

BEREA PUBLIC SERVICE DISTRICT

GREENVILLE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

BEREA PUBLIC SERVICE DISTRICT

GREENVILLE, SOUTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Berea Public Service District  
Greenville, South Carolina

I have audited the accompanying financial statements of the governmental activities and the fund information of Berea Public Service District (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 in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I did not audit and, therefore, express no opinion on the balance sheet, statement of net position, statement of activities, and the statement of revenues, expenditures and changes in fund balance of the Debt service and Capital projects funds. The activities and assets related to the District's Debt service and Capital projects funds are performed and controlled by the County Treasurer.

### **Other Matters**

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary information on pages 5 through 11 and pages 42 through 45 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 financial statements in an appropriate operational, economic, or historical context.. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, , which consisted principally of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Rhonda L Nager, CPA, PC*

Rhonda L Nager, CPA PC  
Simpsonville, SC  
June 28, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Berea Public Service District's (the District) discussion and analysis is designed to 1) assist the user in focusing on significant financial issues, 2) provide an overview of the District's financial activity, 3) identify changes in the District's financial position, 4) identify any material variances from the approved budget or budgets, and 5) identify other fund issues or concerns. Readers should read in conjunction with the District's transmittal letter at the front of this report and the financial statements which follow this section.

### Financial Highlights

- The District's assets exceeded its liabilities by \$2,440,832 (net position) for the fiscal year reported.
- Total net position is comprised of the following:  
Capital assets, net of related debt, of \$7,444,114 include property and equipment, net of accumulated depreciation, reduced for outstanding debt related for the purchase of construction of capital asset..

The restricted net position for the year ended June 30, 2021 is \$4,130,408. The restricted net position represents what the District has available to pay the Debt from the Debt Service fund. In addition, restricted net position includes funds available to pay for I&I expenditures.

Unrestricted net position of (\$9,133,690) represent the portion available to maintain the District's continuing obligations to citizens and creditors. A significant portion of this related to the net OPEB obligation , the net pension liability and debt incurred for the continuing I&& project.

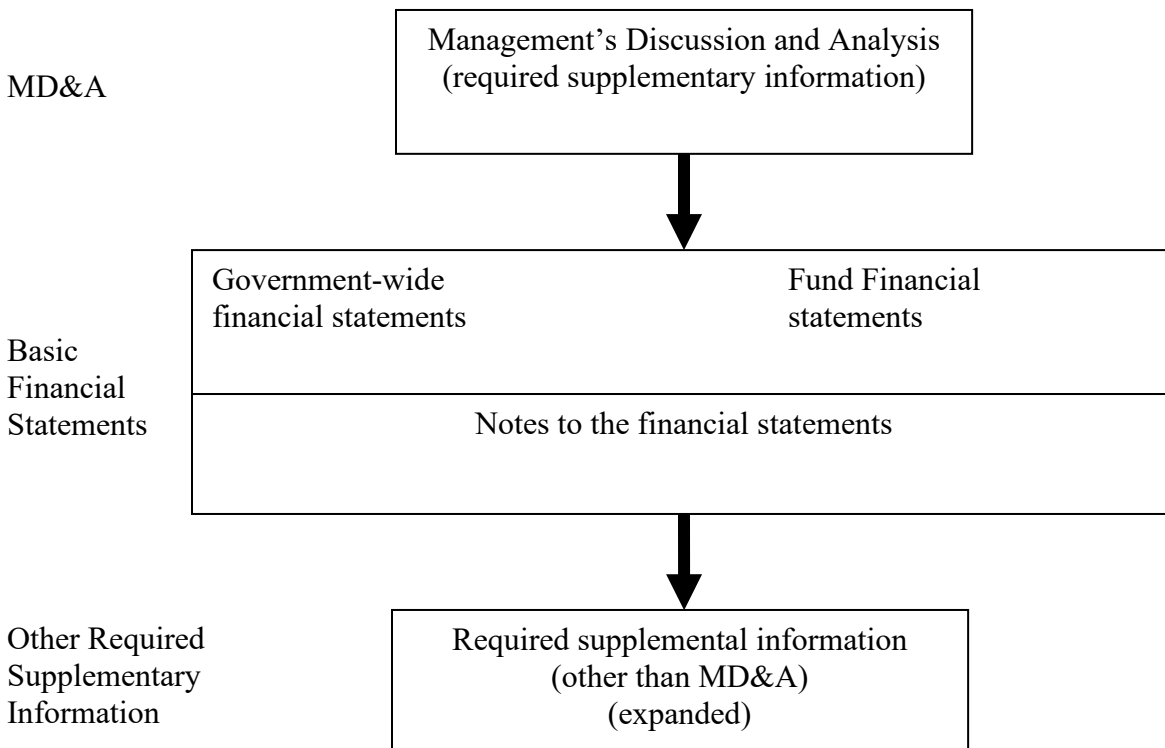
The District's overall net position increased by \$9,688.

- The District's general fund reported a fund balance of \$10,076,271 at June 30, 2021. This compares to the prior ending fund balance of \$9,884,039, an increase of \$192,232. .
- General revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance accounted for \$4,955,888 in revenues or 73% of all revenues. This income includes property tax revenue and interest income. Property tax revenue increased approximately 8% due to an increase in millage. Interest income decreased by approximately 65.56%. Program specific revenues, sewer service charge revenue and sewer taps accounted for \$1,565,732 or 23% of all revenues. The District received \$214,646 from the sale of assets which comprises approximately 3% of revenue and finally 10,717 from miscellaneous revenue or less than 1% of all revenues.
- The District had \$6,759,066 in expenses related to governmental activities (fire and sewer) compared to \$6,618,214 from the prior year. Included in the current year expenditures are amounts paid for operations, capital outlays out of the Debt service fund for fire expenditures and capital, and finally interest expense was paid out of the general fund for the Sewer department's revenue bond and lease purchase.

## Overview of the Financial Statements

The basic financial statements include 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The District also includes additional required supplementary information (RSI) to supplement the basic financial statements.

The following graph is provided for users to understand the flow of transactions and financial statements under the new financial model.



As shown by the above graph, the basic financial statements include government wide and fund financial statements. The government wide statements provide the user with long-term and short-term information about the District's overall financial position. The fund financial statements focus more on individual parts of the government. These statements report on more detail than the government wide statements. Specifically, the governmental funds statements of the District report on how government services were financed in the short run, as well as, what remains for future spending.

The financial statements also include notes which provide more detail about the financial statements, as well as, allow the reader more non-financial information about the organization. Finally, the statements are followed by required supplementary information (RSI) that provides more additional information about the financial statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are prepared so that all governmental and any business-type (none for the District) activities are consolidated into columns which total to the Primary Government. The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. These statements provide both long term and short term information about the District's financial position.

This consolidated statement (The Statement of Net Position) combines governmental fund's current financial resources (general fund activity) with capital asset transactions (formerly Fixed Asset Account Group), and long term debt transactions (formerly Long Term Debt Account Group). The net of the District's assets and liabilities is reported as net position. Increases and decreases in net positions may indicate whether the District's financial health is improving or deteriorating. In addition to evaluating the net position of the District, other non-financial factors such as changes in the District's tax base should be evaluated to assess the financial health of the District.

All current year revenues and expenses are accounted for regardless of when cash is received or paid. The Statement of Activities reports how the District's net position changed during the current fiscal year.

Program revenues include sewer taps and sewer service charge revenue for the sewer department. General revenues include property tax revenue and interest income allocated between fire and sewer departments. In addition, property tax revenue is allocated to debt service held at the County Treasurer's office.

The District has two major services, specifically fire and sewer departments (After June 30, 2021, the Sewer department was transferred to another sewer agency). These services make up the governmental activities of the District. These services are financed primarily by property taxes levied by the citizens of the Berea Community. In addition, the District charges sewer tap fees and a sewer service charge based on activity in the community. Business-type Activities reflect private sector type operations. The District has no business-type activities at the present time.

## **Fund Financial Statements**

The Fund Financial Statements presentation represents the more traditional governmental financial statements more familiar to users of the statements. Significant funds are the focus of these financials, rather than the District as a whole. Some funds are required by state law and bond covenants. The Board of Commissioners establishes many other funds to help control and manage money for particular purposes. The District only has governmental funds.

Governmental funds focus is on how money flows in and out of these funds and the balances left at year end that are available for future spending. These funds are reported using the modified accrual accounting method, which measures cash and the financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view that help determine whether there

are more or fewer financial resources that can be spent in the near future to finance the District's functions and programs.

Fund financial statements are provided for proprietary and fiduciary funds also. The District has no Proprietary and fiduciary funds and therefore, there are no statements to report.

The differences between governmental activities (Statement of Net Position and the Statement of Activities) and governmental funds (Balance sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) are included in reconciliation statements included within the financial statements.

Budgetary comparison statements are included in the required supplementary information for the general funds. These statements and schedules demonstrate compliance with the District's adopted and final revised budget.

### **Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, these reports contain required supplementary information (RSI). These reports and schedules follow after the notes to the financial statements. These include the budget comparison schedules as described above.



## Financial Analysis of the District as a Whole

**Net position.** The District's restated net position increased from \$2,431,144 at June 30, 2020 to \$2,440,832 at June 30, 2021. This is a increase of \$9,688 or .40%. Unrestricted net position increased by \$2,922,913.

Table 1 - The District's Net Position

	<u>2021</u>	Governmental Activities <u>2020</u>	% Change
Current and Other Assets	\$ 10,707,340	\$11,559,654	(7.37%)
Capital and Non-Current Assets	11,784,915	10,660,966	10.54%
<b>Total Assets</b>	<b>\$ 22,492,255</b>	<b>\$22,220,620</b>	<b>1.22%</b>
Current Liabilities	170,719	227,920	(25.10%)
Long Term Liabilities	19,880,704	19,561,556	1.63%
<b>Total Liabilities</b>	<b>\$ 20,051,423</b>	<b>\$19,789,476</b>	<b>1.32%</b>
Net Position:			
Invested in Capital Assets			
Net of related Debt	7,444,114	8,719,166	(14.62%)
Restricted	4,130,408	5,768,581	(28.40%)
Unrestricted	(9,133,690)	(12,056,603)	(24.24%)
<b>Total Net Position</b>	<b><u>\$ 2,440,832</u></b>	<b><u>\$ 2,431,144</u></b>	<b>0.40%</b>

Table 2 - Changes in the District's Net Position

	Governmental Activities		% Change
	<u>2021</u>	<u>2020</u>	
<b><u>Program Revenues:</u></b>			
Charges for services	\$ 1,565,732	\$ 1,330,152	17.71%
<b><u>General Revenues:</u></b>			
Property Taxes	4,957,759	4,530,734	9.43%
Investment Earnings	26,691	77,510	(65.56%)
Other income,	10,717	20,444	(47.58%)
Sale of capital assets	214,646	-	100.00%
<b>Total Revenues</b>	<b>\$ 6,775,545</b>	<b>\$ 5,958,840</b>	<b>(13.71%)</b>
<b>Expenses</b>			
Fire Department	3,889,767	3,478,559	11.82%
Sewer Department	1,578,171	1,625,983	(2.94%)
Net pension	641,428	128,017	401.05%
Interest	221,118	49,891	343.20%
OPEB obligation	435,373	1,107,884	(60.70%)
<b>Total Expenses</b>	<b>\$ 6,765,857</b>	<b>\$ 6,390,334</b>	<b>5.88%</b>
<b>Change in Net Position</b>	<b>9,688</b>	<b>(431,494)</b>	
<b>Beginning Net Position</b>	<u>2,431,144</u>	<u>2,862,638</u>	
<b>Ending Net Position</b>	<u>\$ 2,440,832</u>	<u>\$ 2,431,144</u>	

### **Capital Assets**

At June 30, 2021, the District had \$25,543,084 in gross historical cost invested in buildings, equipment, vehicles and infrastructure for the fire and sewer department. This represents a change of \$1,136,611 from the previous year. Increases include additional infrastructure with the I&I project, sewer equipment and fire vehicles.

Decreases included removing capital assets which were sold during the year ended June 30, 2021. Depreciation of \$1,026,592 was recorded, including depreciation on disposals of capital assets. Accumulated depreciation includes the cumulative amount of depreciation taken through June 30, 2021 and a removal of the capital assets accumulated depreciation that were sold during the year ended June 30, 2021. A detail of the change in capital assets is included in the notes to the financial statements

### **Debt Outstanding**

At June 30, 2021 the District had \$1,183,000 in Series 19 special obligation bonds. Debt repaid during the year ended June 30, 2021, was \$180,000. A detail of bonds payable is included in the notes to the financial statements. This bond is used for fire capital and operating outlays.

At June 30, 2021 District had \$6,256,000 in State Revenue Bond debt. This debt will be taken over by another sewer agency after June 30, 2021 when the Sewer department is transferred to that agency. A detail of this debt is included in the notes to the financial statements.

At June 30, 2021, the District had \$522,209 of lease purchase debt. This debt will be taken over by another sewer agency after June 30, 2021, when the Sewer department is transferred to that agency. A detail of this debt is included in the notes to the financial statements.

At June 30, 2021, the District had \$510,000 outstanding special bonds. Debt repaid during the year ending June 30, 2021, was \$110,000. This debt was used to purchase several Fire department capital items and upgrades and repairs to the Sewer department. A detail of this debt is included in the notes to the financial statements.

### **General Fund Budgetary Highlights**

Actual expenditures for the fire and sewer department were \$704,308 over the budget amounts for the year. The significant variances are the result of the I&I sewer project, payroll and related expenses.. The District does not formally budget revenue due to the consistent nature of property tax revenue. The assumption is based on the premise the current year revenue will remain year to year unless the millage level is changed.

### **Economic Factors**

The District primarily relies on property taxes collected by the Greenville County Treasurer from the citizens of Berea. This accounts for approximately 73% of total revenue earned and collected. Interest income accounts for approximately .40% of the total revenue. In addition, approximately 23% of revenue is assessed to citizens as a sewer service charge and sewer taps. Sales of capital assets accounts for approximately 3% of the revenue. Other miscellaneous revenue accounts for the remaining 1% of the revenue. These revenues allow the District to pay normal operating expenses, as well as, most capital property as needed.

### **Financial Contact**

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's Administrative Assistant/Accountant at 7401 White Horse Road, Greenville, SC 29611.

BEREA PUBLIC SERVICE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,894,516	\$ 1,894,516
Cash and Investments Held by County Treasurer	4,705,091	4,705,091
Cash and Investments Held by Financial Institutions Restricted	3,810,106	3,810,106
Sewer service charge receivable	104,685	104,685
Property taxes receivable, net	111,573	111,573
Prepaid insurance	43,369	43,369
Due from general fund	<u>38,000</u>	<u>38,000</u>
Total Current Assets	<u>10,707,340</u>	<u>10,707,340</u>
Non-current Assets:		
Bond insurance costs:	72,102	72,102
Non-depreciable Assets		
Land	218,092	218,092
Depreciable Assets		
Buildings & Improvements	2,401,086	2,401,086
Vehicles	4,186,460	4,186,460
Machinery, Equipment, and Furniture	2,299,976	2,299,976
Infrastructure	16,655,562	16,655,562
Less Accumulated Depreciation	<u>(14,048,363)</u>	<u>(14,048,363)</u>
Total net capital assets	<u>11,494,721</u>	<u>11,494,721</u>
Total non-current assets	<u>11,784,915</u>	<u>11,784,915</u>
Total Assets	<u>\$ 22,492,255</u>	<u>\$ 22,492,255</u>

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

BEREA PUBLIC SERVICE DISTRICT

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2021

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	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 7,387	\$ 7,387
Accrued payroll & other expenses	<u>163,332</u>	<u>163,332</u>
Total Current Liabilities	<u>170,719</u>	<u>170,719</u>
Non-current Liabilities:		
Due within one year	7,083,209	7,083,209
Due in more than one year	1,388,000	1,388,000
Net OPEB obligation	6,738,822	6,738,822
Aggregate net pension liability	4,632,673	4,632,673
Due to capital projects fund	<u>38,000</u>	<u>38,000</u>
Total Non-current Liabilities	<u>19,880,704</u>	<u>19,880,704</u>
Total Liabilities	<u>20,051,423</u>	<u>20,051,423</u>
NET POSITION:		
Net Investment in Capital Assets	7,444,114	7,444,114
Restricted For:		
Debt Service/Capital Projects	320,302	320,302
Sewer Rehabilitation	3,810,106	3,810,106
Unrestricted	<u>(9,133,690)</u>	<u>(9,133,690)</u>
Total Net Position	<u>\$ 2,440,832</u>	<u>\$ 2,440,832</u>

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

BEREA PUBLIC SERVICE DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Governmental Activities	Total
<u>Functions and Programs</u>				
<u>Governmental Activities</u>				
Fire Department	\$ 3,889,767	\$ -	\$ (3,889,767)	\$ (3,889,767)
Sewer Department	1,578,171	1,565,732	(12,439)	(12,439)
Interest	221,118	-	(221,118)	(221,118)
Aggregate pension expense	641,428	-	(641,428)	(641,428)
OPEB Obligation	<u>435,373</u>	<u>-</u>	<u>(435,373)</u>	<u>(435,373)</u>
Total Governmental Activities	<u>\$ 6,765,857</u>	<u>\$ 1,565,732</u>	<u>\$ (5,200,125)</u>	<u>\$ (5,200,125)</u>
<u>General Revenues</u>				
Property taxes levied for General Purposes			4,600,077	4,600,077
Property taxes levied for Debt Purposes			357,682	357,682
Interest income			26,691	26,691
Other income			10,717	10,717
Sale of capital assets			<u>214,646</u>	<u>214,646</u>
Total General Revenues, Special Items, and Transfers			<u>5,209,813</u>	<u>5,209,813</u>
Change in Net Position			<u>9,688</u>	<u>9,688</u>
Net Position, June 30, 2020			<u>2,431,144</u>	<u>2,431,144</u>
Net Position, June 30, 2021			<u>\$ 2,440,832</u>	<u>\$ 2,440,832</u>

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

BEREA PUBLIC SERVICE DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2021

	<u>General Fund</u>	<u>Debt Service/Capital Projects Funds (Unaudited)</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,894,516	\$ -	\$ 1,894,516
Cash and Investments Held by County Treasurer	4,423,700	281,391	4,705,091
Cash and Investments Held by Financial Institutions-Restricted	3,810,106	-	3,810,106
Sewer service charge receivable	104,685	-	104,685
Property taxes receivable, net	101,065	10,508	111,573
Prepaid insurance	43,369	-	43,369
Due from general fund	-	38,000	38,000
	<u>10,377,441</u>	<u>329,899</u>	<u>10,707,340</u>
Total Assets			
<b>LIABILITIES &amp; FUND BALANCES</b>			
Accounts payable	7,387	-	7,387
Accrued payroll & other expenses	163,332	-	163,332
Deferred revenue	92,451	9,597	102,048
Due to capital projects fund	38,000	-	38,000
	<u>301,170</u>	<u>9,597</u>	<u>310,767</u>
Total Liabilities			
<b>FUND BALANCE</b>			
Non-spendable-Prepaid insurance	43,369	-	43,369
Restricted For:			
Debt Service/Capital Projects	-	320,302	320,302
Sewer Rehabilitation	3,810,106	-	3,810,106
Unassigned	6,222,796	-	6,222,796
	<u>10,076,271</u>	<u>320,302</u>	<u>10,396,573</u>
Total Fund Balances			
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 10,377,441</u>	<u>\$ 329,899</u>	<u>\$ 10,707,340</u>

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

BEREA PUBLIC SERVICE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

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Fund Balances- total governmental funds \$10,396,573  
Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets and bond costs used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds:

Governmental capital assets	\$ 25,833,278	
Less accumulated depreciation	<u>(14,048,363)</u>	11,784,915

Outstanding property taxes which will be collected in the future  
but are not available soon enough to pay for the current  
period's expenditures are therefore deferred in the funds: 102,048

Long-term liabilities are not due and payable in the current year and therefore  
are not reported in the governmental funds:

August 2010 Issue Bonds Payable	(1,500,000)	
Less redeemed bond	<u>990,000</u>	(510,000)

June 2019 Issue Bonds Payable	(1,538,000)	
Less redeemed bond	<u>355,000</u>	(1,183,000)

April 2020 Lease Purchase	<u>(522,209)</u>	(522,209)
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2020 Revenue Bond	<u>(6,256,000)</u>	(6,256,000)
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Aggregate net pension liability		(4,632,673)
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Net OBEB Obligation		<u>(6,738,822)</u>
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Net Position of Governmental Activities		<u>\$ 2,440,832</u>
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The accompanying notes are an integral part of the financial statements.



BEREA PUBLIC SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND  
BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Debt Service/Capital Funds (Unaudited)</u>	<u>Total</u>
REVENUES:			
Property taxes	\$ 4,575,562	\$ 353,635	\$ 4,929,197
Interest income	23,748	2,943	26,691
Sewer service charge revenue	1,276,482	-	1,276,482
Other income, including sewer taps	456,829	(156,862)	299,967
Sale of capital assets	214,646	-	214,646
	<hr/>	<hr/>	<hr/>
Total Revenues	6,547,267	199,716	6,746,983
EXPENDITURES:			
Current Operating:			
Fire department	3,478,186	18,532	3,496,718
Sewer department	940,749	-	940,749
Debt Service:			
Interest	167,179	53,939	221,118
Bond principal	-	290,000	290,000
Capital outlays	1,768,921	385,499	2,154,420
	<hr/>	<hr/>	<hr/>
Total Expenditures	6,355,035	747,970	7,103,005
EXCESS OF EXPENSES OVER REVENUES	<hr/> 192,232	<hr/> (548,254)	<hr/> (356,022)
FUND BALANCE, Beginning of Year	<hr/> 9,884,039	<hr/> 868,556	<hr/> 10,752,595
FUND BALANCE, End of Year	<u>\$ 10,076,271</u>	<u>\$ 320,302</u>	<u>\$ 10,396,573</u>

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

BEREA PUBLIC SERVICE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

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Net Change in Fund Balances – total governmental funds \$ (356,022)

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 2,154,419	
Less current year depreciation	<u>(1,026,592)</u>	1,127,827

Government funds report bond costs as expenditures. However, in the Statement of Net Position, the cost are included as noncurrent assets (3,878)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in deferred revenue for the year: 28,562

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Other costs related to debt issuance and retirement use governmental fund resources but recognizing them as expenses is deferred and amortized on the Statement of Net Position.

Repayment of bonds 290,000

Current net pension expense (641,428)

Current required OPEB obligation (435,373)

Change in Net Position of Governmental Funds \$ 9,688

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization:

The District is a special purpose entity created in 1954 providing fire protection and sewer service in the Berea community. The District is governed by a commission elected by the residents of the District. The commission levies property taxes and a sewer service charge to support the District's operations and debt service obligation.

Reporting Entity:

In determining how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the District's reporting entity was based on the following criteria:

The District's financial accountability for the potential unit was considered. This includes such matters as the District's ability to appoint a voting majority of the governing board of the potential unit, impose its will on the potential unit or control the potential unit's fiscal policy. Also, the potential unit's ability to create specific financial benefits or burdens on the District was considered. The nature and significance of the relationship between the District and the potential unit was considered to determine if excluding the potential unit from the reporting entity would render the financial statements incomplete or misleading.

Based on these criteria, the financial statements of the District include only the funds and account groups of the District.

Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-Wide and Fund Financial Statements:

The Statement of Net Position and the Statement of Activities are government-wide financial statements. These statements report on the information of all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by property tax revenues, sewer tap revenue, and sewer service charge revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District implemented GASB No 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position during the year ended June 30, 2013. The GASB defines a deferred outflow of resources as a consumption of net assets by a government that is applicable to a future reporting period; a deferred inflow of resources as an acquisition of net assets by a government that is applicable to a future reporting period and net position as the residual of all other elements presented in a statement of financial position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows

The government-wide financial statements are reporting 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 recognized as revenues in the year for which they are levied. Sewer fees are recognized as revenues in the period for which they relate. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets, current liabilities and fund balances are included in the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Specifically, increases in current assets include revenue and other financial sources and decreases in current assets include expenditures and other financing uses.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available to finance expenditures. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collectible within sixty days of the end of the fiscal year. Revenue sources which have been treated as susceptible to accrual include property taxes, sewer service charges, interest income and some miscellaneous income. All other revenue items are considered measurable and available only when the District receives cash because they are generally not measurable until actually received. Expenditures are recorded on the accrual basis when the related liability is incurred. Debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, other postemployment benefits (OPEB), and net pension liability are recorded only when payment is due. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases or lease purchase are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first, then unrestricted resources as needed.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fund Accounting:

The District reports the following major governmental funds:

General Fund: The General Fund accounts for the transactions of the fire and sewer departments. Any other transactions not properly accounted for in another fund are also recorded in the General Fund. The general fund is a budgeted fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for debt service requirements. In addition, this fund accounts for the payment of interest and principal on general obligation debt. This fund is an unbudgeted fund.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to site acquisitions, construction, machinery and equipment, vehicles, and renovation of all major capital facilities of the District that are not accounted for in the General Fund. This is an unbudgeted fund.

### Cash and cash Equivalents

The District considers all liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

### Investments

The District's investment policy is designed to operate within existing statutes ( which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the District to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States;
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loans Mortgage Corporation, the Federal National Mortgage Association, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (f) Repurchase agreements when collateralized by securities as set forth in this section; and
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c) and (f) of this subsection and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The District's cash investment objectives are preservation of capital, liquidity, and yield. The District reports its cash, cash equivalents, and investments at fair value which is normally determined by quoted market prices.

The District currently or in the past year has used the following investments:

- Cash and Investments held by the County Treasurer which are property taxes collected by the District's fiscal agent that have not been remitted to the District. The County Treasurer invests these funds in investments authorized by state statute as outlined above. All interest and other earnings gained are added back to the fund and are paid out of the County Treasurer to the respective governments as requested.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTIUED)

- Cash held in escrow for capital purchases and the ongoing I&I project. These funds earn interest which are added to the fund. Expenditures are submitted to the financial institution at which time the funds are paid out as requested.

### Prepaid Items

Costs applicable to future accounting periods are recorded as prepaid items. A current asset for prepaid amount is recorded at the time of the purchase and an expenditure in the year the services or products are consumed.

### Capital Assets:

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets include land, buildings, equipment, furniture, vehicles, and sewer system. These are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial cost (or estimated historical cost) of \$1,000 or more with an estimated useful life in excess of one year. In the case of donated assets, these are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets of the District are depreciated using the straight line method over the following estimated useful lives:

Building and Building Improvements	25 - 40 years
Infrastructure	25 years
Equipment	7 -10 years
Vehicles	5-15 years

### Compensated Absences

District employees are granted vacation and sick time in varying amounts which do not carry over to the next year. Upon termination of employment, an employee is only reimbursed for accumulated vacation days earned but not used in the current year. Unused sick time is not reimbursed at termination and can only be used for a valid illness.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long term obligations are reported in the government wide financial statements. In contrast, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will liquidated with current resources. In addition, long term obligations that will be paid from the governmental funds are reported as a liability in the governmental fund financial statements to the extent they are due and payable.

In the government wide financial statements, long term debt and long term obligations (OPED Liability and Net pension liability) are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as bond issuance costs are included in other assets.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period as expenditures. The face amount of debt is reported as other financing sources.

### Fund Balance

In accordance with GAAP, the District classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (for example, prepaids), or because of legal or contractual requirements.

Restricted – includes amounts that are restricted for specific purposes and are externally imposed by (a) other governments through laws and regulations, (b) grantors through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law.

Committed – includes amounts committed by the Board of Commissioners before the end of the reporting period by formal resolution.

Assigned – includes amounts that are intended to used for a specific purpose and are neither restricted or committed. These amounts must be designated by the Board of Commissioners no later than the report issuance date.

Unassigned – includes any amounts that are not reported or accounted for in other fund balance categories.

The District generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTIUED)

are agreements or legal contracts in place which would prohibit this. Finally, the District would first use committed, assigned, and finally unassigned amounts of unrestricted fund balance when expenditures are made.

### Net Position

Net position on the Statement of Net Position include the following:

**Investment in Capital Assets, net of Related Debt-**The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

**Restricted-**The component of net position when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments.

**Unrestricted-**The difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, Net of Related Debt or restricted for a particular purpose.

**Budgets:** Yearly budgets for expenditures are adopted by the District's governing commission; Any amendments to the budget during the year are approved by the commission. The budgets are based on the generally accepted accounting principles used for financial reporting of expenditures. Unexpended appropriations lapse at year end. Due to the consistent nature of property tax revenues, the commission does not include revenues in the budget, but assumes the current year's revenue will approximate the prior year's revenue unless the millage level is changed.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 2 - PROPERTY TAXES RECEIVABLE**

The Greenville County Treasurer collects and remits to the District property taxes paid by the residents of the Berea community. The current amount represents the balance of property taxes for the year ended June 30, 2020 remitted by the Treasurer to the District during the month of July, 2021. Property tax revenue consists primarily of taxes levied on the assessed value of real property in the District as of December 31, 2019 (the lien and levy date), which were payable without penalty by January 15, 2021. Personal property, primarily automobiles, is taxed on its assessed value at the time the license plate is renewed.

The District's millage rates are made up as follows: fire operating 52.50 mills, fire surcharge (due a deficiency in the previous year) 10.00 mills and debt service 6.40 mills. At June 30, 2021, the Sewer department was transferred to another sewer agency. Before the transition, the millage rate allocated to that department was 20.80 mills. The District's property taxes are billed and collected by Greenville County under a joint billing and collection agreement. The District leaves the amounts collected on their behalf with the Greenville County Treasurer. This amount is held in an investment account with an agreed upon investment strategy. As the District incurs monthly expenditures, requests are made to the Treasurer's office for amounts to be transferred to the District to pay the expenditures,. This amount, \$4,705,091 is included in Cash and Investments Held by the County Treasurer in the financial statements.

The District has recorded, uncollected, delinquent property taxes at June 30, 2021 of \$111,573. Delinquent property taxes of \$9,525 have been recognized as revenue at June 30, 2021 because the taxes were collected within 60 days of year end and were received and available by the District or the fiscal agent (Greenville County Treasurer's Office). The remaining delinquent property tax receivable of \$102,048 has been recorded by the District as deferred revenue on the June 30, 2021 governmental fund financial statements because they were not collected within 60 days after year end and are not available for use.

### **NOTE 3 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description. The District administers a single-employer defined benefit healthcare plan (“the OBED plan) that provides medical , dental, vision, and life insurance for retirees.

The plan provides healthcare insurance for eligible retirees through the District’s group health insurance plan, which covers both active and retired members. The number of active and retirees during the year ended June 30, 2021 is 31 (eight active employees of the Sewer dept have been removed) and 9 respectfully based on the valuation date of June 30, 2019. These benefits include the following:

- a. Employee retiring at 55 or older with 25 years of service will receive full coverage on himself.. This includes full medical, prescription drug, dental, vision, principal life insurance and Modern Woodman life insurance. At age 65, the health insurance for all retired employees will convert to a Medicare supplement policy. The District will provide this coverage for the lifetime of the retired employee.
- b. Employee retiring with 30 years of service will receive full coverage for himself, but not spouse. Full coverage includes the same amounts as above.
- c. Employee leaving District due to disability will receive coverage as long as all disability requirements are met according to the State of South Carolina Retirement System (5 years of service)
- d. Employees retiring at 65 or older with a minimum of 10 years of service (assuming no criminal or immoral issues at time of discharge) will be eligible for a Medicare supplement. The District will continue to provide this coverage during the lifetime of the retired employee.

The District retains the right to change or modify benefits and funding policy at any time subject to applicable law.

The OPEB Plan’s year end is June 30<sup>th</sup>. The District issues a stand-alone actuarial valuation prepared by an actuary. Information about the OPEB Plan can be obtained by writing to Berea Public Service District at 7410 White Horse Road, Greenville, SC 29611.

Funding Policy. The District contributes almost entirely 100% percent of the cost of current-year premiums and claims for eligible retired plan members. For the year ended June 30, 2021, the District contributed \$73,639 in premiums to the plan. Plan members receiving benefits contribute immaterial costs annually of their premium costs.

**NOTE 3 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**  
Schedule of the Changes in the Net OPEB liability included in the Government Wide Financial Statements

Service cost	\$ 298,759
Interest on net OPEB obligation	160,852
Changes in assumptions	663,516
Recognition of expected vs. actual experience	(614,115)
Benefit payments	<u>(73,639)</u>
Net change in total OPEB liability	435,373
Net OPEB obligation-beginning of year	<u>6,303,449</u>
Net OPEB obligation-end of year	<u>\$ 6,738,822</u>

Net OPEB Liability as a % of eligible payroll 300.5%

The Net OPEB liability was measured as of June 30, 2021, and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The reporting date is June 30, 2021.

The following schedule shows the impact of the Net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the Net OPEB liability.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	<u>\$</u>	<u>\$</u>	<u>\$</u>
1% decrease in Discount Rate (.92%)	\$ 8,271,913	\$ -	\$ 8,271,913
Current Discount Rate (1.92%)	\$ 6,738,822	\$ -	\$ 6,738,822
1% increase in Discount Rate (2.92%)	\$ 5,557,959	\$ -	\$ 5,557,959

**NOTE 3 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Healthcare trend rates were reset to reflect updated cost increase expectations.

The following schedule shows the impact of the net OPEB liability if the trend rate used was 1% less than and 1% greater than the trend rate that was used in measuring the Net OPEB liability.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
1% decrease in Trend rates	\$ 5,266,251	\$ -	\$ 5,266,251
Current Trend rates	\$ 6,738,822	\$ -	\$ 6,738,822
1% increase in Trend rate	\$ 8,803,597	\$ -	\$ 8,803,597

Deferred outflows (inflows) of resources

The GASB 75 Alternative Measurement Method requires immediate expense recognition of changes due to experience and assumptions. Only investment gains and losses are amortized, and this does not apply to unfunded plans. Thus, deferred outflows and inflows are not applicable to this plan.

Actuarial Assumptions. 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. Some of the more significant assumptions are detailed below. The assumptions used in the report are based on the Alternative Measurement Method assumptions and methods as outlined in paragraphs 224-226 of GASB 75. The liabilities in the report were prepared using actuarial valuation software programmed to follow the GASB AAM calculation methods.

The following simplifying assumptions were made:

Retirement age for active employees-Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Mortality-Mortality rates were based on the RPH-2014 blue collar mortality tables with projected mortality improvements based on scale MP-2018 and other adjustments.

Healthcare cost trend rate-The expected rate of healthcare insurance premiums is 6.40% for June 30, 2020, gradually decreasing over several decades to an ultimate rate of 4.00% in year ending June 30, 2075 and later years.. Future assumed BCBC Medicare Supplement plan premiums were updated based on future experience.

Inflation rate-2.50%

Discount rate-1.92% for June 30, 2021; 2.45% for June 30, 2020 (both based on an updated 20 year municipal bond rate.

Actuarial Valuation Date of June 30, 2019

**NOTE 3-POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Cost Method-Liabilities are based on the Entry Age Normal level percent of pay cost method.

Amortization method: Investment gains and losses (Each year's gain or loss is straight line amortized over 5 years.

Long Term Expected Investment Return-return expected to be earned by the OBED investment Funding policy-pay as you go method..

Refer to page 3 of the 6/30/2021 OPEB report for projected benefit payments for the 10 years after June 30, 2021.

**NOTE 4 – INSURANCE**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees and the public; or damage to property of others. The District obtained commercial insurance against losses for the following types of risk:

- Real and personal property damage
- General tort liability
- Workers' compensation
- Automobile liability

There has been no significant reduction in insurance coverage from the prior year for the above types of risk, and no claim settlements have exceeded insurance coverage during the years ended June 30, 2019, 2020 or 2021.

The District bases its estimates of the ultimate cost of settling unpaid health claims, including claims incurred but not yet reported, upon past experience. The following schedule presents the changes in the District's aggregate health claims liabilities for the year ended June 30, 2021. At June 30, 2021, the District's estimated liability for unpaid health claims was not reasonably available for estimation, and was therefore not recorded in the accompanying financial statements.

Health claims payable - June 30, 2020	\$ -
Incurred claims, including changes in estimates of liabilities of prior years	181,179
Claims paid during the year	<u>(181,179)</u>
Health claims payable - June 30, 2021	<u>\$ -</u>

#### **NOTE 5 - SEWER SERVICE CHARGE REVENUE**

The District charges a fee to all customers of the Greenville Water System within the District's boundaries. The fee is based on the customers' water usage and is used for I&I expenditures. The Greenville Water System collects the fees for the District and remits them to the District quarterly. All amounts recorded as receivable at June 30, 2021 were deemed collectible.

#### **NOTE 6- DEPOSITS AND INVESTMENTS**

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. In accordance with South Carolina law, these excess deposits were collateralized by obligations of the United States or its related agencies and general obligations of the State of South Carolina or its political units held by the financial institutions in the District's name. As a result, the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 7 – CAPITAL ASSETS SCHEDULE**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Non depreciable Assets:			
Land	\$ 218,092	\$ -	\$ 218,092
Bond costs	<u>75,985</u>	<u>(3,883)</u>	<u>72,102</u>
Capital Assets, Depreciable:			
Building & Improvements	2,389,547	11,539	2,401,086
Vehicles	4,528,284	(341,824)	4,186,460
Machinery, Equipment and Furniture	2,205,681	94,295	2,299,976
Infrastructure	<u>15,282,961</u>	<u>1,372,601</u>	<u>16,655,562</u>
Total Capital Assets, Depreciable Net	<u>\$ 24,406,473</u>	<u>\$ 1,136,611</u>	<u>\$ 25,543,084</u>
Less Accumulated Depreciation for:			
Building & Improvements	910,376	56,520	966,896
Vehicles	2,459,249	(229,369)	2,229,880
Machinery, Equipment and Furniture	1,676,654	(162,326)	1,514,328
Infrastructure	<u>8,993,305</u>	<u>343,954</u>	<u>9,337,259</u>
Total Accumulated Depreciation	<u>14,039,584</u>	<u>8,779</u>	<u>14,048,363</u>
Total Capital Assets Depreciable, Net	<u>\$ 10,660,966</u>	<u>\$ 1,123,949</u>	<u>\$ 11,784,915</u>

Depreciation expense was charged to governmental functions as follows:

Fire Department	\$ 393,049
Sewer Department	<u>633,543</u>
Total Depreciation Expense	<u>\$ 1,026,592</u>



**NOTE 8 – BONDS PAYABLE (UNAUDITED)**

During the year ended June 30, 2019, the District was issued a \$1,538,000 bond issue for several capital items and operations for the fire department. Payments on this bond will be paid from property taxes levied by the County Treasurer’s office with a final maturity in 2027.

June 18, 2019 Bond Issue

Original issue	\$1,538,000
Redeemed	<u>355,000</u>
Outstanding	<u>\$1,183,000</u>

## Annual Debt Service Requirements:

<u>Year Ending</u> <u>June 30</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Bonds</u>	<u>Total</u>
2022	2.57%	30,402	185,000	215,402
2023	2.57%	25,649	189,000	214,649
2024	2.57%	20,790	194,000	214,790
2025	2.57%	15,804	200,000	215,804
2026	2.57%	10,666	205,000	215,666
Thereafter	2.57%	<u>5,397</u>	<u>210,000</u>	<u>215,397</u>
		<u>\$108,708</u>	<u>\$1,183,000</u>	<u>\$1,291,708</u>

During the year ended June 30, 2011, the District was issued a \$1,500,000 bond issue for several large equipment purchased, several capital projects (including Fire Stations), and upgrades and repairs to the District’s sewer system. This bond will be paid from property taxes levied by the County Treasurer’s office with a final maturity in 2025.

August 24, 2010 Issue

Original issue	\$1,500,000
Redeemed	<u>990,000</u>
Outstanding	<u>\$ 510,000</u>

## Annual Debt Service Requirements:

<u>Year Ending</u> <u>June 30</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Bonds</u>	<u>Total</u>
2022	3.05%	15,555	120,000	135,555
2023	3.05%	11,894	125,000	136,894
2024	3.05%	8,082	130,000	138,082
2025	3.05%	4,116	135,000	139,116
		<u>\$39,647</u>	<u>\$510,000</u>	<u>\$549,647</u>

**NOTE 9-OPERATING LEASE**

The District leases various equipment under non-cancelable operating leases. Total lease expense for the year ended June 30, 2021, was \$69,744.

The District is incurring expenditures of \$2,866 monthly on equipment which continued until June 2021. In addition, the District was leasing another piece of equipment for \$3,191 monthly which ended in October 2020. Finally, monthly payments for equipment of \$1,898 were made beginning in October, 2020 and concluded on approximately June 30,2021, at the time of the Sewer department’s transfer to another sewer agency.

**NOTE 10-SOUTH CAROLINA REVENUE BOND AND ESCROW ACCOUNT**

After the year ended June 30, 2021, the Sewer department was transferred to another sewer agency. Included with the transfer is the June 30, 2021 balance of the South Carolina Revenue Bond in the amount of \$6,256,000 (included in the Non current liability section of the Statement of Net Position as debt due within one year) and the balances on June 30, 2021 in the escrow accounts in amounts totaling \$3,091,184 (included in the Asset section of the Governmental Funds Balance Sheet and Statement of Net Position as Cash as Investments Held by Financial Institutions-Restricted).

April 1, 2020 Issue

Original issue	\$6,514,000
Redeemed	<u>258,000</u>
Outstanding	<u>\$6,256,000</u>

**NOTE 11-LEASE PURCHASE AND ESCROW ACCOUNT**

During the year ended June 30, 2020, the District was awarded a lease purchase of \$575,000 to purchase sewer equipment. The loan proceeds are held in escrow with a financial institution and amounts are drawn down as needed. As of June 30, 2021, the balance not used was \$20,370 and is included on the governmental funds balance sheet and Statement of Net Position under restricted cash. The balance of this lease purchase, as well as, the remaining cash will be transferred to another sewer agency shortly after June 30, 2021 when the Sewer department is transferred to that agency.

April 1, 2020 Lease Purchase

Original issue	\$ 575,000
Redeemed	<u>52,791</u>
Outstanding	<u>\$ 522,209</u>

## NOTE 12 – PENSION PLAN

The District contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan that is administered by the State of South Carolina. As of July 1, 2012, the administration of (The System) was transferred to a newly created South Carolina Employee Benefit Authority (“PEBA”). The agency consists of an 11 member Board of directors, appointed by the Governor and General Assembly leadership, which services as custodian, co-trustee and co-fiduciary of the systems and the assets of the retirement trust funds. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Several benefit options are available. Benefit provisions for the System, as well as employee and employer contributions to the System, are established under the authority of Title 9 of the South Carolina Code of Laws under PEBA. The PEBA does not have the authority to establish and amend benefits and funding policy without a legislative change in the code of laws. A comprehensive annual financial report (CARF) containing financial statements and required supplementary information for the retirement benefits is issued and publicly available. That report may be obtained by writing to PEBA, 202 Arbor Lake Road, Columbia, South Carolina 29223 or by submitting a request to PEBA website at [www.peba.sc.gov](http://www.peba.sc.gov).

The System requires a plan member to contribute 9.00% of his/her salary while the District is required to contribute 15.41% of an employee’s salary (both Class two and three employees). The District’s contributions are actuarially determined, but are communicated to and paid by the District as a percentage of the employees’ annual earnings. Life insurance is also provided by the District at a cost of .15% of an employee’s salary. The District has no further liability in connection with the System. The State of South Carolina will finance any future deficits.

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 and they are reported 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.

### Benefits

A Class Two Member (an employee with an effective date of membership prior to July 1, 2012) 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 (an employee with an effective date of membership on or after July 1, 2012) 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.

## **NOTE 12-PENSION PLAN (CONTINUED)**

Both class 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.

### Actuarial Assumptions and Methods

Actuarial assumptions involve estimates of the reported amounts and assumptions about the probability of occurrences of events into the future. Assumptions include future employment, mortality and future salary increases. These assumptions are subject to periodic revision, typically with an experience study, as actual results over a period of time are compared with past expectations and new estimates are made about the future.

SC statute requires that an actuarial 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.. As a result of the study, recommendations were made for items such as salary increases, payroll growth, mortality, terminations, retirement, refunds, disability, inflation, asset valuation method and long term investment rate of return. .

The June 30, 2019 total pension liability, net pension liability and sensitivity information shown on the report 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 June 30, 2020, using generally accepted actuarial principles.

Valuation date July 1, 2019 with a measurement date of June 30, 2020.:

Entry age normal

Asset Valuation Method – 5 year smoothed.

Investment rate of return 7.25%

Projected salary increases of 3% plus step rate increases for members with less than 21 years of service.

Inflation is included at 2.25%

2016 Public Retirees of South Carolina Mortality Tables multiplied by 125% for males and 111% for females

Benefit adjustments at the lesser of 1% or \$500 annually

The maximum funding period is scheduled to be reduced over a ten year period from 30 years to 20 years by fiscal year 2028.

**NOTE 12-PENSION PLAN (CONTINUED)**

Net pension liability at 6/30/2021 for the District was \$4,632,673 an increase of \$641,428 from 6/30/2020. The amount recorded in the Statement of Net Position was based on the balance at 6/30/2020 on the SC Retirement Report.. Due to the timing of the report from the SC Retirement System, this amount is acceptable and is recommended for use.

Trends such as benefit terms, the size of the population covered the benefit terms, or any assumptions significantly change could affect the net liability.

Balance of Deferred Outflows due to:

Differences between expected and actual experience	\$53,455
Changes in assumptions	5,676
Net difference between projected and actual earnings on investments	340,772
Changes in Proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	<u>157,380</u>
Total	<u>\$557,283</u>

## NOTE 12-PENSION PLAN (CONTINUED)

Balance of Deferred Inflows due to:

Differences between expected and actual experience	\$17,518
Changes in assumptions	-
Net difference between projected and actual earnings on investments	-
Changes in Proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	<u>1,993</u>
Total	<u>\$19,511</u>

Refer to the PEBA's schedules of the deferred outflows and inflows to be recognized in pension expense in subsequent years.

Refer to PEBA report for information on nonemployee contributions.

### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SC Retirement System will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on these assumptions, the System's fiduciary net position was projected to be available to make all of 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 total pension liability.

The long term rate of return on pension plan investments was based upon the 20 year capital markets assumptions. It represents assumptions developed using an arithmetic building block approach based on consensus expectations and market based inputs. Expected returns are net of investment fees.

**NOTE 12-PENSION PLAN (CONTINUED)**

For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.0% real rate of return and a 2.25% inflation component.

The asset allocation of the plan includes Asset Classes of the following: Global Equity (51%), Real Assets (12%), Opportunistic (8%), Diversified Credit (15%), and Rate Sensitive (14%). For more specific information see report issued by the PEBA.

The following information presents the collective net pension liability of the participating employees calculating the discount rate using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate. These numbers are based on the employer's proportionate share of the collective net pension liability (approximately .018131%). The proportionate percentage has not materially changed since the prior period. At a discount rate of 6.25% the net pension liability for the District would be approximately \$5,741,630. At a discount rate of 8.25% the net pension liability for the District would be approximately \$3,706,680.

Employer Contributions

For the year ended June 30, 2021, the District recognized a pension expense of \$518,349, the District's proportionate share of the pension expense.

The following are the amounts contributed by the District on behalf of employees:

<u>Year Ended June 30</u>	<u>Contribution</u>
2019	268,743
2020	314,733
2021	345,847

<u>Year Ended June 30</u>	<u>Covered Payroll</u>
2019	1,906,086
2020	2,089,417
2021	2,242,734

Percentages for contribution to covered payroll

2019	14.10%
2020	15.06%
2021	15.42%



## **NOTE 13-SUBSEQUENT EVENTS**

Subsequent events were evaluated through June 28, 2022, the date the financial statements were available to be issued. The effects of COVID-19 outbreak in the United States has resulted in some unknown consequences. The financial statement impact and duration is not reasonably estimated at this time.

After the year ended June 30, 2021, the District transferred the sewer department assets and liabilities to another sewer agency. In addition, the sewer employees last day with the District was June 19, 2021 at which time they subsequently became employees of the transferor agency.

Specifically, any cash held in the sewer department's name (including escrow accounts), capital assets which belong to the sewer department, any debt under the sewer department's name not paid by June 30, 2021 was transferred. In addition, the OBEB liability has been adjusted for the 8 employees who were transferred to the new agency in late June 2021.

SUPPLEMENTARY INFORMATION  
SCHEDULE 1

BEREA PUBLIC SERVICE DISTRICT

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - FIRE DEPARTMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Over (Under) Budget
<b>REVENUES:</b>			
Property taxes	\$ 3,432,170	\$ 3,432,170	\$ -
Interest income	17,476	17,476	-
Other income	161,862	161,862	-
Sale of capital asset	15,126	15,126	-
	<u>3,626,634</u>	<u>3,626,634</u>	<u>-</u>
<b>Total Revenues</b>			
<b>EXPENDITURES:</b>			
Current operating:			
Salaries	1,890,500	1,948,883	58,383
Insurance	85,000	81,483	(3,517)
Payroll taxes and retirement contribution	431,400	432,479	1,079
Utilities	44,500	42,792	(1,708)
Repairs and maintenance	7,500	4,683	(2,817)
Motor vehicle expenses	45,000	50,042	5,042
Parts and supplies	52,200	51,449	(751)
Uniforms	10,000	8,164	(1,836)
Annual Testing	7,500	2,981	(4,519)
Travel and conventions	5,000	1,805	(3,195)
Fire prevention	1,500	-	(1,500)
Training/health and fitness	29,000	25,824	(3,176)
Legal and professional	9,000	4,000	(5,000)
Miscellaneous	3,000	2,112	(888)
Dues	3,000	3,577	577
Office supplies	3,000	1,311	(1,689)
Software/Training/Updates	4,000	3,475	(525)
Building and grounds maintenance	12,000	13,297	1,297
Group insurance	761,460	799,829	38,369
	<u>3,404,560</u>	<u>3,478,186</u>	<u>73,626</u>
<b>Total</b>			

The accompanying notes to the required supplementary schedule are an integral part of the financial statements.

BEREA PUBLIC SERVICE DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND - FIRE DEPARTMENT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Over (Under) Budget
Capital outlays:			
Office equipment	\$ 5,000	\$ -	\$ (5,000)
Furniture	5,000	-	(5,000)
Equipment	-	13,298	13,298
Building and grounds	15,000	11,539	(3,461)
Vehicles (major repairs)	<u>10,000</u>	<u>3,453</u>	<u>(6,547)</u>
Total	<u>35,000</u>	<u>28,290</u>	<u>(6,710)</u>
Total Expenditures	<u>3,439,560</u>	<u>3,506,476</u>	<u>66,916</u>
NET CHANGE IN FUND BALANCE	<u>\$ 187,074</u>	<u>\$ 120,158</u>	<u>\$ 66,916</u>

The accompanying notes to the required supplementary schedule are an integral part of the financial statements.

SUPPLEMENTARY INFORMATION  
SCHEDULE 2

BEREA PUBLIC SERVICE DISTRICT

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - SEWER DEPARTMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Over (Under) Budget
<b>REVENUES:</b>			
Property taxes	\$ 1,143,392	\$ 1,143,392	\$ -
Interest income	6,272	6,272	-
Sewer service charge revenue	1,276,482	1,276,482	-
Other income including sewer taps	294,967	294,967	-
Sale of capital assets	199,520	199,520	-
Total Revenues	<u>2,920,633</u>	<u>2,920,633</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Current operating:			
Salaries	439,540	293,851	(145,689)
Insurance	65,000	59,585	(5,415)
Master lease and revenue bond payments	478,133	-	(478,133)
Payroll taxes and retirement contribution	104,330	70,339	(33,991)
Utilities	26,000	22,929	(3,071)
Motor vehicle expenses	35,000	27,229	(7,771)
Parts and supplies	35,000	27,647	(7,353)
Repairs and maintenance	25,000	7,813	(17,187)
Uniforms	12,500	10,556	(1,944)
Travel and conventions	4,000	-	(4,000)
Training/health and fitness	14,500	3,459	(11,041)
Legal and professional	6,500	5,600	(900)
Miscellaneous	1,500	2,573	1,073
Contractor expense	65,000	70,756	5,756
Dues	2,000	1,782	(218)
Office supplies	2,000	1,035	(965)
Software/Training/Updates	16,200	3,362	(12,838)
Line maintenance and septic tank expense	5,100	7,200	2,100
Building and grounds maintenance	5,000	3,055	(1,945)
Group insurance	278,610	147,879	(130,731)
Engineering fees	150,075	31,399	(118,676)
Operation expense	40,000	31,493	(8,507)
Rent	90,000	69,744	(20,256)
I & I Pipes	10,000	21	(9,979)
I & I Asphalt & Stone	35,000	9,763	(25,237)
I & I Fittings	35,000	19,711	(15,289)
I & I Manholes	25,000	11,968	(13,032)
Total	<u>2,005,988</u>	<u>940,749</u>	<u>(1,065,239)</u>

The accompanying notes to the required supplementary schedule are an integral part of the financial statements.

SUPPLEMENTARY INFORMATION  
SCHEDULE 2

BEREA PUBLIC SERVICE DISTRICT

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - SEWER DEPARTMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Over (Under) Budget
Capital outlays:			
Equipment	\$ 30,000	\$ -	\$ (30,000)
Office equipment	3,000	-	(3,000)
Building and grounds	-	-	-
Vehicles (major repairs)	5,000	-	(5,000)
Vehicle	-	368,029	368,029
Infrastructure	-	1,372,602	1,372,602
	38,000	1,740,631	1,702,631
Total	38,000	1,740,631	1,702,631
Total Expenditures	2,043,988	2,681,380	637,392
NET CHANGE IN FUND BALANCE	\$ 876,645	\$ 239,253	\$ 637,392

The accompanying notes to the required supplementary schedule are an integral part of the financial statements.