments on construction contracts at March 31, 2020 and 2019.

E. Litigation

Due to the nature of the Board's normal operating activities, it is routinely subject to a variety of claims and demands by various individuals and entities. At the present time, the Board is not involved in any additional litigation that in management's opinion represents a material potential liability.

NOTE 14 - RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2020 AND 2019

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT

In the fiscal year ending March 31, 2019, the Board adopted Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation required the Board to record the beginning net OPEB liability and remove the net OPEB asset as required by GASB Statement 45. Beginning net position was restated and reduced \$7,604,933, as follows:

	2019
Net Position - Beginning of Year - as Previously Reported (4/1/2018)	\$ 41,460,705
Removal of Net OPEB Asset (GASB Statement 45)	(6,221,506)
Implementation of GASB Statement 75 - Net OPEB Liability	<u>(1,383,427)</u>
Net Position - Beginning of Year - Restated (4/1/2018)	<u><u>\$ 33,855,772</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ENDING MARCH 31

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 351,873	\$ 351,643	\$ 349,163
Interest on the total OPEB liability	264,515	248,566	303,859
Changes in benefit terms	-	-	(2,816,350)
Difference between expected and actual experience	55	417,684	(21,355)
Changes in assumptions	-	(19,788)	-
Benefit payments, including refunds Of employee contributions	(275,721)	(302,952)	(245,129)
Net Change in Total OPEB Liability	340,722	695,153	(2,429,812)
Total OPEB Liability - Beginning	11,718,165	11,023,012	13,452,824
Total OPEB Liability - Ending (a)	<u>\$ 12,058,887</u>	<u>\$ 11,718,165</u>	<u>\$ 11,023,012</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 725,721	\$ 602,952	\$ 545,129
OPEB plan net investment income	80,367	91,710	52,879
Benefit payments	(275,721)	(302,952)	(245,129)
OPEB plan administrative expense	(7,500)	(7,500)	(7,500)
Net Change in Plan Fiduciary Net Position	522,867	384,210	345,379
Plan Fiduciary Net Position - Beginning	10,023,795	9,639,585	9,294,206
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,546,662</u>	<u>\$ 10,023,795</u>	<u>\$ 9,639,585</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 1,512,225</u>	<u>\$ 1,694,370</u>	<u>\$ 1,383,427</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.46%	85.54%	87.45%
Covered-Employee Payroll	\$ 6,361,614	\$ 5,865,106	\$ 5,540,388
Net OPEB Liability as a Percentage of Covered-Employee Payroll	23.77%	28.89%	24.97%

Notes to Schedule:

2019: Assumption Change - The Health Care Trend assumptions were slightly updated to better reflect the plan's anticipated experience.

2018: Plan Change - Effective January 1, 2018, the Medicare retirees were moved to a separate health plan and reimbursed for their coverage.

March 31, 2018 was the first year of GASB 74 implementation, therefore 10-year data is not yet available.

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF OPEB INVESTMENT RETURNS
LAST TEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	0.79%	0.94%	0.56%

*March 31, 2018 was the first year of GASB 74 implementation, therefore 10-year data is not yet available.

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF THE BOARD'S OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2020	2019
Contractually Required Contributions	\$ 229,575	\$ 252,250
Contributions in Relation to the Contractually Required Contributions	725,721	602,952
Contribution Deficiency (Excess)	<u>\$ (496,146)</u>	<u>\$ (350,702)</u>
Board's Covered-Employee Payroll	\$ 6,361,614	\$ 5,865,106
Contributions as a Percentage of Covered-Employee Payroll	3.61%	4.30%

Notes to Schedules:

March 31, 2019 was the first year of GASB 75 implementation, therefore 10-year data is not yet available.

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF
THE COLLECTIVE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	2020	2019	2018	2017	2016
Board's Proportion of the Collective Net Pension Liability	0.051988%	0.048152%	0.048002%	0.047018%	0.047696%
Board's Proportionate Share of the Collective Net Pension Liability	\$ 11,870,958	\$ 10,789,370	\$ 10,806,022	\$ 10,042,975	\$ 9,045,776
Board's Covered Payroll	\$ 5,489,763	\$ 4,989,904	\$ 4,843,201	\$ 4,553,055	\$ 4,472,093
Board's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	216.24%	216.22%	223.12%	220.58%	202.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.40%	54.10%	53.34%	52.91%	56.99%

*The amounts presented were determined as of the prior fiscal years ending June 30.

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF THE BOARD'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016
Statutorially Required Contributions	\$ 917,745	\$ 755,374	\$ 646,947	\$ 548,177	\$ 495,887
Contributions in Relation to the Statutorially Required Contributions	917,745	755,374	646,947	548,177	495,887
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Payroll	\$ 5,992,637	\$ 5,274,229	\$ 4,950,318	\$ 4,792,404	\$ 4,499,689
Contributions as a Percentage of Covered Payroll	15.31%	14.32%	13.07%	11.44%	11.02%

Notes to Schedules:

March 31, 2016 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

SUPPLEMENTARY INFORMATION

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF WATER DEPARTMENT OPERATIONS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Operating Revenues		
Water sales	\$ 6,649,707	\$ 6,602,136
Intergovernmental revenues	-	15,481
Other	657,684	463,458
Total Operating Revenues	<u>7,307,391</u>	<u>7,081,075</u>
Operating Expenses - Excluding Depreciation		
Plant		
Salaries and related payroll expenses	1,485,354	1,218,804
Uniforms	3,947	2,936
Training and schools	2,316	9,511
Professional fees	18,882	52,730
Postage	302	171
Telephone	4,135	4,013
Insurance	35,973	32,805
Vehicle expense	2,890	3,028
Equipment maintenance and operation	114,828	321,555
Building and grounds maintenance	59,793	24,718
Materials and supplies	18,907	39,998
Chemicals	367,624	302,618
Other expenses	517	611
Bad debts - net	6,951	33,781
Lab expense	45,818	42,292
Public relations	27	2,589
Contract services	82,227	80,477
Other post-employment benefits	153,075	127,835
Utilities	796,505	751,755
Scholarship program	8,264	-
	<u>3,208,335</u>	<u>3,052,227</u>
Maintenance		
Salaries and related payroll expenses	1,558,183	1,199,559
Uniforms	9,162	13,758
Training and schools	(647)	1,219
Professional fees	5,713	9,663
Telephone	5,090	4,921
Insurance	22,774	21,998
Vehicle expense	41,254	40,009
Equipment maintenance and operation	127,227	92,611
Building and grounds maintenance	1,988	70
Materials and supplies	500,611	272,549
Other expenses	131	166
Public relations	-	67
Utilities	9,970	10,132
Scholarship program	5,481	500
	<u>2,286,937</u>	<u>1,667,222</u>
Costs allocated to other departments	<u>(251,522)</u>	<u>(197,318)</u>
Total Operating Expenses - Excluding Depreciation	5,243,750	4,522,131

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WATER DEPARTMENT OPERATIONS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Depreciation		
Plant depreciation	1,070,431	945,144
Maintenance depreciation	21,271	51,471
	<u>1,091,702</u>	<u>996,615</u>
 Total Operating Expenses	 <u>6,335,452</u>	 <u>5,518,746</u>
 Operating Income	 <u>\$ 971,939</u>	 <u>\$ 1,562,329</u>

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF SEWER DEPARTMENT OPERATIONS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Operating Revenues		
Sewer	\$ 5,790,470	\$ 5,831,040
Intergovernmental revenues	-	15,481
Other	191,146	282,889
Total Operating Revenues	<u>5,981,616</u>	<u>6,129,410</u>
Operating Expenses - Excluding Depreciation		
Plant		
Salaries and related payroll expenses	1,351,383	1,112,600
Uniforms	2,969	2,918
Training and schools	1,245	3,503
Professional fees	13,078	15,244
Postage	53	-
Telephone	4,521	4,648
Insurance	33,126	32,755
Vehicle expense	12,618	10,514
Equipment maintenance and operation	122,318	74,381
Building and grounds maintenance	3,865	19,233
Materials and supplies	21,384	17,263
Chemicals	117,342	88,044
Other expenses	92	212
Bad debts - net	(1,215)	(1,237)
Lab expense	53,710	52,783
Landfill disposal costs	239,909	189,786
Other post-employment benefits	155,475	113,603
Utilities	1,123,107	1,189,749
	<u>3,254,980</u>	<u>2,925,999</u>
Maintenance		
Salaries and related payroll expenses	765,264	587,931
Uniforms	2,013	1,841
Professional fees	6,961	8,091
Telephone	5,170	5,066
Insurance	21,956	22,822
Vehicle expense	12,133	11,835
Equipment maintenance and operation	21,457	10,892
Building and grounds maintenance	2,631	-
Materials and supplies	68,470	30,896
Other expenses	131	166
Public relations	-	67
Utilities	9,139	9,288
Scholarship program	5,480	500
	<u>920,805</u>	<u>689,395</u>
Costs allocated to other departments	<u>(230,275)</u>	<u>(265,830)</u>
Total Operating Expenses - Excluding Depreciation	3,945,510	3,349,564
Depreciation		
Plant depreciation	709,285	697,239
Maintenance depreciation	66,497	25,245
	<u>775,782</u>	<u>722,484</u>
Total Operating Expenses	<u>4,721,292</u>	<u>4,072,048</u>
Operating Income	<u>\$ 1,260,324</u>	<u>\$ 2,057,362</u>

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF ELECTRICAL DEPARTMENT OPERATIONS - PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Operating Revenues		
Electric sales	\$ 24,195,767	\$ 24,615,075
Intergovernmental revenues	-	15,481
Other	633,768	539,585
Total Operating Revenues	<u>24,829,535</u>	<u>25,170,141</u>
Operating Expenses - Excluding Depreciation		
Power purchased	18,034,948	19,290,035
Line expenses		
Salaries and related payroll expenses	2,289,531	1,978,547
Uniforms	11,671	16,246
Training and schools	9,465	15,364
Professional fees	97,651	31,623
Telephone	8,188	9,204
Insurance	62,699	51,059
Vehicle expense	58,119	56,180
Equipment maintenance and operation	112,034	92,302
Building and grounds maintenance	2,549	11,396
Materials and supplies	221,252	172,139
Other expenses	1,600	1,216
Bad debts - net	18,603	(13,538)
Public relations	550	183
Contract services	147,825	132,302
Other post-employment benefits	149,744	132,360
Utilities	31,100	30,752
Computer processing	16,417	21,666
	<u>21,273,946</u>	<u>22,029,036</u>
Costs allocated to other departments	<u>(1,511,405)</u>	<u>(1,548,367)</u>
Total Operating Expenses - Excluding Depreciation	19,762,541	20,480,669
Depreciation		
Line Depreciation	<u>1,025,235</u>	<u>1,034,618</u>
Total Operating Expenses	<u>20,787,776</u>	<u>21,515,287</u>
Operating Income	<u>\$ 4,041,759</u>	<u>\$ 3,654,854</u>

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY AND ADMINISTRATIVE
 DEPARTMENT EXPENSES - PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Warehouse		
Salaries and related payroll expenses	\$ 485,873	\$ 422,817
Uniforms	891	1,515
Training and schools	-	191
Professional fees	3,435	3,584
Postage	2,191	1,847
Telephone	1,937	1,745
Insurance	9,205	8,420
Vehicle expense	1,375	1,063
Equipment maintenance and operation	4,247	7,913
Building and grounds maintenance	5,766	17,174
Materials and supplies	15,178	8,298
Other post-employment benefits	1,143	2,624
Utilities	21,601	21,952
Scholarship program	963	2,608
	<u>553,805</u>	<u>501,751</u>
Clinic/Safety		
Salaries and related payroll expenses	248,696	219,980
Training and schools	1,800	-
Professional fees	12,308	12,409
Telephone	1,254	967
Insurance	772	845
Materials and supplies	14,283	15,374
Utilities	4,154	4,222
Claims reimbursements	(65,774)	(57,305)
	<u>217,493</u>	<u>196,492</u>
Administrative		
Salaries and related payroll expenses	2,958,461	2,745,715
Uniforms	5,383	1,188
Training and schools	27,167	17,570
Professional fees	128,289	109,938
Public relations	119,738	89,168
Postage	1,836	2,509
Telephone	18,067	19,772
Insurance	20,049	14,235
Vehicle expense	4,128	4,047
Equipment maintenance and operation	8,700	24,201
Building and grounds maintenance	39,905	21,937
Materials and supplies	125,291	105,949
Other expenses	296,340	86,191
Computer processing	151,441	132,351

Schedule 3-4 - Continued

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF WAREHOUSE, CLINIC/SAFETY AND ADMINISTRATIVE
DEPARTMENT EXPENSES - PROPRIETARY FUND - CONTINUED
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Administrative - continued		
Other post-employment benefits	(7,313)	35,265
Utilities	37,176	36,698
Scholarship program	545	-
	<u>3,935,203</u>	<u>3,446,734</u>
 Total Warehouse, Clinic/Safety and Administrative Expenses - Excluding Depreciation	 <u>4,706,501</u>	 <u>4,144,977</u>
 Depreciation		
Warehouse depreciation	46,033	20,419
Clinic depreciation	78	1,890
Administration depreciation	39,394	55,373
	<u>85,505</u>	<u>77,682</u>
 Total Warehouse, Clinic/Safety and Administrative Expenses	 <u>\$ 4,792,006</u>	 <u>\$ 4,222,659</u>

GAFFNEY BOARD OF PUBLIC WORKS
HISTORICAL STATEMENTS OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
MARCH 31, 2011 THROUGH 2020

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Income										
Operating Revenues	\$ 31,646,737	\$ 32,279,947	\$ 33,421,376	\$ 33,077,545	\$ 33,435,593	\$ 36,746,821	\$ 36,854,871	\$ 37,998,444	\$ 38,380,626	\$ 38,118,542
Operating Expenses	(32,133,505)	(33,454,134)	(33,997,265)	(34,451,278)	(35,849,086)	(36,031,030)	(37,214,484)	(36,836,340)	(35,328,740)	(36,636,526)
Operating Income (Loss)	(486,768)	(1,174,187)	(575,889)	(1,373,733)	(2,413,503)	715,791	(359,613)	1,162,104	3,051,886	1,482,016
Nonoperating Revenues	109,895	68,417	86,905	(4,588)	160,591	41,940	32,610	102,298	119,779	242,085
Nonoperating Expenses	(487,513)	(460,598)	(395,421)	(365,078)	(389,948)	(171,108)	(159,606)	(136,836)	(113,906)	(92,688)
Net Income (Loss) - Before Capital Contributions per Financial Statements	\$ (864,386)	\$ (1,566,368)	\$ (884,405)	\$ (1,743,399)	\$ (2,642,860)	\$ 586,623	\$ (486,609)	\$ 1,127,566	\$ 3,057,759	\$ 1,631,413
Income Available for Debt Service										
Net Income (Loss) - Before Capital Contributions per Financial Statements	\$ (864,386)	\$ (1,566,368)	\$ (884,405)	\$ (1,743,399)	\$ (2,642,860)	\$ 586,623	\$ (486,609)	\$ 1,127,566	\$ 3,057,759	\$ 1,631,413
Less: (Gain) Loss on Sale of Capital Assets	(36,820)	2,352	55,700	(22,384)	(119,877)	1,746	23,429	(15,115)	3,797	(37,273)
Plus: Depreciation	4,322,573	4,171,536	4,040,263	3,709,721	3,377,051	3,407,679	3,406,487	2,965,011	2,831,399	2,978,224
Plus: Interest Expense	450,904	423,989	395,421	365,078	319,425	171,108	159,606	136,836	113,906	92,688
Plus: Bond Cost	-	-	-	-	70,523	-	-	-	-	-
Plus: Pension expense adjustment	-	-	-	-	-	150,666	304,729	508,216	253,066	660,830
Less: OPEB expense adjustment	-	-	-	-	-	-	-	-	(140,564)	(227,451)
Less: Transfers In to Contingency Fund	(1,514,195)	(1,501,505)	(1,500,050)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Plus: Transfers Out of Contingency Fund	1,500,000	1,500,000	1,250,000	1,750,000	2,625,000	2,625,000	500,000	1,000,000	500,000	1,450,000
Plus: Excess Transfers In Over Out	14,195	1,505	250,050	-	-	-	1,000,000	500,000	1,000,000	50,000
Plus: Amortization of Bond Costs	36,609	36,609	-	-	-	-	-	-	-	-
Income Available for Debt Service	\$ 3,908,880	\$ 3,068,118	\$ 3,606,979	\$ 2,559,016	\$ 2,129,262	\$ 5,442,822	\$ 3,407,642	\$ 4,722,514	\$ 6,119,363	\$ 5,098,431
Total System Debt Service	\$ 1,240,115	\$ 1,238,681	\$ 1,234,743	\$ 1,238,768	\$ 1,236,078	\$ 1,180,166	\$ 1,173,761	\$ 1,176,173	\$ 1,170,565	\$ 1,169,104
Total System Debt Service Coverage	3.15	2.48	2.92	2.07	1.72	4.61	2.90	4.02	5.23	4.36