

**SPARTANBURG METROPOLITAN
SUB-DISTRICT B WATER
AND SEWER WORKS**

Spartanburg, South Carolina

Financial Statements

For the Year Ended June 30, 2021

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Greer, South Carolina 29650

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
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JUNE 30, 2021**

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SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS

Spartanburg, South Carolina

A Special Purpose District

created by the

South Carolina Legislature

1932

Mike Campbell, General Manager

COMMISSIONERS

Hal McGinnis

Chris Threatt

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Spartanburg Metropolitan Sub-District B
Water and Sewer Works
Spartanburg, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business activities, and each major fund of Spartanburg Metropolitan Sub-District B Water and Sewer Works (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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. 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business activities and each major fund of Spartanburg Metropolitan Sub-District B Water and Sewer Works as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension plan schedules 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 audit 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spartanburg Metropolitan Sub-District B Water and Sewer Works' basic financial statements. The introductory section, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

December 3, 2021

Edwards & Hedrick, CPAs, P.A.
Edwards & Hedrick, CPAs, P.A.
Greer, South Carolina



**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Our discussion and analysis of the Spartanburg Metropolitan Sub-District B Water and Sewer Works (the District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2021. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of three parts – Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplementary Information. The intent of this discussion is to present the District's financial performance as a whole.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Spartanburg Metropolitan Sub-District B Water and Sewer Works (the District) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the District as well as all liabilities.

The Fund Financial Statements include statements for each of the two categories of activities – governmental and business-type. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found following the proprietary fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, pension information, and budgetary comparison schedules for the General and Proprietary funds. Required supplementary information can be found following the notes to the basic financial statements.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future periods (i.e. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the Statement of Net Position and the Statement of Activities, we separate the District Activities as follows:

Governmental Activities - Property tax collections are reported in this section. Historically, the property tax collections are transferred to the Proprietary Fund for general operations of the water and sewer works.

Business Type Activities - The District's water and sewer works is reported in this category.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the Governmental and Proprietary Funds. These two funds comprise the entire District.

Governmental Funds - Property tax collections are reported in this section. Historically, the property tax collections are transferred to the Proprietary Fund for general operations of the water and sewer works.

Fund Financial Statements (Continued)

Proprietary Funds - When the District charges customers for services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's proprietary fund is the same as the business-type activity reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

FINANCIAL HIGHLIGHTS

During the year ending June 30, 2021, the District's total revenues increased \$273,200 (or 18.3%) and total expenses decreased \$52,200 (or 2.8%), resulting in an increase of \$6,900 in net position. This is an increase of \$331,400 from the previous year. The increase in total revenues for this year was mainly the result of an increase in operating revenues and property taxes. The decrease in operating expenses is the result of higher employee costs, offset by lower depreciation and maintenance costs.

Financial Analysis of the District

Net Position - The District's net position increased \$6,900 between fiscal years 2020 and 2021. This increase was primarily due to decreased operating costs and higher revenues. The higher revenues resulted from rate increases for water and sewer costs and increased property tax receipts.

Spartanburg Metropolitan Sub-District B Water and Sewer Works Statement of Net Position

	June 30, 2021	June 30, 2020
Current and other assets	\$ 2,176,279	1,939,346
Capital assets	913,555	1,037,670
Total assets	<u>3,089,834</u>	<u>2,977,016</u>
Deferred outflows of resources	187,311	152,058
Other liabilities	157,797	150,598
Long-term liabilities	1,135,090	997,854
Total liabilities	<u>1,292,887</u>	<u>1,148,452</u>
Deferred inflows of resources	5,297	8,604
Net investment in capital assets	913,555	1,037,670
Unrestricted -	1,065,406	934,348
Net position – As Restated	<u>\$ 1,978,961</u>	<u>1,972,018</u>

Financial Analysis of the District (Continued)

Spartanburg Metropolitan Sub-District B Water and Sewer Works Change In Net Position For the Years Ended

	June 30, 2021	June 30, 2020
Operating revenues	\$ 1,043,625	\$ 942,415
Property taxes	719,901	546,328
Investment earnings	2,029	3,563
Total revenues	<u>1,765,555</u>	<u>1,492,306</u>
Operating expenses	<u>1,823,237</u>	<u>1,875,492</u>
Total expenses	<u>1,823,237</u>	<u>1,875,492</u>
Excess (deficiency) before special items	(57,682)	(383,186)
Tower rental	42,544	38,359
Gain on sale of assets	19,542	8,000
Miscellaneous revenue	2,539	12,360
Change in net position	<u>\$ 6,943</u>	<u>\$ (324,467)</u>

Final Budget versus Actual Results – Proprietary Fund

The budget excludes certain items from actual expenses, and includes other items for budgetary purposes. Depreciation and pension expense in excess of required contributions are excluded from actual results for operating expenses, and fixed asset additions and principal reductions on debt are included for budgetary purposes. The District also budgets for receipt of loan and grant funds. The District's Board of Commissioners approved all expenditures in excess of the original budget.

Revenues were under the budget by \$7,500. The majority of this excess is attributable to charges for water and sewer services. Operating expenses exceeded the budget by \$100,000. The primary reason for this excess is due to employee costs.

Other financing sources are primarily transfers from the general fund of property taxes. Property taxes were over budget as the District received more than the anticipated collection of property taxes from the County of Spartanburg. \$174,500 of property tax revenue that was collected by the Treasurer of Spartanburg for the 2019-2020 financial period was not received by the District until the 2020-2021 financial period.

Final Budget versus Actual Results – Proprietary Fund (Continued)

**Spartanburg Metropolitan Sub-District B Water and Sewer Works
Actual versus Budget-Proprietary Fund
For the Year Ended June 30, 2021**

	<u>Actual</u>	<u>Budget</u>	Variance Favorable/ (Unfavorable)
Operating revenues	\$ 1,043,625	\$ 1,051,080	\$ (7,455)
Operating expenses	1,545,110	1,444,995	(100,115)
Non-operating revenues (expenses)	(12,597)	(49,085)	36,488
Other financing sources	774,796	443,000	331,796

Capital Assets

As of June 30, 2021 the District has invested \$6,364,900 in capital assets net of \$5,451,400 of accumulated depreciation. This amount represents a net decrease (including additions and deductions) of \$124,100 (or 11.9%) over the prior year. A condensed schedule of Capital assets for June 30, 2021 and 2020 follows:

**Spartanburg Metropolitan Sub-District B Water and Sewer Works
Capital Assets**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Land and buildings	\$ 595,014	\$ 590,856
Distribution system	4,977,893	5,152,758
Office furniture & equipment	52,313	52,313
Vehicles	261,123	261,123
Machinery and equipment	478,603	484,600
Total Capital Assets	<u>6,364,946</u>	<u>6,541,650</u>
Accumulated depreciation	<u>(5,451,391)</u>	<u>(5,503,980)</u>
Total Net of Accumulated Depreciation	\$ <u>913,555</u>	\$ <u>1,037,670</u>

During the year, the District added \$79,250 in capital additions, and recorded depreciation expense of \$198,400. For more information on changes in capital assets, see Note 7 of the financial statements.

Pensions

Government Standards Board Statement No. 68 has created a long-term liability of \$1,004,601, the District's proportionate share of the South Carolina Retirement System's net pension liability as of June 30, 2021. For more information on the District's net pension liability, pension expense, deferred outflows and inflows of resources related to pensions, see Note 10 of the financial statements.

Economic Factors

The District's general area is a residential and commercial area. Property tax growth is expected to rise for the next several years as the property values increase. The District continues to evaluate and balance available revenue against expenditures and service levels to seek operating efficiencies. Management emphasizes sound financial and operational decision-making with a focus on strategic thinking and planning. Key objectives at present include focusing services to promote the District's core mission and development of a financial plan that fosters sustainability for the future.

Fiscal Year 2021-22 Budget

Many factors were considered by the District's administration during the process of developing the 2021-22 budget. The District's budget was prepared to continue the vision and mission of the District. No new programs were added to the 2021-22 budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Spartanburg Metropolitan Sub-District B Water and Sewer Works at 7520 Jennings Street, Spartanburg South Carolina, 29303-1723, (864) 503-0822.

Basic Financial Statements

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF NET POSITION
JUNE 30, 2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,653,081	\$ 1,653,081
Receivables:			
Taxes - net	147,967	-	147,967
Trade accounts - net	-	147,529	147,529
Due from County Treasurer	6,143	-	6,143
Inventory	-	42,234	42,234
Prepaid expenses	-	28,917	28,917
Designated cash	-	150,408	150,408
Capital assets, non depreciable	-	22,430	22,430
Capital assets, depreciable - net	-	891,125	891,125
TOTAL ASSETS	154,110	2,935,724	3,089,834
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	187,311	187,311
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	187,311	187,311
LIABILITIES			
Accounts payable:			
Trade accounts	-	32,190	32,190
Sewer collections	-	114,688	114,688
Accrued expenses	-	10,919	10,919
Noncurrent liabilities:			
Due within one year	-	51,760	51,760
Due in more than one year	-	78,729	78,729
Net pension liability	-	1,004,601	1,004,601
TOTAL LIABILITIES	-	1,292,887	1,292,887
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	5,297	5,297
TOTAL DEFERRED INFLOWS OF RESOURCES	-	5,297	5,297
NET POSITION			
Net Investment in capital assets	-	913,555	913,555
Unrestricted	154,110	911,296	1,065,406
TOTAL NET POSITION	\$ 154,110	\$ 1,824,851	\$ 1,978,961

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
PRIMARY GOVERNMENT:						
Governmental Activities:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities:						
Water and sewer service	<u>1,823,237</u>	<u>1,043,625</u>	-	-	<u>(779,612)</u>	<u>(779,612)</u>
TOTAL - PRIMARY GOVERNMENT	<u>\$ 1,823,237</u>	<u>\$ 1,043,625</u>	<u>\$ -</u>	<u>-</u>	<u>(779,612)</u>	<u>(779,612)</u>
General Revenues:						
Property taxes levied for general purposes				719,901	-	719,901
Unrestricted investment earnings				-	2,029	2,029
Miscellaneous				-	2,539	2,539
Tower rental				-	42,544	42,544
Gain on sale of assets				-	19,542	19,542
Transfers:				<u>(774,796)</u>	<u>774,796</u>	<u>-</u>
Total general revenues and transfers				<u>(54,895)</u>	<u>841,450</u>	<u>786,555</u>
Change in net position				<u>(54,895)</u>	<u>61,838</u>	<u>6,943</u>
NET POSITION, Beginning of Year - As Restated				<u>209,005</u>	<u>1,763,013</u>	<u>1,972,018</u>
NET POSITION, End of Year				<u>\$ 154,110</u>	<u>\$ 1,824,851</u>	<u>\$ 1,978,961</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>GENERAL</u>
ASSETS	
Property Taxes Receivable - net	\$ 147,967
Due from County Treasurer	6,143
TOTAL ASSETS	\$ 154,110
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	\$ 131,382
FUND BALANCE	
Unassigned	22,728
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 154,110

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 22,728
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, have been deferred in the funds.	<u>131,382</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 154,110</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>GENERAL</u>
REVENUES	
Property taxes	\$ <u>607,640</u>
TOTAL REVENUES	607,640
EXPENDITURES	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	607,640
OTHER FINANCING (USES) Operating transfers out	<u>(774,796)</u>
NET CHANGE IN FUND BALANCE	(167,156)
FUND BALANCE - BEGINNING OF YEAR	<u>189,884</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 22,728</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ (167,156)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount between the prior and current year.	<u>112,261</u>
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (54,895)</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	<u>ENTERPRISE</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,653,081
Receivables:	
Trade accounts - net	147,529
Inventory	42,234
Prepaid expenses	28,917
Total Current Assets - Unrestricted	1,871,761
Designated Assets	
Cash and cash equivalents - designated	150,408
Total Designated Assets	150,408
Total Current Assets	2,022,169
Noncurrent assets	
Capital Assets:	
Nondepreciable	22,430
Depreciable, net	891,125
Total Noncurrent Assets	913,555
TOTAL ASSETS	2,935,724
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	187,311
TOTAL DEFERRED OUTFLOWS OF RESOURCES	187,311
LIABILITIES	
Current liabilities	
Accounts payable:	
Trade accounts	32,190
Sewer collections	114,688
Accrued expenses	10,919
Compensated Absences	51,760
Total Current Liabilities	209,557
Non-current liabilities	
Compensated Absences	78,729
Net pension liability	1,004,601
Total Noncurrent Liabilities	1,083,330
TOTAL LIABILITIES	1,292,887
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	5,297
TOTAL DEFERRED INFLOWS OF RESOURCES	5,297
NET POSITION	
Net investment in capital assets	913,555
Unrestricted	911,296
TOTAL NET POSITION	\$ 1,824,851

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	ENTERPRISE		
	WATER DEPARTMENT	SEWER DEPARTMENT	TOTAL
OPERATING REVENUES			
Water and sewer service	\$ 889,712	\$ 143,813	\$ 1,033,525
Meter, tap and application fees	10,100	-	10,100
Total Operating Revenues	<u>899,812</u>	<u>143,813</u>	<u>1,043,625</u>
OPERATING EXPENSES			
Purchases of water	319,356	-	319,356
Depreciation	185,924	12,485	198,409
General, administrative, customer service, and other	1,120,613	184,859	1,305,472
Total Operating Expenses	<u>1,625,893</u>	<u>197,344</u>	<u>1,823,237</u>
OPERATING INCOME (LOSS)	<u>\$ (726,081)</u>	<u>\$ (53,531)</u>	<u>(779,612)</u>
NONOPERATING REVENUES (EXPENSES)			
Tower rental			42,544
Interest revenue			2,029
Miscellaneous income			2,539
Gain on sale of assets			19,542
Total Nonoperating Revenues (Expenses)			<u>66,654</u>
INCOME (LOSS) BEFORE TRANSFERS			(712,958)
OPERATING TRANSFERS IN			<u>774,796</u>
CHANGE IN NET POSITION			61,838
NET POSITION - BEGINNING OF YEAR - As Restated			<u>1,763,013</u>
NET POSITION - END OF YEAR			<u>\$ 1,824,851</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
INCREASE (DECREASE) IN CASH AND DESIGNATED CASH

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		<u>Enterprise</u>
Cash received from customers	\$	1,019,134
Cash paid to suppliers		(1,047,680)
Cash paid to employees		(468,827)
NET CASH (USED FOR) OPERATING ACTIVITIES		<u>(497,373)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	\$ <u>774,796</u>	
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES		774,796
CASH FLOWS FROM (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(79,251)	
Proceeds from sale of capital assets	<u>24,500</u>	
NET CASH (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES		(54,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,029	
Miscellaneous revenue	2,539	
Tower rental	<u>42,544</u>	
NET CASH FROM INVESTING ACTIVITIES		<u>47,112</u>
NET INCREASE IN CASH & CASH EQUIVALENTS		269,784
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>1,533,705</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	<u><u>1,803,489</u></u>

Reconciliation of Cash and Cash Equivalents to the Balance Sheet

	End of Year	Beginning of Year
Unrestricted cash and cash equivalents	\$ <u>1,653,081</u>	\$ <u>1,383,311</u>
Designated cash and cash equivalents	150,408	150,394
Total cash and cash equivalents	<u>\$ <u>1,803,489</u></u>	<u>\$ <u>1,533,705</u></u>

Reconciliation of Proprietary Operating Loss to Net Cash Used for Operating Activities

Proprietary operating loss		\$	(779,612)
Adjustments			
Depreciation expense	\$		198,409
Increase in deferred outflows of resources			(35,253)
Decrease in inventory			2,328
Decrease in trade payables			(9,100)
Decrease in deferred inflows of resources			(3,307)
Increase in accrued expenses			2,660
Increase in sewer collections payable			13,638
Increase in net pension liability			118,277
Decrease in prepaids			118
Increase in trade receivables			(24,490)
Increase in compensated absences			<u>18,959</u>
Total adjustments			<u>282,239</u>
Net cash (used for) operating activities		\$	<u><u>(497,373)</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 - HISTORY AND ORGANIZATION

Spartanburg Metropolitan Sub-District B Water and Sewer Works (the District) is a special purpose district created in 1932 by an Act of the General Assembly of the State of South Carolina. The District is exempt from federal and state income taxes and local property taxes. All customers served by the District are located in Spartanburg County within the geographical boundaries established by the General Assembly of South Carolina in 1932. The District is a primary government with no component units. The District is governed by a three member commission elected by citizens residing within the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental 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 District’s accounting policies are described below.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The governmental fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included in the balance sheet. The operating statement for this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. The governmental fund types are maintained using the modified accrual basis of accounting whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Those revenues susceptible to accrual are property taxes.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Fund Type

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District that are not required to be accounted for in the Enterprise Fund.

In the Fund financial statements, fund balance consists of Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balances are amounts restricted to specific purposes. Committed fund balances are amounts that can only be used for specific purposes as pursuant to official action by the Commissioners prior to the end of the reporting period. Assigned fund balances are amounts the District intends to use for a specific purpose but is neither restricted nor committed. The Commissioners have authority to assign fund balance. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Proprietary Fund Type

The Proprietary Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis is financed through user charges. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for water and sewer services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

Budgets are presented in the required supplementary information section of the financial statements for the General Fund and Proprietary Fund. The General Fund budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. The Proprietary Fund budget is prepared on the accrual basis with the following adjustments: (1) The District does not budget depreciation expense or pension expense in excess of the required contributions; and (2) the District includes Capital asset additions and long-term debt reduction as expenses. Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes.

Prior to July 1 each year, the Board of Commissioners adopts an annual budget ordinance for the General Fund and Proprietary Fund. The presented budgetary information is as originally adopted or as amended by the Board of Commissioners. The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual – contain the original budget and the final budget.

Inventories and Prepaid Items

Materials and supplies are carried in an inventory account and valued at the lower of average cost or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

General Fixed Assets

Fixed assets used in proprietary fund type operations are accounted for in the Enterprise Fund. Fixed assets are carried at cost. Additions and betterments are capitalized; maintenance and repairs are expensed in the year incurred. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Capital assets are defined by the District as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Depreciation has been calculated on each class of depreciable property using the straight-line method. The composite rates are as follows:

Water and sewer lines	1½ – 10%
Office buildings	2 – 6½%
Office equipment	10 – 20%
Vehicles	10 – 20%
Work equipment	10 – 20%

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

Comparative data (i.e., presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statement unduly complex and difficult to read.

Cash Equivalents, Deposits and Investments

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted, designated, and unrestricted cash on hand or on deposit, certificates of deposit, and investments with a maturity of three months or less.

Investments are reported at their fair value. The District is permitted to invest through various investment advisors in a pool managed by the South Carolina State Treasurer, certificates of deposit, repurchase agreements, and United States or State of South Carolina general obligations.

The District does not typically invest its available funds in security investments and thus has not developed a policy for credit risk, custodial credit risk, concentration of credit risk, or interest rate risk for these types of investments, or any other types of investments. The District's current policy does not utilize amortized cost for any applicable investments.

Reporting Entity

The District's general purpose financial statements include the accounts of all District operations. The District is not included in any other "reporting entity" as defined in GASB pronouncements, since Commissioners of the District are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Designated and Restricted Assets

Whereas *restricted* assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the District or by agreement for funding certain debt service payments, *designated* assets represent cash that has been designated formally and consistently by Board action.

Impact fees, which are held in water capital funds, are considered designated assets. These fees are cash contributed capital received in exchange for the purchase of capacity in the system. The capacity certificate represents ownership of system capacity, and, as such, the District must ensure that the funds are utilized for growth infrastructure.

Capital Contributions

Contributions are recognized in the Statement of Revenues, Expenses and Changes in Net Position when earned. Contributions include impact fees, and other supplemental support by customers.

Receivables

All property taxes receivable are shown net of an allowance for uncollectibles. All trade receivables for water and sewer charges are shown net of an allowance for uncollectible accounts.

Net Position

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. District contributions to the pension plan subsequent to the measurement date, the net difference between expected and actual experience in the pension plan, and changes in proportion and differences between employer contributions and proportionate share of contributions are included as deferred outflows of resources.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The net difference between expected and actual experience in the pension plan and changes in proportion and differences between employer contributions and proportionate share of contributions are included as deferred inflows of resources.

General and Administrative Expense Allocations

For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, general and administrative expenses were allocated at approximately 85% and 15% to the water and sewer divisions for fiscal year ended June 30, 2021. This allocation is based on revenues derived from the respective divisions and is reviewed each year by Management.

Internal Balances

Internal balances are presented only in government-wide financial statements. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 3 - WATER SERVICE AGREEMENT

In August of 1987, the District entered into an agreement with the Commissioners of Public Works of the City of Spartanburg, South Carolina, which allows the District to purchase its entire water supply from them. Construction of the water system improvements necessary pursuant to this agreement was completed in October of 1988. The District's distribution system includes \$296,472 of construction costs relating to this project. Total water purchases pursuant to this agreement during the year ended June 30, 2021 were \$319,356.

NOTE 4 - COMPENSATED ABSENCES

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for any unused accumulated leave. Employees are allowed to accumulate up to 180 days of unused vacation and sick leave. Vacation and sick pay are charged to operations when taken by the employees of the District.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 5 - PROPERTY TAXES

The District's property taxes (except vehicles) are levied by the Spartanburg County Auditor each fall on the assessed valuation of the property located in the District's area as of the preceding January 1. The tax books are open for collection September 1, with the first penalty of 3% applied to payments made after January 15, the due date. A total penalty of 10% is charged for payments made after January 31. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. Uncollected property taxes as of March 15 are transferred to the Spartanburg County Delinquent Tax Collector at which time a total penalty of 15% is assessed. Spartanburg County bills and collects the District's property taxes. The District recognizes property tax revenues when assessed by Spartanburg County.

Assessed values for real estate are established annually by the County Tax Assessor based on the assessment ratio applied to the appropriate class of property. Real and personal property taxes, excluding merchants' inventory and vehicles, in the District's area was assessed at 65.9 mills on approximately 8.9 million of property value.

The District has recorded uncollected, delinquent property taxes at June 30, 2021, of \$147,967 (net of allowance for uncollectibles portion of \$23,559). Delinquent property taxes of \$16,585 have been recognized as revenue at June 30, 2021, because they are expected to be collected within 60 days of the year end. The remaining amount of \$131,382 has been recorded as deferred inflows of resources on the governmental fund statements because they will not be collected within 60 days after year end.

The District has established an allowance for uncollectible property taxes. At June 30, 2021, the allowance totaled \$23,559.

NOTE 6 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, the District's bank balances of \$1,840,690 (which had a carrying value of \$1,803,489) were fully insured by the FDIC and pledged securities.

Credit Risk

Investments of the District must comply with South Carolina Code Section 6-5-10, which states that the District may invest money subject to its control and jurisdiction in, obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the Federal Government, certificates of deposit where the certificates are collaterally secured by

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

the U.S. Treasury or its agencies, and repurchase agreements when collateralized by securities as set forth in this section. The provisions of South Carolina Code Section 6-5-10 do not impair the power of the District to hold funds in deposit accounts with banking institutions as otherwise authorized by law. The District has not developed a formal policy for credit risk, custodial credit risk, or concentration of credit risk.

NOTE 7 - CAPITAL ASSETS

The capital asset activity for the District for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business – Type Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 22,430	\$ --	\$ --	\$ 22,430
Total Capital Assets, Non-depreciable	<u>22,430</u>	<u>--</u>	<u>--</u>	<u>22,430</u>
Capital Assets, Depreciable:				
Buildings and improvements	568,426	7,900	(3,742)	572,584
Distribution system	5,152,758	13,706	(188,571)	4,977,893
Office furniture and fixtures	52,313	--	--	52,313
Vehicles	261,123	--	--	261,123
Machinery and equipment	484,600	57,645	(63,642)	478,603
Total Capital Assets, Depreciable	<u>6,519,220</u>	<u>79,251</u>	<u>(255,955)</u>	<u>6,342,516</u>
Less: Accumulated Depreciation for:				
Buildings and improvements	386,507	13,561	(3,742)	396,326
Distribution system	4,496,907	115,178	(188,571)	4,423,514
Office furniture and fixtures	33,277	8,240	--	41,517
Vehicles	184,445	31,415	--	215,860
Machinery and equipment	402,844	30,015	(58,685)	374,174
Total Accumulated Depreciation	<u>5,503,980</u>	<u>198,409</u>	<u>(250,998)</u>	<u>5,451,391</u>
Total Capital Assets – Depreciable, Net	<u>1,015,240</u>	<u>(119,158)</u>	<u>(4,957)</u>	<u>891,125</u>
Business – Type Activities Capital Assets, Net	<u>\$ 1,037,670</u>	<u>\$ (119,158)</u>	<u>\$ (4,957)</u>	<u>\$ 913,555</u>

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 8 - INTERFUND OPERATING TRANSFERS

Individual fund operating transfers for the year ended June 30, 2021, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	--	A) \$ 774,796
Enterprise Fund	A) \$ <u>774,796</u>	<u> --</u>
Totals	\$ <u>774,796</u>	\$ <u>774,796</u>

A) To transfer property tax revenues levied for operations of the District.

NOTE 9 - 401(k) SAVINGS PLAN

A deferred compensation plan is available to District employees. The multi-employee plan, created under the Internal Revenue Code Section 401(k) is administered and accounted for by the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate employment with approval of the State’s Deferred Compensation Commission. Employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. The plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested.

Compensation deferred under the plan is placed in trust for the contributing employees. Neither the State nor the District has any liability for losses under the plan.

NOTE 10 - PENSION PLAN

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Description of the Entity (Continued)

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

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government, and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts, and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement system's trust funds for financial statement purposes.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the 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 ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider 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.

Benefits

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. Key elements of the benefit calculation include the benefit multiplier, years of service, current annual salary, and average final compensation. A brief summary of benefit terms for the 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 at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION PLAN (CONTINUED)

Benefits (Continued)

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled 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 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 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, 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 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, 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 percent.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Contributions (Continued)

Required employee contribution rates¹ of earnable compensation are as follows:

	<u>Fiscal Year 2021¹</u>	<u>Fiscal Year 2020¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP Employee	9.00%	9.00%

Required employer contributions of earnable compensation are as follows:

	<u>Fiscal Year 2021¹</u>	<u>Fiscal Year 2020¹</u>
SCRS		
Employee Class Two	15.41%	15.41%
Employee Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
STATE		
ORP Employer Contribution ²	15.41%	15.41%
Employee Incidental Death Benefit	0.15%	0.15%

Contributions to the SCRS pension plan from the District were \$72,949 for the year ended June 30, 2021.

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

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS is presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$2,083,510	\$1,033,909	\$1,004,601	50.7%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2020, are presented below:

Description	SCRS
Service cost (annual cost of current service)	\$ 38,350
Interest on the total pension liability	139,634
Plan administrative costs	559
Plan member contributions	(36,271)
Expected return on plan assets	(76,923)
Recognition of current year amortization – Difference between expected and actual experience and assumption changes	18,660
Recognition of current year amortization – Difference between projected and actual investment earnings	28,336
Other	60
Total	\$ 112,405

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Pension Expense (Continued)

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NPL and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

The following schedules reflect the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding as of June 30, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,592	\$ 3,799
Assumption changes	1,231	--
Net difference between projected and actual investment earnings	73,897	--
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	27,642	1,498
Contributions subsequent to the measurement date	<u>72,949</u>	<u>--</u>
	<u>\$ 187,311</u>	<u>\$ 5,297</u>

\$72,949 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Difference Between Expected and Actual Experience

Balance		7,793
Amortization Period		4.04
Amortized period ending June 30:		
	2021	\$ (1,259)
	2022	(2,749)
	2023	(3,785)
	2024	--

Difference Between Projected and Actual Investment Earnings

Initial Balance		73,897
Amortization Period		5.00
Amortized period ending June 30:		
	2021	\$ (12,500)
	2022	(20,607)
	2023	(21,933)
	2024	(18,857)

Assumption Changes

Initial Balance		1,231
Amortization Period		4.04
Amortized period ending June 30:		
	2021	\$ (1,231)

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed.

Employer and Nonemployer Contributions

Employers' proportionate shares were calculated on the basis of employer and nonemployer contributions remitted to the plan. In an effort to help offset a portion of the increased contribution requirement for employers, the General Assembly again provided nonemployer contributions to PEBA. Based on the criteria provided in the South Carolina 2019-2020 Appropriations Act Section 117.131, PEBA issued credit invoices to certain SCRS employers for fiscal year 2020 who then applied the credit invoices towards contributions otherwise due to the System. The amount of credit invoices issued in fiscal year 2020 totaled \$88.7 million for the SCRS.

Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions towards the purchase of employee service purchases and employer contributions paid by employees.

The following table provides a reconciliation of Employer and Nonemployer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the Employer and Nonemployer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer and Nonemployer Allocations.

		<u>SCRS</u>
Employer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2020	\$	68,250
Nonemployer Contributions Reported in SCRS Statement of Changes in Net Position for the fiscal year ended June 30, 2020		--
Employer Contributions Not Representative of Future Contribution Effort		--
Employer and Nonemployer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts – June 30, 2020 Measurement Date	\$	<u>68,250</u>

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods

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

The June 30, 2020 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown were determined by the 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 plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles.

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

	SCRS
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.5% to 12.5% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	lesser of 1% or \$500

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 year 2016.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

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

Former Job Class	Males	Females
Educators and Judges	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, Firefighters and members of the South Carolina National Guard	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 revised 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 below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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%		
GTAA / Risk Parity	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
Mixed Credit	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 total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION PLAN (CONTINUED)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District’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 percent) or 1–percentage–point higher (8.25 percent) than the current rate:

	1.0% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
District’s Proportionate Share of the Net Pension Liability	<u>\$ 1,245,083</u>	<u>\$ 1,004,601</u>	<u>\$ 803,800</u>

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems’ audited financial statements for the fiscal year ended June 30, 2020, and the accounting and financial reporting actuarial valuation as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems’ CAFR.

Payables to the Pension Plan

At June 30, 2021, the District’s outstanding payable to the SCRS totaled \$10,674 for the month of June.

NOTE 11 – DESIGNATED AND RESTRICTED CASH

Certain resources set aside for their repayment or to satisfy certain restrictive covenants of the bond agreements, are classified as *restricted* cash on the balance sheet because their use is limited by those covenants.

Designated cash funds are established by consistent Board action and are included in the funding sources available for Board approval. The “contingency fund” account is used to accumulate resources to be used for contingencies and for improvements, betterments, and extensions of the system.

Impact fees are accumulated in an account to pay for future expansion of the District’s water distribution system.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 11 – DESIGNATED AND RESTRICTED CASH (CONTINUED)

The components of designated cash as of June 30, 2021 were as follows:

Board designated:		
Contingency fund	\$	60,427
Impact fees		<u>89,981</u>
Total	\$	<u><u>150,408</u></u>

NOTE 12 – RISK MANAGEMENT

The District 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 District maintains insurance coverage with outside carriers for workman’s compensation, a commercial package policy covering buildings and contents and storage tanks and pumps, a commercial vehicle policy covering the District’s vehicles, and a commercial general liability policy. The District did not have settled claims that exceeded the District’s insurance coverage in any of the last three years. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provisions for unasserted claims is necessary.

In addition, the District provides a health insurance program for its employees. The District pays a monthly premium to the insurer for its health coverage (insured plan) with the insurer being responsible for claims.

NOTE 13 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Board (governing body) approved all expenditures in excess of the original budget.

NOTE 14 – ACCOUNTS RECEIVABLE

Accounts receivable for water and sewer charges are stated net of an allowance for estimated uncollectibles of \$67,000 at June 30, 2021.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Certain errors, resulting in the understatement and overstatement of previously reported liabilities and expenses were corrected for the year ended June 30, 2021 resulting in the following changes to the Proprietary Fund’s net position as of June 30, 2020.

Net Position as Previously Reported	\$	1,874,543
Understatement of Compensated Absences		<u>(111,530)</u>
Net Position as Restated	\$	<u><u>1,763,013</u></u>

NOTE 16 – LONG-TERM OBLIGATIONS

Long-term obligations are shown in the Statement of Net Position for the business type activities as follows:

		<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Compensated Absences	\$	111,530	\$	25,322	\$	(6,363)	\$	130,489	\$	51,760
Net Pension Liability		<u>886,324</u>		<u>118,277</u>		<u>--</u>		<u>1,004,601</u>		<u>--</u>
	\$	<u><u>997,854</u></u>	\$	<u><u>143,599</u></u>	\$	<u><u>(6,363)</u></u>	\$	<u><u>1,135,090</u></u>	\$	<u><u>51,760</u></u>

NOTE 17 – SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through December 3, 2021 the date on which the financial statements were available to be issued.

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. The World Health Organization (WHO) declared the COVID-19 outbreak a pandemic on March 11, 2020. Measures taken to control the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in economic slowdown. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position of the District for future periods.

Required Supplementary Information

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Property taxes	\$ 443,000	\$ 443,000	\$ 607,640	\$ 164,640
Total Revenues	443,000	443,000	607,640	164,640
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	443,000	443,000	607,640	164,640
OTHER FINANCING (USES)				
Operating transfers out	(443,000)	(443,000)	(774,796)	(331,796)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (167,156)	\$ (167,156)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
REQUIRED SUPPLEMENTARY INFORMATION - PROPRIETARY FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ACTUAL COMPARED TO BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY BASIS)	
OPERATING REVENUES				
Water and sewer service	\$ 1,040,580	\$ 1,040,580	\$ 1,033,525	\$ (7,055)
Meter, tap and application fees	10,500	10,500	10,100	(400)
Total Operating Revenues	<u>1,051,080</u>	<u>1,051,080</u>	<u>1,043,625</u>	<u>(7,455)</u>
OPERATING EXPENSES				
Purchases of water	380,350	380,350	319,356	60,994
Depreciation	-	-	-	-
General, administrative, customer service, and other	1,064,645	1,064,645	1,225,754	(161,109)
Total Operating Expenses	<u>1,444,995</u>	<u>1,444,995</u>	<u>1,545,110</u>	<u>(100,115)</u>
OPERATING LOSS	<u>(393,915)</u>	<u>(393,915)</u>	<u>(501,485)</u>	<u>(107,570)</u>
NONOPERATING REVENUES (EXPENSES)				
Tower rental	30,000	30,000	42,544	12,544
Interest revenue	5,000	5,000	2,029	(2,971)
Miscellaneous income	-	-	2,539	2,539
Proceeds from sale of assets	-	-	19,542	19,542
Capital asset additions	(84,085)	(84,085)	(79,251)	4,834
Total Nonoperating Revenues (Expenses)	<u>(49,085)</u>	<u>(49,085)</u>	<u>(12,597)</u>	<u>36,488</u>
LOSS BEFORE TRANSFERS	(443,000)	(443,000)	(514,082)	(71,082)
OPERATING TRANSFERS IN	<u>443,000</u>	<u>443,000</u>	<u>774,796</u>	<u>331,796</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,714</u>	<u>\$ 260,714</u>

Note: The District does not budget depreciation expense and pension expense in excess of required contributions and includes Capital asset additions as an expense in the budget. Actual operating expenses have been reduced by \$278,127 (depreciation expense of \$198,409 and \$79,718 of pension expense in excess of required contributions), and nonoperating expenses have been increased by \$79,251 of Capital asset additions.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
 REQUIRED SUPPLEMENTARY INFORMATION - PROPRIETARY FUND
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 SOUTH CAROLINA RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability	0.0039%	0.0039%	0.0039%	0.0036%	0.0031%	0.0030%	0.0031%	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 1,004,601	\$ 886,324	\$ 872,813	\$ 803,213	\$ 666,640	\$ 591,913	\$ 519,255	N/A	N/A	N/A
District's covered-employee payroll	\$ 438,628	\$ 409,884	\$ 403,661	\$ 359,996	\$ 302,224	\$ 282,784	\$ 280,692	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.03%	216.24%	216.22%	223.12%	220.58%	209.32%	184.99%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	N/A	N/A	N/A

* The amounts represented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
REQUIRED SUPPLEMENTARY INFORMATION - PROPRIETARY FUND
SCHEDULE OF DISTRICT CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ 72,949	\$ 68,250	\$ 59,679	\$ 51,654	\$ 41,616	\$ 33,426	\$ 30,824	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	\$ 72,949	\$ 68,250	\$ 59,679	\$ 51,654	\$ 41,616	\$ 33,426	\$ 30,824	\$ N/A	\$ N/A	\$ N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 468,827	\$ 438,628	\$ 409,884	\$ 403,661	\$ 359,996	\$ 302,224	\$ 282,784	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	N/A	N/A	N/A

N/A -- Not Available

Other Supplementary Information

**SPARTANBURG METROPOLITAN SUB-DISTRICT B WATER AND SEWER WORKS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION-
ACTUAL COMPARED TO FINAL BUDGETARY BASIS-PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	ACTUAL	ADJUSTMENT TO BUDGETARY BASIS	ACTUAL ON BUDGETARY BASIS	FINAL BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES					
Water & sewer service	\$ 1,033,525	\$ -	\$ 1,033,525	\$ 1,040,580	\$ (7,055)
Meter, tap & application fees	10,100	-	10,100	10,500	(400)
Total Operating Revenues	<u>1,043,625</u>	<u>-</u>	<u>1,043,625</u>	<u>1,051,080</u>	<u>(7,455)</u>
OPERATING EXPENSES					
Purchases of water	319,356	-	319,356	380,350	60,994
Salaries & wages	487,786	-	487,786	450,000	(37,786)
Water & sewer line maintenance	75,820	-	75,820	55,000	(20,820)
Commissioners' fees	7,040	-	7,040	7,200	160
Utilities	21,884	-	21,884	27,500	5,616
Repairs & maintenance	17,069	-	17,069	16,000	(1,069)
Office supplies & postage	32,793	-	32,793	29,000	(3,793)
Insurance	363,263	-	363,263	275,000	(88,263)
Professional fees	20,530	-	20,530	21,000	470
Retirement plan	152,667	(79,718)	72,949	74,520	1,571
Taxes & licenses	40,260	-	40,260	34,425	(5,835)
Telephone	30,989	-	30,989	23,000	(7,989)
Vehicles	20,863	-	20,863	24,500	3,637
Laundry & uniforms	4,072	-	4,072	4,000	(72)
Depreciation	198,409	(198,409)	-	-	-
Miscellaneous	30,436	-	30,436	23,500	(6,936)
Total Operating Expenses	<u>1,823,237</u>	<u>(278,127)</u>	<u>1,545,110</u>	<u>1,444,995</u>	<u>(100,115)</u>
OPERATING INCOME (LOSS)	<u>(779,612)</u>	<u>278,127</u>	<u>(501,485)</u>	<u>(393,915)</u>	<u>(107,570)</u>
NONOPERATING REVENUES (EXPENSES)					
Tower rental	42,544	-	42,544	30,000	12,544
Interest revenue	2,029	-	2,029	5,000	(2,971)
Capital asset additions	-	(79,251)	(79,251)	(84,085)	4,834
Proceeds from sale of assets	19,542	-	19,542	-	19,542
Miscellaneous revenue	2,539	-	2,539	-	2,539
Total Nonoperating Revenues (Expenses)	<u>66,654</u>	<u>(79,251)</u>	<u>(12,597)</u>	<u>(49,085)</u>	<u>36,488</u>
INCOME (LOSS) BEFORE TRANSFERS	(712,958)	198,876	(514,082)	(443,000)	(71,082)
OPERATING TRANSFERS IN	<u>774,796</u>	<u>-</u>	<u>774,796</u>	<u>443,000</u>	<u>331,796</u>
CHANGE IN NET POSITION	<u>\$ 61,838</u>	<u>\$ 198,876</u>	<u>\$ 260,714</u>	<u>\$ -</u>	<u>\$ 260,714</u>

Note: The District does not budget depreciation expense or pension expense in excess of required contributions and includes Capital asset additions in their budgeted expenses.