

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
BAMBERG, SOUTH CAROLINA
AUDITED FINANCIAL STATEMENTS**

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the Board of Public Works
and the Mayor and City Council
City of Bamberg
Bamberg, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Board of Public Works of the City of Bamberg, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

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 of the Board of Public Works of the City of Bamberg, South Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only that portion of the business-type activities that are attributable to the Board of Public Works of the City of Bamberg and do not purport to, and do not present fairly the financial position of the City of Bamberg, South Carolina, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022 on our consideration of the Board of Public Works of Bamberg, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Public Works of the city of Bamberg, South Carolina's internal control over financial reporting and compliance.

McShay & Company, L.L.P.

Barnwell, South Carolina
June 16, 2022

CITY OF BAMBERG BOARD OF PUBLIC WORKS
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Cash	\$ 2,060,692
Temporary investments	2,386,710
Temporary investments - restricted for debt service	158,571
Accounts receivable (net of \$551,697 allowance)	1,313,335
Materials and supplies inventory	1,735,860
Property and equipment, net of accumulated depreciation	19,308,542
Cash value of life insurance	464,734
Customer deposits:	
Cash	267,904
Temporary investments	17,284
	27,713,632
TOTAL ASSETS	27,713,632

DEFERRED OUTFLOWS OF RESOURCES

Net deferred outflows of resources related to pensions	246,015
Total contributions subsequent to the measurement date for pensions	218,044
	464,059
TOTAL DEFERRED OUTFLOWS OF RESOURCES	464,059

LIABILITIES

Current:	
Accounts payable	406,613
Note payable - current portion	79,861
Due to General Fund	90,676
Other accrued liabilities	64,949
	642,099
Long term:	
Note payable - SRF loan	3,153,786
Accrued compensated absences	155,879
Accrued OPEB liability	3,229,663
Customer deposits	321,259
Aggregate net pension liability	2,849,955
	9,710,542
TOTAL LIABILITIES	10,352,641

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
STATEMENT OF NET POSITION
JUNE 30, 2021**

DEFERRED INFLOWS OF RESOURCES

Net deferred inflows of resources related to pensions	\$ 132,310
	<u>132,310</u>

NET POSITION

Net investment in capital assets	16,074,895
Restricted	158,571
Unrestricted	<u>1,459,274</u>
TOTAL NET POSITION	<u><u>\$ 17,692,740</u></u>

CITY OF BAMBERG BOARD OF PUBLIC WORKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	ELECTRIC	SEWER	WATER	NATURAL GAS	ADMIN- ISTRATION	PUBLIC UTILITIES TOTAL	SCAT PARK	BOARD OF PUBLIC WORKS TOTAL
Operating Revenue	\$ 4,869,951	\$ 875,353	\$ 903,998	\$ 846,668	\$ 129,430	\$ 7,625,400	\$ 988,792	\$ 8,614,192
Operating Expenses								
Purchases for customer usage	2,291,573	-	59,300	371,208	-	2,722,081	-	2,722,081
Inventory adjustment	18,484	-	-	1,903	-	20,387	-	20,387
Materials and supplies	4,782	6,298	3,605	2,226	-	16,911	-	16,911
Salaries, wages, and benefits	308,970	272,265	260,604	284,053	902,650	2,028,542	-	2,028,542
GASB 68 Pension expense - Note 5	27,141	19,035	21,181	22,632	67,985	157,974	-	157,974
GASB 75 OPEB expense - Note 9	-	-	-	-	234,573	234,573	-	234,573
Radio and communications costs	349	22,037	6,955	17,483	2,471	49,295	563	49,858
Automotive and equipment expenses	9,432	8,127	9,637	6,572	13,237	47,005	-	47,005
Computer maintenance and support	-	-	-	-	131,138	131,138	-	131,138
Other equipment expense	1,897	9,573	5,686	846	-	18,002	-	18,002
Dues and subscriptions	6,004	3,189	8,921	6,703	13,203	38,020	-	38,020
Insurance - general hazard	17,135	-	17,135	-	17,135	51,405	-	51,405
Office expenses	3,406	3,289	3,289	1,202	32,253	43,439	-	43,439
Safety	21,187	13,884	15,497	18,007	11,401	79,976	-	79,976
Professional services	9,170	76,965	16,418	25,829	40,148	168,530	138,274	306,804
Uniforms	754	754	754	754	7,108	10,124	-	10,124
Travel	2,644	2,676	2,291	2,380	4,050	14,041	-	14,041
Laboratory expense	1,000	19,436	7,067	-	-	27,503	43,383	70,886
Bad debt expense	-	-	-	-	128	128	-	128
Miscellaneous operating expenses	41,845	17,404	37,227	31,755	29,697	157,928	16,554	174,482
Community promotion	2,030	-	498	-	15,720	18,248	-	18,248
Repairs and maintenance	123,200	120,559	30,034	7,960	115	281,868	482,473	764,341
Depreciation	124,045	393,416	250,738	31,504	122,510	922,213	140,334	1,062,547
Licenses and permitting fees	1,199	2,684	14,899	573	-	19,355	27,290	46,645
Telephone expense	1,575	700	1,960	1,260	42,482	47,977	-	47,977
Utilities for self-use	7,436	184,139	30,620	11,290	-	233,485	75,706	309,191
Total Operating Expenses	3,025,258	1,176,430	804,316	846,140	1,688,004	7,540,148	924,577	8,464,725

See Notes to Financial Statements.

CITY OF BAMBERG BOARD OF PUBLIC WORKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>ELECTRIC</u>	<u>SEWER</u>	<u>WATER</u>	<u>NATURAL GAS</u>	<u>ADMIN- ISTRATION</u>	<u>PUBLIC UTILITIES TOTAL</u>	<u>SCAT PARK</u>	<u>BOARD OF PUBLIC WORKS TOTAL</u>
Operating Income (Loss)	\$ 1,844,693	\$ (301,077)	\$ 99,682	\$ 528	\$ (1,558,574)	\$ 85,252	\$ 64,215	\$ 149,467
Nonoperating Revenues (Expenses)								
Interest earned						8,234	-	8,234
Payment in lieu of taxes						(400,992)	-	(400,992)
Miscellaneous						83,145	-	83,145
Interest expense						(46,193)	-	(46,193)
Total Nonoperating Revenue (Expenses)						<u>(355,806)</u>	<u>-</u>	<u>(355,806)</u>
Change in Net Position						(270,554)	64,215	(206,339)
Beginning Net Position						<u>17,802,956</u>	<u>96,123</u>	<u>17,899,079</u>
Ending Net Position						<u>\$ 17,532,402</u>	<u>\$ 160,338</u>	<u>\$ 17,692,740</u>

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Public Utilities	SCAT Park	Total
Cash Flows From Operating Activities			
Received from customers for services	\$ 7,527,140	\$ 809,988	\$ 8,337,128
Payments for employee services	(2,129,321)	-	(2,129,321)
Payments to suppliers for goods and services	(3,744,462)	(784,243)	(4,528,705)
Net Cash Provided By Operating Activities	1,653,357	25,745	1,679,102
Cash Flows From Noncapital Financing Activities			
Payments in lieu of tax - City of Bamberg	(400,992)	-	(400,992)
Miscellaneous revenues	83,145	-	83,145
(Increase) Decrease in cash value of life insurance	(69,752)	-	(69,752)
Net Cash Provided (Used) By Noncapital Financing Activities	(387,599)	-	(387,599)
Cash Flow from Capital and Related Financing Activities			
Purchases of capital assets	(691,407)	(144,721)	(836,128)
Principal payments on long term debt	(105,188)	-	(105,188)
Interest expense	(46,193)	-	(46,193)
Net Cash Provided (Used) By Capital and Related Financing Activities	(842,788)	(144,721)	(987,509)
Cash Flows From Investing Activities			
Investment interest	8,234	-	8,234
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	431,204	(118,976)	312,228
BEGINNING CASH AND CASH EQUIVALENTS	3,465,831	1,113,102	4,578,933
ENDING CASH AND CASH EQUIVALENTS	\$ 3,897,035	\$ 994,126	\$ 4,891,161
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</u>			
Operating Income (loss)	\$ 85,252	\$ 64,215	\$ 149,467
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	922,213	140,334	1,062,547
Proportionate share of net pension expense in excess of actual contributions for SCRS	2,304	-	2,304
(Increase) Decrease in accounts receivable	(141,478)	-	(141,478)
(Increase) Decrease in inventories	310,221	-	310,221
Increase (Decrease) in accounts payable	109,497	-	109,497
Increase (Decrease) in accrued liabilities	54,891	-	54,891
Increase (Decrease) in accrued OPEB liability	234,573	-	234,573
Increase (Decrease) in due to General Fund	32,666	-	32,666
Increase (Decrease) in customer deposits	43,218	-	43,218
Increase (Decrease) in unearned revenues	-	(178,804)	(178,804)
Net Cash Provided (Used) By Operating Activities	\$ 1,653,357	\$ 25,745	\$ 1,679,102
			Total
<u>Reconciliation of Cash and cash equivalents to the Balance Sheet</u>			
Total cash per the balance sheet			\$ 2,328,596
Plus investments meeting the definition of cash equivalents			2,562,565
Cash and cash equivalents at end of year			\$ 4,891,161

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Board of Public Works was incorporated in 1905. The Board operates under a commissioner form of government. The commissioners are elected for six-year terms with election in 2-year cycles. The Board operates the public utilities, which includes electricity, gas, water, and sewer.

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Basis of Accounting

The Board of Public Works accounts for revenues and expenses related to the provision of electric, water, sewer services, natural gas and administration to the citizens of the City of Bamberg, South Carolina and the surrounding area. It is a proprietary fund, which is included in the annual financial statements of the City of Bamberg and, as such, is accounted for on the accrual basis. Revenues are recognized when earned and expenses when incurred.

The Board has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of activities and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – invested in capital position, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

A. Basis of Accounting (continued)

The Board has also adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement requires that capital contributions to the Board be presented as a change in net position.

B. Operating Revenue and Expense

Operating revenue and expenses are those that result from providing services and producing and delivering goods and services.

Non-operating revenue and expenses include revenues considered to be non-exchange and exchange-like items, financing and investment-related income and expenses.

Investments are stated at cost which approximates fair market value. All investments consist of investments in the South Carolina Local Government Investment Pool.

C. Cash and Investments

For purposes of the financial statements, the Board considers all highly liquid debt instruments (cash equivalents) purchased with a maturity of three months or less to be cash. The statement of cash flows is prepared by the direct method.

Restricted cash and investments include amounts required to be held for customer deposits.

D. Inventory

Inventories consist of supplies for operating and maintenance and improving property and plant and are recorded at average cost. Inventories are valued at cost (first-in, first-out).

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Management estimates that all aged receivables over 36 months and approximately 10% of aged receivables less than 36 months will be uncollectable.

F. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

G. Pensions

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled *Accounting and Financial Reporting for Pension Plans* in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System are prescribed in paragraphs 48 through 82 of GASB 68. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System and additions to/deductions from the South Carolina Retirement System's fiduciary net position have been determined on the same basis as they are reported by the South Carolina Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 75 entitled *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* in June 2015. This statement replaced the requirements of Statement No. 45 and Statement No. 57. This statement was adopted by the Board beginning in fiscal year 2018.

The Board prepares its financial statements using the economic resources measurement focus and accrual basis of accounting. As such, the Board is required to recognize a liability equal to either:

- 1.) the net OPEB liability if the OPEB plan is administered through a trust that meets certain criteria described in paragraph four of GASB Statement No. 75:
 - a. Contributions from employers to the OPEB plan and earnings on those contributions are irrevocable.
 - b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with benefit terms.
 - c. OPEB plan assets are legally protected from the creditors of employers and the OPEB plan administrator, or
- 2.) the total OPEB liability if the OPEB plan is administered through a trust that does not meet such criteria.

The Board has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4. The Board participates in a multiple-employer defined benefit plan that provides benefit payments to both active and retired employees. This means that the plan fails to meet the second criteria above (1.b.) because assets are not dedicated to providing post-employment benefits to retirees. Given these circumstances, the Board is required to recognize the *total* OPEB liability.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

H. Other Postemployment Benefits (OPEB) (continued)

The total OPEB liability is required to be measured as of a date no earlier than the end of the Board's prior fiscal year and no later than the end of the Board's current fiscal year (the measurement date), consistently applied from period to period. GASB Statement No. 75 requires that most changes in the total OPEB liability, such as those resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms, be included in OPEB expense in the period of change. The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period, unless the Alternative Measurement Method is used, whereby those items are recognized in OPEB expense immediately. Employer contributions subsequent to the measurement date of the OPEB liability are required to be reported as deferred outflows of resources. The Board does not have contributions subsequent to the measurement date as June 30, 2021 is both the measurement date and report date.

GASB Statement No. 75 includes an option for the use of a specified Alternative Measurement Method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through an OPEB plan in which fewer than 100 employees (active and inactive) are provided with OPEB through the plan. The Alternative Measurement Method is an approach that includes the same broad measurement steps as an actuarial valuation (projecting benefit payments, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method). However, it permits simplification of certain assumptions. The Board has elected to use this method to determine the total OPEB liability.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash, cash equivalents, and investments consist of the following:

	2021
<u>Cash and cash equivalents</u>	
Petty cash and change drawers	\$ 245
Cash deposited with banking institutions	2,328,351
Total cash and equivalents	2,328,596
<u>Investments</u>	
Certificates of deposit	500,000
Investments in the SC Local Governemnt Investment Pool	2,062,565
Total investments	2,562,565
Total cash, cash equivalents, and investments	\$ 4,891,161

Total cash, cash equivalents, and investments are classified as follows:

Restricted:

Investments in the SC Local Government Investment Pool:

Investments restricted for debt service

	\$ 158,571
--	------------

Unrestricted:

Unrestricted cash and cash equivalents	2,328,596
Unrestricted investments	2,403,994
Total cash, cash equivalents, and investments	\$ 4,891,161

Of the unrestricted amounts, management has designated a portion of its cash and investments as follows:

Cash reserved for customer deposits	\$ 267,904
Investment reserved for customer deposits	17,284
Total reserved for customer deposits	\$ 285,188

Cash and investments consist of checking accounts and certificates of deposit maintained by the Board and deposits in the South Carolina Local Government Investment Pool.

The State Revolving Fund (SRF) loan requires a debt service fund to be set up and restricted to pay for principal and interest on the loan. Net position has been reserved for the same amounts as the restricted account. The amount of deposits in this fund is in compliance with the loan documents.

At year-end, the carrying amount of the Board's deposits was \$2,328,351 and the bank balance was \$2,397,639. The Board's investments in certificates of deposits had a carrying amount and bank balance of \$500,000 at year-end, for a total bank balance of \$2,897,639.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued):

As of June 30, 2021, the bank balance is classified as follows:

Amount insured by FDIC	\$ 750,000
Amount collateralized with securities held by the pledging financial institution's agent in the Board's name	<u>2,147,639</u>
	<u><u>\$2,897,639</u></u>

Statutes authorize the Board to invest in obligations of the U. S. Government, its agencies, and instrumentalities. The Board is also authorized to invest in repurchase agreements. The Board's investments are categorized to give an indication of the level of risk assumed by the entity at year-end.

Category 1 - Insured or registered, or securities held by the Board or its agent in the Board's name.

Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the Board's name.

Category 3 - Uninsured or unregistered, with securities held by the counterparty or by its agent but not in the Board's name.

	Carrying Amount	Market Value
Deposit in Investment Pool not categorized as to risk	<u>\$ 2,062,565</u>	<u>\$ 2,062,565</u>

NOTE 3 - INVENTORIES:

Components of inventories are:

Electric division, materials inventory	\$ 486,047
Gas division, materials inventory	408,241
Water division, materials inventory	818,611
Wastewater division, materials inventory	<u>22,961</u>
	<u><u>\$ 1,735,860</u></u>

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT:

The property, plant, and equipment of the Board are stated at historical cost including labor and other direct costs of the asset. Net interest income or expense related to tax exempt bond issues is included as a component of the cost of assets financed by such proceeds. The assets are being depreciated using the straight-line method over estimated useful lives:

**ESTIMATED USEFUL
LIFE**

July 1, 2011 and Future

Electric, sewer, and water utility plant	10 – 40 years
Classified and unclassified plant of natural gas	10 – 40 years
General plant of electric, sewer, and waste water	10 – 40 years
General plant of natural gas	10 – 40 years

Property, plant, and equipment consist of the following:

	July 1, 2020	Transfers	Additions	Retirements	June 30, 2021
Capital assets not being depreciated:					
Land	\$ 386,296	\$ -	\$ -	\$ -	\$ 386,296
Electric Division	5,624,889	-	209,685	-	5,834,574
Gas Division	2,214,425	-	8,262	(38,896)	2,183,791
Water Division	12,342,266	-	404,210	-	12,746,476
Wastewater Division	16,970,137	-	10,773	-	16,980,910
Administration	2,536,474	-	58,477	-	2,594,951
SCAT Park	5,540,528	-	144,721	-	5,685,249
Total	45,228,719	-	836,128	(38,896)	46,025,951
Less: accumulated depreciation	(26,080,054)	-	(1,062,547)	38,896	(27,103,705)
Total capital assets being depreciated, net	19,148,665	-	(226,419)	-	18,922,246
Net Property, Plant, and Equipment	\$ 19,534,961	\$ -	\$ (226,419)	\$ -	\$ 19,308,542

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT (continued):

Depreciation expense consists of the following:

	2021
Electric division	\$ 124,045
Gas division	31,504
Water division	250,738
Wastewater division	393,416
Administration	122,510
SCAT Park	<u>140,334</u>
Total	<u>\$ 1,062,547</u>

NOTE 5 - RETIREMENT PLAN:

General Information about the Pension Plans

The City of Bamberg Board of Public Works participates in the South Carolina Retirement System (SCRS) and the State Optional Retirement Program (State ORP). The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division.

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

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

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school boards, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the applicable system is presented below.

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

Benefits Provided

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 legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS – 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. 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 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1st. Only those annuitants in receipt of a benefit on July 1st 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 1st after reaching age 60 or the second July 1st after the date they would have had 28 years of service credit had they not retired.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial liability of the system (the funded ratio) that is equal to or greater than 85%, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%,

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9% for SCRS. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

- Required **employee** contribution rates¹ are as follows for fiscal year 2021:

SCRS

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

State ORP

Employee	9.00% of earnable compensation
----------	--------------------------------

- Required **employer** contribution rates¹ for fiscal year 2021 are as follows:

SCRS

Employer Class Two	15.41% of earnable compensation
Employer Class Three	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution ²	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

The governmental unit's contributions to the SCRS for the last three fiscal years were as follows:

SCRS	2021	2020	2019
Employee Contributions	\$ 126,118	\$ 112,350	\$ 107,885
Employer Contributions	215,942	191,753	172,736
Employer Group Life Contributions	2,102	1,867	1,798
Total	\$ 344,162	\$ 305,970	\$ 282,419

The governmental unit contributed 100% of the required contributions for the current year and each of the two preceding years.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with 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 Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and 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 plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of the June 30, 2020 measurement date.

	SCRS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.0% - 12.5%
Includes inflation at	2.25%
Benefits adjustments	Lesser of 1% or \$500 annually

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020, TPL are as follows.

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net 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 table on the following page. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the TPL includes a 5.00% real rate of return and a 2.25% inflation component.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

Diversified Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

Discount Rate

The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$3,532,280	\$2,849,955	\$2,280,369

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

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

At June 30, 2021, the Board reported a liability of \$2,849,955 for its proportionate share of the net pension liability for SCRS. The net pension liability of the defined benefit plan was determined based on the most recent actuarial valuation as of July 1, 2019, using membership as of that date projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2020. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2020, the Board's proportion was 0.011154%.

For the year ended June 30, 2021, the Board recognized pension expense of \$157,974. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 32,885	\$ 10,777
Net Difference Between Projected and Actual Earnings On Pension Plan Investments	209,638	-
Deferred Amounts from Changes in Proportionate Share and Differences Between Employer Contributions & Proportionate Share of Total Plan Employer Contributions	-	121,533
Assumption Changes	3,492	-
Direct Contributions Subsequent to the Measurement Date	218,044	-
Totals	\$ 464,059	\$ 132,310

The amount of \$218,044 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ending June 30,	SCRS
2021	\$ (39,789)
2022	38,300
2023	61,698
2024	53,496
2025	-
Thereafter	-
Net Balance of Deferred Outflows/(Inflows) of Resources	\$ 113,705

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - RETIREMENT PLAN (continued):

Payables to the Pension Plan

As of June 30, 2021, the Board had \$32,096 in payables outstanding to the pension plans for its legally required contributions.

NOTE 6 - DEFERRED COMPENSATION:

In January 1985, the Board resolved to establish a supplemental non-qualified deferred compensation plan for employees. In November, 2000, this plan was amended. All persons who were covered under the original agreement were considered to be covered employees under the Amendment. The Board re-evaluated the current participants to determine if they should be shifted to the new plan versus remaining in the old plan. This determination was only recommended if the new plan resulted in either equal or better benefit for the participant or equal or lower cost for the Commission. After the determination was made by the Board, five employees remained in the old plan, of which two are active beneficiaries.

Under the original deferred compensation plan, employees are covered after five years of employment. Those eligible to retire with full benefits must be at least 55 with a minimum of 20 years of service with the Board of Public Works. Retirement prior to age 55 with 20 years of service is allowed, however, the supplemental retirement benefits, other than retiree insurance coverage, will not be provided until the employee reaches the age of 55. If a covered employee should die before attaining retirement eligibility, his beneficiaries are entitled to receive a sum equal to 25% of the average of the employee's highest three income years payable in quarterly installments for a period of ten years.

During the years following the amendment in 2000, newer participants and those employees shifted to the new plan had their benefit provided under a new insurance plan, which was administered and accounted for by LifeComp. Commencing on a covered employee's retirement, they were entitled to the same benefits enumerated above. Also, if following fifteen years of service, an employee's employment terminates as a result of a total and permanent disability, he was entitled to the above-mentioned benefits.

In November 2014, the Board voted to effectively end the supplemental retirement program and terminate the LifeComp program altogether. In an effort to offset some of the costs related to the close out of the supplemental retirement plan, the Board purchased life insurance policies on certain key employees. The Board is the single beneficiary of these policies.

The cash value of life insurance policies purchased for both the original plan and those purchased in connection with the closeout of the plan totaled \$464,734 as of June 30, 2021.

CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - RISK MANAGEMENT:

The Board is exposed to various risks of loss and maintains elements of both self-insurance and purchased insurance policies divided into coverage for workers' compensation, property and casualty, general tort liability, employee dishonesty, and employee health insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy in accordance with insurance policy and benefit program limits.

Several state funds accumulate assets and the State itself assumes substantially all risks for the following:

- 1) Claims of covered public employees for long-term disability and group-life insurance benefits (Retirement System).
- 2) Claims of state employees for unemployment compensation benefits (Employment Security Commission).

The Board pays premiums to Authur J. Gallagher Risk Management Service, Inc. and the South Carolina State Accident Fund, which issue policies, to cover the risk of loss, and pays claims incurred for covered losses related to the following assets and activities:

- 1) Theft of, damage to, or destruction of assets;
- 2) Real property, its contents, and other equipment;
- 3) Auto liability;
- 4) General tort liability;
- 5) Worker's compensation.

The Board obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

The Board has not reported a supplemental premium assessment nor a related liability at June 30, 2021, because the requirements of GASB Statement No. 10, which states that a liability for supplemental assessments must be reported if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2021, and that the amount of the premium is reasonably estimable, have not been satisfied.

In management's opinion, supplemental premium assessments, if any, would not be significant enough to have a material adverse effect on the financial position of the Board.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8 - POST-EMPLOYMENT BENEFITS:

Background

Beginning in fiscal year ended June 30, 2018, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 75 which replaces the requirements of Statement No. 45 for the accounting and financial reporting of other postemployment benefits (OPEB) other than pensions offered to retirees. The scope of this statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related deferred outflows and inflows of resources, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. An implicit rate subsidy is an inherent subsidy of retiree healthcare costs by active employee healthcare costs when healthcare premiums paid by retirees and actives are the same. Under the current health plan, described in the next paragraph, healthcare premiums paid by retirees and actives are the same. The true healthcare costs for retirees are, on average, greater than active employees' healthcare costs. Thus, if both subgroups pay the same per-capita premium for their benefits, retirees are paying less than they would if their premiums were calculated solely based on retiree-only expected healthcare costs. With an implicit rate subsidy, the active employee premiums are subsidizing the retiree premiums, and that subsidization creates a liability that needs to be recognized.

Plan Description

The state insurance benefits program (South Carolina Public Employee Benefit Authority (PEBA), Insurance Benefits) is a community-rated plan with respect to local subdivisions that offers a variety of plans to active employees, retirees, and survivors. The health, dental, basic life, and basic long term disability plans are the core benefits the participating local subdivision must provide to each employee by paying a minimum contribution for each plan. A local subdivision or entity is defined as any employer, other than a state agency or public school district that has the South Carolina General Assembly's approval to participate in the state insurance benefits program. More specifically, Section 1-11-720 of the 1976 South Carolina Code of Laws, as amended, gives specified local government organizations the right to participate in the state insurance benefits program. The financial statements for the SC PEBA, Insurance Benefits are presented in conjunction with State's own OPEB plans at www.peba.sc.gov.

The Board must offer all eligible employees the entire package of state insurance benefits and allow employees to refuse all or any part of the benefits package. The Board must ensure that all covered employees, retirees and their dependents meet the eligibility guidelines established by PEBA or set forth in Section 1-11-730 of the 1976 South Carolina Code of Laws, as amended. The Board must contribute, for its active employees, no less than the same percentage the state contributes toward the premiums for active employees of state agencies and public school districts.

Benefits Provided

Under this insurance benefits program, each local subdivision develops its own policy for funding retiree insurance premiums for its eligible retirees. The Board has the option to choose the amount, if any, it wishes to contribute toward health and dental coverage for its eligible retirees. For retirees, the Board will pay an amount equal to

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8 - POST-EMPLOYMENT BENEFITS (continued):

the Retiree Contribution (established by statute) for the following in the retiree's appropriate coverage designation (i.e., Medicare eligible, not Medicare eligible):

1. The SHP Standard Health Plan
2. Dental
3. Dental Plus
4. State Vision Plan

Premiums for eligible retirees will be paid until their death. Retirement is based on meeting the requirements for full State of South Carolina Retirement System benefits and a minimum of 20 years of service with the Board of Public Works. Currently, the Board has elected not to pre-fund OPEB liabilities and to fund healthcare benefits on a pay-as-you-go basis. These benefits consist of an inherent rate insurance subsidy that retirees will receive by staying on the employer provided health plan. For the year ended June 30, 2021, the employer contributions toward the retirees' monthly premiums for medical, dental, and vision were \$546, \$41, and \$8, respectively.

Employees Covered by Benefit Terms

Active Participants	22
Retired Participants	11
Total	<u>33</u>

Total OPEB Liability

The Board's total OPEB liability of \$3,229,663 was measured as of June 30, 2021, and was determined by using the Alternative Measurement Method (a simplified actuarial valuation) as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 simplified actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Age Adjustment Factor - 1

Average Retirement Age - 65

Employer Future Premium Contribution – Remain a level percent of the total cost over time

Actuarial Cost Method – Individual entry age normal

Amortization Method - Level percent of payroll

Assets Backing OPEB Liability - \$0

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8 - POST-EMPLOYMENT BENEFITS (continued):

Dates of Calculations

Actuarial valuation: June 30, 2021
 Census Date: June 30, 2021
 Measurement Date: June 30, 2021
 Reporting Date: June 30, 2021

Employees Included in the Calculations – All active employees who are potentially eligible to receive medical benefits as a retiree. Former employees who are receiving benefits.

Discount Rate – Pursuant to GASB 75, for unfunded plans the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer’s 20 bond index is often cited as an appropriate benchmark. A discount rate of 3.5% was used for the June 30, 2021 actuarial valuation.

Salary Increase Rate – 2.50% per year

Amortization Period - 20

Mortality Rates – Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Turnover Assumption – Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Healthcare Trend – The healthcare trend rate baseline is:

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
Year 1	4.900%	5.900%	3.500%	3.000%
Year 2	4.800%	4.800%	3.500%	3.000%
Year 3	4.700%	4.700%	3.000%	3.000%
Year 4	4.700%	4.700%	3.000%	3.000%
Year 5	4.600%	4.600%	3.000%	3.000%
Year 6	4.500%	4.500%	3.000%	3.000%
Year 7	4.400%	4.400%	3.000%	3.000%
Year 8	4.300%	4.300%	3.000%	3.000%
Year 9	4.300%	4.300%	3.000%	3.000%
Year 10 +	4.300%	4.300%	3.000%	3.000%

Election Percentage – It is assumed that 100% of eligible retirees will elect to receive coverage upon retirement.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8 - POST-EMPLOYMENT BENEFITS (continued):

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the discount rate of 3.5%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$3,776,398	\$3,229,663	\$2,803,293

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease	Current Rates	1% Increase
Total OPEB Liability	\$2,741,450	\$3,229,663	\$3,841,282

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

For the year ended June 30, 2020, the Board recognized a total change in the OPEB liability of \$234,573, which is recognized as OPEB expense. The amount of deferred inflows and outflows recognized in the current period is \$0.

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 2,995,090
OPEB Expense	
Service Costs	64,774
Interest	105,971
	170,745
Adjustments to total OPEB liability	
Effect of Economic/Demographic Gains or Losses	128,601
Effect of Assumptions Changes or Inputs	-
Benefit Payments	(64,773)
	63,828
Balance at June 30, 2021	\$ 3,229,663

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9 - LONG – TERM LIABILITIES:

The following is a summary of long-term liability transactions of the Board for the year ended June 30, 2021:

	Accrued Compensated Absences	Customer Deposits	Direct Borrowings Note Payable
Long-term liabilities at June 30, 2020	\$ 110,010	\$ 278,041	\$ 3,338,834
Additions	45,869	43,218	-
Retirements	-	-	105,187
Long-term liabilities at June 30, 2021	<u>\$ 155,879</u>	<u>\$ 321,259</u>	<u>\$ 3,233,647</u>

During fiscal year 2018, the City, upon request of the Board of Public Works, secured funding through a \$3,720,738 loan from the South Carolina Water Pollution Control Revolving Fund to complete the Pine Street Sewer Rehabilitation Project. The original terms of the funding included interest at 1.40% for the first 20 years and 1.90% for the last 10 years. The first 80 quarterly installments were to be \$39,643 and the remaining 40 were to be \$34,882. Payments were to begin in October 2018 and continue through July 2048 should the full amount of the loan be drawn. The project was completed in 2019, and the final loan amount totaled \$3,544,850. As the full amount of the loan was not disbursed, the payments above were recalculated to be \$37,845 and \$33,039, respectively.

To secure its obligation the City will grant the State Authority a pledge of, and lien upon, all revenues derived from the operation of the Utility System and all funds and accounts of the City derived from such revenues. Upon any failure of the City to make any payments to the State Authority, state appropriations due the City may be intercepted to pay the loan amounts due.

<u>Direct Borrowings</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
South Carolina Water Pollution Control Revolving Fund Loan	<u>\$ 79,861</u>	<u>\$ 3,153,786</u>	<u>\$ 3,233,647</u>

The annual requirements to amortize the note payable for the next five years as of June 30, 2021 are:

Year Ending	<u>Direct Borrowings</u>		
	Principal	Interest	Total
2022	\$ 79,861	\$ 45,085	\$ 124,946
2023	107,792	43,589	151,381
2024	109,309	42,072	151,381
2025	110,847	40,533	151,380
2026	112,407	38,973	151,380
2027-2031	586,216	170,687	756,903
2032-2036	628,645	128,258	756,903
2037-2041	605,467	98,582	704,049
2042-2046	602,689	58,099	660,788
2047-2049	290,414	6,941	297,355
	<u>\$ 3,233,647</u>	<u>\$ 672,819</u>	<u>\$ 3,906,466</u>

CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 - RELATED PARTIES

One of the Commissioners of the Board of Public Works is also the President of Home Federal Savings and Loan, a local bank that holds one of the Board's \$250,000 Certificate of Deposits.

NOTE 11 - SUBSEQUENT EVENTS

After year-end, the City of Bamberg applied for and received its first allotment of Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which are part of the American Recovery Plan Act (ARPA). Funds in the amount of \$793,812 were received in November 2021. The City gave the Board \$436,597 of these funds, or 55%, and kept the remaining \$357,215, or 45%. The second allotment of \$793,812 is expected to be received in fiscal year 2022. A brief description of these funds is included in Note 12.

The Board has evaluated all subsequent events for disclosure through the Auditor's report date, which was the date the financial statements were available to be issued.

NOTE 12 - COVID-19

During fiscal year 2021, Coronavirus continued to present challenges, including new variants, inflation, and supply chain issues. As of the date of this report, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Board's financial positions, operations, and cash flows in fiscal year 2022. However, the City of Bamberg has applied for and received its first allotment of Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which are part of the American Recovery Plan Act (ARPA), and agreed to split it with the Board of Public Works. This program ensures that governments have the resources needed to fight the pandemic and support families and businesses struggling with its public health and economic impacts, maintain vital public services, even amid declines in revenue, and build a strong, resilient, and equitable recovery by making investments that support long-term growth opportunity.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF
THE COLLECTIVE NET PENSION LIABILITY (SCRS)
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Board's proportion of the net pension liability (asset)	0.011154%	0.011352%	0.011583%	0.012732%	0.013098%	0.013100%	0.013008%	0.013008%	NA*	NA*
Board's proportionate share of the net pension liability (asset)	\$ 2,849,955	\$ 2,592,096	\$ 2,595,295	\$ 2,866,178	\$ 2,797,713	\$ 2,484,478	\$ 2,239,546	\$ 2,333,171	NA*	NA*
Board's covered-employee payroll	\$ 1,006,732	\$ 1,198,724	\$ 1,200,300	\$ 1,110,343	\$ 1,266,600	\$ 1,228,317	\$ 1,180,964	\$ 1,172,587	NA*	NA*
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	283.09%	216.24%	216.22%	258.13%	220.88%	202.27%	189.64%	NA*	NA*	NA*
Plan fiduciary net position as a percentage of the total pension liability	50.70%	54.40%	54.10%	53.30%	52.90%	57.00%	59.90%	59.90%	NA*	NA*

NA* - Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.
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**CITY OF BAMBERG BOARD OF PUBLIC WORKS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS (SCRS)
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 193,619	\$ 174,534	\$ 149,820	\$ 148,502	\$ 140,280	\$ 133,887	\$ 125,182	NA*	NA*	NA*
Contributions in relation to the contractually required contribution	<u>(193,619)</u>	<u>(174,534)</u>	<u>(149,820)</u>	<u>(148,502)</u>	<u>(140,280)</u>	<u>(133,887)</u>	<u>(125,182)</u>	NA*	NA*	NA*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$1,006,732	\$1,198,724	\$1,200,300	\$1,110,343	\$1,266,600	\$1,228,317	\$1,180,964	NA*	NA*	NA*
Contributions as a percentage of covered-employee payroll	19.23%	14.56%	12.48%	13.37%	11.08%	10.90%	10.60%	NA*	NA*	NA*

NA* - Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.
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See accompanying note to required supplementary information.

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE BOARD'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
YEAR ENDED JUNE, 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 64,774	\$ 68,369	\$ 56,453	\$ 114,608	NA*	NA*	NA*	NA*	NA*	NA*
Interest cost	105,971	118,590	100,812	80,673	NA*	NA*	NA*	NA*	NA*	NA*
Changes in benefit terms	-	-	-	-	NA*	NA*	NA*	NA*	NA*	NA*
Difference between expected and actual experience	-	-	-	-	NA*	NA*	NA*	NA*	NA*	NA*
Changes in assumptions or other inputs	128,601	106,130	329,019	(937,985)	NA*	NA*	NA*	NA*	NA*	NA*
Benefit payments	(64,773)	(78,812)	(75,085)	-	NA*	NA*	NA*	NA*	NA*	NA*
Net change in total OPEB liability	<u>234,573</u>	<u>214,277</u>	<u>411,199</u>	<u>(742,704)</u>	NA*	NA*	NA*	NA*	NA*	NA*
Total OPEB liability - beginning	<u>2,995,090</u>	<u>2,780,813</u>	<u>2,369,614</u>	<u>3,112,318</u>	NA*	NA*	NA*	NA*	NA*	NA*
Total OPEB liability - ending	<u>\$ 3,229,663</u>	<u>\$ 2,995,090</u>	<u>\$ 2,780,813</u>	<u>\$ 2,369,614</u>	NA*	NA*	NA*	NA*	NA*	NA*
Covered-employee payroll	\$ 1,006,732	\$ 1,198,724	\$ 1,200,300	\$ 1,110,343	NA*	NA*	NA*	NA*	NA*	NA*
Total OPEB liability as a percentage of covered-employee payroll	320.81%	249.86%	231.68%	213.41%	NA*	NA*	NA*	NA*	NA*	NA*

NA* - Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.
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**CITY OF BAMBERG BOARD OF PUBLIC WORKS
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 –PENSIONS

No changes were made to the benefit terms during the fiscal year ended June 30, 2020 (the measurement year).

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. There were no changes in assumptions.

NOTE 2 –OTHER POST-EMPLOYMENT BENEFITS

There are no assets accumulated in a trust that meet the criteria of GASB Statement No. 75, paragraph four.

Until information is available for other years, information about factors that significantly affect trends in the amounts reported is not available.

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1906–1968

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

To the Commissioners of the Board of Public Works
and the Mayor and City Council
City of Bamberg
Bamberg, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Board of Public Works of the City of Bamberg, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Public Works of the City of Bamberg, South Carolina’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Public Works of the City of Bamberg, South Carolina’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Public Works of the City of Bamberg, South Carolina’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Public Works of the City of Bamberg, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGregor & Company, L.L.P.

Barnwell, South Carolina
June 16, 2022

**CITY OF BAMBERG BOARD OF PUBLIC WORKS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

There were no reportable findings for the fiscal year ended June 30, 2021.