

GAFFNEY BOARD OF PUBLIC WORKS

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021**

GAFFNEY BOARD OF PUBLIC WORKS
 FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

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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, 2022 and 2021, 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 financial statements referred to above 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, 2022 and 2021, 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 Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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

Gaffney Board of Public Works' 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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for 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 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. 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.

(1)

Auditor's Responsibilities for the Financial Statements - Continued

In performing an audit in accordance with GAAS, 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 changes in net OPEB liability and related ratios, OPEB contributions, and schedules of the Board's proportionate share of the collective net pension liability and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Supplementary Information - Continued

Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Halliday, Schwartz & Co.

Spartanburg, South Carolina
July 5, 2022

**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 2022 water and electrical department revenues increased while sewer department revenues decreased from FY 2021. The slight decrease in sewer revenues can be attributed to season variation and are considered stable. 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 2022 and FY 2021.

Total assets and deferred outflows of resources for FY 2022 year-end were \$65,150,079 and exceeded liabilities and deferred inflows of resources by \$37,038,873. Of the total net position, \$7,873,211 was unrestricted. Total assets and deferred outflows of resources for FY 2021 year-end were \$61,089,729 and exceeded liabilities and deferred inflows of resources by \$38,890,994 of the total net position, \$14,574,217 was unrestricted. Total net position decreased compared to prior year. The current year operations resulted in a decrease in net position of \$1,852,121.

In FY 2021 the Board paid off all outstanding debt. No new debt was issued in FY 2022.

For FY 2022, the Board sold approximately 235 million kwh of electricity and 2.09 billion gallons of potable water and treated 1.1 billion gallons of wastewater. This compares to 229 million kwh of electricity, 2.02 billion gallons of potable water, and 1.10 billion gallons of wastewater in FY 2021.

Operating revenues for FY 2022 were \$37,217,358 as compared to \$37,138,902 for FY 2021.

Operating expenses for FY 2022 were \$41,354,499 as compared to \$39,351,588 for FY 2021. Management and staff are continually evaluating operations to control and/or reduce costs and improve efficiency.

Interest income on investments decreased over last year. Interest income for FY 2022 totaled \$3,848 compared to \$77,437 for FY 2021.

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 2022 was \$667,540 compared to \$656,795 for FY 2021.

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 and fiduciary activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the Board's recovery of its costs. Rate setting policies are different methods of cost recovery not fully provided for by generally accepted accounting standards. The primary objectives of the rate model are to improve equity among customer classes and to 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 ratios, contributions and investment returns. *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 Statements of Net Position

| Assets: | 3/31/2022 | 3/31/2021 | 3/31/2020 |
|---|----------------------|----------------------|----------------------|
| Current & Other Assets | \$ 33,623,709 | \$ 36,207,565 | \$ 36,547,863 |
| Capital Assets | 31,526,370 | 24,882,164 | 23,944,852 |
| Total Assets | 65,150,079 | 61,089,729 | 60,492,715 |
| Total Deferred Outflows of Resources | 3,602,911 | 3,563,386 | 2,276,115 |
| Liabilities: | | | |
| Current Liabilities | 11,443,040 | 7,559,023 | 9,118,012 |
| Long-Term Liabilities | 17,290,604 | 16,720,800 | 13,383,183 |
| Total Liabilities | 28,733,644 | 24,279,823 | 22,501,195 |
| Total Deferred Inflow of Resources | 2,980,473 | 1,482,298 | 103,741 |
| Net Position | | | |
| Net Investment in Capital Assets | 29,165,662 | 24,316,777 | 21,781,780 |
| Restricted for Debt Service Reserves Fund | - | - | 332,796 |
| Unrestricted | 7,873,211 | 14,574,217 | 18,049,318 |
| Total Net Position | \$ 37,038,873 | \$ 38,890,994 | \$ 40,163,894 |

Condensed Statements of Revenues, Expenses and Changes in Net Position

| Revenues: | <u>3/31/2022</u> | <u>3/31/2021</u> | <u>3/31/2020</u> |
|--|----------------------|----------------------|----------------------|
| Operating Revenues | | | |
| Water Department | \$ 7,105,428 | \$ 6,967,514 | \$ 7,164,941 |
| Sewer Department | 5,673,961 | 5,817,548 | 5,913,767 |
| Electrical Department | 24,437,969 | 24,353,840 | 24,829,535 |
| Non-operating Revenues | 3,848 | 77,437 | 242,085 |
| Total Revenues | <u>37,221,206</u> | <u>37,216,339</u> | <u>38,150,328</u> |
| Expenses: | | | |
| Operating Expenses, Excluding Depreciation | | | |
| Water Department | 5,929,773 | 5,686,863 | 5,243,750 |
| Sewer Department | 4,601,214 | 4,204,908 | 3,945,510 |
| Electrical Department | 21,448,774 | 19,993,345 | 19,762,541 |
| Warehouse, Clinic/Safety, and Administrative Departments | 6,061,765 | 6,441,218 | 4,706,501 |
| Depreciation Expense | 3,312,973 | 3,025,254 | 2,978,224 |
| Non-operating Expenses | 9,572 | 71,792 | 92,688 |
| Total Expense | <u>41,364,071</u> | <u>39,423,380</u> | <u>36,729,214</u> |
| Increase (Decrease) in Net Position, Before Capital Contributions | 4,142,865 | (2,207,041) | 1,421,114 |
| Capital Contributions | 2,290,744 | 934,141 | 893,961 |
| Increase (Decrease) in Net Position | (1,852,121) | (1,272,900) | 2,315,075 |
| Net Position Beginning of Year) | 38,890,994 | 40,163,894 | 37,848,819 |
| Net Position End of Year | <u>\$ 37,038,873</u> | <u>\$ 38,890,994</u> | <u>\$ 40,163,894</u> |

General Trends and Significant Events

In FY 2022 the overall number of electric, water, and sewer accounts increased. Electric service accounts increased overall by 79; water service accounts increased by 129; and wastewater accounts increased by 75.

The Board had 235 million kwh electrical sales for FY 2022 and 229 million kwh electrical sales for FY 2021, for a total increase of 2.62% in electrical sales. Brown Packing was the Board's largest electric demand customer in FY 2022 and FY 2021. In FY 2022 they contributed to approximately 9.5% of the total electrical usage for the utility.

The volume of water sold in FY 2022 was approximately 2.09 billion gallons compared to 2.02 billion gallons sold in FY 2021, netting an increase in sales of 3.47%. Industrial water customer sales accounted for approximately 39% of the total usage. During FY 2022 and FY 2021, the Nestle Corporation was the Board's largest water customer, accounting for approximately 9.4% and 11%, respectively. FY 2022

wholesale water sales accounted for 25% of the total usage compared to 26% in FY 2021. The City of Blacksburg was the largest wholesale customer for both FY 2022 and FY 2021.

The volume of wastewater (sewer) billed in both FY 2022 and FY 2021 was 1.1 billion gallons. During FY 2022 and FY 2021, the Nestle Corporation was the Board's largest sewer customer, contributing approximately 14.6% and 16%, respectively of the total sewer usage for the utility.

Financial Condition

The Board experienced a decrease in its net position of \$1,852,121 for FY 2022 after experiencing a decrease of \$1,272,900 for FY 2021 when accounting for capital contributions. The decrease in net position was due to increase in cost due to inflation, increases in salaries and related expenses while revenues only slightly increased. 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 2022 were \$65,150,079, with a \$29,165,662 net investment in capital assets, and \$7,873,211 unrestricted for a \$37,038,873 total net position. Total assets and deferred outflows of resources combined for FY 2021 were \$61,089,729 with a \$24,316,777 net investment in capital assets and \$14,574,217 unrestricted for a \$38,890,994 total net position.

Accounts receivable for FY 2022 were \$3,569,238 compared to \$3,053,756 in FY 2021.

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 2022 was \$103.99 per thousand kwh delivered compared to \$106.35 and \$101.76 in FY 2021 and FY 2020, respectively. The average realized rate from water sales in FY 2021 was \$3.40 per thousand gallons compared to \$3.44 and \$3.34 in FY 2021 and FY 2020, respectively. The average realized rate from wastewater treatment in FY 2022 was \$5.16 per thousand gallons treated compared to \$5.28 and \$5.22 in FY 2021 and FY 2020, 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 | <u>3/31/2022</u> | <u>3/31/2021</u> | <u>3/31/2020</u> |
|--------------------------------------|------------------|------------------|------------------|
| Water Operating Expenses | | | |
| Total | \$ 7,259 | \$ 6,855 | \$ 6,335 |
| Excluding Depreciation | \$ 5,930 | \$ 5,687 | \$ 5,243 |
| Wastewater Operating Expenses | | | |
| Total | \$ 5,516 | \$ 5,022 | \$ 4,721 |
| Excluding Depreciation | \$ 4,601 | \$ 4,205 | \$ 3,945 |
| Electrical Operating Expenses | | | |
| Total | \$ 22,399 | \$ 20,928 | \$ 20,787 |
| Excluding Depreciation | \$ 21,449 | \$ 19,993 | \$ 19,762 |

The average electric operating cost per thousand kwh delivered was \$95.31 in FY 2022 versus \$91.38 and \$85.19 in FY 2021 and FY 2020, respectively. The average water operating cost per thousand gallons consumed was \$3.47 in FY 2022 versus \$3.39 and \$2.89 in FY 2021 and FY 2020, respectively. The wastewater operating cost per thousand gallons treated was \$5.01 in FY 2022 versus \$4.56 and \$4.12 in FY 2021 and FY 2020, 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 2022, the total contributed assets were \$2,290,744; the following contributions and grants make up that amount:

- \$284,858 in water line extension for subdivision and commercial expansions.
- \$1,032,656 in capital contributions for Project Clary Wastewater Extension
- \$250,000 for gravity sewer extension
- \$54,617 was awarded by Rural Infrastructure Authority for water tank improvement
- The remaining \$668,613 in contributed assets was made up of water, sewer and electric tap charges and other miscellaneous developer funds.

In March of 2022 the Board was awarded a \$3,323,832 from the South Carolina Department of Commerce. The award is for engineering service for design of sewer infrastructure to eastern Cherokee County. The funds will be spent throughout FY 2023.

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>2022</u> | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|---------------------|
| Total operating revenues | \$37,217,358 | \$37,138,902 | \$ 37,908,243 |
| Net cash provided by operations | <u>\$ 4,150,271</u> | <u>\$ 3,814,894</u> | <u>\$ 5,831,866</u> |
| Net operating cash as a % of operating revenue | 11.2% | 10.3% | 15.4% |

Capital Assets and Debt Administration

Capital Assets

At the end of FY 2022, the Board had \$31,526,370 invested in capital assets as provided in the following schedule:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|----------------------|
| Transmission, Distribution, and Treatment Facilities | \$ 138,310,484 | \$ 137,077,173 | \$ 134,116,695 |
| Property and Other Facilities | 7,473,092 | 6,259,250 | 5,752,300 |
| Vehicles, Office and Maintenance Equipment | 8,160,321 | 7,079,842 | 7,296,419 |
| Construction in Progress | <u>7,411,366</u> | <u>1,491,787</u> | <u>1,810,371</u> |
| | 161,355,263 | 151,908,052 | 148,975,785 |
| Accumulated Depreciation | <u>(129,828,893)</u> | <u>(127,025,888)</u> | <u>(125,030,933)</u> |
| | <u>\$ 31,526,370</u> | <u>\$ 24,882,164</u> | <u>\$ 23,944,852</u> |

For FY 2022, the Board spent \$9,957,179 on significant improvements and additions, compared to \$3,962,841 and \$4,365,685 in FY 2021 and FY 2020, respectively.

In FY 2022, capital expenses included significant additions to construction in progress through construction of electric, water, and sewer infrastructure; \$3,867,555 for Project Clary Sanitary Sewer; \$967,268 for new sewer lift stations, \$609,994 for engineering services for Project Gateway, and \$278,525 in water tank improvements. Other significant additions included \$628,872 for new electric meters and electric service upgrades; \$238,198 for new water meters; \$1,214,807 for office and property renovations, and \$1,156,232 for equipment and vehicles.

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. In FY21 the Board paid off all outstanding debt. Net revenues are defined by the bond resolution to mean, the revenues of the System after deducting the expenses of operating and maintaining the System.

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

Outstanding Debt

The Board has no long-term debt outstanding ending FY 2022, as provided in the following schedule:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|---------------------|
| Revenue Bonds | | | |
| 2009 Combined Utility System Refunding Bond | \$ - | \$ - | \$ 620,000 |
| 2015 Combined Utility System Refunding Bond | - | - | 843,000 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Long-term Debt Outstanding | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,463,000</u> |

Economic Factors

During the Board’s final fiscal quarter of 2022, global inflation began effecting board operating expenses. Fiscal year 2022 only saw these impacts for the portion of the year. We are anticipating significant inflation cost pressure for FY 2023.

Fiscal Year 2023 Significant Notations

On April 1, 2022, the Board finalized the asset acquisition of Macedonia Water Works. Macedonia Water Works Board of Commissioners voted to dissolve the organization and turn over the all assets, customers, and operations of their system to the Board for no monetary consideration. As part of the merger Macedonia Water Works transferred \$2,500,000 to the Board as restricted funds for infrastructure improvements. It is the intent of the Board to complete these infrastructure improvements within five (5) years of the asset acquisition.

The Board staff is anticipating long material lead time and cost inflation to continue impact operating cost in FY2023.

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

Request for Information

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

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

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF NET POSITION - PROPRIETARY FUND
MARCH 31, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | 2022 | 2021 |
|--|---------------|---------------|
| Current Assets | | |
| Cash | \$ 15,378,729 | \$ 20,442,820 |
| Investments | 5,432,626 | 5,616,951 |
| Accounts receivable - net of allowance for doubtful accounts of \$63,775 and \$53,159 at March 31, 2022 and 2021, respectively | 3,569,238 | 3,053,756 |
| Other receivables | 1,793,584 | 1,716,838 |
| Inventories | 1,714,526 | 1,487,756 |
| Prepaid expenses | 281,006 | 176,544 |
| Total Current Assets | 28,169,709 | 32,494,665 |
| Noncurrent Assets | | |
| Restricted cash | 4,714,220 | 3,167,018 |
| Investments | 739,780 | 545,882 |
| Capital assets - nondepreciable | 9,379,150 | 3,459,571 |
| Capital assets - net of accumulated depreciation | 22,147,220 | 21,422,593 |
| Total Noncurrent Assets | 36,980,370 | 28,595,064 |
| Total Assets | 65,150,079 | 61,089,729 |
| Deferred Outflows of Resources | | |
| Deferred amounts related to pensions | 2,221,083 | 2,722,585 |
| Deferred amounts related to OPEB | 1,381,828 | 840,801 |
| Total Deferred Outflows of Resources | 3,602,911 | 3,563,386 |

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF NET POSITION - PROPRIETARY FUND - CONTINUED
 MARCH 31, 2022 AND 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Current Liabilities | | |
| Accounts payable | 2,729,431 | 964,142 |
| Accrued salaries and related withholdings | 813,346 | 717,584 |
| Accrued compensated absences | 596,218 | 611,629 |
| Accrued expenses | 2,535,575 | 2,091,400 |
| Payable from restricted assets - customer deposits | 4,714,220 | 3,167,018 |
| Advanced tapping fees | 54,250 | 7,250 |
| | <u>11,443,040</u> | <u>7,559,023</u> |
| Long-term Liabilities | | |
| Net pension liability | 11,842,994 | 13,880,001 |
| Net OPEB liability | 5,447,610 | 2,840,799 |
| | <u>17,290,604</u> | <u>16,720,800</u> |
| Total Long-term Liabilities | <u>17,290,604</u> | <u>16,720,800</u> |
| Total Liabilities | <u>28,733,644</u> | <u>24,279,823</u> |
| Deferred Inflows of Resources | | |
| Deferred amounts related to pensions | 1,736,335 | 52,487 |
| Deferred amounts related to OPEB | 1,244,138 | 1,429,811 |
| | <u>2,980,473</u> | <u>1,482,298</u> |
| Total Deferred Inflows of Resources | <u>2,980,473</u> | <u>1,482,298</u> |
| Net Position | | |
| Net investment in capital assets | 29,165,662 | 24,316,777 |
| Unrestricted | 7,873,211 | 14,574,217 |
| | <u>37,038,873</u> | <u>38,890,994</u> |
| Total Net Position | <u>\$ 37,038,873</u> | <u>\$ 38,890,994</u> |

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

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | 2022 | 2021 |
|---|---------------|---------------|
| Operating Revenues | | |
| Water department | \$ 7,105,428 | \$ 6,967,514 |
| Sewer department | 5,673,961 | 5,817,548 |
| Electrical department | 24,437,969 | 24,353,840 |
| | 37,217,358 | 37,138,902 |
| Operating Expenses | | |
| Water department | 5,929,773 | 5,686,863 |
| Sewer department | 4,601,214 | 4,204,908 |
| Electrical department | 21,448,774 | 19,993,345 |
| Warehouse, clinic/safety and administrative departments | 6,061,765 | 6,441,218 |
| Depreciation expense | 3,312,973 | 3,025,254 |
| | 41,354,499 | 39,351,588 |
| Operating Income (Loss) | (4,137,141) | (2,212,686) |
| Nonoperating Revenues (Expenses) | | |
| Interest income | 3,848 | 77,437 |
| Gain (loss) on sale of capital assets | (9,572) | (2,195) |
| Interest expense | - | (69,597) |
| | (5,724) | 5,645 |
| Increase (Decrease) in Net Position - Before Capital Contributions | (4,142,865) | (2,207,041) |
| Capital Contributions | 2,290,744 | 934,141 |
| Increase (Decrease) in Net Position | (1,852,121) | (1,272,900) |
| Net Position - Beginning of Year | 38,890,994 | 40,163,894 |
| Net Position - End of Year | \$ 37,038,873 | \$ 38,890,994 |

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

GAFFNEY BOARD OF PUBLIC WORKS
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Cash Flows Provided (Used) by Operating Activities | | |
| Cash received from customers | \$ 36,672,130 | \$ 36,903,456 |
| Cash paid to suppliers for goods and services | (19,938,021) | (21,886,652) |
| Cash paid to or for the benefit of employees | <u>(12,583,838)</u> | <u>(11,201,910)</u> |
| | <u>4,150,271</u> | <u>3,814,894</u> |
| Cash Flows Provided (Used) by Capital and Related Financing Activities | | |
| Proceeds from the sale of capital assets | 5,000 | 878 |
| Acquisition and construction of capital assets | (9,957,179) | (3,962,841) |
| Capital contributions | 2,290,744 | 934,141 |
| Principal paid on revenue bonds | - | (1,463,000) |
| Interest paid | <u>-</u> | <u>(37,851)</u> |
| | <u>(7,661,435)</u> | <u>(4,528,673)</u> |
| Cash Flows Provided (Used) by Investing Activities | | |
| Interest received on cash investments | 3,848 | 77,437 |
| Sale (purchase) of investments | <u>1,497,559</u> | <u>1,435,899</u> |
| | <u>1,501,407</u> | <u>1,513,336</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,009,757) | 799,557 |
| Cash and Cash Equivalents - Beginning of Year | <u>26,500,186</u> | <u>25,700,629</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 24,490,429</u> | <u>\$ 26,500,186</u> |

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | |
| Operating income (loss) | <u>\$ (4,137,141)</u> | <u>\$ (2,212,686)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | |
| Depreciation | 3,312,973 | 3,025,254 |
| Pension expense | 983,043 | 1,696,999 |
| OPEB expense | 1,880,111 | 2,414,397 |
| (Increase) decrease in assets and deferred outflows of resources: | | |
| Accounts receivable | (515,482) | (162,555) |
| Unbilled revenue | (76,746) | (70,640) |
| Inventories | (241,342) | (11,947) |
| Other current assets | (104,462) | (53,704) |
| Deferred outflows related to pensions | (834,700) | (713,238) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 1,765,289 | (156,701) |
| Accrued salaries and related withholdings | 95,762 | 219,033 |
| Accrued compensated absences | (15,411) | 49,074 |
| Accrued interest | - | (3,018) |
| Accrued expenses | 444,175 | (302,004) |
| Customer deposits | 1,547,202 | 98,880 |
| Advanced tapping fees | 47,000 | (2,250) |
| | <u>8,287,412</u> | <u>6,027,580</u> |
| Net Cash Provided by Operating Activities | <u>\$ 4,150,271</u> | <u>\$ 3,814,894</u> |
| Noncash Investing, Capital and Financing Activities | | |
| Amortization expense included in interest | \$ - | \$ (31,746) |

GAFFNEY BOARD OF PUBLIC WORKS
 STATEMENTS OF CASH FLOWS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Reconciliation of Cash and Investments as Shown on the Statements of Net Position and Statements of Cash Flows | | |
| Statements of Net Position classifications | | |
| Current assets | | |
| Cash | \$ 15,378,729 | \$ 20,442,820 |
| Investments | <u>5,432,626</u> | <u>5,616,951</u> |
| | <u>20,811,355</u> | <u>26,059,771</u> |
| Noncurrent assets | | |
| Restricted cash | 4,714,220 | 3,167,018 |
| Investments | <u>739,780</u> | <u>545,882</u> |
| | <u>5,454,000</u> | <u>3,712,900</u> |
| | <u>\$ 26,265,355</u> | <u>\$ 29,772,671</u> |
| Cash flow classifications | | |
| Petty cash | \$ 2,500 | \$ 2,500 |
| Cash deposits | 20,090,450 | 23,273,998 |
| Money market funds | <u>4,397,479</u> | <u>3,223,688</u> |
| Total cash and cash equivalents | 24,490,429 | 26,500,186 |
| Certificates of deposit | <u>1,774,926</u> | <u>3,272,485</u> |
| | <u>\$ 26,265,355</u> | <u>\$ 29,772,671</u> |

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

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Financial Statements and Method of Accounting

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

The 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, 2022 AND 2021

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 |

Compensated Absences

Eligible employees receive Personal Time Off (PTO) based on years of service ranging from one (1) to forty-eight (48) days annually. The PTO policy provides for no carry over from one calendar year to the next. All unused PTO as of December 31st is paid on an annual basis.

Long-term Debt

Bond premium and discounts are deferred and equally amortized over the life of the bonds.

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows 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.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows and Inflows of Resources

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

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, 2022 and 2021, the Board received capital contributions of \$2,290,744 and \$934,141, respectively.

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, 2022 and 2021 the Board had the following investments:

| Investment Type | Maturity | 2022 | 2021 | Rating |
|--|----------|---------------------|---------------------|--------|
| Dreyfus Treasury Prime Cash Management | <60 days | \$ - | \$ 333,340 | AAAm |
| Edward Jones Money Market Fund | <60 days | 4,397,479 | 2,890,348 | AAAm |
| | | <u>\$ 4,397,479</u> | <u>\$ 3,223,688</u> | |

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2022 AND 2021

NOTE 2 - CASH DEPOSITS AND INVESTMENTS - CONTINUED

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

| | 2022 | 2021 |
|-------------------|--------------|--------------|
| Noncurrent Assets | | |
| Restricted cash | | |
| Customer deposits | \$ 4,689,999 | \$ 3,136,669 |
| Operation HOPE | 24,221 | 30,349 |
| | \$ 4,714,220 | \$ 3,167,018 |

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

| | 2022 | 2021 |
|-------------------|---------------|---------------|
| Depreciation fund | \$ 12,912,597 | \$ 14,237,597 |
| Contingency fund | 5,673,182 | 6,998,182 |
| | \$ 18,585,779 | \$ 21,235,779 |

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 3 - CAPITAL ASSETS

Components of capital assets include the following for the fiscal years ended March 31, 2022 and 2021:

| | 2022 | | | | Balance at March 31, 2022 |
|--|------------------------------|------------------|------------------|------------------|------------------------------|
| | Balance at March 31, 2021 | Additions | Deletions | Transfers | |
| Capital Assets | | | | | |
| Non depreciable | | | | | |
| Land and land rights | \$ 1,967,784 | \$ - | \$ - | \$ - | \$ 1,967,784 |
| Construction in progress | 1,491,787 | 6,069,053 | - | (149,474) | 7,411,366 |
| Total Nondepreciable | <u>3,459,571</u> | <u>6,069,053</u> | <u>-</u> | <u>(149,474)</u> | <u>9,379,150</u> |
| Depreciable | | | | | |
| Water plant and lines | 54,348,608 | 508,314 | (102,664) | 150,103 | 54,904,361 |
| Sewer plant and lines | 44,238,383 | 146,274 | (60,141) | (629) | 44,323,887 |
| Electrical distribution and transmission lines | 38,490,182 | 760,951 | (168,897) | - | 39,082,236 |
| Office and warehouse buildings | 4,291,466 | 1,214,807 | (965) | - | 5,505,308 |
| Office equipment | 2,182,111 | 190,766 | (514) | - | 2,372,363 |
| Equipment and vehicles | 4,897,731 | 1,156,232 | (266,005) | - | 5,787,958 |
| | <u>148,448,481</u> | <u>3,977,344</u> | <u>(599,186)</u> | <u>149,474</u> | <u>151,976,113</u> |
| Accumulated Depreciation | | | | | |
| Water plant and lines | 45,882,184 | 1,124,850 | (102,664) | - | 46,904,370 |
| Sewer plant and lines | 39,322,873 | 704,943 | (60,141) | - | 39,967,675 |
| Electrical distribution and transmission lines | 32,644,648 | 819,378 | (168,897) | - | 33,295,129 |
| Office and warehouse buildings | 3,276,854 | 82,939 | (965) | - | 3,358,828 |
| Office equipment | 1,803,062 | 157,745 | (514) | - | 1,960,293 |
| Equipment and vehicles | 4,096,267 | 423,118 | (176,787) | - | 4,342,598 |
| | <u>127,025,888</u> | <u>3,312,973</u> | <u>(509,968)</u> | <u>-</u> | <u>129,828,893</u> |
| Total depreciable | <u>21,422,593</u> | | | | <u>22,147,220</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>\$ 24,882,164</u> | | | | <u>\$ 31,526,370</u> |

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 3 - CAPITAL ASSETS - CONTINUED

| | 2021 | | | | Balance at March 31, 2021 |
|--|------------------------------|------------------|--------------------|--------------------|------------------------------|
| | Balance at March 31, 2020 | Additions | Deletions | Transfers | |
| Capital Assets | | | | | |
| Nondepreciable | | | | | |
| Land and land rights | \$ 1,818,465 | \$ 149,319 | \$ - | \$ - | \$ 1,967,784 |
| Construction in progress | 1,810,371 | 1,365,180 | - | (1,683,764) | 1,491,787 |
| Total Nondepreciable | <u>3,628,836</u> | <u>1,514,499</u> | <u>-</u> | <u>(1,683,764)</u> | <u>3,459,571</u> |
| Depreciable | | | | | |
| Water plant and lines | 53,707,376 | 365,185 | (123,359) | 399,406 | 54,348,608 |
| Sewer plant and lines | 42,846,137 | 479,080 | (100,203) | 1,013,369 | 44,238,383 |
| Electrical distribution and transmission lines | 37,563,182 | 999,125 | (343,114) | 270,989 | 38,490,182 |
| Office and warehouse buildings | 3,933,835 | 357,631 | - | - | 4,291,466 |
| Office equipment | 2,117,516 | 146,734 | (82,139) | - | 2,182,111 |
| Equipment and vehicles | 5,178,903 | 100,587 | (381,759) | - | 4,897,731 |
| | <u>145,346,949</u> | <u>2,448,342</u> | <u>(1,030,574)</u> | <u>1,683,764</u> | <u>148,448,481</u> |
| Accumulated Depreciation | | | | | |
| Water plant and lines | 44,920,433 | 1,085,110 | (123,359) | - | 45,882,184 |
| Sewer plant and lines | 38,714,753 | 708,323 | (100,203) | - | 39,322,873 |
| Electrical distribution and transmission lines | 32,221,723 | 765,762 | (342,837) | - | 32,644,648 |
| Office and warehouse buildings | 3,208,061 | 68,793 | - | - | 3,276,854 |
| Office equipment | 1,758,177 | 127,024 | (82,139) | - | 1,803,062 |
| Equipment and vehicles | 4,207,786 | 270,242 | (381,761) | - | 4,096,267 |
| | <u>125,030,933</u> | <u>3,025,254</u> | <u>(1,030,299)</u> | <u>-</u> | <u>127,025,888</u> |
| Total depreciable | <u>20,316,016</u> | | | | <u>21,422,593</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>\$ 23,944,852</u> | | | | <u>\$ 24,882,164</u> |

Depreciation expense was \$3,312,973 and \$3,025,254 for the fiscal years ending March 31, 2022 and 2021, respectively.

NOTE 4 – LONG TERM DEBT

The outstanding balances of the series 2009 and 2015 Combined Utility System Refunding Revenue Bonds were paid in full as of March 31, 2021.

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 a Comprehensive Annual 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.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 5 - PENSION PLAN – CONTINUED

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.

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

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

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

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

Contributions - Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 5 - PENSION PLAN - CONTINUED

Contributions - continued - Additionally, the Board is prohibited from decreasing the SCRS contribution rate until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the System for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the board, effective on the following July 1, may decrease the then current contribution rate upon making a finding that the decrease will not result in a funded ratio of less than 85%. If the contribution rate is decreased pursuant to this provision and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rate until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

Required employee (both Class II and III) contribution rates for the years ended March 31, 2022 and 2021 was 9.00%. Required employer contribution rates for the years ended March 31, 2022 and 2021 were 16.41% and 15.41%, 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.

Contributions to the Plan from the Board were \$1,084,013 and \$952,639, for the years ended March 31, 2022 and 2021, respectively

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At March 31, 2022, the Board reported a net pension liability of \$11,842,994 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, 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, 2021. Based upon this information, the Board's proportion of the collective net pension liability at March 31, 2022 and 2021 was .054724% and .054321%, respectively, an increase of .00040%, since June 30, 2020, the prior measurement date.

For the years ended March 31, 2022 and 2021, the Board recognized pension expense of \$983,043 and \$1,696,999, respectively. At March 31, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 5 - PENSION PLAN - CONTINUED

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

| 2022 | | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 201,732 | \$ (15,984) |
| Changes in assumptions | 648,247 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (1,720,351) |
| Changes in Board's proportion and differences between the Board's contributions and proportionate share of contributions | 536,404 | - |
| Board contributions subsequent to the measurement date | 834,700 | - |
| Total | <u>\$ 2,221,083</u> | <u>\$ (1,736,335)</u> |
| 2021 | | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 160,158 | \$ (52,487) |
| Changes in assumptions | 17,005 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,020,990 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 811,194 | - |
| Board contributions subsequent to the measurement date | 713,238 | - |
| Total | <u>\$ 2,722,585</u> | <u>\$ (52,487)</u> |

\$834,700 reported as deferred outflows of resources related to pensions in 2022, 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, 2023. 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 | |
|------------------------|---------------------|
| 2023 | \$ 293,972 |
| 2024 | 127,116 |
| 2025 | (127,308) |
| 2026 | (643,732) |
| | <u>\$ (349,952)</u> |

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 5 - PENSION PLAN - CONTINUED

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.

The June 30, 2021 total pension liability, net pension liability, and sensitivity information determined by and based on an actuarial valuation performed as of July 1, 2020, 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 2021 legislative session that had a material change in the benefit provisions, however in FY21, the PEBA board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in S.C. State Code.

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. The 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 2021 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.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2022 AND 2021

NOTE 5 - PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued -

| Allocation/Exposure | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-term Expected Portfolio Real Rate of Return |
|----------------------------------|-------------------------|---|--|
| Public Equity | 46% | 6.87% | 3.16% |
| Bonds | 26% | 0.27% | 0.07% |
| Private Equity | 9% | 9.68% | 0.87% |
| Private Debt | 7% | 5.47% | 0.39% |
| Real Assets | | | |
| Real Estate | 9% | 6.01% | 0.54% |
| Infrastructure | 3% | 5.08% | 0.15% |
| Total Expected Return | 100% | | 5.18% |
| Inflation for Actuarial Purposes | | | 2.25% |
| | | | 7.43% |

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. 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:

| | 1% Decrease 6.00% | Discount Rate 7.00% | 1% Increase 8.00% |
|---|----------------------|------------------------|----------------------|
| Board's proportionate share of the collective net pension liability | \$ 15,512,846 | \$ 11,842,994 | \$ 8,792,586 |

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, 2021 (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, 2021. The additional information is publicly available on PEBA's website at www.peba.sc.gov.

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2022 AND 2021

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, 2022 and 2021 was \$893,803 and \$761,533, 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, 2022 and 2021 was \$39,874 and \$39,054, respectively, for the contributions and related income taxes.

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.

During the fiscal year end March 31, 2021, the Board resolved to switch from the single employer plan for OPEB to an agent multiple employer plan. All plan assets were transferred from the Gaffney Board of Public Works Retirement Benefits Trust, a voluntary employee benefits association (VEBA) and into the Public Agencies Post-Retirement Health Care Irrevocable Plan and Trust (PARS), which is a tax-exempt trust under the Internal Revenue Code Section 115. The General Manager of the Board serves as the Plan Administrator as appointed by the Board of Commissioners. With PARS, the Board has its own benefit plan (as disclosed previously) and its own separate agency account for the plan assets, contributions, income and fees. PARS issues annual audited financial statements for the Public Agencies Post-Retirement Health Care Plan Trust available upon request by participating agencies by contacting the Plan Accounting Department or emailing Trust@pars.org.

Plan Membership - Membership in the Plan as of March 31, 2022, was:

| | |
|---|-----|
| Inactive plan members or beneficiaries receiving benefits | 37 |
| Active plan members | 84 |
| Total plan members | 121 |

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2022 AND 2021

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Plan Description - Continued

Contributions - The contribution requirements of plan members and the Board are established and may be amended by the Board of Commissioners, upon majority vote of its members. The Board pays the entire premium for eligible retirees under 65. Medicare retirees (those retirees 65 and over) have their own supplemental health plan that is reimbursed monthly for their health and drug premiums from their supplemental plan by the Board. The Board contributes to the plan on a pay-as-you-go basis based on contractual insurance premiums. The Board also pre-funds future OPEB costs by making separate contributions to PARS, as determined annually by the Board. The Board contributions for the years ended March 31, 2022 and 2021 were \$1,074,139 and \$575,932, respectively that included an implicit subsidy of \$51,065 and \$47,133, respectively. \$750,000 and \$300,000 of the total contributions were set aside in trust for the years ended March 31, 2022 and 2021, respectively.

Net OPEB Liability

The Board's net OPEB liability as of March 31, 2022 and 2021 of \$5,447,610 and \$2,840,799, respectively was measured as of March 31, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability as of March 31, 2022 and 2021 was determined by an actuarial valuation date of March 31, 2020. Update procedures were used to roll forward the total OPEB liability to March 31, 2022.

Actuarial Assumptions and Methods - the total OPEB liability in the March 31, 2020 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 | 2.00% as of March 31, 2022 |
| 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 15 years |
| Participation Rates | It was assumed that 95% of eligible retirees would choose to receive retiree health care plan. |
| Other Information | |
| Notes | The inflation assumption was changed to 2.25% from 2.00% and the demographic and salary increase assumptions were updated to reflect the 2020 SCRS experience study. |

The assets are currently invested in cash and cash equivalents. As a result, the long-term expected rate of return was assumed to equal the long-term inflation assumption of 2.00%

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Net OPEB Liability - Continued

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

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

| 1% Decrease 1.00% | Current Single Discount Rate Assumption 2.00% | 1% Increase 3.00% |
|----------------------|---|----------------------|
| \$ 9,235,716 | \$ 5,447,610 | \$ 2,534,102 |

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

| 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|--------------|---|---------------|
| \$ 1,914,377 | \$ 5,447,610 | \$ 10,312,731 |

Changes in the Net OPEB Liability

| | 2022 | | |
|--|----------------------------|-----------------------------------|--------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance as of March 31, 2021 | \$ 13,688,496 | \$ 10,847,697 | \$ 2,840,799 |
| Changes for the Year | | | |
| Service cost | 581,160 | - | 581,160 |
| Interest on the total OPEB liability | 276,340 | - | 276,340 |
| Changes of benefit terms | 2,167,508 | - | 2,167,508 |
| Difference between expected and actual experience | 17,010 | - | 17,010 |
| Change of assumptions | 501,558 | - | 501,558 |
| Employer contributions | - | 1,074,139 | (1,074,139) |
| Net investment income | - | (109,835) | 109,835 |
| Benefit payments | (324,139) | (324,139) | - |
| Administrative expense | - | (27,539) | 27,539 |
| Net Changes | 3,219,437 | 612,626 | 2,606,811 |
| Balance as of March 31, 2022 | \$ 16,907,933 | \$ 11,460,323 | \$ 5,447,610 |

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

Changes in the Net OPEB Liability - Continued

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

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

For the years ending March 31, 2022 and 2021, the Board recognized OPEB expense of \$2,903,185 and \$2,943,196, respectively. At March 31, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2022 | |
|--|---------------------------------------|--------------------------------------|
| | Deferred Outflow s of Resources | Deferred Inflow s of Resources |
| Differences between expected and actual experience, liability | \$ 450,351 | \$ - |
| Changes in assumptions | 444,142 | (1,244,138) |
| Difference between expected and actual experience, assets | 487,335 | - |
| | <u>\$ 1,381,828</u> | <u>\$ (1,244,138)</u> |

| | 2021 | |
|--|---------------------------------------|--------------------------------------|
| | Deferred Outflow s of Resources | Deferred Inflow s of Resources |
| Differences between expected and actual experience, liability | \$ 520,165 | \$ - |
| Changes in assumptions | - | (1,429,811) |
| Difference between expected and actual experience, assets | 320,636 | - |
| | <u>\$ 840,801</u> | <u>\$ (1,429,811)</u> |

GAFFNEY BOARD OF PUBLIC WORKS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 MARCH 31, 2022 AND 2021

NOTE 7 - POST RETIREMENT HEALTH CARE BENEFITS - CONTINUED

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

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 Outflow s (Inflow s) |
|-------------------------|--------------------------------------|
| 2023 | \$ 125,883 |
| 2024 | 100,190 |
| 2025 | 70,161 |
| 2026 | 25,369 |
| 2027 | (86,032) |
| Thereafter | (97,881) |
| | <u>\$ 137,690</u> |

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.

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.

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

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, 2022 and 2021, the Board paid the City \$667,540 and \$656,795, 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.

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, 2022 and 2021, the Board's purchased power expense from PMPA was \$17,930,803 and \$16,451,427, respectively. Also, the amount included in accrued expenses for accrued purchased power from PMPA at March 31, 2022 and 2021 is \$1,740,114 and \$1,315,887, respectively.

B. Annual Leave/PTO

As described more fully in Note 1, the total amount of PTO accumulated and unused, as of March 31, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---------------------------------|------------|------------|
| Beginning of the year liability | \$ 611,629 | \$ 562,555 |
| Increase | 643,453 | 633,848 |
| Decrease | (658,864) | (584,774) |
| End of year liability | \$ 596,218 | \$ 611,629 |

GAFFNEY BOARD OF PUBLIC WORKS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
MARCH 31, 2022 AND 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 \$4,671,705 and \$0 in outstanding commitments on construction contracts at March 31, 2022 and 2021.

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.

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 EVENTS

On April 1, 2022, the Board acquired Macedonia Water Works, Inc (Macedonia), a non-profit rural water company, by transferring assets and liabilities valued at \$3,318,653. No monetary consideration was made upon transfer, but the Board agreed to make improvements to the Macedonia system in an amount not less than the value of the net assets (as of the transfer date) over a ten (10) year period as necessary to rehabilitate and improve the Macedonia system.

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*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Board's Proportion of the Collective Net Pension Liability | 0.054724% | 0.054321% | 0.051988% | 0.048152% | 0.048002% | 0.047018% | 0.047696% |
| Board's Proportionate Share of the Collective Net Pension Liability | \$ 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 | \$ 6,186,056 | \$ 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 | 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 | 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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorially Required Contributions | \$ 1,084,013 | \$ 952,639 | \$ 917,745 | \$ 755,374 | \$ 646,947 | \$ 548,177 | \$ 495,887 |
| Contributions in Relation to the Statutorially Required Contributions | 1,084,013 | 952,639 | 917,745 | 755,374 | 646,947 | 548,177 | 495,887 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Board's Covered Payroll | \$ 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 | 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

| | 2022 | 2021 | 2020 | 2019 |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 581,160 | \$ 410,924 | \$ 351,873 | \$ 351,643 |
| Interest on the total OPEB liability | 276,340 | 272,844 | 264,515 | 248,566 |
| Changes in benefit terms | 2,167,508 | 2,531,827 | - | - |
| Difference between expected and actual experience | 17,010 | 290,532 | 55 | 417,684 |
| Changes in assumptions | 501,558 | (1,600,586) | - | (19,788) |
| Benefit payments, including refunds Of employee contributions | (324,139) | (275,932) | (275,721) | (302,952) |
| Net Change in Total OPEB Liability | 3,219,437 | 1,629,609 | 340,722 | 695,153 |
| Total OPEB Liability - Beginning | 13,688,496 | 12,058,887 | 11,718,165 | 11,023,012 |
| Total OPEB Liability - Ending (a) | <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 | \$ 1,074,139 | \$ 575,932 | \$ 725,721 | \$ 602,952 |
| OPEB plan net investment income | (109,835) | 16,553 | 80,367 | 91,710 |
| Benefit payments | (324,139) | (275,932) | (275,721) | (302,952) |
| OPEB plan administrative expense | (27,539) | (15,518) | (7,500) | (7,500) |
| Net Change in Plan Fiduciary Net Position | 612,626 | 301,035 | 522,867 | 384,210 |
| Plan Fiduciary Net Position - Beginning | 10,847,697 | 10,546,662 | 10,023,795 | 9,639,585 |
| Plan Fiduciary Net Position - Ending (b) | <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>\$ 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 | 67.78% | 79.25% | 87.46% | 85.54% |
| Covered-Employee Payroll | \$ 7,420,552 | \$ 7,192,354 | \$ 6,361,614 | \$ 5,865,106 |
| Net OPEB Liability as a Percentage of Covered-Employee Payroll | 73.41% | 39.50% | 23.77% | 28.89% |

Notes to Schedule:

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>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Contractually Required Contributions | \$ 273,074 | \$ 228,798 | \$ 229,575 | \$ 252,250 |
| Contributions in Relation to the Contractually Required Contributions | <u>1,074,139</u> | <u>575,932</u> | <u>725,721</u> | <u>602,952</u> |
| Contribution Deficiency (Excess) | <u>\$ (801,065)</u> | <u>\$ (347,134)</u> | <u>\$ (496,146)</u> | <u>\$ (350,702)</u> |
| Board's Covered-Employee Payroll | \$ 7,420,552 | \$ 7,192,354 | \$ 6,361,614 | \$ 5,865,106 |
| Contributions as a Percentage of Covered-Employee Payroll | 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 - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Operating Revenues | | |
| Water sales | \$ 6,572,879 | \$ 6,430,324 |
| Other | 532,549 | 537,190 |
| Total Operating Revenues | <u>7,105,428</u> | <u>6,967,514</u> |
| Operating Expenses - Excluding Depreciation | | |
| Plant | | |
| Salaries and related payroll expenses | 1,610,420 | 1,767,806 |
| Uniforms | 3,116 | 10,838 |
| Training and schools | 2,283 | 870 |
| Professional fees | 49,544 | 36,956 |
| Postage | 900 | 829 |
| Telephone | 4,508 | 4,210 |
| Insurance | 46,362 | 39,878 |
| Vehicle expense | 3,448 | 2,039 |
| Equipment maintenance and operation | 154,067 | 258,987 |
| Building and grounds maintenance | 13,587 | 24,774 |
| Materials and supplies | 33,123 | 50,933 |
| Chemicals | 532,639 | 315,680 |
| Other expenses | 398 | 254 |
| Landfill disposal | - | 28,391 |
| Bad debts - net | 8,629 | 31,313 |
| Lab expense | 73,173 | 57,085 |
| Public relations | - | 25 |
| Contract services | 86,379 | 83,870 |
| Other post-employment benefits | 773,773 | 761,946 |
| Utilities | 786,024 | 681,178 |
| | <u>4,182,373</u> | <u>4,157,862</u> |
| Maintenance | | |
| Salaries and related payroll expenses | 1,374,721 | 1,134,205 |
| Uniforms | 3,392 | 11,740 |
| Training and schools | 1,574 | 1,625 |
| Professional fees | 36,686 | 63,428 |
| Telephone | 5,590 | 2,838 |
| Insurance | 28,869 | 31,777 |
| Vehicle expense | 33,306 | 23,885 |
| Equipment maintenance and operation | 85,817 | 71,429 |
| Building and grounds maintenance | 175 | 998 |
| Materials and supplies | 392,150 | 387,573 |
| Other expenses | 38 | 17 |
| Public relations | - | 25 |
| Utilities | 8,161 | 8,954 |
| Computer processing | 207 | 212 |
| Scholarship program | 2,000 | 1,658 |
| | <u>1,972,686</u> | <u>1,740,364</u> |
| Costs allocated to other departments | <u>(225,286)</u> | <u>(211,363)</u> |
| Total Operating Expenses - Excluding Depreciation | 5,929,773 | 5,686,863 |

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WATER DEPARTMENT OPERATIONS - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------------|-----------------------|
| Depreciation | | |
| Plant depreciation | 1,175,501 | 1,120,172 |
| Maintenance depreciation | 153,317 | 47,589 |
| | <u>1,328,818</u> | <u>1,167,761</u> |
| Total Operating Expenses | <u>7,258,591</u> | <u>6,854,624</u> |
| Operating Income (Loss) | <u>\$ (153,163)</u> | <u>\$ 112,890</u> |

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF SEWER DEPARTMENT OPERATIONS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Operating Revenues | | |
| Sewer | \$ 5,620,027 | \$ 5,653,166 |
| Other | 53,934 | 164,382 |
| Total Operating Revenues | <u>5,673,961</u> | <u>5,817,548</u> |
| Operating Expenses - Excluding Depreciation | | |
| Plant | | |
| Salaries and related payroll expenses | 1,632,980 | 1,518,364 |
| Uniforms | 3,222 | 6,428 |
| Training and schools | 3,815 | - |
| Professional fees | 95,132 | 13,047 |
| Postage | - | - |
| Telephone | 5,456 | 4,500 |
| Insurance | 44,481 | 37,274 |
| Vehicle expense | 12,727 | 8,080 |
| Equipment maintenance and operation | 145,440 | 161,176 |
| Building and grounds maintenance | 1,241 | 7,524 |
| Materials and supplies | 43,307 | 29,035 |
| Chemicals | 83,044 | 110,544 |
| Other expenses | 67 | 68 |
| Bad debts - net | 3,769 | (4,205) |
| Lab expense | 51,664 | 51,818 |
| Landfill disposal costs | 258,013 | 141,426 |
| Other post-employment benefits | 512,519 | 419,899 |
| Utilities | 1,007,778 | 1,071,320 |
| | <u>3,904,655</u> | <u>3,576,298</u> |
| Maintenance | | |
| Salaries and related payroll expenses | 783,514 | 664,995 |
| Uniforms | 1,491 | 5,701 |
| Professional fees | 9,745 | 8,068 |
| Telephone | 5,620 | 2,838 |
| Insurance | 28,989 | 29,909 |
| Vehicle expense | 13,221 | 7,384 |
| Equipment maintenance and operation | 29,448 | 70,463 |
| Building and grounds maintenance | 3,385 | 95 |
| Materials and supplies | 24,286 | 50,721 |
| Other expenses | 38 | - |
| Public relations | - | 25 |
| Utilities | 7,481 | 8,208 |
| Computer processing | 206 | 150 |
| Scholarship program | 2,000 | 1,658 |
| | <u>909,424</u> | <u>850,215</u> |
| Costs allocated to other departments | <u>(212,865)</u> | <u>(221,605)</u> |
| Total Operating Expenses - Excluding Depreciation | 4,601,214 | 4,204,908 |
| Depreciation | | |
| Plant depreciation | 721,930 | 753,321 |
| Maintenance depreciation | 192,952 | 63,568 |
| | <u>914,882</u> | <u>816,889</u> |
| Total Operating Expenses | <u>5,516,096</u> | <u>5,021,797</u> |
| Operating Income | <u>\$ 157,865</u> | <u>\$ 795,751</u> |

GAFFNEY BOARD OF PUBLIC WORKS
SCHEDULES OF ELECTRICAL DEPARTMENT OPERATIONS - PROPRIETARY FUND
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Electric sales | \$ 23,683,225 | \$ 23,349,468 |
| Other | 754,744 | 1,004,372 |
| Total Operating Revenues | <u>24,437,969</u> | <u>24,353,840</u> |
| Operating Expenses - Excluding Depreciation | | |
| Power purchased | 18,515,843 | 17,059,953 |
| Line expenses | | |
| Salaries and related payroll expenses | 2,569,406 | 2,647,313 |
| Uniforms | 6,822 | 34,143 |
| Training and schools | 4,352 | 5,284 |
| Professional fees | 84,424 | 72,436 |
| Telephone | 11,178 | 8,238 |
| Insurance | 101,463 | 77,469 |
| Vehicle expense | 60,043 | 75,405 |
| Equipment maintenance and operation | 124,511 | 81,142 |
| Building and grounds maintenance | 1,951 | 1,629 |
| Materials and supplies | 336,773 | 240,503 |
| Other expenses | 680 | 539 |
| Bad debts - net | 10,222 | (8,331) |
| Public relations | - | 100 |
| Contract services | 113,140 | 142,898 |
| Other post-employment benefits | 903,322 | 894,897 |
| Utilities | 30,740 | 29,731 |
| Scholarship program | - | 2,516 |
| Computer processing | 413 | 20,431 |
| | <u>22,875,283</u> | <u>21,386,296</u> |
| Costs allocated to other departments | <u>(1,426,509)</u> | <u>(1,392,951)</u> |
| Total Operating Expenses - Excluding Depreciation | 21,448,774 | 19,993,345 |
| Depreciation | | |
| Line Depreciation | <u>949,999</u> | <u>934,469</u> |
| Total Operating Expenses | <u>22,398,773</u> | <u>20,927,814</u> |
| Operating Income | <u>\$ 2,039,196</u> | <u>\$ 3,426,026</u> |

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY, ADMINISTRATIVE AND SERVICE
 DEPARTMENT EXPENSES - PROPRIETARY FUND
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | 2022 | 2021 |
|---------------------------------------|------------------|------------------|
| Warehouse | | |
| Salaries and related payroll expenses | \$ 662,537 | \$ 649,322 |
| Uniforms | 400 | 2,840 |
| Professional fees | 4,331 | 3,318 |
| Postage | 1,282 | 2,276 |
| Telephone | 1,477 | 1,549 |
| Insurance | 13,437 | 10,520 |
| Vehicle expense | 1,891 | 1,890 |
| Equipment maintenance and operation | 8,566 | 3,897 |
| Building and grounds maintenance | 755 | 1,605 |
| Materials and supplies | 13,489 | 10,708 |
| Other post-employment benefits | 43,272 | 54,052 |
| Utilities | 17,683 | 19,400 |
| | <u>769,120</u> | <u>761,377</u> |
| Clinic/Safety | | |
| Salaries and related payroll expenses | 293,376 | 296,282 |
| Professional fees | 13,517 | 13,908 |
| Telephone | 1,435 | 975 |
| Insurance | 411 | 724 |
| Materials and supplies | 43,258 | 30,787 |
| Utilities | 3,401 | 3,731 |
| Claims reimbursements | (117,235) | (69,183) |
| | <u>238,163</u> | <u>277,224</u> |
| Administrative | | |
| Salaries and related payroll expenses | 2,862,504 | 3,246,692 |
| Uniforms | 5,412 | 3,825 |
| Training and schools | 27,841 | (3,346) |
| Professional fees | 173,612 | 122,497 |
| Public relations | 91,793 | 73,213 |
| Postage | 1,729 | 2,247 |
| Telephone | 24,235 | 20,449 |
| Insurance | 31,319 | 17,358 |
| Vehicle expense | 970 | 446 |
| Equipment maintenance and operation | 5,462 | 2,478 |
| Building and grounds maintenance | 23,162 | 73,711 |
| Materials and supplies | 121,869 | 132,671 |
| Other expenses | 125,119 | 105,760 |
| Computer processing | 199,225 | 180,655 |
| Other post-employment benefits | 670,299 | 812,402 |
| Utilities | 32,741 | 34,112 |
| Scholarship program | 12,000 | 12,000 |
| | <u>4,409,292</u> | <u>4,837,170</u> |

GAFFNEY BOARD OF PUBLIC WORKS
 SCHEDULES OF WAREHOUSE, CLINIC/SAFETY, ADMINISTRATIVE AND SERVICE
 DEPARTMENT EXPENSES - PROPRIETARY FUND - CONTINUED
 FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Service | | |
| Salaries and related payroll expenses | 621,457 | 541,511 |
| Uniforms | 785 | 7,648 |
| Telephone | 4,916 | 4,408 |
| Vehicle expense | 13,175 | 10,214 |
| Materials and supplies | 4,857 | 1,666 |
| | <u>645,190</u> | <u>565,447</u> |
| | | |
| Total Warehouse, Clinic/Safety, Administrative and Service Expenses - Excluding Depreciation | <u>6,061,765</u> | <u>6,441,218</u> |
| | | |
| Depreciation | | |
| Warehouse depreciation | 27,880 | 21,921 |
| Clinic depreciation | 321 | 250 |
| Administration depreciation | 91,073 | 83,964 |
| | <u>119,274</u> | <u>106,135</u> |
| | | |
| Total Warehouse, Clinic/Safety, Service and Administrative Expenses | <u>\$ 6,181,039</u> | <u>\$ 6,547,353</u> |