

GAFFNEY BOARD OF PUBLIC WORKS

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MARCH 31, 2024**

GAFFNEY BOARD OF PUBLIC WORKS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2024

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Gaffney Board of Public Works as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Gaffney Board of Public Works' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Gaffney Board of Public Works as of March 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gaffney Board of Public Works and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gaffney Board of Public Works' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gaffney Board of Public Works' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gaffney Board of Public Works' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

To the Board of Commissioners of
Gaffney Board of Public Works
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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gaffney Board of Public Works' basic financial statements. The supplementary schedules of departmental operations and the schedule of expenditures of federal awards (SEFA), as required by Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules and SEFA, as listed in the table of contents, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated August 26, 2024 on our consideration of Gaffney Board of Public Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gaffney Board of Public Works' internal control over financial reporting and compliance.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
August 26, 2024

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

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

Financial Highlights

Management believes the Board's financial condition is very strong. During FY 2024 water and sewer department revenues increased from FY 2023, while the electric department's revenues decreased slightly. The Board has continued to improve service, provide for future growth, and maintain a very stable and competitive rate structure. The following are key financial highlights for FY 2024 and FY 2023.

Total assets and deferred outflows of resources for FY 2024 year-end were \$84,948,243 and exceeded liabilities and deferred inflows of resources by \$52,120,905. Of the total net position, \$7,962,525 was unrestricted. Total assets and deferred outflows of resources for FY 2023 year-end were \$82,356,872 and exceeded liabilities and deferred inflows of resources by \$49,406,399. Of the total net position, \$5,072,500 was unrestricted. Total net position increased compared to prior year. The current year operations resulted in an increase in net position of \$2,714,506.

In FY 2021 the Board paid off all outstanding debt. No new debt was issued in FY 2024.

For FY 2024, the Board sold approximately 233 million kwh of electricity and 1.91 billion gallons of potable water and treated 1.02 billion gallons of wastewater. This compares to 327 million kwh of electricity, 2.06 billion gallons of potable water, and 1.08 billion gallons of wastewater in FY 2023.

Operating revenues for FY 2024 were \$43,832,481 as compared to \$45,085,659 for FY 2023.

Operating expenses for FY 2024 were \$45,467,599 as compared to \$47,942,542 for FY 2023. Management and staff are continually evaluating operations to control and/or reduce costs and improve efficiency.

Interest income on investments increased over last year. Interest income for FY 2024 totaled \$523,622 compared to \$110,721 for FY 2023.

The Board transferred 3.05% of electric sales, the equivalent of a franchise fee, to the City of Gaffney in accordance with our Intergovernmental Agreement. The transfer for FY 2024 was \$793,387 compared to \$844,910 for FY 2023.

Overview of Annual Financial Report

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

The basic financial statements consist of the Enterprise Fund, which is a type of Proprietary Fund to account for its electric, water, and sewer operations, that reports information about the Board using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and notes to the financial statements.

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

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

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

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

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

Financial Analysis

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

Condensed Financial Statement

Condensed Statement of Net Position			3/31/2022
Assets:	3/31/2024	3/31/2023	(as restated)
Current & Other Assets	\$37,170,711	\$35,420,061	\$35,802,125
Capital Assets	44,708,665	42,984,527	31,526,370
Total Assets	81,879,376	78,404,588	67,328,495
Total Deferred Outflows of Resources	3,068,867	3,952,284	3,602,911
Liabilities:			
Current Liabilities	11,799,952	9,826,550	11,443,040
Long-Term Liabilities	14,527,032	20,037,295	17,290,604
Total Liabilities	26,326,984	29,863,845	28,733,644
Total Deferred Inflow of Resources	6,500,354	3,086,628	5,067,076
Net Position			
Net Investment in Capital Assets	42,520,674	42,440,663	29,165,662
Restricted for Capital Projects	1,637,706	1,893,236	-
Unrestricted	7,962,525	5,072,501	7,965,024
Total Net Position	\$52,120,905	\$49,406,400	\$37,130,686

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

Revenues:	3/31/2024	3/31/2023	3/31/2022 (as restated)
Operating Revenues			
Water Department	\$ 8,447,837	\$ 7,981,700	\$ 7,043,648
Sewer Department	6,303,090	6,220,556	5,673,961
Electrical Department	29,081,554	30,883,403	24,379,139
Non-operating Revenues	639,440	331,742	159,912
Total Revenues	44,471,921	45,417,401	37,256,660
Expenses:			
Operating Expenses, Excluding Depreciation			
Water Department	6,703,589	6,354,797	5,929,773
Sewer Department	5,445,848	4,979,490	4,601,214
Electrical Department	22,509,091	26,414,802	21,448,774
Warehouse, Clinic/Safety, and Administrative Departments	6,804,437	6,415,662	6,061,765
Depreciation Expense	4,004,634	3,777,791	3,312,973
Non-operating Expenses	-	-	9,572
Total Expense	45,467,599	47,942,542	41,364,071
Increase (Decrease) in Net Position, Before Capital Contributions	(995,678)	(2,525,141)	(4,107,411)
Capital Contributions	3,710,184	14,800,854	2,290,744
Increase (Decrease) in Net Position Net Position (Beginning of Year) *restated 3/31/22	2,714,506	12,275,713	(1,816,667)
	49,406,399	37,130,686	38,947,353
Net Position End of Year	\$ 52,120,905	\$ 49,406,399	\$ 37,130,686

General Trends and Significant Events

In FY 2024 the overall number of electric, water, and sewer accounts increased. Electric service accounts increased overall by 65; water service accounts increased by 135; and wastewater accounts increased by 52.

The Board had 233 million kwh electrical sales for FY 2024 and 327 million kwh electrical sales for FY 2023, for a total decrease of 28.7% in electrical sales. In FY 2024 Brown Packing was the largest electric customer, accounting for 10.36% of total electric usage. In FY 2023 Litchain was the Board's largest electric customer, contributing approximately 29.89% of the total electrical usage for the utility.

The volume of water sold in FY 2024 was approximately 1.91 billion gallons compared to 2.06 billion gallons sold in FY 2023, netting a decrease in sales of 7.3%. Industrial water customer sales for FY 2024 and FY 2023 accounted for approximately 33% and 37%, respectively, of the total usage. During FY 2024 and FY 2023, Nestle was the Board's largest water customer, accounting for 8.57% and 8.69% of total water usage, respectively. Wholesale water sales accounted for approximately 23% of total water usage in

FY 2024 compared to 22% in FY 2023. The City of Blacksburg was the largest wholesale customer for the Board in both FY 2024 and FY 2023.

The volume of wastewater (sewer) billed in FY 2024 was 1.02 billion gallons compared to 1.08 billion gallons in FY 2023, a decrease of 5.6%. In FY 2024, Brown Packing was the largest wastewater customer, accounting for 15.08% of total wastewater usage. During FY 2023 Nestle Corporation was the Board's largest sewer customer, contributing approximately 16.4% of the total sewer usage for the utility.

Financial Condition

The Board experienced an increase in its net position of \$2,714,506 for FY 2024 after experiencing an increase of \$12,275,713 for FY 2023 when accounting for capital contributions. The increase in net position was due primarily to receipt of grant funds for the expansion of water and sewer lines throughout the county. The Board's financial condition remains strong at year-end with adequate liquid assets, reliable facilities to meet demand, and a reasonable level of an unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

Total assets and deferred outflows of resources combined in FY 2024 were \$84,948,243, with a \$42,520,674 net investment in capital assets, \$1,637,706 restricted for capital projects, and \$7,962,525 unrestricted for a \$52,120,905 total net position. Total assets and deferred outflows of resources combined for FY 2023 were \$82,356,872 with a \$42,440,663 net investment in capital assets, \$1,893,236 restricted for capital projects, and \$5,072,501 unrestricted for a \$49,406,399 total net position.

Accounts receivable for FY 2024 were \$5,184,024 compared to \$4,382,445 in FY 2023.

Results of Operations

Operating Revenues:

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

The average realized rate from electrical sales in FY 2024 was \$124.81 per thousand kwh delivered compared to \$94.44 and \$103.74 in FY 2023 and FY 2022, respectively. The average realized rate from water sales in FY 2024 was \$4.42 per thousand gallons compared to \$3.87 and \$3.37 in FY 2023 and FY 2022, respectively. The average realized rate from wastewater treatment in FY 2024 was \$6.18 per thousand gallons treated compared to \$5.76 and \$5.16 in FY 2023 and FY 2022, respectively.

Operating Expenses:

The Board operates and maintains an electrical distribution system, a potable water treatment and delivery system, and a wastewater collection and treatment system. The overhead electrical distribution system consists of 16 dedicated circuits originating from 6 different outdoor substations. The water is treated at the Victor Gaffney and Cherokee Water Treatment Plants with a capacity of 12 million gallons per day and 6 million gallons per day, respectively.

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

Actual Amounts in 1000's

	3/31/2024	3/31/2023	3/31/2022
Water Operating Expenses			
Total	\$ 8,365	\$ 7,909	\$ 7,259
Excluding Depreciation	\$ 6,704	\$ 6,355	\$ 5,930
Wastewater Operating Expenses			
Total	\$ 6,666	\$ 6,004	\$ 5,516
Excluding Depreciation	\$ 5,446	\$ 4,979	\$ 4,601
Electrical Operating Expenses			
Total	\$ 23,499	\$ 27,478	\$ 22,399
Excluding Depreciation	\$ 22,509	\$ 26,415	\$ 21,449

The average electric operating cost per thousand kwh delivered was \$100.85 in FY 2024 versus \$84.03 and \$95.31 in FY 2023 and FY 2022, respectively. The average water operating cost per thousand gallons consumed was \$4.38 in FY 2024 versus \$3.84 and \$3.47 in FY 2023 and FY 2022, respectively. The wastewater operating cost per thousand gallons treated was \$6.54 in FY 2024 versus \$5.56 and \$5.01 in FY 2023 and FY 2022, respectively. The domestic component of the wastewater flow is relatively constant and directly proportional to the domestic water flow, but the industrial component and required treatment fluctuates with the strength of the industrial waste stream. The sewer surcharge rates, industrial discharge permits and other associated fees related to the industrial wastewater are designed to recover the additional expenses incurred due to the higher strength waste. The relatively stable cost per thousand gallons is an indication that the industrial fee structure is effective in recovering those costs.

Capital Contributions and Grants:

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

During FY 2024, the total contributed assets were \$3,710,184; the following contributions and grants make up that amount:

- \$672,569 in water line extension for subdivision and commercial expansions.
- \$1,556,656 in capital contributions for an RIA-SCIIP grant for a new pump station and a new water main in the Macedonia area.
- \$374,363 for Project Gateway for a new sewer line along the I-85 corridor.
- \$250,964 from the SC Dept. of Commerce for engineering on Project Gateway.
- The remaining \$855,632 in contributed assets was made up of water, sewer and electric tap charges and other miscellaneous developer funds.

Cash Flow Activity

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

	<u>2024</u>	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Total operating revenues	\$43,832,481	\$45,085,659	\$37,096,748
Net cash provided (used) by operations	<u>\$1,329,173</u>	<u>(\$ 1,818,212)</u>	<u>\$ 4,029,661</u>
Net operating cash as a % of operating revenue	3.03%	(4.03%)	10.86%

Capital Assets and Debt Administration

Capital Assets

At the end of FY 2024, the Board had \$44,708,665 invested in capital assets as provided in the following schedule:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Transmission, Distribution, and Treatment Facilities	\$ 157,389,819	\$ 156,024,118	\$ 138,310,484
Property and Other Facilities	8,564,242	8,468,122	7,533,266
Vehicles, Office and Maintenance Equipment	8,007,103	7,765,397	8,100,147
Construction in Progress	<u>7,582,542</u>	<u>3,720,997</u>	<u>7,411,366</u>
	181,543,706	175,978,634	161,355,263
Accumulated Depreciation	<u>(136,835,041)</u>	<u>(132,994,107)</u>	<u>(129,828,893)</u>
	<u>\$ 44,708,665</u>	<u>\$ 42,984,527</u>	<u>\$ 31,526,370</u>

For FY 2024, the Board spent \$5,728,772 on significant improvements and additions, compared to \$7,950,592 and \$9,957,179 in FY 2023 and FY 2022, respectively.

In FY 2024, capital expenses included significant additions to construction in progress through construction of water, and sewer infrastructure; \$2,694,229 in Macedonia area water system improvements, \$849,027 for Project Gateway and \$231,503 for Oglesby Lane water line extension. Significant additions also included \$364,083 in electrical transformers and lines, \$172,654 for electric service connections and meter upgrades to Tantalus. \$262,343 for new water services and meters, and \$256,971 in additional sewer lines.

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

Debt Administration

Rate Covenant

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

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

Outstanding Debt

The Board has no long-term debt outstanding ending FY 2024.

Economic Factors

Inflation continued to affect BPW's operations in FY 2024, not only directly through cost but also through industry consuming less utilities. Power consumption, water consumption and waste water processing all declined during the year, but costs increased nonetheless. BPW's strong financial footing has us in a position to weather these downturns with minimal impact.

Fiscal Year 2024 Significant Notations

During FY 2024, BPW and the Town of Blacksburg entered into an agreement whereby BPW will own and operate the Town's sewer system, as well as provide administrative functions for the Town's water system. The transfer and ownership will take effect on April 1, 2024.

Also, during FY 2024, the Board was awarded \$750,000 from the Appalachian Regional Commission for additional funding for the Macedonia area water improvements.

BPW staff continues to anticipate long material lead time and cost inflation to continue impact operating cost in FY 2025.

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

Request for Information

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

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

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF NET POSITION
MARCH 31, 2024 AND 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2024	2023
Current Assets		
Cash	\$ 12,621,767	\$ 12,339,163
Investments	5,399,192	1,905,585
Accounts receivable - net of allowance for doubtful accounts of \$60,297 and \$49,086 at March 31, 2024 and 2023, respectively	5,184,024	4,382,445
Leases receivable - current portion	86,928	89,897
Other receivables	2,054,861	2,091,835
Inventories	3,344,895	2,358,604
Prepaid expenses	391,193	182,463
Total Current Assets	29,082,860	23,349,992
Noncurrent Assets		
Restricted cash	5,156,184	5,831,904
Investments	1,057,210	4,233,597
Leases receivable - net of current portion	1,874,457	2,004,568
Capital assets - nondepreciable	9,628,626	5,726,551
Capital assets - net of accumulated depreciation	35,080,039	37,257,976
Total Noncurrent Assets	52,796,516	55,054,596
Total Assets	81,879,376	78,404,588
Deferred Outflows of Resources		
Deferred amounts related to pensions	1,761,711	2,024,393
Deferred amounts related to OPEB	1,307,156	1,927,891
Total Deferred Outflows of Resources	3,068,867	3,952,284

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF NET POSITION - CONTINUED
MARCH 31, 2024 AND 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable	2,714,688	1,095,684
Accrued salaries and related withholdings	661,416	873,868
Accrued compensated absences	810,700	702,192
Accrued expenses	2,451,400	2,607,114
Payable from restricted assets - customer deposits	3,518,478	3,938,668
Advanced tapping fees	<u>1,643,270</u>	<u>609,024</u>
Total Current Liabilities	<u>11,799,952</u>	<u>9,826,550</u>
Long-term Liabilities		
Net pension liability	13,591,317	13,758,262
Net OPEB liability	<u>935,715</u>	<u>6,279,033</u>
Total Long-term Liabilities	<u>14,527,032</u>	<u>20,037,295</u>
Total Liabilities	<u>26,326,984</u>	<u>29,863,845</u>
Deferred Inflows of Resources		
Deferred amounts related to pensions	148,613	59,958
Deferred amounts related to OPEB	4,542,923	1,058,465
Deferred amounts related to leases	<u>1,808,818</u>	<u>1,968,205</u>
Total Deferred Inflows of Resources	<u>6,500,354</u>	<u>3,086,628</u>
Net Position		
Net investment in capital assets	42,520,674	42,440,663
Restricted for capital projects	1,637,706	1,893,236
Unrestricted	<u>7,962,525</u>	<u>5,072,500</u>
Total Net Position	<u>\$ 52,120,905</u>	<u>\$ 49,406,399</u>

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

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Operating Revenues		
Water department	\$ 8,447,837	\$ 7,981,700
Sewer department	6,303,090	6,220,556
Electrical department	29,081,554	30,883,403
	43,832,481	45,085,659
Operating Expenses		
Water department	6,703,589	6,354,797
Sewer department	5,445,848	4,979,490
Electrical department	22,509,091	26,414,802
Warehouse, clinic/safety and administrative departments	6,804,437	6,415,662
Depreciation expense	4,004,634	3,777,791
	45,467,599	47,942,542
Operating Loss	(1,635,118)	(2,856,883)
Nonoperating Revenues (Expenses)		
Interest income	523,622	110,721
Lease revenue	116,204	118,398
Gain (loss) on sale of capital assets	(386)	102,623
	639,440	331,742
Decrease in Net Position - Before Capital Contributions	(995,678)	(2,525,141)
Capital Contributions	3,710,184	14,800,854
Increase (Decrease) in Net Position	2,714,506	12,275,713
Net Position - Beginning of Year	49,406,399	37,130,686
Net Position - End of Year	\$ 52,120,905	\$ 49,406,399

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

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows Provided (Used) by Operating Activities		
Cash received from customers	\$ 44,102,122	\$ 44,528,975
Cash paid to suppliers for goods and services	(25,900,068)	(32,155,311)
Cash paid to or for the benefit of employees	(16,872,881)	(14,191,876)
	<u>1,329,173</u>	<u>(1,818,212)</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Proceeds from the sale of capital assets	-	106,078
Acquisition and construction of capital assets	(5,728,772)	(7,950,592)
Capital contributions	3,710,184	7,512,948
Lease revenue	89,897	83,951
Interest received on leases	37,478	38,909
	<u>(1,891,213)</u>	<u>(208,706)</u>
Cash Flows Provided (Used) by Investing Activities		
Interest received on cash investments	486,144	71,812
Sale (purchase) of investments	424,852	(4,334,642)
	<u>910,996</u>	<u>(4,262,830)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	348,956	(6,289,748)
Cash and Cash Equivalents - Beginning of Year	<u>18,200,681</u>	<u>24,490,429</u>
Cash and Cash Equivalents - End of Year	<u>\$ 18,549,637</u>	<u>\$ 18,200,681</u>

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	<u>\$ (1,635,118)</u>	<u>\$ (2,856,883)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	4,004,634	3,777,791
Pension expense	1,259,145	1,352,504
OPEB expense	(1,238,125)	99,687
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(801,579)	(813,207)
Unbilled revenue	36,974	(298,251)
Inventories	(986,677)	(644,983)
Other current assets	(208,730)	98,543
Deferred outflows related to pensions	(1,074,753)	(916,923)
Increase (decrease) in liabilities:		
Accounts payable	1,619,004	(1,633,747)
Accrued salaries and related withholdings	(212,452)	60,521
Accrued compensated absences	108,508	105,974
Accrued expenses	(155,714)	71,540
Customer deposits	(420,190)	(775,552)
Advanced tapping fees	1,034,246	554,774
	<u>2,964,291</u>	<u>1,038,671</u>
Net Cash Provided by Operating Activities	<u>\$ 1,329,173</u>	<u>\$ (1,818,212)</u>
Noncash Investing, Capital and Financing Activities		
Contribution of capital assets	\$ -	\$ 7,287,906

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Reconciliation of Cash and Investments as Shown on the Statements of Net Position and Statements of Cash Flows		
Statements of Net Position classifications		
Current assets		
Cash	\$ 12,621,767	\$ 12,339,163
Investments	5,399,192	1,905,585
	18,020,959	14,244,748
Noncurrent assets		
Restricted cash	5,156,184	5,831,904
Investments	1,057,210	4,233,597
	6,213,394	10,065,501
	\$ 24,234,353	\$ 24,310,249
Cash flow classifications		
Petty cash	\$ 2,700	\$ 2,500
Cash deposits	17,775,251	18,168,567
Money market funds	771,686	29,614
Total cash and cash equivalents	18,549,637	18,200,681
Certificates of deposit	5,684,716	6,109,568
	\$ 24,234,353	\$ 24,310,249

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Financial Statements and Method of Accounting

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

The enterprise fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Use of Restricted Resources

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

Revenues and Expenses

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

Cash and Cash Equivalents

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are reported at fair value.

Inventories

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

Capital Assets

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

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

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

Leases

The Board is lessor on leases of communications sites (water tank) and excess fiber optic cable capacity. The lease receivable is measured at the present value of payments expected to be received and is reduced in subsequent years by the principal portion of payments received. The deferred inflow of resources is initially measured at the present value of future lease payments plus any payments received prior to the beginning of the lease period. The deferred inflow of resources is amortized over the life of the lease and is recognized as revenue in subsequent years.

The Board uses the interest rate specified in the lease agreement to determine the interest portion of the lease payment. If no interest rate is specified in the lease agreement, the Board uses its estimated incremental borrowing rate as the discount rate.

The lease term typically includes the original lease term plus any optional terms of renewal, if it is reasonably certain that those renewal options will be exercised.

The Board annually monitors changes in circumstances that may require remeasurement of the lease receivable and deferred inflow of resources. Adjustments are made when significant changes occur to the asset and/or liability.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

Eligible employees receive Personal Time Off (PTO) based on years of service ranging from one (1) to fifty-six (56) days annually. The PTO policy provides for no carry over from one calendar year to the next. All unused PTO as of December 31st is paid on an annual basis.

Pensions

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

Deferred Outflows and Inflows of Resources

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

Capital Contributions

The Board frequently has contributions to its sewer and water system from developers and contractors. In addition, the Board receives grant monies for construction of improvements or extensions to its system at various times. These contributions are recognized in the Statements of Revenues, Expenses and Changes in Net Position when earned. For the years ended March 31, 2024 and 2023, the Board received the following capital contributions:

	2024	2023
Donated assets	\$ -	\$ 7,287,908
Private industry and developers	1,528,201	4,401,213
Federal agencies	1,931,019	40,115
State agencies	250,964	3,071,618
	\$ 3,710,184	\$ 14,800,854

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – deposits – the risk that in the event of bank failure, the deposits may not be returned to the Board. The Board has no formal policy for custodial credit risk; however the Board does adhere to Section 6-5-15 of the S.C. Code of Laws, and will include collateralization of deposits through appropriately pledged securities or other investments.

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

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

At March 31, 2024 and 2023 the Board had the following investments:

Investment Type	Maturity	2024	2023	Rating
Edward Jones Money Market Fund	<60 days	\$ 26	\$ 29,614	AAAm
State Treasurer's Investment Pool	<60 days	771,660	-	Not rated
		<u>\$ 771,686</u>	<u>\$ 29,614</u>	

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

	2024	2023
Noncurrent Assets		
Restricted cash		
Capital projects	\$ 1,637,706	\$ 1,893,236
Customer deposits	3,503,636	3,917,759
Operation HOPE	14,842	20,909
	<u>\$ 5,156,184</u>	<u>\$ 5,831,904</u>

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

	2024	2023
Depreciation fund	\$ 10,962,597	\$ 10,962,597
Contingency fund	1,448,174	1,027,984
	<u>\$ 12,410,771</u>	<u>\$ 11,990,581</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 3 - CAPITAL ASSETS

Components of capital assets include the following for the fiscal years ended March 31, 2024 and 2023:

	2024				Balance at March 31, 2024
	Balance at March 31, 2023	Additions	Deletions	Transfers	
Capital Assets					
Nondepreciable					
Land and land rights	\$ 2,005,554	\$ 40,530	\$ -	\$ -	\$ 2,046,084
Construction in progress	3,720,997	3,861,545	-	-	7,582,542
Total Nondepreciable	<u>5,726,551</u>	<u>3,902,075</u>	<u>-</u>	<u>-</u>	<u>9,628,626</u>
Depreciable					
Water plant and lines	62,728,147	390,361	(47,300)	-	63,071,208
Sewer plant and lines	53,793,723	523,452	(37,929)	-	54,279,246
Electrical distribution and transmission lines	39,502,248	615,588	(78,471)	-	40,039,365
Office and warehouse buildings	6,462,568	55,590	-	-	6,518,158
Office equipment	2,423,453	70,795	-	-	2,494,248
Equipment and vehicles	5,341,944	170,911	-	-	5,512,855
	<u>170,252,083</u>	<u>1,826,697</u>	<u>(163,700)</u>	<u>-</u>	<u>171,915,080</u>
Accumulated Depreciation					
Water plant and lines	48,182,978	1,349,506	(47,300)	-	49,485,184
Sewer plant and lines	40,766,093	1,012,959	(37,929)	-	41,741,123
Electrical distribution and transmission lines	34,118,821	810,212	(78,471)	-	34,850,562
Office and warehouse buildings	3,533,594	215,761	-	-	3,749,355
Office equipment	2,114,281	131,344	-	-	2,245,625
Equipment and vehicles	4,278,340	484,852	-	-	4,763,192
	<u>132,994,107</u>	<u>4,004,634</u>	<u>(163,700)</u>	<u>-</u>	<u>136,835,041</u>
Total depreciable	<u>37,257,976</u>				<u>35,080,039</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,984,527</u>				<u>\$ 44,708,665</u>

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 3 - CAPITAL ASSETS - CONTINUED

	2023				Balance at March 31, 2023
	Balance at March 31, 2022	Additions	Deletions	Transfers	
Capital Assets					
Nondepreciable					
Land and land rights	\$ 1,967,784	\$ 37,770	\$ -	\$ -	\$ 2,005,554
Construction in progress	7,411,366	5,262,146	-	(8,952,515)	3,720,997
Total Nondepreciable	<u>9,379,150</u>	<u>5,299,916</u>	<u>-</u>	<u>(8,952,515)</u>	<u>5,726,551</u>
Depreciable					
Water plant and lines	54,904,361	7,437,887	-	385,899	62,728,147
Sewer plant and lines	44,323,887	903,220	-	8,566,616	53,793,723
Electrical distribution and transmission lines	39,082,236	443,740	(23,728)	-	39,502,248
Office and warehouse buildings	5,565,482	897,086	-	-	6,462,568
Office equipment	2,372,363	60,090	(9,000)	-	2,423,453
Equipment and vehicles	5,727,784	235,039	(620,879)	-	5,341,944
	<u>151,976,113</u>	<u>9,977,062</u>	<u>(653,607)</u>	<u>8,952,515</u>	<u>170,252,083</u>
Accumulated Depreciation					
Water plant and lines	46,904,370	1,278,608	-	-	48,182,978
Sewer plant and lines	39,967,675	798,418	-	-	40,766,093
Electrical distribution and transmission lines	33,295,129	847,420	(23,728)	-	34,118,821
Office and warehouse buildings	3,358,828	174,766	-	-	3,533,594
Office equipment	1,960,293	160,438	(6,450)	-	2,114,281
Equipment and vehicles	4,342,598	518,141	(582,399)	-	4,278,340
	<u>129,828,893</u>	<u>3,777,791</u>	<u>(612,577)</u>	<u>-</u>	<u>132,994,107</u>
Total depreciable	<u>22,147,220</u>				<u>37,257,976</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,526,370</u>				<u>\$ 42,984,527</u>

Depreciation expense was \$4,004,634 and \$3,777,791 for the fiscal years ending March 31, 2024 and 2023, respectively.

NOTE 4 – LEASES

The Board participates in a number of lease agreements as lessor for the lease of space at Board-owned communication towers (water tanks) and excess capacity of the Board-owned fiber optic cable system.

In October 2014, the Board entered into a 10-year lease agreement as lessor for the use of space at communication towers (water tanks) owned by the Board. The lease includes the option to renew for 4 additional five-year periods. The Board anticipates the lessee will exercise these renewal options. The agreement requires annual principal and interest payments of \$35,280, with a five-year 5% escalation clause. Interest is calculated using the Board's incremental borrowing rate of 2.60%. The initial lease receivable was recorded at \$684,350 and has an outstanding balance of \$630,513 and \$648,921 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$673,338 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$589,170 and \$617,226, respectively and had accumulated amortization of \$84,168 and \$56,112, respectively.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 4 - LEASES - CONTINUED

In January 2019, the Board entered into a five-year lease agreement as lessor for the use of space at communication towers (water tanks) owned by the Board. The lease includes the option to renew for 5 additional five-year periods. The Board anticipates the lessee will exercise these renewal options. The agreement requires annual principal and interest payments of \$26,500, with a 15% escalation clause each renewal. Interest is calculated using the Board's incremental borrowing rate of 1.45%. The initial lease receivable was recorded at \$898,284 and has an outstanding balance of \$853,296 and \$871,139 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$863,015 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$770,549 and \$801,371, respectively and had accumulated amortization of \$92,466 and \$61,644, respectively.

In September 2020, the Board entered into a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The agreement requires monthly principal and interest payments of \$2,990. Interest is calculated using the Board's incremental borrowing rate of 1.45%. The initial lease receivable was recorded at \$255,613 and has an outstanding balance of \$157,023 and \$190,364 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$253,373 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$153,149 and \$186,557, respectively and had accumulated amortization of \$100,224 and \$66,816, respectively.

In September 2011, the Board entered into a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease included the option to renew for an additional 10 years that was exercised in September 2021. The agreement requires monthly principal and interest payments of \$450, with an increase of \$50 a month or CPI, whichever is greater, escalation clause every five years. Interest is calculated using the Board's incremental borrowing rate of 1.45%. The initial lease receivable was recorded at \$55,280 and has an outstanding balance of \$0 and \$47,920 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$55,280 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$0 and \$46,521, respectively and had accumulated amortization of \$0 and \$8,759, respectively. The lease was terminated as of April, 2024 and therefore the remaining outstanding balances as of March 31, 2024 for the lease receivable and deferred inflow of resources of \$40,989 and \$43,183, respectively with a loss of \$2,194 reported in current year lease revenue in the Statements of Revenues, Expenses and Changes in Net Position.

In July 2017, the Board entered into a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease includes the option to renew for an additional 10 years. The Board anticipates the lessee will exercise these renewal options. The agreement requires monthly principal and interest payments of \$500, with an increase of approximately 12% or CPI, whichever is greater, escalation clause every five years. Interest is calculated using the Board's incremental borrowing rate of 1.45%. The initial lease receivable was recorded at \$105,292 and has an outstanding balance of \$91,042 and \$96,220 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$102,034 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$83,206 and \$89,482, respectively and had accumulated amortization of \$18,828 and \$12,552, respectively.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 4 - LEASES - CONTINUED

In January 2018, the Board entered into a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease includes the option to renew for an additional 10 years. The Board anticipates the lessee will exercise these renewal options. The agreement requires monthly principal and interest payments of \$650, with an increase of \$75-100 or CPI, whichever is greater, escalation clause every five years. Interest is calculated using the Board's incremental borrowing rate of 1.45%. The initial lease receivable was recorded at \$141,022 as of the GASB 87 implementation date and has an outstanding balance of \$123,386 and \$129,350 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$137,857 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$113,161 and \$121,393, respectively and had accumulated amortization of \$24,696 and \$16,464, respectively.

In September 2020, the Board entered into a 5-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease includes the option to renew for an additional 3 fee year periods. The Board anticipates the lessee will exercise these renewal options. The agreement requires monthly principal and interest payments of \$500, with an increase of approximately 12% or CPI, whichever is greater, escalation clause every renewal. Interest is calculated using the Board's incremental borrowing rate of 1.45%. The initial lease receivable was recorded at \$119,214 as of the GASB 87 implementation date and has an outstanding balance of \$106,125 and \$110,551 as of March 31, 2024 and 2023, respectively. A deferred inflow of resources was recorded for \$117,799 and is being amortized over the remaining life of the lease. The unamortized deferred inflow of resources as of March 31, 2024 and 2023, was \$99,583 and \$105,655, respectively and had accumulated amortization of \$18,216 and \$12,144, respectively.

NOTE 5 - PENSION PLAN

Plan Description - The Board, as the employer, participates in the South Carolina Retirement System (SCRS) Plan - a cost-sharing multiple-employer defined benefit pension plan administered and managed by the South Carolina Public Employee Benefit Authority (PEBA), a state agency. PEBA issues an Annual Comprehensive Financial Report containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 5 - PENSION PLAN - CONTINUED

Benefits Provided/Membership - Continued - This plan covers general employees and teachers and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit.

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Contributions - Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017, until reaching 18.56% for SCRS. The legislation included further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified state statute such that the employer contributions rates for SCRS to be further increased, not to exceed one-half of a percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS to the maximum amortization period of 20 years from 30 years over a 10-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plan is at least 85% funded.

Required employee (both Class II and III) contribution rates for the years ended March 31, 2024 and 2023 was 9.00%. Required employer contribution rates for the years ended March 31, 2024 and 2023 were 18.41% and 17.41%, respectively. Both required employee and employer contribution rates are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws. Employers also contribute an additional .15% of earnable compensation, if participating in the incidental death benefit program.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 5 - PENSION PLAN - CONTINUED

Contributions - Continued - Contributions to the Plan from the Board were \$1,405,892 and \$1,201,348, for the years ended March 31, 2024 and 2023, respectively

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At March 31, 2024, the Board reported a net pension liability of \$13,591,317 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023, using generally accepted actuarial principles. The allocation of the Board's proportion shares of the collective net pension liability and pension expense were calculated on the basis of the Board's contributions actually remitted to the plan relative to the total contributions remitted to the plan for all participating employers, less employer contributions that are not representative of future contributions effort, as of June 30, 2023. Based upon this information, the Board's proportion of the collective net pension liability at March 31, 2024 and 2023 was .056215% and .056753%, respectively, a decrease of .00054%, since June 30, 2022, the prior measurement date.

For the years ended March 31, 2024 and 2023, the Board recognized pension expense of \$1,259,145 and \$1,352,504, respectively. At March 31, 2024 and 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,969	\$ (37,691)
Changes in assumptions	208,239	-
Net difference between projected and actual earnings on pension plan investments	-	(18,604)
Changes in Board's proportion and differences between the Board's contributions and proportionate share of contributions	242,750	(92,318)
Board contributions subsequent to the measurement date	1,074,753	-
Total	\$ 1,761,711	\$ (148,613)

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 5 - PENSION PLAN - CONTINUED

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

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 119,534	\$ (59,958)
Changes in assumptions	441,260	-
Net difference between projected and actual earnings on pension plan investments	21,218	
Changes in proportion and differences between County contributions and proportionate share of contributions	525,458	-
Board contributions subsequent to the measurement date	916,923	-
Total	\$ 2,024,393	\$ (59,958)

\$1,074,753 reported as deferred outflows of resources related to pensions in 2024, resulted from Board contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended March 31, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31	
2025	\$ 362,163
2026	(191,934)
2027	376,087
2028	(7,971)
	\$ 538,345

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. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued for the period ending July 1, 2019.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 5 - PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued - The June 30, 2023, total pension liability, net pension liability, and sensitivity information determined by and based on an actuarial valuation performed as of July 1, 2022, used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
Projected salary increases	3.0% to 11.0% (varies by service and includes 2.25% inflation)
Benefit adjustments	lesser of 1% or \$500 annually
Investment rate of return	7.00% (includes 2.25% inflation)

There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

Allocation/Exposure	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Public Equity	46%	6.62%	3.04%
Bonds	26%	0.31%	0.08%
Private Equity	9%	10.91%	0.98%
Private Debt	7%	6.16%	0.43%
Real Assets			
Real Estate	9%	6.41%	0.58%
Infrastructure	3%	6.62%	0.20%
Total Expected Return	100%		5.31%
Inflation for Actuarial Purposes			2.25%
			7.56%

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on actuarially determined rates based on the provisions of the South Carolina Code of Laws.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 5 - PENSION PLAN - CONTINUED

Discount Rate - Continued - Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Board's proportionate share of the collective net pension liability calculated using the discount rate of 7.00%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	March 31, 2024		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the collective net pension liability	\$ 17,561,277	\$ 13,591,317	\$ 10,291,623

	March 31, 2023		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the collective net pension liability	\$ 17,639,790	\$ 13,758,262	\$ 10,531,276

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan, administered by PEBA, is available in the Systems' audited financial statements for the fiscal year ended June 30, 2023 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2023. The additional information is publicly available on PEBA's website at www.peba.sc.gov.

NOTE 6 - DEFERRED COMPENSATION PLANS

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

The Board matches employee contributions, 100%, to the Section 457 and 401(k) plans. The Board's match for the fiscal years ended March 31, 2024 and 2023 was \$988,088 and \$982,010, respectively.

In addition, the Board matches contributions for selected management employees, up to the maximum amount allowed by the 457 and 401(k) plans and pays related personal income taxes, to nonqualified supplemental retirement plans. The Board's expense for the years ended March 31, 2024 and 2023 was \$39,874 for the contributions and related income taxes.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2024 AND 2023

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS

Plan Description

Plan Administration and Benefits – The Board, through its commitment to provide other post-employment benefits (OPEB), maintains a defined benefit plan to provide certain post-retirement healthcare benefits, administered by the Board. The plan provides medical and dental insurance coverage through third-party insurers to all retirees and their dependents who meet the SCRS qualifications for unreduced retirement and have been employed by the Board a minimum of 20 consecutive years prior to their retirement from SCRS. Commissioners must have served two full terms or 12 consecutive years. Retirees must have attained the minimum age of 60 years prior to retirement and qualifying spouses must be the spouse on record at the time of the employee’s retirement.

The Board, upon majority vote of the elected 5 member Board of Commissioners, has the authority to establish and amend benefit provisions.

The plan is an agent multiple employer plan with the Public Agencies Post-Retirement Health Care Irrevocable Plan and Trust (PARS), which is a tax-exempt trust under the Internal Revenue Code Section 115. The General Manager of the Board serves as the Plan Administrator as appointed by the Board of Commissioners. With PARS, the Board has its own benefit plan (as disclosed previously) and its own separate agency account for the plan assets, contributions, income and fees. PARS issues annual audited financial statements for the Public Agencies Post-Retirement Health Care Plan Trust available upon request by participating agencies by contacting the Plan Accounting Department or emailing Trust@pars.org.

Plan Membership - Membership in the Plan as of March 31, 2024, was:

Inactive plan members or beneficiaries receiving benefits	37
Active plan members	90
Total plan members	127

Contributions - The contribution requirements of plan members and the Board are established and may be amended by the Board of Commissioners, upon majority vote of its members. The Board pays the entire premium for eligible retirees under 65. Medicare retirees (those retirees 65 and over) have their own supplemental health plan that is reimbursed monthly for their health and drug premiums from their supplemental plan by the Board. The Board contributes to the plan on a pay-as-you-go basis based on contractual insurance premiums. The Board also pre-funds future OPEB costs by making separate contributions to PARS, as determined annually by the Board. The Board contributions for the years ended March 31, 2024 and 2023 were \$1,890,097 and \$1,106,347, respectively that included an implicit subsidy of \$80,742 and \$73,756, respectively. \$1,500,000 and \$750,000 of the total contributions were set aside in trust for the years ended March 31, 2024 and 2023, respectively.

Net OPEB Liability

The Board's net OPEB liability as of March 31, 2024 and 2023 of \$935,715 and \$6,279,033, respectively was measured as of March 31, 2024 and 2023, respectively, and the total OPEB liability used to calculate the net OPEB liability as of March 31, 2024 and 2023 was determined by an actuarial valuation date as of March 31, 2022. Update procedures were used to roll forward the total OPEB liability to March 31, 2024 and 2023, respectively.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability - Continued

Actuarial Assumptions and Methods - the total OPEB liability in the March 31, 2024 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.25%
Salary Increases	3.00% to 9.5%, including inflation
Single Discount Rate	3.25% as of March 31, 2024
Demographic Assumptions	Based on the experience study covering the five year period ending June 30, 2019 as conducted for the South Carolina Retirement System (SCRS).
Mortality Assumptions	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with the following multipliers are applied to the base tables: 97% for male SCRS members, 107% for female SCRS members. The rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 5.75% declining to an ultimate rate of 3.75% after 13 years
Participation Rates	It was assumed that 95% of eligible retirees would choose to receive retiree health care plan.
Other Information	
Notes	The Long-term Expected Rate of Investment Return (and Single Discount Rate) increased from 2.00% as of March 31, 2023 to 3.25% as of March 31, 2024.

The trust assets are currently invested in cash and cash equivalents (13%), US government issued bonds (69%), and corporate issued bonds (18%).

Discount Rate - A Single Discount Rate of 3.25% and 2.00%, was used to measure the total OPEB liability for March 31, 2024 and 2023, respectively, based on the expected rate of return on OPEB plan investments. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Net OPEB Liability - Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following represents the plan's net OPEB liability, calculated using a Single Discount Rate of 3.25% and 2.00% as of March 31, 2024 and 2023, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

March 31, 2024		
1% Decrease	Single Discount Rate Assumption	1% Increase
2.25%	3.25%	4.25%
\$ 4,112,375	\$ 935,715	\$ (1,529,944)
March 31, 2023		
1% Decrease	Single Discount Rate Assumption	1% Increase
1.00%	2.00%	3.00%
\$ 10,513,241	\$ 6,279,033	\$ 3,033,061

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability - Continued

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

March 31, 2024		
Healthcare Cost Trend		
1% Decrease	Rate Assumption	1% Increase
\$ (2,032,387)	\$ 935,715	\$ 4,942,477
March 31, 2023		
Healthcare Cost Trend		
1% Decrease	Rate Assumption	1% Increase
\$ 2,524,162	\$ 6,279,033	\$ 11,421,153

Changes in the Net OPEB Liability

	2024		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of March 31, 2023	\$ 18,593,380	\$ 12,314,347	\$ 6,279,033
Changes for the Year			
Service cost	820,164	-	820,164
Interest on the total OPEB liability	376,168	-	376,168
Changes of benefit terms	-	-	-
Difference between expected and actual experience	30,375	-	30,375
Change of assumptions	(4,108,919)	-	(4,108,919)
Employer contributions	-	1,890,097	(1,890,097)
Net investment income	-	602,676	(602,676)
Benefit payments	(390,097)	(390,097)	-
Administrative expense	-	(31,667)	31,667
Net Changes	(3,272,309)	2,071,009	(5,343,318)
Balance as of March 31, 2024	\$ 15,321,071	\$ 14,385,356	\$ 935,715
	2023		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of March 31, 2022	\$ 16,907,933	\$ 11,460,323	\$ 5,447,610
Changes for the Year			
Service cost	823,840	-	823,840
Interest on the total OPEB liability	342,834	-	342,834
Changes of benefit terms	-	-	-
Difference between expected and actual experience	875,120	-	875,120
Change of assumptions	-	-	-
Employer contributions	-	1,106,347	(1,106,347)
Net investment income	-	132,754	(132,754)
Benefit payments	(356,347)	(356,347)	-
Administrative expense	-	(28,730)	28,730
Net Changes	1,685,447	854,024	831,423
Balance as of March 31, 2023	\$ 18,593,380	\$ 12,314,347	\$ 6,279,033

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

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

For the years ending March 31, 2024 and 2023, the Board recognized OPEB expense of \$571,230 and \$1,132,278, respectively. At March 31, 2024 and 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience, liability	\$ 977,846	\$ -
Changes in assumptions	329,310	4,510,153
Difference between expected and actual experience, assets	-	32,770
	\$ 1,307,156	\$ 4,542,923
	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience, liability	\$ 1,138,214	\$ -
Changes in assumptions	386,726	1,058,465
Difference between expected and actual experience, assets	402,951	-
	\$ 1,927,891	\$ 1,058,465

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

Year Ending March 31	Net Deferred Outflows (Inflows)
2025	\$ (345,086)
2026	(389,878)
2027	(501,279)
2028	(526,587)
2029	(418,578)
Thereafter	(1,054,359)
	\$ (3,235,767)

NOTE 8 - EMPLOYMENT AGREEMENTS

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 9 - RISK MANAGEMENT

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

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

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

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

NOTE 10 - INTERDEPARTMENTAL ALLOCATION OF COSTS

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

NOTE 11 - FRANCHISE FEES

The Board pays the City of Gaffney a fee of 3.05% of electricity sales. For the fiscal years ended March 31, 2024 and 2023, the Board paid the City \$793,387 and \$844,910, respectively, in franchise fees.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Piedmont Municipal Power Agency

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 12 - COMMITMENTS AND CONTINGENCIES - CONTINUED

A. Piedmont Municipal Power Agency - Continued

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

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

For the years ended March 31, 2024 and 2023, the Board's purchased power expense from PMPA was \$19,355,682 and \$22,641,799, respectively. Also, the amount included in accrued expenses for accrued purchased power from PMPA at March 31, 2024 and 2023 is \$1,515,882 and \$1,639,319, respectively.

B. Annual Leave/PTO

As described more fully in Note 1, the total amount of PTO accumulated and unused, as of March 31, 2024 and 2023 is as follows:

	2024	2023
Beginning of the year liability	\$ 702,192	\$ 596,218
Increase	843,911	701,764
Decrease	(735,403)	(595,790)
End of year liability	\$ 810,700	\$ 702,192

C. Unemployment Compensation

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

D. Contract Commitments

There was \$40,595,784 and \$1,372,554 in outstanding commitments on construction contracts at March 31, 2024 and 2023.

E. Litigation

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2024 AND 2023

NOTE 13 - RECLASSIFICATIONS

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

NOTE 14 - SUBSEQUENT EVENT

April 1, 2024, the Town of Blacksburg, South Carolina transferred the assets and operations of the Blacksburg Sewer System to the Board for a total value of \$3,000,000. \$200,000 of the value will be paid by the Board in three annual installments beginning April 1, 2024. The remaining \$2,800,000 purchase price is a deferred payment to be collected through an additional 5% charge on sales of current and future customers of the Eastern Broad River service area (outside of the municipal limits of the Town of Blacksburg) and remitted to the Town of Blacksburg until the balance is paid in full.

Also, as part of the agreement to transfer the Blacksburg Sewer System to the Board, the Board agrees to pay the Town of Blacksburg a 5% franchise fee on the gross sales of all sewer service accounts within the Town of Blacksburg. The agreement is for 30 years with automatic annual renewals after the end of the initial 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Board's Proportion of the Collective Net Pension Liability	0.056215%	0.056753%	0.054724%	0.054321%	0.051988%	0.048152%	0.048002%	0.047018%	0.047696%
Board's Proportionate Share of the Collective Net Pension Liability	\$ 13,591,317	\$ 13,758,262	\$ 11,842,994	\$ 13,880,001	\$ 11,870,958	\$ 10,789,370	\$ 10,806,022	\$ 10,042,975	\$ 9,045,776
Board's Covered Payroll	\$ 6,939,199	\$ 6,758,006	\$ 6,186,056	\$ 6,060,256	\$ 5,489,763	\$ 4,989,904	\$ 4,843,201	\$ 4,553,055	\$ 4,472,093
Board's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	195.86%	203.58%	191.45%	229.03%	216.24%	216.22%	223.12%	220.58%	202.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.65%	57.06%	60.75%	50.71%	54.40%	54.40%	53.34%	52.91%	56.99%

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

Notes to Schedule:

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorially Required Contributions	\$ 1,405,892	\$ 1,201,348	\$ 1,084,013	\$ 952,639	\$ 917,745	\$ 755,374	\$ 646,947	\$ 548,177	\$ 495,887
Contributions in Relation to the Statutorially Required Contributions	1,405,892	1,201,348	1,084,013	952,639	917,745	755,374	646,947	548,177	495,887
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Payroll	\$ 7,676,455	\$ 6,939,199	\$ 6,642,726	\$ 6,122,358	\$ 5,992,637	\$ 5,992,637	\$ 5,274,229	\$ 4,792,404	\$ 4,499,689
Contributions as a Percentage of Covered Payroll	18.31%	17.31%	16.32%	15.56%	15.31%	12.61%	12.27%	11.44%	11.02%

Notes to Schedule:

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

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

	2024	2023	2022	2021	2020	2019
Total OPEB Liability						
Service cost	\$ 820,164	\$ 823,840	\$ 581,160	\$ 410,924	\$ 351,873	\$ 351,643
Interest on the total OPEB liability	376,168	342,834	276,340	272,844	264,515	248,566
Changes in benefit terms	-	-	2,167,508	2,531,827	-	-
Difference between expected and actual experience	30,375	875,120	17,010	290,532	55	417,684
Changes in assumptions	(4,108,919)	-	501,558	(1,600,586)	-	(19,788)
Benefit payments, including refunds of employee contributions	(390,097)	(356,347)	(324,139)	(275,932)	(275,721)	(302,952)
Net Change in Total OPEB Liability	(3,272,309)	1,685,447	3,219,437	1,629,609	340,722	695,153
Total OPEB Liability - Beginning	18,593,380	16,907,933	13,688,496	12,058,887	11,718,165	11,023,012
Total OPEB Liability - Ending (a)	<u>\$ 15,321,071</u>	<u>\$ 18,593,380</u>	<u>\$ 16,907,933</u>	<u>\$ 13,688,496</u>	<u>\$ 12,058,887</u>	<u>\$ 11,718,165</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 1,890,097	\$ 1,106,347	\$ 1,074,139	\$ 575,932	\$ 725,721	\$ 602,952
OPEB plan net investment income	602,676	132,754	(109,835)	16,553	80,367	91,710
Benefit payments	(390,097)	(356,347)	(324,139)	(275,932)	(275,721)	(302,952)
OPEB plan administrative expense	(31,667)	(28,730)	(27,539)	(15,518)	(7,500)	(7,500)
Net Change in Plan Fiduciary Net Position	2,071,009	854,024	612,626	301,035	522,867	384,210
Plan Fiduciary Net Position - Beginning	12,314,347	11,460,323	10,847,697	10,546,662	10,023,795	9,639,585
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,385,356</u>	<u>\$ 12,314,347</u>	<u>\$ 11,460,323</u>	<u>\$ 10,847,697</u>	<u>\$ 10,546,662</u>	<u>\$ 10,023,795</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 935,715</u>	<u>\$ 6,279,033</u>	<u>\$ 5,447,610</u>	<u>\$ 2,840,799</u>	<u>\$ 1,512,225</u>	<u>\$ 1,694,370</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	93.89%	66.23%	67.78%	79.25%	87.46%	85.54%
Covered-Employee Payroll	\$ 8,991,221	\$ 8,307,838	\$ 7,420,552	\$ 7,192,354	\$ 6,361,614	\$ 5,865,106
Net OPEB Liability as a Percentage of Covered-Employee Payroll	10.41%	75.58%	73.41%	39.50%	23.77%	28.89%

Notes to Schedule:

2024: Assumption Changes - the long-term rate of return (and Single Discount Rate) increased from 2.00% to 3.25%.

2022: Changes to benefit terms reflects changes to the Medicare plan options and additional dental and vision benefits for employees who retire after February 26, 2019. Changes of assumptions reflects updates to the demographic and salary increase assumptions based on the 2020 SCRS experience study.

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

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

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 309,355	\$ 282,591	\$ 273,074	\$ 228,798	\$ 229,575	\$ 252,250
Contributions in Relation to the Contractually Required Contributions	<u>1,890,097</u>	<u>1,106,347</u>	<u>1,074,139</u>	<u>575,932</u>	<u>725,721</u>	<u>602,952</u>
Contribution Deficiency (Excess)	<u>\$ (1,580,742)</u>	<u>\$ (823,756)</u>	<u>\$ (801,065)</u>	<u>\$ (347,134)</u>	<u>\$ (496,146)</u>	<u>\$ (350,702)</u>
Board's Covered-Employee Payroll	\$ 8,991,221	\$ 8,307,838	\$ 7,420,552	\$ 7,192,354	\$ 6,361,614	\$ 5,865,106
Contributions as a Percentage of Covered-Employee Payroll	3.44%	3.40%	3.68%	3.18%	3.61%	4.30%

Notes to Schedule:

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

SUPPLEMENTARY INFORMATION

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF WATER DEPARTMENT OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Operating Revenues		
Water sales	\$ 8,138,586	\$ 7,667,499
Other	309,251	314,201
Total Operating Revenues	8,447,837	7,981,700
Operating Expenses - Excluding Depreciation		
Plant		
Salaries and related payroll expenses	2,015,501	1,992,612
Uniforms	2,490	3,564
Training and schools	2,657	2,190
Professional fees	40,796	45,627
Postage	20	65
Telephone	5,374	5,265
Insurance	63,610	56,917
Vehicle expense	3,971	8,421
Equipment maintenance and operation	318,879	349,195
Building and grounds maintenance	113,777	126,144
Materials and supplies	51,702	46,900
Chemicals	679,314	519,650
Other expenses	14,267	388
Landfill disposal	-	35,236
Bad debts - net	9,802	(631)
Lab expense	64,295	75,492
Contract services	92,968	93,603
Other post-employment benefits	263,266	331,863
Utilities	896,065	873,494
	4,638,754	4,565,995
Maintenance		
Salaries and related payroll expenses	1,614,312	1,511,753
Uniforms	5,722	12,219
Training and schools	1,866	2,527
Professional fees	7,447	9,220
Telephone	6,050	6,365
Insurance	34,234	33,937
Vehicle expense	40,970	43,975
Equipment maintenance and operation	121,826	92,588
Building and grounds maintenance	241	902
Materials and supplies	548,619	326,276
Other expenses	63	65
Utilities	12,187	10,620
Computer processing	237	211
Scholarship program	-	2,775
	2,393,774	2,053,433
Costs allocated to other departments	(328,939)	(264,631)
Total Operating Expenses - Excluding Depreciation	6,703,589	6,354,797

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WATER DEPARTMENT OPERATIONS - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Depreciation		
Plant depreciation	1,543,115	1,420,791
Maintenance depreciation	118,522	133,404
	1,661,637	1,554,195
 Total Operating Expenses	 8,365,226	 7,908,992
 Operating Income	 \$ 82,611	 \$ 72,708

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF SEWER DEPARTMENT OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Operating Revenues		
Sewer	\$ 6,219,461	\$ 6,052,806
Other	83,629	167,750
Total Operating Revenues	<u>6,303,090</u>	<u>6,220,556</u>
Operating Expenses - Excluding Depreciation		
Plant		
Salaries and related payroll expenses	1,813,520	1,806,479
Uniforms	6,659	5,436
Training and schools	1,857	3,389
Professional fees	19,463	27,230
Postage	-	212
Telephone	7,413	5,561
Insurance	55,634	58,548
Vehicle expense	16,690	18,529
Equipment maintenance and operation	217,530	230,846
Building and grounds maintenance	56,192	33,919
Materials and supplies	83,850	41,082
Chemicals	144,732	121,537
Other expenses	316	175
Bad debts - net	4,015	(4,650)
Lab expense	61,939	53,199
Landfill disposal costs	305,223	282,330
Other post-employment benefits	381,231	305,972
Utilities	1,312,549	1,181,097
	<u>4,488,813</u>	<u>4,170,891</u>
Maintenance		
Salaries and related payroll expenses	1,034,579	875,015
Uniforms	2,078	1,623
Professional fees	9,110	16,981
Telephone	6,050	6,365
Insurance	34,432	32,200
Vehicle expense	12,209	17,338
Equipment maintenance and operation	10,645	15,733
Building and grounds maintenance	18,053	12,513
Materials and supplies	54,633	39,970
Other expenses	186	19
Utilities	11,171	9,735
Computer processing	236	210
Scholarship program	-	2,775
	<u>1,193,382</u>	<u>1,030,477</u>
Costs allocated to other departments	<u>(236,347)</u>	<u>(221,878)</u>
Total Operating Expenses - Excluding Depreciation	5,445,848	4,979,490
Depreciation		
Plant depreciation	1,075,135	863,398
Maintenance depreciation	145,428	161,386
	<u>1,220,563</u>	<u>1,024,784</u>
Total Operating Expenses	<u>6,666,411</u>	<u>6,004,274</u>
Operating Income (Loss)	<u>\$ (363,321)</u>	<u>\$ 216,282</u>

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF ELECTRICAL DEPARTMENT OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Electric sales	\$ 28,424,849	\$ 30,128,942
Other	656,705	754,461
Total Operating Revenues	<u>29,081,554</u>	<u>30,883,403</u>
Operating Expenses - Excluding Depreciation		
Power purchased	19,961,959	23,285,290
Line expenses		
Salaries and related payroll expenses	3,030,162	3,092,157
Uniforms	14,678	26,404
Training and schools	15,072	16,757
Professional fees	81,513	45,253
Telephone	19,967	16,611
Insurance	87,345	104,167
Vehicle expense	62,301	92,093
Equipment maintenance and operation	127,017	494,906
Building and grounds maintenance	22,550	22,260
Materials and supplies	305,658	272,749
Other expenses	38,090	1,078
Bad debts - net	39,810	(906)
Public relations	-	182
Contract services	169,042	168,562
Other post-employment benefits	236,218	369,823
Utilities	39,937	33,924
Scholarship program	-	1,000
Computer processing	473	19,162
	<u>24,251,792</u>	<u>28,061,472</u>
Costs allocated to other departments	<u>(1,742,701)</u>	<u>(1,646,670)</u>
Total Operating Expenses - Excluding Depreciation	22,509,091	26,414,802
Depreciation		
Line Depreciation	<u>989,813</u>	<u>1,062,926</u>
Total Operating Expenses	<u>23,498,904</u>	<u>27,477,728</u>
Operating Income	<u>\$ 5,582,650</u>	<u>\$ 3,405,675</u>

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY, ADMINISTRATIVE AND SERVICE
 DEPARTMENT EXPENSES
 FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Warehouse		
Salaries and related payroll expenses	\$ 907,449	\$ 819,245
Uniforms	2,116	2,814
Training and schools	507	570
Professional fees	3,231	4,142
Postage	1,194	2,072
Telephone	1,522	1,543
Insurance	14,417	14,003
Vehicle expense	2,217	2,687
Equipment maintenance and operation	4,542	9,499
Building and grounds maintenance	29,584	6,302
Materials and supplies	12,742	18,631
Other expenses	55	59
Other post-employment benefits	(20,704)	6,069
Scholarship Program	3,355	-
Utilities	26,405	23,010
	<u>988,632</u>	<u>910,646</u>
Clinic/Safety		
Salaries and related payroll expenses	328,198	326,729
Training and schools	-	5,437
Professional fees	16,345	14,986
Telephone	1,986	1,846
Insurance	685	910
Materials and supplies	28,592	43,789
Utilities	5,078	4,425
Claims reimbursements	(115,697)	(110,435)
	<u>265,187</u>	<u>287,687</u>
Administrative		
Salaries and related payroll expenses	3,534,213	3,337,372
Uniforms	4,827	5,507
Training and schools	25,609	18,420
Professional fees	350,782	184,755
Public relations	181,384	157,775
Postage	5,167	2,845
Telephone	37,440	27,803
Insurance	57,790	44,471
Vehicle expense	2,525	2,313
Equipment maintenance and operation	10,335	11,632
Building and grounds maintenance	68,046	22,564
Materials and supplies	166,550	135,191
Other expenses	163,629	155,552
Computer processing	276,051	202,807
Other post-employment benefits	(288,782)	118,550
Utilities	51,899	42,699
Scholarship program	(471)	7,500
	<u>4,646,994</u>	<u>4,477,756</u>

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY, ADMINISTRATIVE AND SERVICE
 DEPARTMENT EXPENSES - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Service		
Salaries and related payroll expenses	866,041	707,423
Uniforms	5,454	4,386
Telephone	5,422	4,569
Vehicle expense	23,172	21,054
Materials and supplies	3,535	2,141
	<u>903,624</u>	<u>739,573</u>
 Total Warehouse, Clinic/Safety, Administrative and Service Expenses - Excluding Depreciation	 <u>6,804,437</u>	 <u>6,415,662</u>
 Depreciation		
Warehouse depreciation	44,886	44,678
Clinic depreciation	528	296
Administration depreciation	87,207	90,912
	<u>132,621</u>	<u>135,886</u>
 Total Warehouse, Clinic/Safety, Service and Administrative Expenses	 <u>\$ 6,937,058</u>	 <u>\$ 6,551,548</u>

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

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

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Gaffney Board of Public Works, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Gaffney Board of Public Works' basic financial statements, and have issued our report thereon dated August 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gaffney Board of Public Works' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gaffney Board of Public Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Gaffney Board of Public Works' internal control.

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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

Halliday, Schwartz & Co.

Spartanburg, South Carolina
August 26, 2024

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gaffney Board of Public Works' (the "Board") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended March 31, 2024. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gaffney Board of Public Works' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(50)

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
August 26, 2024

**GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2024**

Federal Grantor/Pass Through Grantor/Program Title	Federal ALN	Pass-Through Grantor's Number	Expenditures
U.S. Department of the Treasury			
Passed through S.C. Rural Infrastructure Authority			
COVID 19: Coronavirus State & Local Fiscal Recovery Funds (CSLFRF)	21.027	A-23-R076	\$ 1,556,656
COVID 19: Coronavirus State & Local Fiscal Recovery Funds (CSLFRF)	21.027	A-23-E002	374,363
			<u>\$ 1,931,019</u>
Total U.S. Department of the Treasury			<u>1,931,019</u>
Total Federal Financial Assistance Expended			<u>\$ 1,931,019</u>

See accompanying notes to schedule of expenditures of federal awards.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Gaffney Board of Public Works (the "Board") under programs of the federal government for the year ended March 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Board has elected to not use the de minimis 10% indirect cost rate as allowed under the Uniform Guidance.

**GAFFNEY BOARD OF PUBLIC WORKS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
MARCH 31, 2024**

No prior audit findings.

**GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2024**

Fiscal Year Ended March 31, 2024:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200? Yes X No

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Federal Program or Cluster</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None