

GAFFNEY BOARD OF PUBLIC WORKS

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MARCH 31, 2021 AND 2020**

GAFFNEY BOARD OF PUBLIC WORKS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-10
 Basic Financial Statements		
Statements of Net Position - Proprietary Fund	A	11-12
Statements of Revenues, Expenses and Changes in Net Position - Proprietary Fund	B	13
Statements of Cash Flows - Proprietary Fund	C	14-16
Statements of Fiduciary Net Position - OPEB Trust Fund	D	17
Statements of Changes in Fiduciary Net Position - OPEB Trust Fund	E	18
Notes to Financial Statements		19-39
 Required Supplementary Information		
	<u>Schedule</u>	
Schedule of Changes in Net OPEB Liability and Related Ratios	1-1	40
Schedule of OPEB Investment Returns	1-2	41
Schedule of the Board's OPEB Contributions	1-3	42
Schedule of the Board's Proportionate Share of the Collective Net Pension Liability (SCRS)	2-1	43
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, Service 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, 2021 and 2020, 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, 2021 and 2020, 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.

To the Board of Commissioners of
Gaffney Board of Public Works
Page Two

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 audit 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 27, 2021

**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 2021 revenues decreased in water, sewer and electric departments from FY 2020. The primary contributing factors to the decrease in revenue is due to the emergency order and closures in April and May of 2020 due to the Covid-19 pandemic. The electrical revenue decreases were offset with a distribution from PMPA through an all participant credit. This credit was issued in order to continue operating under a reduced operating capital related to "days cash on hand". 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 2021 and FY 2020.

Total assets and deferred outflows of resources for FY 2021 year-end were \$64,653,115 and exceeded liabilities and deferred inflows of resources by \$38,890,994. Of the total net position, \$14,574,217 was unrestricted. 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. The current year operations resulted in a decrease in net position of \$1,272,900.

In FY 2021 all outstanding debt was paid in full by the Board. Debt service coverage was 419% in FY 2021 and 418% in FY 2020. both years exceeding the 120% required by the Board's bond covenants.

For FY 2021, the Board sold approximately 229 million kwh of electricity and 2.02 billion gallons of potable water and treated 1.10 billion gallons of wastewater. This compares to 244 million kwh of electricity, 2.19 billion gallons of potable water, and 1.15 billion gallons of wastewater (sewer) in FY 2020.

Operating revenues for FY 2021 were \$37,138,902 as compared to \$37,908,243 for FY 2020.

Operating expenses for FY 2021 were \$39,351,558 as compared to \$36,636,526 for FY 2020. Management and staff are continually evaluating operations to control and/or reduce costs and improve efficiency.

Interest income on investments decreased over last year. Interest income for FY 2021 totaled \$77,437 compared to \$204,812 for FY 2020.

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 2021 was \$656,795 compared to \$689,812 for FY 2020.

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:	3/31/2021	3/31/2020	3/31/2019
Current and Other Assets	\$ 36,207,565	\$ 36,547,863	\$ 35,493,216
Capital Assets	24,882,164	23,944,852	22,560,728
Total Assets	61,089,729	60,492,715	58,053,944
Total Deferred Outflows of Resources	3,563,386	2,276,115	1,851,780
Liabilities:			
Current Liabilities	7,559,023	9,118,012	7,995,170
Long-Term Liabilities	16,720,800	13,383,183	13,944,889
Total Liabilities	24,279,823	22,501,195	21,940,059
Total Deferred Inflows of Resources	1,482,298	103,741	116,846
Net Position:			
Net Investment in Capital Assets	24,316,777	21,781,780	19,193,742
Restricted for Debt Service Reserve Fund	-	332,796	333,230
Restricted for Capital Projects	-	-	469,487
Unrestricted	14,574,217	18,049,318	17,852,360
Total Net Position	\$ 38,890,994	\$ 40,163,894	\$ 37,848,819

Condensed Financial Statements - continued

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

Revenues:	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>
Operating Revenues			
Water Department	\$ 6,967,514	\$ 7,164,941	\$ 7,081,075
Sewer Department	5,817,548	5,913,767	6,129,410
Electrical Department	24,353,840	24,829,535	25,170,141
Non-operating Revenues	75,242	242,085	119,779
Total Revenues	<u>37,214,144</u>	<u>38,150,328</u>	<u>38,500,405</u>
Expenses:			
Operating Expenses, Excluding Depreciation			
Water Department	5,686,863	5,243,750	4,522,131
Sewer Department	4,204,908	3,945,510	3,349,564
Electrical Department	19,993,345	19,762,541	20,480,669
Warehouse, Clinic/Safety, and Administrative Departments	6,441,218	4,706,501	4,144,977
Depreciation Expense	3,025,254	2,978,224	2,831,399
Non-operating Expenses	69,597	92,688	113,906
Total Expense	<u>39,421,185</u>	<u>36,729,214</u>	<u>35,442,646</u>
Deficiency, Before Capital Contributions	(2,207,041)	1,421,114	3,057,759
Capital Contributions	934,141	893,961	935,288
Increase (Decrease) in Net Position	(1,272,900)	2,315,075	3,993,047
Net Position Beginning of Year - Restated (2019)	<u>40,163,894</u>	<u>37,848,819</u>	<u>33,855,772</u>
Net Position End of Year	<u>\$ 38,890,994</u>	<u>\$ 40,163,894</u>	<u>\$ 37,848,819</u>

General Trends and Significant Events

In FY 2021 the overall number of electric, water, and sewer accounts decreased. Electric service accounts increased overall by 37; water service accounts decreased by 38; and wastewater accounts decreased by 45.

The Board had 229 million kwh electrical sales for FY 2021 and 244 million kwh in FY 2020, for a total decrease of 6.15% in electrical sales. Brown Packing was the Board's largest electric demand customer in FY 2021 and FY 2020.

The volume of water sold in FY 2021 was approximately 2.02 billion gallons and 2.19 billion gallons was sold in FY 2020, netting a decrease in sales of 7.67%. The FY 2021 decrease in sales was seen mostly in the industrial customer category. Industrial water customer sales accounted for approximately 39% of the total usage in FY 2021 compared to 42% in FY 2020. During FY 2021 and FY 2020, the Nestle Corporation was the Board's largest water customer, accounting for approximately 11% in both FY 2021 and FY 2020 of total water sales. FY 2021 wholesale water sales accounted for 26% of the total usage, compared to 23% in FY 2020. The City of Blacksburg was the largest wholesale customer for FY 2021 and FY 2020.

The volume of wastewater (sewer) billed in FY 2021 was 1.10 billion gallons and 1.15 billion gallons in FY2020, which was a 4.01% decrease in sales. During FY 2021 and FY 2020, the Nestle Corporation was the Board's largest sewer customer. In FY 2021 and FY 2020 they contributed to approximate 16% of the total sewer usage for the utility.

Financial Condition

The Board experienced a decrease in its net position of \$1,272,900 for FY 2021 after experiencing an increase of \$2,315,075 for FY 2020 when accounting for capital contributions. 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 2021 were \$64,653,115 with a \$24,316,777 net investment in capital assets and \$14,574,217 unrestricted for a \$38,890,994 total net position. Total assets and deferred outflows of resources combined in 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.

Accounts receivable for FY 2021 were \$3,053,756 compared to \$2,891,201 in FY 2020.

Results of Operations

Operating Revenues:

Revenues from operations fall into three categories: electric service, water service and wastewater (sewer) 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 2021 was \$106.35 per thousand kwh delivered compared to \$101.76 and \$101.90 in FY 2020 and FY 2019, respectively. The average realized rate from water sales in FY 2021 was \$3.44 per thousand gallons compared to \$3.34 and \$3.38 in FY 2020 and FY 2019, respectively. The average realized rate from wastewater treatment in FY 2021 was \$5.28 per thousand gallons treated compared to \$5.22 and \$5.38 in FY 2020 and FY 2019, 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 and 2019, 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	2021	2020	2019
Water operating expenses			
Total	\$ 6,854	\$ 6,335	\$ 5,519
Excluding depreciation	5,686	5,243	4,522
Wastewater operating expenses			
Total	\$ 5,021	\$ 4,721	\$ 4,072
Excluding depreciation	4,204	3,945	3,349
Electric operating expenses			
Total	\$ 20,927	\$ 20,787	\$ 21,515

The average electric operating cost per thousand kwh delivered was \$91.38 in FY 2021 versus \$85.19 and \$87.11 in FY 2020 and FY 2019, respectively. The average water operating cost per thousand gallons consumed was \$3.39 in FY 2021 versus \$2.89 and \$2.63 in FY 2020 and FY 2019, respectively. The wastewater operating cost per thousand gallons treated was \$4.56 in FY 2021 versus \$4.12 and \$3.57 in FY 2020 and FY 2019, 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 2021, the total capital contributions were \$934,141; the following contributions and grants make up that amount:

- Water line extension capital contributions totaled \$198,908.
- \$542,218 in capital contributions was for Project Clary Wastewater Extension
- The remaining \$193,015 in capital contributions was made up of water and sewer tap charges

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>2021</u>	<u>2020</u>	<u>2019</u>
Total operating revenues	\$37,138,902	\$37,908,243	\$37,969,019
Net cash provided by operations	<u>\$ 3,869,940</u>	<u>\$ 5,831,866</u>	<u>\$ 5,732,792</u>
Net operating cash as a % of operating revenue	10.4%	15.4%	15.1%

Capital Assets and Debt Administration

Capital Assets

At the end of FY 2021, the Board had \$24,882,164 invested in capital assets as provided in the following schedule:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Transmission, Distribution, and Treatment Facilities	\$ 137,077,173	\$ 134,116,695	\$ 132,112,731
Property and Other Facilities	6,259,250	5,752,300	5,332,120
Vehicles, Office and Maintenance Equipment	7,079,842	7,296,419	6,481,573
Construction in Progress	<u>1,491,787</u>	<u>1,810,371</u>	<u>1,181,085</u>
	151,908,052	148,975,785	145,107,509
Accumulated Depreciation	<u>(127,025,888)</u>	<u>(125,030,933)</u>	<u>(122,546,781)</u>
	<u>\$ 24,882,164</u>	<u>\$ 23,944,852</u>	<u>\$ 22,560,728</u>

For FY 2021, the Board spent \$3,104,901 on significant improvements and additions, compared to \$3,628,975 and \$2,211,205 in FY 2020 and FY 2019, respectively.

In FY 2021, capital expenses included significant additions to construction in progress through construction of electric, water, and sewer infrastructure of \$1,365,180 mostly for the I-85 expansion; Logan Street water line upgrade; Project Clary sewer lines and Thorncreek water project. Significant improvements of \$784,705 were spent on office renovations, Broad River Wastewater Treatment Plant remodel, Clary Wastewater Treatment Plant remodel, and Victor Water Treatment Plant remodel. Electrical meter upgrades to Tantalas meters cost \$729,988. Water meter and service line upgrades represent \$110,976 in significant improvements.

In FY 2021, significant disposals of capital assets included \$219,106 of electrical meters and \$218,446 for a large electrical vehicle.

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 4.18. In FY21 the Board paid off all outstanding debt. 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 no long-term debt outstanding ending FY 2021, as provided in the following schedule:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue Bonds			
2009 Combined Utility System Refunding Bond	\$ -	\$ 620,000	\$ 900,000
2015 Combined Utility System Refunding Bond	-	843,000	1,672,000
Total Long-term Debt Outstanding	<u>\$ -</u>	<u>\$ 1,463,000</u>	<u>\$ 2,572,000</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, April 2020 and May 2020, FY2021, was impacted through water, sewer, and electrical sales due to industries being closed for the emergency order. The COVID-19 impact in April and May lowered our annual sales for all three utilities from 4-7%.

The positive net 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, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021	2020
Current Assets		
Cash	\$ 20,442,820	\$ 20,928,033
Investments	5,616,951	4,155,734
Accounts receivable - net of allowance for doubtful accounts of \$53,159 and \$64,600 at March 31, 2021 and 2020, respectively	3,053,756	2,891,201
Other receivables	1,716,838	1,646,198
Inventories	1,487,756	1,478,611
Prepaid expenses	176,544	122,840
Total Current Assets	32,494,665	31,222,617
Noncurrent Assets		
Restricted cash	3,167,018	3,400,934
Investments	545,882	1,924,312
Capital assets - nondepreciable	3,459,571	3,628,835
Capital assets - net of accumulated depreciation	21,422,593	20,316,017
Total Noncurrent Assets	28,595,064	29,270,098
Total Assets	61,089,729	60,492,715
Deferred Outflows of Resources		
Deferred loss on refundings	-	30,745
Deferred amounts related to pensions	2,722,585	1,733,659
Deferred amounts related to OPEB	840,801	511,711
Total Deferred Outflows of Resources	3,563,386	2,276,115

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF NET POSITION - PROPRIETARY FUND - CONTINUED
 MARCH 31, 2021 AND 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	964,142	1,120,843
Accrued salaries and related withholdings	717,583	498,550
Accrued compensated absences	611,629	562,555
Accrued interest	-	3,018
Accrued expenses	2,091,401	2,393,405
Payable from restricted assets - customer deposits	3,167,018	3,068,138
Advanced tapping fees	7,250	9,500
Bonds payable - current portion	-	1,462,003
Total Current Liabilities	<u>7,559,023</u>	<u>9,118,012</u>
Long-term Liabilities		
Net pension liability	13,880,001	11,870,958
Net OPEB liability	<u>2,840,799</u>	<u>1,512,225</u>
Total Long-term Liabilities	<u>16,720,800</u>	<u>13,383,183</u>
Total Liabilities	<u>24,279,823</u>	<u>22,501,195</u>
Deferred Inflows of Resources		
Deferred amounts related to pensions	52,487	88,843
Deferred amounts related to OPEB	<u>1,429,811</u>	<u>14,898</u>
Total Deferred Inflows of Resources	<u>1,482,298</u>	<u>103,741</u>
Net Position		
Net investment in capital assets	24,316,777	21,781,780
Restricted - debt service reserve fund	-	332,796
Unrestricted	<u>14,574,217</u>	<u>18,049,318</u>
Total Net Position	<u>\$ 38,890,994</u>	<u>\$ 40,163,894</u>

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, 2021 AND 2020

	2021	2020
Operating Revenues		
Water department	\$ 6,967,514	\$ 7,164,941
Sewer department	5,817,548	5,913,767
Electrical department	24,353,840	24,829,535
	37,138,902	37,908,243
Operating Expenses		
Water department	5,686,863	5,243,750
Sewer department	4,204,908	3,945,510
Electrical department	19,993,345	19,762,541
Warehouse, clinic/safety and administrative departments	6,441,218	4,706,501
Depreciation expense	3,025,254	2,978,224
	39,351,588	36,636,526
Operating Income (Loss)	(2,212,686)	1,271,717
Nonoperating Revenues (Expenses)		
Interest income	77,437	204,812
Gain (loss) on sale of capital assets	(2,195)	37,273
Interest expense	(69,597)	(92,688)
	5,645	149,397
Increase (Decrease) in Net Position - Before Capital Contributions	(2,207,041)	1,421,114
Capital Contributions	934,141	893,961
Increase (Decrease) in Net Position	(1,272,900)	2,315,075
Net Position - Beginning of Year	40,163,894	37,848,819
Net Position - End of Year	\$ 38,890,994	\$ 40,163,894

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows Provided (Used) by Operating Activities		
Cash received from customers	\$ 36,903,456	\$ 38,232,619
Cash paid to suppliers for goods and services	(21,886,652)	(21,488,344)
Cash paid to or for the benefit of employees	<u>(11,201,910)</u>	<u>(10,912,409)</u>
	<u>3,814,894</u>	<u>5,831,866</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Proceeds from the sale of capital assets	878	40,362
Acquisition and construction of capital assets	(3,962,841)	(4,365,685)
Capital contributions	934,141	893,961
Principal paid on revenue bonds	(1,463,000)	(1,109,000)
Interest paid	<u>(37,851)</u>	<u>(63,210)</u>
	<u>(4,528,673)</u>	<u>(4,603,572)</u>
Cash Flows Provided (Used) by Investing Activities		
Interest received on cash investments	77,437	204,812
Sale (purchase) of investments	<u>1,435,899</u>	<u>1,017,006</u>
	<u>1,513,336</u>	<u>1,221,818</u>
Net Increase in Cash and Cash Equivalents	799,557	2,450,112
Cash and Cash Equivalents - Beginning of Year	<u>25,700,629</u>	<u>23,250,517</u>
Cash and Cash Equivalents - End of Year	<u>\$ 26,500,186</u>	<u>\$ 25,700,629</u>

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	<u>\$ (2,212,686)</u>	<u>\$ 1,271,717</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	3,025,254	2,978,224
Pension expense	1,696,999	1,364,405
OPEB expense	2,414,397	(227,451)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(162,555)	55,136
Unbilled revenue	(70,640)	262,240
Inventories	(11,947)	(6,445)
Other current assets	(53,704)	67,776
Deferred outflows related to pensions	(713,238)	(703,575)
Increase (decrease) in liabilities:		
Accounts payable	(156,701)	63,623
Accrued salaries and related withholdings	219,033	136,826
Accrued compensated absences	49,074	112,255
Accrued interest	(3,018)	(1,882)
Accrued expenses	(302,004)	327,885
Customer deposits	98,880	124,132
Advanced tapping fees	(2,250)	7,000
	<u>6,027,580</u>	<u>4,560,149</u>
Net Cash Provided by Operating Activities	<u>\$ 3,814,894</u>	<u>\$ 5,831,866</u>
Noncash Investing, Capital and Financing Activities		
Amortization expense included in interest	\$ (31,746)	\$ (29,478)

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</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	\$ 20,442,820	\$ 20,928,033
Investments	<u>5,616,951</u>	<u>4,155,734</u>
	<u>26,059,771</u>	<u>25,083,767</u>
Noncurrent assets		
Restricted cash	3,167,018	3,400,934
Investments	<u>545,882</u>	<u>1,924,312</u>
	<u>3,712,900</u>	<u>5,325,246</u>
	<u>\$ 29,772,671</u>	<u>\$ 30,409,013</u>
Cash flow classifications		
Petty cash	\$ 2,500	\$ 2,500
Cash deposits	23,273,998	23,937,168
Money market funds	<u>3,223,688</u>	<u>1,760,961</u>
	26,500,186	25,700,629
Total cash and cash equivalents	<u>3,272,485</u>	<u>4,708,384</u>
Certificates of deposit	<u>\$ 29,772,671</u>	<u>\$ 30,409,013</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, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents	\$ -	\$ 10,546,662
Investments	10,847,697	-
Total Assets	\$ 10,847,697	\$ 10,546,662

LIABILITIES AND NET POSITION

Total Liabilities	\$ -	\$ -
Net Position Restricted for OPEB	\$ 10,847,697	\$ 10,546,662

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, 2021 AND 2020

	2021	2020
Additions		
Employer contributions	\$ 575,932	\$ 725,721
Net investment income - interest and accrued income	16,553	80,367
Total Additions	592,485	806,088
Deductions		
Benefit payments	275,932	275,721
Administrative expenses	15,518	7,500
Total Deductions	291,450	283,221
Net Increase in Net Position	301,035	522,867
Net Position Restricted for OPEB - Beginning of Year	10,546,662	10,023,795
Net Position Restricted for OPEB - End of Year	\$ 10,847,697	\$ 10,546,662

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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 OPEB.

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, 2021 and 2020, the Board received capital contributions of \$934,141 and \$893,961, 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, 2021 and 2020 the Board had the following investments:

Investment Type	Maturity	2021	2020	Rating
Dreyfus Treasury Prime Cash Management	<60 days	\$ 333,340	\$ 389,299	AAAm
Edward Jones Money Market Fund	<60 days	2,890,348	1,371,662	AAAm
		<u>\$ 3,223,688</u>	<u>\$ 1,760,961</u>	

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

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.

	2021	2020
Noncurrent Assets		
Restricted cash		
Debt service reserve fund	\$ -	\$ 332,796
Customer deposits	3,136,669	3,029,175
Operation HOPE	30,349	38,963
	3,167,018	3,068,138
	\$ 3,167,018	\$ 3,400,934

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

	2021	2020
Depreciation fund	\$ 14,237,597	\$ 13,487,597
Contingency fund	6,998,182	8,498,182
	\$ 21,235,779	\$ 21,985,779

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

NOTE 3 - CAPITAL ASSETS

Components of capital assets include the following for the fiscal years ended March 31, 2021 and 2020:

	2021				Balance at March 31, 2021
	Balance at March 31, 2020	Additions	Deletions	Transfers	
Capital Assets					
Non depreciable					
Land and land rights	\$ 1,818,465	\$ 149,319	\$ -	\$ -	\$ 1,967,784
Construction in progress	1,810,371	1,365,180		(1,683,764)	1,491,787
	<u>3,628,836</u>	<u>1,514,499</u>	<u>-</u>	<u>(1,683,764)</u>	<u>3,459,571</u>
Depreciable					
Water plant and lines	53,707,376	365,185	(123,359)	399,406	54,348,608
Sewer plant and lines	42,846,137	479,080	(100,203)	1,013,369	44,238,383
Electrical distribution and transmission lines	37,563,182	999,125	(343,114)	270,989	38,490,182
Office and warehouse buildings	3,933,835	357,631	-	-	4,291,466
Office equipment	2,117,516	146,734	(82,139)	-	2,182,111
Equipment and vehicles	5,178,903	100,587	(381,759)	-	4,897,731
	<u>145,346,949</u>	<u>2,448,342</u>	<u>(1,030,574)</u>	<u>1,683,764</u>	<u>148,448,481</u>
	<u>148,975,785</u>	<u>3,962,841</u>	<u>(1,030,574)</u>	<u>-</u>	<u>151,908,052</u>
Accumulated Depreciation					
Water plant and lines	44,920,433	1,085,110	(123,359)	-	45,882,184
Sewer plant and lines	38,714,753	708,323	(100,203)	-	39,322,873
Electrical distribution and transmission lines	32,221,723	765,762	(342,837)	-	32,644,648
Office and warehouse buildings	3,208,061	68,793	-	-	3,276,854
Office equipment	1,758,177	127,024	(82,139)	-	1,803,062
Equipment and vehicles	4,207,786	270,242	(381,761)	-	4,096,267
	<u>125,030,933</u>	<u>3,025,254</u>	<u>(1,030,299)</u>	<u>-</u>	<u>127,025,888</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,944,852</u>				<u>\$ 24,882,164</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

NOTE 3 - CAPITAL ASSETS - CONTINUED

	2020				Balance at March 31, 2020
	Balance at March 31, 2019	Additions	Deletions	Transfers	
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	(3,274)	-	38,714,753
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>

Depreciation expense for the fiscal years ending March 31, 2021 and 2020 was \$3,025,254 and \$2,978,224, respectively.

NOTE 4 - LONG-TERM DEBT

Components of long-term debt include the following for the fiscal years ending March 31, 2021 and 2020.

	2021				
	Balance at March 31, 2020	Additions	Reductions	Balance at March 31, 2021	Due Within One Year
Bonds Payable:					
Revenue bonds	\$ 1,463,000	\$ -	\$(1,463,000)	\$ -	\$ -
Less deferred amounts					
Bond discount	(997)	-	997	-	-
	<u>\$ 1,462,003</u>	<u>\$ -</u>	<u>\$(1,462,003)</u>	<u>\$ -</u>	<u>\$ -</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

NOTE 4 - LONG-TERM DEBT - CONTINUED

	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>

Revenue bonds payable at March 31, 2021 and 2020 were comprised of the following issues:

	2021	2020
\$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
\$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
	-	1,463,000
Less current maturities	-	(1,463,000)
Bonds payable - net of current portion	<u>\$ -</u>	<u>\$ -</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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020 are included as a deferred outflow of resources on the statements of net position. Amortization has been included in interest expense and was \$30,750 and \$28,623 for the years ended March 31, 2021 and 2020, respectively.

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 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, 2021 AND 2020

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 in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020. 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 85%. 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 1st, 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 1st, 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, 2021 and 2020 was 9.00%. Required employer contribution rates for the years ended March 31, 2021 and 2020 were 15.41%. 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 incidental death benefit program.

Contributions to the Plan from the Board were \$952,639 and \$917,745, for the years ended March 31, 2021 and 2020, respectively

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

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, 2021, the Board reported a net pension liability of \$13,880,001 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, 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, 2019. Based upon this information, the Board's proportion of the collective net pension liability was .051988%, an increase of .00384%, since June 30, 2019, the prior measurement date.

For the years ended March 31, 2021 and 2020, the Board recognized pension expense of \$1,696,999 and \$1,364,405, respectively. At March 31, 2021 and 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 971,352	\$ (52,487)
Changes in assumptions	17,005	-
Net difference between projected and actual earnings on pension plan investments	1,020,990	-
Board contributions subsequent to the measurement date	713,238	-
Total	\$ 2,722,585	\$ (52,487)
2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 685,769	\$ (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	\$ 1,733,659	\$ (88,843)

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2021 AND 2020

NOTE 6 - PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued - \$713,238 reported as deferred outflows of resources related to pensions in 2021, 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, 2022. 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	
2021	\$ (550,950)
2022	(656,238)
2023	(489,139)
2024	(260,533)
	\$ (1,956,860)

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, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2020 total pension liability, net pension liability, and sensitivity information determined by and based on an actuarial valuation as of the July 1, 2019 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 2020 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, 2021 AND 2020

NOTE 6 - PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued -

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Global Equity	51%	3.89%
Real Assets	12%	0.69%
Opportunistic	8%	0.29%
Credit	15%	0.71%
Rate Sensitive	14%	0.22%
Total Expected Return	<u>100%</u>	<u>5.80%</u>
Inflation for Actuarial Purposes		<u>2.25%</u>
		<u>8.05%</u>

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on 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	\$ 13,880,001	\$ 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, 2020 (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, 2020. The additional information is publically available on PEBA's website at www.peba.sc.gov.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2021 AND 2020

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, 100%, to the Section 457 and 401(k) plans. The Board’s match for the fiscal years ended March 31, 2021 and 2020 was \$761,533 and \$666,886, 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, 2021 and 2020 was \$39,054 and \$87,330, respectively, for the contributions and related income taxes.

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS

Plan Description

Plan Administration and Benefits – The Board, through its commitment to provide other post-employment benefits (OPEB), maintains a defined benefit plan to provide certain post-retirement healthcare benefits, administered by the Board. 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.

During the current fiscal year, the Board resolved to switch from the single employer plan for OPEB to an agent multiple employer plan. All plan assets were transferred from the Gaffney Board of Public Works Retirement Benefits Trust, a voluntary employee benefits association (VEBA) and into the Public Agencies Post-Retirement Health Care Irrevocable Plan and Trust (PARS), which is a tax-exempt trust under the Internal Revenue Code Section 115. The General Manager of the Board serves as the Plan Administrator as appointed by the Board of Commissioners. With PARS, the Board has its own benefit plan (as disclosed previously) and its own separate agency account for the plan assets, contributions, income and fees. PARS issues annual audited financial statements for the Public Agencies Post-Retirement Health Care Plan Trust available upon request by participating agencies.

Plan Membership - Membership in the Plan as of March 31, 2021, was:

Inactive plan members or beneficiaries receiving benefits	37
Active plan members	80
Total plan members	117

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2021 AND 2020

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. The Board also pre-funds future OPEB costs by making separate contributions to PARS, and in previous years to the Gaffney, SC Board of Public Works Retirement Benefits VEBA Trust, as determined annually by the Board. The Board contributions for the years ended March 31, 2021 and 2020 were \$575,932 and \$725,721, respectively that included an implicit subsidy of \$47,133 and \$46,145, respectively. \$300,000 and \$450,000 of the total contributions were set aside in trust for the years ended March 31, 2021 and 2020, respectively. The plan is accounted for as a trust fund as presented in the basic financial statements.

Investments

Investment policy – In previous years, 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. Upon transferring the trust assets to PARS, the Board elected to have the trust assets invested at the discretion of the Bank, the trustee, based on the investment strategy chosen by the Board that provides for short-term appreciation with a mix of certificate of deposits, US Agency Securities and Treasury securities with a maturity limit of seven years, within the parameters of South Carolina law. The Board makes contributions to the trust throughout the year and the trustee is responsible for maintaining records and accounts for the assets.

As of March 31, 2021, the plan assets are invested in the following:

First American Government Obligation Fund	\$	13,548
Short-term US Treasury Bills		999,925
US Government Agency Notes		3,252,126
Certificates of Deposit		6,582,098
		\$ 10,847,697

As a result of the short-term appreciation strategy, the long-term rate of return was assumed to equal the long-term inflation assumption of 2.00%.

Rate of return - For the year ended March 31, 2021 and 2020, the annual money rate of return on investments, net of investment expenses, was .16% and .79%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board at March 31, 2021 and 2020 were as follows:

	2021	2020
Total OPEB liability	\$ 13,688,496	\$ 12,058,887
Plan fiduciary net position	(10,847,697)	(10,546,662)
Net OPEB liability	\$ 2,840,799	\$ 1,512,225
 Plan fiduciary net position as a percentage of the total OPEB liability	79.25%	87.46%

Actuarial Assumptions and Methods - the total OPEB liability was determined by an actuarial valuation as of March 31, 2020 and measured as of March 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Asset Valuation Method	Market Value
Inflation	2.00%
Salary Increases	3.00% to 7.00%, including inflation
Investment Rate of Return	2.00%
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	Initial rate of 5.75% declining to an ultimate rate of 3.75% after 15 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	The Single Discount Rate changed from 2.25% as of March 31, 2020 to 2.00% as of March 31, 2021. Additionally, the inflation assumption was changed from 2.25% to 2.00%, the two-person coverage assumption was reduced from 70% to 55%, the period of service used for allocation of normal costs was changed to only reflect service with the Board, and the health care trends were updated to better reflect the plan's experience and the repeal of the excise tax on high-cost employer health plans.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2021 AND 2020

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability of the Board - Continued

The actuarial valuation was performed as of March 31, 2020. Update procedures were used to roll forward the total OPEB liability to March 31, 2021.

Discount Rate - A Single Discount Rate of 2.00% 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 2.00%. 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.

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 2.00%, 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 1.00%	Current Single Discount Rate Assumption 2.00%	1% Increase 3.00%
\$ 5,684,192	\$ 2,840,799	\$ 624,407

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
\$ 246,073	\$ 2,840,799	\$ 6,344,260

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

NOTE 8 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability

	2021		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of March 31, 2020	\$ 12,058,887	\$ 10,546,662	\$ 1,512,225
Changes for the Year			
Service cost	410,924	-	410,924
Interest on the total OPEB liability	272,844	-	272,844
Changes of benefit terms	2,531,827	-	2,531,827
Difference between expected and actual experience	290,532	-	290,532
Change of assumptions	(1,600,586)	-	(1,600,586)
Employer contributions	-	575,932	(575,932)
Net investment income	-	16,553	(16,553)
Benefit payments	(275,932)	(275,932)	-
Administrative expense	-	(15,518)	15,518
Net Changes	<u>1,629,609</u>	<u>301,035</u>	<u>1,328,574</u>
Balance as of March 31, 2021	<u>\$ 13,688,496</u>	<u>\$ 10,847,697</u>	<u>\$ 2,840,799</u>
	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	<u>340,722</u>	<u>522,867</u>	<u>(182,145)</u>
Balance as of March 31, 2020	<u>\$ 12,058,887</u>	<u>\$ 10,546,662</u>	<u>\$ 1,512,225</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

NOTE 8 – POST RETIREMENT HEALTH CARE BENEFITS – CONTINUED

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

For the years ending March 31, 2021 and 2020, the Board recognized OPEB expense of \$2,943,196 and \$452,124, respectively. At March 31, 2021 and 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience, liability	\$ 520,165	\$ -
Changes in assumptions	-	(1,429,811)
Difference between expected and actual experience, assets	320,636	-
	\$ 840,801	\$ (1,429,811)
	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	-
	\$ 511,711	\$ (14,898)

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)
2022	\$ (284)
2023	(284)
2024	(25,976)
2025	(56,005)
2026	(100,796)
Thereafter	(405,665)
	\$ (589,010)

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.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

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.

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, 2021 and 2020, the Board paid the City \$656,795 and \$689,811, 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.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2021 AND 2020

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

A. Piedmont Municipal Power Agency - Continued

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 non-defaulting 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 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, 2021 and 2020, the Board's purchased power expense from PMPA was \$16,451,427 and \$17,383,573, respectively. Also, the amount included in accrued expenses for accrued purchased power from PMPA at March 31, 2021 and 2020 is \$1,315,887 and \$1,557,672, respectively.

B. Annual Leave/PTO

As described more fully in Note 1, the total amount of PTO accumulated and unused, as of March 31, 2021 and 2020 is as follows:

	2021	2020
Beginning of the year liability	\$ 562,555	\$ 450,300
Increase	633,848	577,232
Decrease	(584,774)	(464,977)
End of year liability	\$ 611,629	\$ 562,555

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, 2021 and 2020.

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.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2021 AND 2020

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.

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 410,924	\$ 351,873	\$ 351,643	\$ 349,163
Interest on the total OPEB liability	272,844	264,515	248,566	303,859
Changes in benefit terms	2,531,827	-	-	(2,816,350)
Difference between expected and actual experience	290,532	55	417,684	(21,355)
Changes in assumptions	(1,600,586)	-	(19,788)	-
Benefit payments, including refunds Of employee contributions	(275,932)	(275,721)	(302,952)	(245,129)
Net Change in Total OPEB Liability	1,629,609	340,722	695,153	(2,429,812)
Total OPEB Liability - Beginning	12,058,887	11,718,165	11,023,012	13,452,824
Total OPEB Liability - Ending (a)	<u>\$ 13,688,496</u>	<u>\$ 12,058,887</u>	<u>\$ 11,718,165</u>	<u>\$ 11,023,012</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 575,932	\$ 725,721	\$ 602,952	\$ 545,129
OPEB plan net investment income	16,553	80,367	91,710	52,879
Benefit payments	(275,932)	(275,721)	(302,952)	(245,129)
OPEB plan administrative expense	(15,518)	(7,500)	(7,500)	(7,500)
Net Change in Plan Fiduciary Net Position	301,035	522,867	384,210	345,379
Plan Fiduciary Net Position - Beginning	10,546,662	10,023,795	9,639,585	9,294,206
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,847,697</u>	<u>\$ 10,546,662</u>	<u>\$ 10,023,795</u>	<u>\$ 9,639,585</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 2,840,799</u>	<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	79.25%	87.46%	85.54%	87.45%
Covered-Employee Payroll	\$ 7,192,354	\$ 6,361,614	\$ 5,865,106	\$ 5,540,388
Net OPEB Liability as a Percentage of Covered-Employee Payroll	39.50%	23.77%	28.89%	24.97%

Notes to Schedule:

2021: Assumption Changes - The long-term rate of return and inflation assumptions were changed from 2.25% to 2.00%; the spousal coverage assumption was reduced from 70% to 55%; the period of service used for allocation of normal costs was changed to only reflect service with the Board; and the health care trends were updated to reflect the plan's experience and the repeal of the excise tax on high-cost employer

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	0.16%	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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 228,798	\$ 229,575	\$ 252,250
Contributions in Relation to the Contractually Required Contributions	<u>575,932</u>	<u>725,721</u>	<u>602,952</u>
Contribution Deficiency (Excess)	<u>\$ (347,134)</u>	<u>\$ (496,146)</u>	<u>\$ (19,788)</u>
Board's Covered-Employee Payroll	\$ 7,192,354	\$ 6,361,614	\$ 5,865,106
Contributions as a Percentage of Covered-Employee Payroll	3.18%	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*

	2021	2020	2019	2018	2017	2016
Board's Proportion of the Collective Net Pension Liability	0.054321%	0.051988%	0.048152%	0.048002%	0.047018%	0.047696%
Board's Proportionate Share of the Collective Net Pension Liability	\$ 13,880,001	\$ 11,870,958	\$ 10,789,370	\$ 10,806,022	\$ 10,042,975	\$ 9,045,776
Board's Covered Payroll	\$ 6,060,256	\$ 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	229.03%	216.24%	216.22%	223.12%	220.58%	202.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.71%	54.40%	54.40%	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	2020	2019	2018	2017	2016
Statutorially Required Contributions	\$ 952,639	\$ 917,745	\$ 755,374	\$ 646,947	\$ 548,177	\$ 495,887
Contributions in Relation to the Statutorially Required Contributions	952,639	917,745	755,374	646,947	548,177	495,887
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Payroll	\$ 6,122,358	\$ 5,992,637	\$ 5,992,637	\$ 5,274,229	\$ 4,792,404	\$ 4,499,689
Contributions as a Percentage of Covered Payroll	15.56%	15.31%	12.61%	12.27%	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, 2021 AND 2020

	2021	2020
Operating Revenues		
Water sales	\$ 6,430,324	\$ 6,649,707
Other	537,190	515,234
Total Operating Revenues	6,967,514	7,164,941
Operating Expenses - Excluding Depreciation		
Plant		
Salaries and related payroll expenses	1,767,806	1,485,354
Uniforms	10,838	3,947
Training and schools	870	2,316
Professional fees	36,956	18,882
Postage	829	302
Telephone	4,210	4,135
Insurance	39,878	35,973
Vehicle expense	2,039	2,890
Equipment maintenance and operation	258,987	114,828
Building and grounds maintenance	24,774	59,793
Materials and supplies	50,933	18,907
Chemicals	315,680	367,624
Other expenses	254	517
Landfill disposal	28,391	-
Bad debts - net	31,313	6,951
Lab expense	57,085	45,818
Public relations	25	27
Contract services	83,870	82,227
Other post-employment benefits	761,946	153,075
Utilities	681,178	796,505
Scholarship program	-	8,264
	4,157,862	3,208,335
Maintenance		
Salaries and related payroll expenses	1,134,205	1,558,183
Uniforms	11,740	9,162
Training and schools	1,625	(647)
Professional fees	63,428	5,713
Telephone	2,838	5,090
Insurance	31,777	22,774
Vehicle expense	23,885	41,254
Equipment maintenance and operation	71,429	127,227
Building and grounds maintenance	998	1,988
Materials and supplies	387,573	500,611
Other expenses	17	131
Public relations	25	-
Utilities	8,954	9,970
Computer processing	212	-
Scholarship program	1,658	5,481
	1,740,364	2,286,937
Costs allocated to other departments	(211,363)	(251,522)
Total Operating Expenses - Excluding Depreciation	5,686,863	5,243,750

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WATER DEPARTMENT OPERATIONS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Depreciation		
Plant depreciation	1,120,172	1,070,431
Maintenance depreciation	47,589	21,271
	<u>1,167,761</u>	<u>1,091,702</u>
 Total Operating Expenses	 <u>6,854,624</u>	 <u>6,335,452</u>
 Operating Income	 <u>\$ 112,890</u>	 <u>\$ 829,489</u>

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF SEWER DEPARTMENT OPERATIONS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
Operating Revenues		
Sewer	\$ 5,653,166	\$ 5,790,470
Other	164,382	123,297
Total Operating Revenues	<u>5,817,548</u>	<u>5,913,767</u>
Operating Expenses - Excluding Depreciation		
Plant		
Salaries and related payroll expenses	1,518,364	1,351,383
Uniforms	6,428	2,969
Training and schools	-	1,245
Professional fees	13,047	13,078
Postage	-	53
Telephone	4,500	4,521
Insurance	37,274	33,126
Vehicle expense	8,080	12,618
Equipment maintenance and operation	161,176	122,318
Building and grounds maintenance	7,524	3,865
Materials and supplies	29,035	21,384
Chemicals	110,544	117,342
Other expenses	68	92
Bad debts - net	(4,205)	(1,215)
Lab expense	51,818	53,710
Landfill disposal costs	141,426	239,909
Other post-employment benefits	419,899	155,475
Utilities	1,071,320	1,123,107
	<u>3,576,298</u>	<u>3,254,980</u>
Maintenance		
Salaries and related payroll expenses	664,995	765,264
Uniforms	5,701	2,013
Professional fees	8,068	6,961
Telephone	2,838	5,170
Insurance	29,909	21,956
Vehicle expense	7,384	12,133
Equipment maintenance and operation	70,463	21,457
Building and grounds maintenance	95	2,631
Materials and supplies	50,721	68,470
Other expenses	-	131
Public relations	25	-
Utilities	8,208	9,139
Computer processing	150	-
Scholarship program	1,658	5,480
	<u>850,215</u>	<u>920,805</u>
Costs allocated to other departments	<u>(221,605)</u>	<u>(230,275)</u>
Total Operating Expenses - Excluding Depreciation	4,204,908	3,945,510
Depreciation		
Plant depreciation	753,321	709,285
Maintenance depreciation	63,568	66,497
	<u>816,889</u>	<u>775,782</u>
Total Operating Expenses	<u>5,021,797</u>	<u>4,721,292</u>
Operating Income	<u>\$ 795,751</u>	<u>\$ 1,192,475</u>

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF ELECTRICAL DEPARTMENT OPERATIONS - PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Electric sales	\$ 23,349,468	\$ 24,195,767
Other	1,004,372	633,768
Total Operating Revenues	<u>24,353,840</u>	<u>24,829,535</u>
Operating Expenses - Excluding Depreciation		
Power purchased	17,059,953	18,034,948
Line expenses		
Salaries and related payroll expenses	2,647,313	2,289,531
Uniforms	34,143	11,671
Training and schools	5,284	9,465
Professional fees	72,436	97,651
Telephone	8,238	8,188
Insurance	77,469	62,699
Vehicle expense	75,405	58,119
Equipment maintenance and operation	81,142	112,034
Building and grounds maintenance	1,629	2,549
Materials and supplies	240,503	221,252
Other expenses	539	1,600
Bad debts - net	(8,331)	18,603
Public relations	100	550
Contract services	142,898	147,825
Other post-employment benefits	894,897	149,744
Utilities	29,731	31,100
Scholarship program	2,516	-
Computer processing	20,431	16,417
	<u>21,386,296</u>	<u>21,273,946</u>
Costs allocated to other departments	<u>(1,392,951)</u>	<u>(1,511,405)</u>
Total Operating Expenses - Excluding Depreciation	19,993,345	19,762,541
Depreciation		
Line Depreciation	<u>934,469</u>	<u>1,025,235</u>
Total Operating Expenses	<u>20,927,814</u>	<u>20,787,776</u>
Operating Income	<u>\$ 3,426,026</u>	<u>\$ 4,041,759</u>

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY, SERVICE AND ADMINISTRATIVE
 DEPARTMENT EXPENSES - PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
Warehouse		
Salaries and related payroll expenses	\$ 649,322	\$ 485,873
Uniforms	2,840	891
Professional fees	3,318	3,435
Postage	2,276	2,191
Telephone	1,549	1,937
Insurance	10,520	9,205
Vehicle expense	1,890	1,375
Equipment maintenance and operation	3,897	4,247
Building and grounds maintenance	1,605	5,766
Materials and supplies	10,708	15,178
Other post-employment benefits	54,052	1,143
Utilities	19,400	21,601
Scholarship program	-	963
	<u>761,377</u>	<u>553,805</u>
Clinic/Safety		
Salaries and related payroll expenses	296,282	248,696
Training and schools	-	1,800
Professional fees	13,908	12,308
Telephone	975	1,254
Insurance	724	772
Materials and supplies	30,787	14,283
Utilities	3,731	4,154
Claims reimbursements	(69,183)	(65,774)
	<u>277,224</u>	<u>217,493</u>
Administrative		
Salaries and related payroll expenses	3,246,692	2,958,461
Uniforms	3,825	5,383
Training and schools	(3,346)	27,167
Professional fees	122,497	128,289
Public relations	73,213	119,738
Postage	2,247	1,836
Telephone	20,449	18,067
Insurance	17,358	20,049
Vehicle expense	446	4,128
Equipment maintenance and operation	2,478	8,700
Building and grounds maintenance	73,711	39,905
Materials and supplies	132,671	125,291
Other expenses	105,760	296,340
Computer processing	180,655	151,441

Schedule 3-4 - Continued

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY, SERVICE AND ADMINISTRATIVE
 DEPARTMENT EXPENSES - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
Administrative - continued		
Other post-employment benefits	812,402	(7,313)
Utilities	34,112	37,176
Scholarship program	12,000	545
	4,837,170	3,935,203
Service		
Salaries and related payroll expenses	541,511	-
Uniforms	7,648	-
Telephone	4,408	-
Vehicle expense	10,214	-
Materials and supplies	1,666	-
	565,447	-
Total Warehouse, Clinic/Safety, Service and Administrative Expenses - Excluding Depreciation	6,441,218	4,706,501
Depreciation		
Warehouse depreciation	21,921	46,033
Clinic depreciation	250	78
Administration depreciation	83,964	39,394
	106,135	85,505
Total Warehouse, Clinic/Safety, Service and Administrative Expenses	\$ 6,547,353	\$ 4,792,006

GAFFNEY BOARD OF PUBLIC WORKS
HISTORICAL STATEMENTS OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
MARCH 31, 2011 THROUGH 2021

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Net Income											
Operating Revenues	\$ 31,646,737	\$ 32,279,947	\$ 33,421,376	\$ 33,077,545	\$ 33,435,583	\$ 36,746,821	\$ 36,854,871	\$ 37,998,444	\$ 37,969,019	\$ 37,908,243	\$ 37,138,902
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)	(39,351,589)
Operating Income (Loss)	(486,768)	(1,174,187)	(575,889)	(1,373,733)	(2,413,503)	715,791	(359,613)	1,162,104	2,640,279	1,271,717	(2,212,687)
Nonoperating Revenues	109,895	68,417	86,905	(4,588)	160,591	41,940	32,610	102,298	119,779	242,085	75,242
Nonoperating Expenses	(487,513)	(480,598)	(395,421)	(365,078)	(389,948)	(171,108)	(159,606)	(136,836)	(113,906)	(92,688)	(69,597)
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	\$ 2,646,152	\$ 1,421,114	\$ (2,207,042)
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	\$ 2,646,152	\$ 1,421,114	\$ (2,207,042)
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)	2,195
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	3,025,253
Plus: Interest Expense	450,904	423,989	395,421	365,078	319,425	171,108	159,606	136,836	113,906	92,688	69,597
Plus: Bond Cost	-	-	-	-	70,523	-	-	-	-	-	-
Plus: Pension expense adjustment	-	-	-	-	-	150,666	304,729	508,216	253,066	660,830	983,761
Less: OPEB expense adjustment	-	-	-	-	-	-	-	-	(140,564)	(227,451)	2,414,397
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)	(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	3,500,000
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	\$ 5,707,756	\$ 4,888,132	\$ 6,288,161
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	\$ 1,500,024
Total System Debt Service Coverage	3.15	2.48	2.92	2.07	1.72	4.61	2.90	4.02	4.88	4.18	4.19