GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2026 AND 2025

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

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YEARS ENDED MARCH 31, 2026 AND 2025

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

PRINCIPAL OFFICIALS

BOARD OF COMMISSIONERS

Donald E. Lester, Jr, Chairman
Roger Harris, Chairman Emeritus
James Kelly, Treasurer
Meredith McKey, Secretary
David Dorman
Tracy McDaniel
Jeff Stocks

General Manager

Steve Bratton

FINANCIAL SECTION

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Greene Finney Cauley, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Gaffney Board of Public Works, Gaffney, South Carolina (the "Board"), as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of March 31, 2026, and the changes in financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Gaffney Board of Public Works as of March 31, 2025, were audited by other auditors whose report dated July 30, 2025, expressed an unmodified opinion on those statements.

Correction of an Error

As discussed in Note III.H in the notes to the financial statements, the Board discovered that in the financial statements for the year ended March 31, 2025, the gain on the Town of Blacksburg sewer system transfer agreement was reported as contributed capital but should have been reported as a special item. The Board corrected this error in the March 31, 2025 financial statements by reclassifying the gain from contributed capital to a special item on the Statements of Revenues, Expenses, and Changes in Net Position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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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 the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 the Board's 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 the Board's 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, the other postemployment benefits plan schedule of changes in the Board's net other postemployment benefits liability (asset) and related ratios, and the pension plan schedules of the Board's proportionate share of the 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2026 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 25, 2026

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GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2026 AND 2025

This section represents management's analysis of the Gaffney Board of Public Works' (the "Board") financial condition and activities for the years ended March 31, 2026 and 2025 and includes comparisons of the fiscal years 2026 ("FY 2026" or "2026"), 2025 ("FY 2025" or "2025") and 2024 ("FY 2024" or "2024") information. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

During FY 2026, water and sewer department revenues increased from FY 2025, and electric department revenues decreased slightly from FY 2025. 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 2026 and FY 2025.

Total assets and deferred outflows of resources for FY 2026 were approximately $145,232,000 and exceeded liabilities and deferred inflows of resources by approximately $109,907,000. Of the total net position at March 31, 2026, approximately $8,539,000 was unrestricted. Total assets and deferred outflows of resources for FY 2025 were approximately $122,122,000 and exceeded liabilities and deferred inflows of resources by $83,904,000. Of the total net position at March 31, 2025, approximately $9,362,000 was unrestricted.

The Board had an outstanding notes payable balance of approximately $67,000 at the end of FY 2026 for the upfront acquisition cost of the Town of Blacksburg's wastewater (sewer) system. The outstanding balance at the end of FY 2025 was approximately $133,000.

For FY 2026, the Board sold approximately 227 million kwh of electricity and 1.97 billion gallons of potable water and treated 1.04 billion gallons of wastewater (sewer). This compares to 232 million kwh of electricity, 1.89 billion gallons of potable water, and 1.01 billion gallons of wastewater (sewer) in FY 2025.

Operating revenues for FY 2026 were approximately $47,351,000 as compared to approximately $44,950,000 for FY 2025.

Operating expenses for FY 2026 were $45,497,000 as compared to approximately $46,965,000 for FY 2025. Management and staff are continually evaluating operations to control and/or reduce costs and improve efficiency.

Investment income decreased over the prior year. Investment income for FY 2026 totaled approximately $375,000 compared to approximately $534,000 for FY 2025.

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 2026 was approximately $798,000 compared to approximately $804,000 for FY 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") serves as an introduction to, and should be read in conjunction with, the basic 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

In addition to the basic financial statements and accompanying notes, this report also presents certain ***Required Supplementary Information*** concerning the Board's proportionate share of the collective net pension liability and contributions to the retirement system, as well as the schedule of changes in the net other postemployment benefits ("OPEB") liability (asset) and related ratios. ***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 Statements of Net Position

	March 31, 2026	2025 *	2024 *
Current and Other Assets	$ 38,093,657	38,179,779	$ 37,170,711
Capital Assets, Net	103,637,713	80,395,022	44,708,665
Total Assets	141,731,370	118,574,801	81,879,376
Total Deferred Outflows of Resources	3,500,253	3,546,820	3,068,867
Current Liabilities	16,769,766	17,775,663	11,839,604
Noncurrent Liabilities	12,180,071	13,548,037	14,527,032
Total Liabilities	28,949,837	31,323,700	26,366,636
Total Deferred Inflows of Resources	6,374,613	6,893,765	6,500,354
Net Investment in Capital Assets	100,292,179	74,541,898	42,520,674
Restricted	1,076,023	-	-
Unrestricted	8,538,971	9,362,258	9,560,579
Total Net Position	$ 109,907,173	83,904,156	$ 52,081,253

* Certain balances have been reclassified to conform to current year presentation.

Total assets were approximately $141,731,000 at March 31, 2026, an increase of approximately $23,156,000 compared to the prior year end, which was primarily attributable to ongoing capital projects financed with capital grants. Total assets were approximately $118,575,000 at March 31, 2025, an increase of approximately $36,695,000 compared to the prior year end, which was primarily attributable to ongoing capital projects financed with capital grants.

Total liabilities were approximately $28,950,000 at March 31, 2026, a decrease of approximately $2,374,000 compared to the prior year, which was primarily due to a decrease in accounts payable and a decrease in the Board's net pension liability. Total liabilities were approximately $31,324,000 at March 31, 2025, an increase of approximately $4,957,000 compared to the prior year, which was primarily due to an increase in construction payables, partially offset by a decrease in the Board's net OPEB liability.

Net position of approximately $109,907,000 at March 31, 2026 increased approximately $26,003,000 or 31% in the current year. The net position increase in 2026 was primarily attributable to an increase in net investment in capital assets of approximately $25,750,000 (due to ongoing capital projects) and an increase in restricted net position of approximately $1,076,000 (due to the collection of impact fees in 2026). Net position of approximately $83,904,000 at March 31, 2025 increased approximately $31,823,000 or 61%. The net position increase in 2025 primarily attributable to an increase in net investment in capital assets of approximately $32,021,000 (due to ongoing capital projects).

FINANCIAL ANALYSIS (CONTINUED)

The Board's unrestricted net position was approximately $8,539,000 at March 31, 2026 (which was approximately 19% of total operating expenses) and may be used to meet the government's ongoing obligations to citizens and creditors. At March 31, 2025, the Board's unrestricted net position was approximately $9,362,000 (which was approximately 20% of total operating expenses).

The following table shows the changes in the Board's net position for FY 2026, FY 2025, and FY 2024:

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

	Year Ended March 31,		
	2026	**2025 ***	**2024**
Operating Revenues:			
Water Department	$ 10,161,621	8,697,228	$ 8,447,837
Sewer Department	7,587,975	6,501,191	6,303,090
Electrical Department	29,601,640	29,751,226	29,081,554
Total Operating Revenues	47,351,236	44,949,645	43,832,481
Operating Expenses:			
Water Department	6,798,984	6,430,503	6,703,589
Sewer Department	5,436,143	5,639,719	5,445,848
Electrical Department	22,509,246	23,086,727	22,509,091
Warehouse, Clinic, Administrative and Service Departments	7,080,447	7,988,560	6,821,442
Depreciation Expense	3,671,783	3,819,582	4,004,634
Total Operating Expenses	45,496,603	46,965,091	45,484,604
Operating Income	1,854,633	(2,015,446)	(1,652,123)
Non-Operating Revenues (Expenses)	1,247,931	642,293	639,440
Income (Loss) Before Capital Contributions and Special Item	3,102,564	(1,373,153)	(1,012,683)
Capital Contributions	22,900,453	31,197,135	3,710,184
Special Item - Sewer System Transfer	-	1,998,921	-
Change in Net Position	26,003,017	31,822,903	2,697,501
Net position, Beginning of Year	83,904,156	52,081,253	49,383,752
Net position, End of Year	$ 109,907,173	83,904,156	$ 52,081,253

* Certain balances have been restated. See Note III.H in the Notes to the Financial Statements for details.

Total operating revenues in 2026 were approximately $47,351,000, an increase of approximately $2,402,000 compared to 2025, primarily due to growth in customer base and water and sewer rate increases for 2026. Total operating revenues in 2025 were approximately $44,950,000, an increase of approximately $1,117,000 compared to 2024 primarily due to an increase in customers.

GENERAL TRENDS AND SIGNIFICANT EVENTS

In FY 2026 the overall number of electric, water, and sewer accounts increased. Electric service accounts increased overall by 16; water service accounts increased by 77; and sewer accounts increased by 94.

GENERAL TRENDS AND SIGNIFICANT EVENTS (CONTINUED)

The Board had 227 million kwh electrical sales for FY 2026 and 232 million kwh electrical sales for FY 2025, for a total decrease of 2.2% in electrical sales. In FY 2026 and FY 2025, Brown Packing was the largest electric customer, accounting for 10.5% and 9.7% of total electric usage, respectively.

The volume of water sold in FY 2026 was approximately 1.97 billion gallons compared to 1.89 billion gallons sold in FY 2025, netting an increase in sales of 4.2%. Industrial water customer sales accounted for approximately 33% and 31% of the total usage for FY 2026 and 2025, respectively. During FY 2026 Cherokee Cogeneration was the Board's largest water customer, accounting for 10.7% of sales. In FY 2025, Nestle was the Board's largest water customer accounting for 9.5% of total water usage. Water districts (wholesale water sales) accounted for approximately 23% of total water usage for both FY 2026 and 2025. The City of Blacksburg was the largest wholesale customer for the Board in FY 2026 and 2025.

The volume of sewer billed in FY 2026 was 1.04 billion gallons compared to 1.01 billion gallons in FY 2025 an increase of 3.0%. In both FY 2026 and FY 2025, Nestle was the largest wastewater customer, accounting for 17.9% and 14.9% of total wastewater usage, respectively.

RESULTS FROM OPERATIONS

Operating Revenues

Revenues from operations fall into three categories: electric service, water service and wastewater service. The ancillary charges such as 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 2026 was $130.40 per thousand kwh delivered compared to $128.24 and $124.81 in FY 2025 and FY 2024, respectively. The average realized rate from water sales in FY 2026 was $5.17 per thousand gallons compared to $4.60 and $4.42 in FY 2025 and FY 2024, respectively. The average realized rate from wastewater treatment in FY 2026 was $7.30 per thousand gallons treated compared to $6.44 and $6.18 in FY 2025 and FY 2024, 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.

RESULTS FROM OPERATIONS (CONTINUED)

Operating Expenses (Continued)

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

Operating Expenses by Department
(Amounts in Thousands)

	Year Ended March 31,		
	2026	2025	2024
Water Operating Expenses:			
Total	$ 8,440	7,978	$ 8,365
Excluding Depreciation	6,799	6,431	6,704
Sewer Operating Expenses:			
Total	6,622	6,910	6,666
Excluding Depreciation	5,436	5,640	5,446
Electrical Operating Expenses:			
Total	23,197	23,911	23,499
Excluding Depreciation	$ 22,509	23,087	$ 22,509

The average electric operating cost per thousand kwh delivered was $102.38 in FY 2026 versus $103.86 and $100.85 in FY 2025 and FY 2024, respectively. The average water operating cost per thousand gallons consumed was $4.29 in FY 2026 versus $4.22 and $4.38 in FY 2025 and FY 2024, respectively. The wastewater operating cost per thousand gallons treated was $6.34 in FY 2026 versus $6.84 and $6.54 in FY 2025 and FY 2024, 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 2026, the total capital contributions were approximately $22,900,000; the following contributions and grants make up that amount:

- $4,732,000 in capital contributions for RIA-SCIIP for water main replacements on Sarratt School Road, an elevated storage tank, and a new pump station.
- $14,126,000 in capital contributions for RIA-SCIIP grants for Project Gateway for a new sewer line along the I-85 corridor.
- $532,000 in capital contributions from a fully forgiven State Revolving Fund Loan for funding PFAS remediation.
- $252,000 in capital contributions from a Santee Cooper grant for electric grid resilience.
- $1,094,000 in water and wastewater line extensions for subdivision and commercial expansions.
- $1,273,000 for impact fees collected.
- The remaining $891,000 in contributed assets was made up of electric transformers in new subdivisions and other developments; water, sewer and electric tap charges; and other miscellaneous developer funds.

RESULTS FROM OPERATIONS (CONTINUED)

Capital Contributions and Grants (Continued)

During FY 2025, the total capital contributions were approximately $31,197,000; the following contributions and grants make up that amount:

- $467,000 for electric transformers in new subdivisions and other developments.
- $547,000 in water line extension for subdivision and commercial expansions.
- $2,590,000 in capital contributions for an RIA-SCIIP grant for a new pump station.
- $25,071,000 for Project Gateway for a new sewer line along the I-85 corridor.
- $1,706,000 in wastewater line extensions for subdivision and commercial expansions.
- $100,000 from the Cherokee County Development Board for engineering on taking wastewater to a large parcel on Northgate Rd.
- The remaining $716,000 in contributed assets was made up of water, sewer and electric tap charges and other miscellaneous developer funds.

Cash Flow Activity

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

	Year Ended March 31,		
	2026	2025 *	2024
Total Operating Revenues	$ 47,351,236	44,949,645	$ 43,832,481
Net Cash Provided by Operations	$ 3,116,043	332,305	$ 1,329,173
Net Operating Cash as a Percentage of Operating Revenues	6.58%	0.74%	3.03%

* Certain balances have been reclassified to conform to current year presentation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2026, 2025, and 2024, the Board had approximately $103,638,000, $80,395,000, and $44,709,000 in net capital assets, respectively. The following table shows capital asset balances as of March 31, 2026, 2025, and 2024:

Capital Assets, Net

	March 31, 2026	March 31, 2025	March 31, 2024
Land	$ 2,123,609	2,123,609	$ 2,046,084
Construction in Progress	59,450,888	39,288,995	7,582,542
Transmission, Distribution, and Treatment Facilities	166,370,934	163,656,827	157,389,819
Office and Warehouse Buildings	7,246,306	7,203,840	6,518,158
Equipment and Vehicles	8,362,468	8,149,750	8,007,103
	243,554,205	220,423,021	181,543,706
Less: Accumulated Depreciation	(139,916,492)	(140,027,999)	(136,835,041)
Total	$ 103,637,713	80,395,022	$ 44,708,665

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

In FY 2026, the significant capital activity included:

- $20,172,000 in construction in progress additions
- $3,681,000 in water plant and line additions
- $1,212,000 in sewer plant and line additions
- $1,474,000 in electrical distribution and transmission line additions
- $3,672,000 in depreciation expense

In FY 2025, the significant capital activity included:

- $32,025,000 in construction in progress additions
- $915,000 in water plant and line additions
- $4,376,000 in sewer plant and line additions
- $1,369,000 in electrical distribution and transmission line additions
- $3,820,000 in depreciation expense

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

Debt Administration

The Board had outstanding notes payable of approximately $67,000 as of March 31, 2026 and approximately $133,000 as of March 31, 2025.

See Note II.F in the accompanying notes to the financial statements for additional discussion of long-term obligations.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

As is the case with most of South Carolina, Cherokee County is seeing significant amounts of growth already underway and more on the horizon. Currently, there are subdivisions under construction that will consist of over 1,500 homes, while others have been approved and are in various stages of design and development. While power sales decreased slightly, both water sales and wastewater processing were up from the prior year. Beginning in FY 2026, the Board introduced new goals and operational changes to better control overall operating costs, as reflected in current financial results.

The positive net income at year end reflects the Board's commitment to controlling costs and a slight increase in base charges in both water and sewer across residential, commercial, and industrial customer categories.

Beginning FY 2027, a new industrial customer is coming online that will increase the Board's electric sales by over 30% once fully operational. Additionally, a new industrial wastewater customer in the Blacksburg area has been announced that will become one of the Board's largest sewer customers once fully online.

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 the General Manager, Gaffney Board of Public Works, PO Box 64, Gaffney, SC 29342 or by phone at (864) 488-8800.

Basic Financial Statements

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

STATEMENTS OF NET POSITION

MARCH 31, 2026 AND 2025

	ENTERPRISE FUND	
	2026	**2025 (Restated)**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 14,938,474	$ 14,260,467
Restricted Cash and Cash Equivalents	4,957,841	3,765,099
Investments	2,057,137	1,996,747
Accounts Receivable, Net	3,569,735	3,122,239
Grant Receivables	2,924,242	2,239,343
Other Receivables	2,268,582	2,241,786
Inventory	4,214,675	6,205,012
Prepaid Expenses	447,303	192,666
Current Portion of Lease Receivable	93,122	91,248
Total Current Assets	35,471,111	34,114,607
Noncurrent Assets:		
Investments	441,581	2,281,963
Lease Receivable, Less Current Portion	1,690,087	1,783,209
Capital Assets, Non-Depreciable	61,574,497	41,412,604
Capital Assets, Depreciable, Net	42,063,216	38,982,418
Net Other Postemployment Benefit Asset	490,878	-
Total Noncurrent Assets	106,260,259	84,460,194
TOTAL ASSETS	141,731,370	118,574,801
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	1,987,017	2,034,084
Deferred Other Postemployment Benefit Charges	1,513,236	1,512,736
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,500,253	3,546,820
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,479,440	4,053,088
Accrued Salaries and Benefits	919,056	801,318
Accrued Compensated Absences	889,960	907,282
Accrued Expenses	2,493,840	2,487,652
Retainage Payable	3,249,992	3,280,145
Customer Deposits	3,881,818	3,765,099
Advanced Tapping Fees	2,788,994	2,414,412
Current Portion of Note Payable	66,666	66,667
Total Current Liabilities	16,769,766	17,775,663
Noncurrent Liabilities:		
Net Pension Liability	12,180,071	13,349,749
Net Other Postemployment Benefit Liability	-	131,622
Note Payable, Less Current Portion	-	66,666
Total Noncurrent Liabilities	12,180,071	13,548,037
TOTAL LIABILITIES	28,949,837	31,323,700
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	899,421	588,782
Deferred Other Postemployment Benefit Credits	3,892,106	4,609,031
Deferred Lease Revenue	1,583,086	1,695,952
TOTAL DEFERRED INFLOWS OF RESOURCES	6,374,613	6,893,765
NET POSITION		
Net Investment in Capital Assets	100,292,179	74,541,898
Restricted for Capital Projects	1,076,023	-
Unrestricted	8,538,971	9,362,258
TOTAL NET POSITION	$ 109,907,173	$ 83,904,156

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2026 AND 2025

	ENTERPRISE FUND	
	2026	2025 (Restated)
OPERATING REVENUES		
Water	$ 10,161,621	$ 8,697,228
Sewer	7,587,975	6,501,191
Electric	29,601,640	29,751,226
TOTAL OPERATING REVENUES	47,351,236	44,949,645
OPERATING EXPENSES		
Water	6,798,984	6,430,503
Sewer	5,436,143	5,639,719
Electric	22,509,246	23,086,727
Warehouse, Clinic, Administrative and Service Departments	7,080,447	7,988,560
Depreciation Expense	3,671,783	3,819,582
TOTAL OPERATING EXPENSES	45,496,603	46,965,091
OPERATING INCOME (LOSS)	**1,854,633**	**(2,015,446)**
NON-OPERATING REVENUES (EXPENSES)		
Federal Grants	510,955	-
State Grants	166,107	-
Investment Income	375,259	534,385
Lease Revenue	112,866	112,866
Gain (Loss) on Disposal of Assets	82,744	(4,958)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,247,931	642,293
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM	3,102,564	(1,373,153)
Capital Contributions - Capital Grants	19,641,961	27,660,477
Capital Contributions - Donated Assets	1,093,730	2,065,886
Capital Contributions - Impact Fees	1,273,500	-
Capital Contributions - Tap Fees	668,034	716,707
Capital Contributions - Other	223,228	754,065
Special Item - Sewer System Transfer	-	1,998,921
CHANGES IN NET POSITION	26,003,017	31,822,903
NET POSITION, BEGINNING OF YEAR	83,904,156	52,081,253
NET POSITION, END OF YEAR	$ 109,907,173	$ 83,904,156

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2026 AND 2025

	ENTERPRISE FUND	
	2026	2025 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Charges for Fees and Services	$ 47,368,246	$ 45,356,304
Payments for Goods and Services	(27,046,493)	(27,466,048)
Payments to Employees for Personal Services	(17,205,710)	(17,557,951)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,116,043	332,305
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Storm Recovery Costs	677,062	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	677,062	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(25,336,171)	(31,948,277)
Proceeds from the Disposal of Capital Assets	112,161	-
Capital Contributions Received	21,121,824	29,131,249
Principal Paid on Notes Payable	(66,667)	(66,667)
Lease Revenue	91,248	86,928
Interest Received on Leases	33,869	35,362
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(4,043,736)	(2,761,405)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends Received on Investments	354,380	464,029
Proceeds from the Sale of Investments	1,992,000	4,647,000
Purchase of Investments	(225,000)	(3,206,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,121,380	1,905,029
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,870,749	(524,071)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,025,566	18,549,637
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,896,315	$ 18,025,566
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 1,854,633	$ (2,015,446)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,671,783	3,819,582
(Increase) Decrease in Assets and Deferred Outflows of Resources Related to Operating Activities:		
Accounts and Other Receivables	(474,291)	(364,483)
Inventories	1,990,338	(2,865,075)
Prepaid Expenses	(254,637)	198,527
Net Other Postemployment Benefit Asset	(490,878)	-
Deferred Pension Charges	47,067	(272,373)
Deferred Other Postemployment Benefit Charges	(500)	(205,580)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources Related to Operating Activities:		
Accounts Payable	(2,117,791)	1,325,690
Accrued Salaries and Benefits	117,738	139,902
Accrued Compensated Absences	(17,322)	56,930
Accrued Expenses	6,188	36,252
Customer Deposits	116,719	246,621
Advanced Tapping Fees	374,582	771,142
Net Pension Liability	(1,169,678)	(241,568)
Net Other Postemployment Benefit Liability	(131,622)	(804,093)
Deferred Pension Credits	310,639	440,169
Deferred Other Postemployment Benefit Credits	(716,925)	66,108
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,116,043	$ 332,305
CASH AND CASH EQUIVALENTS:		
Cash and Cash Equivalents	$ 14,938,474	$ 14,260,467
Restricted Cash and Cash Equivalents	4,957,841	3,765,099
	$ 19,896,315	$ 18,025,566
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Change in Acquisitions of Capital Assets Not Yet Paid For	$ 513,990	$ 3,292,855
Donated Assets	1,093,730	2,065,886
Unrealized Gain (Loss) on Investments	(12,990)	34,994
Capital Assets Acquired in Sewer System Transfer Agreement	-	2,198,921
Note Payable - Blacksburg Sewer Transfer	$ -	$ 200,000

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

The Gaffney Board of Public Works ("Board") 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 seven-member Board of Commissioners.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

As required by GAAP, the financial statements present the Board's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Board both appoints a voting majority of the entity's governing body, and either 1) the Board is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Board. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Board and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens, on the Board.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Board having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Board; and (c) issue bonded debt without approval by the Board. An entity has a financial benefit or burden relationship with the Board if, for example, any one of the following conditions exists: (a) the Board is legally entitled to or can otherwise access the entity's resources, (b) the Board is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the entity, or (c) the Board is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent, if excluding it would cause the Board's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations, and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Board. Based on the criteria above, the Board does not have any component units.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

All activities of the Board are accounted for within a single proprietary fund. Proprietary funds are used to account for operations that are (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary fund types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are generally reported as non-operating revenues and expenses. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Board does not have any internal service funds and has one enterprise fund.

The ***Enterprise Fund, a major fund,*** is used to account for the electric, water, and sewer operations of the Board. The principal operating revenues of the Enterprise Fund are charges to customers for electric, water, and sewer services. Operating expenses for the Enterprise Fund include the cost of purchased utilities, salaries and benefits, administrative expenses, and depreciation of capital assets. The Enterprise Fund is a budgeted fund.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents, and Investments

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

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

(a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

(b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(f) Repurchase agreements when collateralized by securities as set forth in this section.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

(g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Board's cash and investment objectives are preservation of capital, liquidity, and yield. The Board reports its cash and investments at fair value which is normally determined by quoted market prices. The Board currently or in the past year has primarily used the following investments in its operating activities:

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is generally subject to a penalty.

- Money market funds ("MMF") are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

- South Carolina Local Government Investment Pool ("Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State of South Carolina, may be deposited. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72 *Fair Value Measurement and Application*, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of $1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Prepaids and Inventories

Prepaid expenses primarily consist of insurance premiums paid in advance. Inventories primarily consist of materials and supplies and are recorded at average cost.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

3. Receivables

Accounts receivable consists of amounts owed from customers for services provided. The allowance for doubtful accounts is based upon prior years' experience and management's analysis of the outstanding accounts receivable balances. Other receivables primarily consist of amounts owed for which billings have not been prepared. Grant receivables represent reimbursable costs, which have been incurred by the Board but have not been reimbursed by the grantor agency. Lease receivables are comprised of amounts due from lessees and are recorded at the net present value of lease payments.

4. Capital Assets

Capital assets are stated at cost. Costs undertaken by the Board's personnel including materials and labor are capitalized. Donated capital assets are recorded at estimated acquisition value (as estimated by the Board). All reported capital assets, except land and land rights and construction in progress, are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or extend the asset's life are expensed as incurred. The Board maintains an individual capitalization of $500 and a group purchase capitalization threshold of $20,000.

The estimated useful lives of each class of capital assets are as follows:

Description	Useful Life
Water Plant and Lines	20-50 years
Sewer Plant and Lines	20-33.3 years
Electrical Distribution and Transmission Lines	10-25 years
Office and Warehouse Buildings	20-40 years
Equipment and Vehicles	4-10 years

5. Customer Deposits

The Board requires the majority of its residential and commercial customers to provide a deposit against future default on the customer's account balance. Such deposits are recorded as a liability upon receipt.

6. Compensated Absences

The Board's personnel policy allows employees to earn personal time off ("PTO") in varying amounts each year. The Board does not carryover PTO leave into the next calendar year. The Board will purchase unused PTO at the end of the calendar year. Compensated absences also includes compensated time in lieu of overtime earned that is more likely than not to be used within 90 or 180 days depending on employee status. The entire compensated absences liability is reported on the Statement of Net Position.

7. Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the Board's financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable premiums and discounts.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. Long-Term Obligations (Continued)

If material, gains or losses on debt refundings are deferred and amortized over the life of the new debt or the remaining life of the refunded debt, whichever is shorter, using the straight-line method, which approximates the effective interest method. Gains or losses on debt refundings are treated as deferred inflows of resources and deferred outflows of resources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board currently has two types of deferred outflows of resources: (1) The Board reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System. (2) The Board reports *deferred other postemployment benefit ("OPEB") charges* in in its Statements of Net Position in connection with the Agent Multiple-Employer Defined Benefit OPEB Plan of the Board. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board currently has three types of deferred inflows of resources: (1) The Board reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System. (2) The Board reports *deferred OPEB credits* in its Statements of Net Position in connection with the Agent Multiple-Employer Defined Benefit OPEB Plan of the Board. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP. (3) The Board also reports *deferred lease revenue* in its Statements of Net Position; it is amortized in a systematic and rational method and recognized as an inflow of resources in future periods.

9. Net Position

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

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Pensions and Other Postemployment Benefits

In the Board's financial statements, pensions and OPEB are required to be recognized and disclosed using the accrual basis of accounting (see Note III.B and Note III.C and the required supplementary information immediately following the notes to the financial statements for more information). The Board recognizes net pension and net OPEB liabilities (assets) for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities (assets) over the fiduciary net position of the qualified plan, or the Board's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Board's fiscal year-end. Changes in the net pension and OPEB liabilities (assets) during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities (assets) that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense beginning with the period in which the difference occurred.

11. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described following:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Board can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Board believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

12. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board's deposits might not be recovered. The Board does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of March 31, 2026, none of the Board's bank balances of approximately $15,079,000 (with a carrying value of approximately $15,290,000) were exposed to custodial credit risk. As of March 31, 2025, none of the Board's bank balances of approximately $15,634,000 (with a carrying value of approximately $15,519,000) were exposed to custodial credit risk.

Investments

As of March 31, 2026, the Board had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating ^	Fair Value	Investment Maturities In Years < 1	Investment Maturities In Years 1 - 3
LGIP	N/A	Unrated	$ 2,376,212	2,376,212	$ -
Negotiable Certificates of Deposit	Level 1	~	2,498,718	2,057,137	441,581
MMF	Level 1	AAAm, Aaa	2,230,487	2,230,487	-
			$ 7,105,417	6,663,836	$ 441,581

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.
~ Certificates of deposit are covered by FDIC insurance and thus no credit ratings are required.
(1) See Note I.C.11 for details on the Board's fair value hierarchy.

As of March 31, 2025, the Board had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating ^	Fair Value	Investment Maturities In Years < 1	Investment Maturities In Years 1 - 3
LGIP	N/A	Unrated	$ 2,114,656	2,114,656	$ -
Negotiable Certificates of Deposit	Level 1	~	4,278,710	1,996,747	2,281,963
MMF	Level 1	AAAm, Aaa	391,533	391,533	-
			$ 6,784,899	4,502,936	$ 2,281,963

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.
~ Certificates of deposit are covered by FDIC insurance and thus no credit ratings are required.
(1) See Note I.C.11 for details on the Board's fair value hierarchy.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk: The Board does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The Board places no limit on the amount the Board may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are restricted as of March 31, 2026 and 2025 for the following uses:

	2026	2025
Customer Deposits	$ 3,872,135	$ 3,752,832
Impact Fee Capital Improvements	1,076,023	-
Operation HOPE	9,683	12,267
	$ 4,957,841	$ 3,765,099

The following cash and cash equivalents, although not legally restricted, have been designated by the Board as of March 31, 2026 and 2025 for the following uses:

	2026	2025
Macedonia System Improvements	$ 260,001	$ 326,536
Depreciation Fund	6,375,097	10,312,597
Contingency Fund	1,635,682	551,553
	$ 8,270,780	$ 11,190,686

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and cash equivalents and investments as shown in the Statements of Net Position for all activities as of March 31, 2026 and 2025 are as follows:

Description	2026	2025
Carrying Amount of Deposits	$ 15,289,616	$ 15,519,377
Fair Value of Investments	7,105,417	6,784,899
Total Deposits and Investments	$ 22,395,033	$ 22,304,276
Statements of Net Position:		
Cash and Cash Equivalents	$ 14,938,474	$ 14,260,467
Restricted Cash and Cash Equivalents	4,957,841	3,765,099
Investments	2,498,718	4,278,710
Total Cash and Cash Equivalents and Investments	$ 22,395,033	$ 22,304,276

B. Receivables

Accounts receivable at March 31, 2026 and 2025 were composed of the following:

	2026	2025
Accounts Receivable	$ 3,629,888	$ 3,173,915
Less: Allowance for Doubtful Accounts	(60,153)	(51,676)
Accounts Receivable, Net	$ 3,569,735	$ 3,122,239

The Board evaluates the collectability of accounts receivable on a periodic basis. As of March 31, 2026 and 2025, an allowance for doubtful accounts of approximately $60,000 and $52,000, respectively, was deemed necessary.

As of March 31, 2026 and 2025, respectively, the Board had grants receivable of approximately $2,924,000 and $2,239,000 primarily for grant reimbursements for cost incurred on capital projects.

As of March 31, 2026 and 2025, respectively, the Board had other receivables of approximately $2,269,000 and $2,242,000 primarily for amounts owed for which billings have not been prepared.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables (Continued)

Leases Receivable and Deferred Lease Revenues

The Board participates in a number of lease agreements as lessor for the lease of space at Board-owned communication towers (water tanks) and excess capacity of the Board-owned fiber optic cable system. Based on the requirements of GASB Statement No. 87 "*Leases*" ("GASB #87"), the Board used the future lease payments to be received to measure each lease receivable and a corresponding deferred inflow of resources. Each lease receivable was discounted to a net present value using the Board's incremental borrowing rate.

In October 2014, the Board entered into a 10-year lease agreement as lessor for the use of space at communication towers (water tanks) owned by the Board. The lease includes the option to renew for 4 additional five-year periods. The Board anticipates the lessee will exercise these renewal options. The agreement requires annual principal and interest payments of $33,600, with a five-year 5% escalation clause. Interest is calculated using the Board's incremental borrowing rate of 2.60%. At March 31, 2026 and 2025, the Board reported a lease receivable of approximately $590,000 and $612,000 and deferred lease revenues of approximately $533,000 and $561,000, respectively, as required by GASB #87. The Board is amortizing the deferred lease revenue over the life of the lease on a straight-line basis.

In January 2019, the Board amended a previous lease agreement as lessor for the use of space at communication towers (water tanks) owned by the Board. The lease includes the option to renew for 5 additional five-year periods beginning in August 2023. The Board anticipates the lessee will exercise these renewal options. The agreement requires annual principal and interest payments of $26,500, with a 15% escalation clause each renewal. Interest is calculated using the Board's incremental borrowing rate of 1.45%. At March 31, 2026 and 2025, the Board reported a lease receivable of approximately $817,000 and $835,000 and deferred lease revenues of approximately $709,000 and $740,000, respectively, as required by GASB #87. The Board is amortizing the deferred lease revenue over the life of the lease on a straight-line basis.

In November 2018, the Board renewed a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The agreement requires monthly principal and interest payments of $2,990. Interest is calculated using the Board's incremental borrowing rate of 1.45%. At March 31, 2026 and 2025, the Board reported a lease receivable of approximately $89,000 and $123,000 and deferred lease revenues of approximately $86,000 and $120,000, respectively, as required by GASB #87. The Board is amortizing the deferred lease revenue over the life of the lease on a straight-line basis.

In July 2017, the Board entered into a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease includes the option to renew for an additional 10 years. The Board anticipates the lessee will exercise these renewal options. The agreement requires monthly principal and interest payments of $500, with an increase of approximately 12% or CPI, whichever is greater, escalation clause every five years. Interest is calculated using the Board's incremental borrowing rate of 1.45%. At March 31, 2026 and 2025, the Board reported a lease receivable of approximately $80,000 and $86,000 and deferred lease revenues of approximately $71,000 and $77,000, respectively, as required by GASB #87. The Board is amortizing the deferred lease revenue over the life of the lease on a straight-line basis.

In January 2018, the Board entered into a 10-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease includes the option to renew for an additional 10 years. The Board anticipates the lessee will exercise these renewal options. The agreement requires monthly principal and interest payments of $650, with an increase of $75-100 or CPI, whichever is greater, escalation clause every five years. Interest is calculated using the Board's incremental borrowing rate of 1.45%. At March 31, 2026 and 2025, the Board reported a lease receivable of approximately $110,000 and $117,000 and deferred lease revenues of approximately $97,000 and $105,000, respectively, as required by GASB #87. The Board is amortizing the deferred lease revenue over the life of the lease on a straight-line basis.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables (Continued)

Leases Receivable and Deferred Lease Revenues (Continued)

In September 2020, the Board entered into a 5-year lease agreement as lessor for the excess capacity of the fiber optic cable system owned by the Board. The lease includes the option to renew for an additional 3 five-year periods. The Board anticipates the lessee will exercise these renewal options. The agreement requires monthly principal and interest payments of $500, with an increase of approximately 12% or CPI, whichever is greater, escalation clause every renewal. Interest is calculated using the Board's incremental borrowing rate of 1.45%. At March 31, 2026 and 2025, the Board reported a lease receivable of approximately $97,000 and $102,000 and deferred lease revenues of approximately $87,000 and $94,000, respectively, as required by GASB #87. The Board is amortizing the deferred lease revenue over the life of the lease on a straight-line basis.

For the year ended March 31, 2026, the Board received approximately $125,000 from tenants, consisting of approximately $91,000 in lease principal and approximately $34,000 in lease interest revenue. For the year ended March 31, 2025, the Board received approximately $122,000 from tenants, consisting of approximately $87,000 in lease principal and approximately $35,000 in lease interest revenue. Future lease payments due to the Board under the agreement are as follows:

Year Ended March 31,	Principal	Interest	Total
2027	$ 93,122	32,297	$ 125,419
2028	95,704	30,690	126,394
2029	85,937	29,079	115,016
2030	68,454	27,756	96,210
2031	72,026	26,491	98,517
2032-2036	408,472	111,254	519,726
2037-2041	418,952	71,929	490,881
2042-2046	385,170	32,007	417,177
2047-2049	155,372	4,527	159,899
Totals	$ 1,783,209	366,030	$ 2,149,239

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Capital Assets

The following is a summary of changes in capital assets for the year ended March 31, 2026:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land and Land Rights	$ 2,123,609	-	-	-	$ 2,123,609
Construction in Progress	39,288,995	20,171,967	-	(10,074)	59,450,888
Total Capital Assets, Non-Depreciable	41,412,604	20,171,967	-	(10,074)	61,574,497
Capital Assets, Depreciable					
Water Plant and Lines	63,918,558	3,681,039	3,484,067	-	64,115,530
Sewer Plant and Lines	58,624,656	1,211,952	27,582	(46,723)	59,762,303
Electrical Distribution and Transmission Lines	41,113,613	1,473,860	94,372	-	42,493,101
Office and Warehouse Buildings	7,203,840	42,466	-	-	7,246,306
Equipment and Vehicles	8,149,750	362,607	206,686	56,797	8,362,468
Total Capital Assets, Depreciable	179,010,417	6,771,924	3,812,707	10,074	181,979,708
Less: Accumulated Depreciation for:					
Water Plant and Lines	50,444,326	1,405,841	3,484,067	-	48,366,100
Sewer Plant and Lines	42,805,082	1,079,469	27,582	-	43,856,969
Electrical Distribution and Transmission Lines	35,238,968	603,608	94,372	-	35,748,204
Office and Warehouse Buildings	3,884,338	345,814	-	-	4,230,152
Equipment and Vehicles	7,655,285	237,051	177,269	-	7,715,067
Total Accumulated Depreciation	140,027,999	3,671,783	3,783,290	-	139,916,492
Total Capital Assets, Depreciable, Net	38,982,418	3,100,141	29,417	10,074	42,063,216
Total Capital Assets, Net	$ 80,395,022	23,272,108	29,417	-	$ 103,637,713

The Board had depreciation expense of approximately $3,672,000 for the year ended March 31, 2026.

The Board received donated utility system capital assets of approximately $1,094,000 for the year ended March 31, 2026.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Capital Assets (Continued)

The following is a summary of changes in capital assets for the year ended March 31, 2025:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land and Land Rights	$ 2,046,084	77,525	-	-	$ 2,123,609
Construction in Progress	7,582,542	32,024,742	-	(318,289)	39,288,995
Total Capital Assets, Non-Depreciable	9,628,626	32,102,267	-	(318,289)	41,412,604
Capital Assets, Depreciable					
Water Plant and Lines	63,071,208	915,521	299,674	231,503	63,918,558
Sewer Plant and Lines	54,279,246	4,376,227	32,017	1,200	58,624,656
Electrical Distribution and Transmission Lines	40,039,365	1,369,181	294,933		41,113,613
Office and Warehouse Buildings	6,518,158	600,096	-	85,586	7,203,840
Equipment and Vehicles *	8,007,103	142,647	-	-	8,149,750
Total Capital Assets, Depreciable	171,915,080	7,403,672	626,624	318,289	179,010,417
Less: Accumulated Depreciation for:					
Water Plant and Lines	49,485,184	1,258,816	299,674	-	50,444,326
Sewer Plant and Lines	41,741,123	1,095,976	32,017	-	42,805,082
Electrical Distribution and Transmission Lines	34,850,562	683,339	294,933	-	35,238,968
Office and Warehouse Buildings	3,749,355	134,983	-	-	3,884,338
Equipment and Vehicles *	7,008,817	646,468	-	-	7,655,285
Total Accumulated Depreciation	136,835,041	3,819,582	626,624	-	140,027,999
Total Capital Assets, Depreciable, Net	35,080,039	3,584,090	-	318,289	38,982,418
Total Capital Assets, Net	$ 44,708,665	35,686,357	-	-	$ 80,395,022

* Certain capital assets have been reclassified between capital asset classes.

The Board had depreciation expense of approximately $3,820,000 for the year ended March 31, 2025.

The Board received donated utility system capital assets of approximately $2,066,000 for the year ended March 31, 2025.

D. Accrued Expenses

Accrued expenses at March 31, 2026 and 2025 were composed of the following:

	2026	2025
Power Purchased	$ 1,593,258	$ 1,591,489
Municipal Franchise Fee	797,894	803,779
Sales Tax and Other	102,688	92,384
	$ 2,493,840	$ 2,487,652

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Annual Leave / Compensated Absences

As described more fully in Note I, the total amount of compensated absences accumulated and unused, as of March 31, 2026 and 2025 is as follows:

	2026	2025
Beginning of the year liability	$ 907,282	$ 850,352
Increase (decrease)	(17,322)	56,930
End of the year liability	$ 889,960	$ 907,282

F. Long-Term Obligations

The Board may issue debt in several different forms. The Board may issue bonds or notes payable to provide funds primarily for the acquisition and/or construction of major capital projects.

When the Board has issued debt, it has been issued/obtained either through publicly traded debt (“PT”) or direct borrowings/placements (“DBP”). Obligations through DBP debt issuances are generally secured/collateralized by the underlying property and contain acceleration clauses in an event of default (as defined). The debt also requires various restricted accounts (i.e. debt service, debt service reserve, depreciation and contingent, etc.) to be established and maintained by the Board.

Debt outstanding are as follows as of March 31, 2026 and 2025:

Debt Issue	2026	2025
Note payable to the Town of Blacksburg, South Carolina for the transfer of assets and operations of the Blacksburg sewer system to the Board ("Note Payable"). The Note Payable is due in three annual installments beginning in April 1, 2024.	$ 66,666	$ 133,333

Presented below is a summary of changes in long-term obligations for the Board for the year ended March 31, 2026:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt (Direct Borrowings/Placements):					
Note Payable	$ 133,333	-	66,667	66,666	$ 66,666
Total Debt	$ 133,333	-	66,667	66,666	$ 66,666

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Board for the year ended March 31, 2025:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt (Direct Borrowings/Placements):					
Note Payable	$ -	200,000	66,667	133,333	$ 66,667
Total Debt	$ -	200,000	66,667	133,333	$ 66,667

III. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools

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.

Health Insurance

The Board provides a health insurance program through the State for its eligible employees. The Board pays a monthly premium to the State for its health coverage (insured plan) with the insurer being responsible for claims. 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.

B. Retirement Plan

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

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems 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.

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the 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. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

Plan Membership

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

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

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

Plan Benefits (Continued)

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

Plan 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, the SCRS ("Plan") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9.00 percent for the SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for the SCRS until reaching 18.56 percent for the SCRS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

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

As noted earlier, both employees and the Board are required to contribute to the Plan at rates established and as amended by the PEBA. The Board's contributions are actuarially determined but are communicated to and paid by the Board as a percentage of the employees' annual eligible compensation. The Board also contributes the employee portion on behalf of the employees. Required employer and employee contribution rates for the past two years are as follows:

	SCRS Rates	
	2026	2025
Employer Contribution Rate:^		
Retirement	18.41%	18.41%
Incidental Death Benefit	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%
	18.56%	18.56%
Employee Rate^	9.00%	9.00%

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

The actual and required employer contributions to the SCRS were approximately $1,591,000, and $1,521,000 for the years ended March 31, 2026 and 2025, respectively.

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The GASB No. 67 valuation report prepared as of June 30, 2025 is based on the experience study report for the period ending June 30, 2023.

The June 30, 2025 and 2024 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2024 and July 1, 2023. The TPL was rolled-forward from the valuation date to the Plan's fiscal year end, June 30th, using generally accepted actuarial principles. There was no legislation enacted during the 2025 and 2024 legislative sessions that had a material change in the benefit provisions for any of the systems.

The following tables provide a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2025 and 2024 (measurement dates) for the SCRS.

	June 30, 2025	June 30, 2024
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.25% (varies by service)	3.0% to 11.0% (varies by service)
Benefit Adjustments	Lesser of 1% or $500 annually	Lesser of 1% or $500 annually

* Includes inflation at 2.25%.

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"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2025 and 2024 fiscal years. 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 the June 30, 2025 and 2024 measurement dates, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component. The expected rates of return by asset allocation class for fiscal year 2025 are as follows:

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	**46.0%**	5.87%	2.70%
Bonds	**26.0%**	3.20%	0.83%
Private Equity	**9.0%**	8.50%	0.77%
Private Debt	**7.0%**	7.40%	0.52%
Real Assets	**12.0%**		
Real Estate	9.0%	5.00%	0.45%
Infrastructure	3.0%	7.70%	0.23%
Total Expected Real Rate of Return	100.0%		5.50%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.75%

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

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2025 measurement date and the June 30, 2024, for the SCRS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2025	$ 63,956,318,760	42,347,352,061	$ 21,608,966,699	66.2%
June 30, 2024	$ 61,369,806,968	37,919,492,371	$ 23,450,314,597	61.8%

The TPL is calculated by the Systems' actuary, and the Plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plan's funding requirements.

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

At March 31, 2026 and 2025, the Board reported a liability of approximately $12,180,000 and $13,350,000, respectively, for its proportionate share of the NPL for the SCRS. The NPL were measured as of June 30, 2025 and 2024, and the TPL for the Plan used to calculate the NPL were determined based on the most recent actuarial valuation reports as of July 1st of the preceding year that was projected forward to the measurement date. The Board's proportion of the NPL were based on a projection of the Board's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2025 measurement date, the Board's SCRS proportion was 0.056366 percent, which was a decrease of 0.000562 from its proportion measured as of June 30, 2024. At the June 30, 2024 measurement date, the Board's SCRS portion was 0.056928 percent, which was an increase of 0.000713 from its proportion measured as of June 30, 2023.

For the year ended March 31, 2026, the Board recognized pension expense of approximately $779,000 for the SCRS. At March 31, 2026, the Board reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 571,461	$ -
Change in Assumptions	143,951	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	782,006
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	74,460	117,415
Employer Contributions Subsequent to the Measurement Date	1,197,145	-
Total SCRS	$ 1,987,017	$ 899,421

For the year ended March 31, 2025, the Board recognized pension expense of approximately $1,447,000 for the SCRS. At March 31, 2025, the Board reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	$ 438,720	$ 16,568
Change in Assumptions	235,354	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	514,369
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	216,534	57,845
Employer Contributions Subsequent to the Measurement Date	1,143,476	-
Total SCRS	$ 2,034,084	$ 588,782

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended March 31, 2026, approximately $1,197,000 that was reported as a deferred outflows of resources related to the Board's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the NPL in the year ended March 31, 2027. For the year ended March 31, 2025, approximately $1,143,000 that was reported of deferred outflows of resources related to the Board's contributions subsequent to the measurement date to the SCRS were recognized as a reduction of the NPL in the year ended March 31, 2026.

Year Ended March 31,	2026	2025
2026	$ -	$ (76,326)
2027	412,335	499,977
2028	(69,529)	13,252
2029	(272,070)	(135,077)
2030	(180,285)	-
Total	$ (109,549)	$ 301,826

Discount Rate

For the years ended March 31, 2026 and 2025, the discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Board's proportionate share of the NPL of the Plan to changes in the discount rate for the year ended March 31, 2026 (measurement date of June 30, 2025), calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability of the SCRS	$ 16,459,449	12,180,071	$ 8,618,984

III. OTHER INFORMATION (CONTINUED)

B. Retirement Plan (Continued)

Sensitivity Analysis (Continued)

The following table presents the sensitivity of the Board's proportionate share of the NPL of the Plan to changes in the discount rate for the year ended March 31, 2025 (measurement date of June 30, 2024), calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability of the SCRS	$ 17,299,766	13,349,749	$ 9,712,096

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS. The ACFR is publicly available through the 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.

C. Other Postemployment Benefit Plan

Plan Description

The Board, through its commitment to provide other post-employment benefits, maintains a defined benefit plan ("OPEB 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 7-member Board of Commissioners, has the authority to establish and amend benefit provisions.

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

Plan Membership

As of March 31, 2024, the latest actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	38
Active Members	80
Total Membership	118

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Plan Benefits and 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 year ended March 31, 2026 were $1,452,246 and consisted of trust contributions of $1,062,500 and benefit payments of $732,298 (including an implicit subsidy of $105,334) less $342,552 in reimbursements from the trust. The Board contributions for the year ended March 31, 2025 were $1,139,833 and consisted of trust contributions of $750,000 and benefit payments of $389,833 (including an implicit subsidy of $47,281).

Actuarial Assumptions and Method

Actuarial valuations of the OPEB 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, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB asset or liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan that applied to all periods included in the measurement, unless otherwise specified.

Actuarial Valuation Date	March 31, 2024
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.25%
Investment Rate of Return	3.75%, net of OPEB Plan investment expenses (which includes inflation)
Single Discount Rate	3.75%
Healthcare Cost Trend Rate	Initial rate of 6.30% declining to an ultimate rate of 4.25% after 13 years.
Payroll Growth	SCRS - 3.00% - 9.65% (including inflation)
Active Participation	95% of all eligibles employees are assumed to participate in the retiree health plan.
Mortality Table	PUB-2010 General Healthy Retiree mortality tables projected on a generational basis using 80% of the ultimate mortality improvement rates from Scale MP-2021.
Demographic Assumptions	Based on the 2024 experience study as conducted for the SCRS. For the OPEB valuation, the standard retirement rates were adjusted to reflect the impact of the Board's retiree medical plan design.

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The Board's net OPEB asset ("NOA") was measured as of March 31, 2026 and the total OPEB liability ("TOL") used to calculate the NOA was determined by an actuarial valuation as of March 31, 2024 that was rolled forward to the measurement date.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of March 31, 2025	$ 15,993,808	15,862,186	$ 131,622
Changes for the year:			
Service Cost	493,536	-	493,536
Interest	595,291	-	595,291
Difference Between Expected/Actual Experience	356,213	-	356,213
Contributions - Employer	-	1,452,246	(1,452,246)
Net Investment Income	-	653,123	(653,123)
Benefit Payments	(732,298)	(732,298)	-
Administrative Expense	-	(37,829)	37,829
Net Changes	712,742	1,335,242	(622,500)
Balances as of March 31, 2026	$ 16,706,550	17,197,428	$ (490,878)

The Board's net OPEB liability ("NOL") was measured as of March 31, 2025 and the total OPEB liability used to calculate the NOL was determined by an actuarial valuation as of March 31, 2024 that was rolled forward to the measurement date.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of March 31, 2024	$ 15,321,071	14,385,356	$ 935,715
Changes for the year:			
Service Cost	538,645	-	538,645
Interest	500,353	-	500,353
Difference Between Expected/Actual Experience	(491,677)	-	(491,677)
Changes of Assumptions or Other Inputs	515,249	-	515,249
Contributions - Employer	-	1,139,833	(1,139,833)
Net Investment Income	-	762,103	(762,103)
Benefit Payments	(389,833)	(389,833)	-
Administrative Expense	-	(35,273)	35,273
Net Changes	672,737	1,476,830	(804,093)
Balances as of March 31, 2025	$ 15,993,808	15,862,186	$ 131,622

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended March 31, 2026, the Board recognized OPEB expense of approximately $112,000. At March 31, 2026, the Board reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience, Liability	$ 906,529	$ 374,285
Change in Assumptions	606,707	3,195,691
Differences Between Expected and Actual Experience, Assets	-	322,130
Total	$ 1,513,236	$ 3,892,106

For the year ended March 31, 2025, the Board recognized OPEB expense of approximately $196,000. At March 31, 2025, the Board reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience, Liability	$ 787,103	$ 432,981
Change in Assumptions	725,633	3,852,922
Differences Between Expected and Actual Experience, Assets	-	323,128
Total	$ 1,512,736	$ 4,609,031

Amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

Year Ended March 31,	2026
2027	$ (518,114)
2028	(543,422)
2029	(435,413)
2030	(284,218)
2031	(347,558)
Thereafter	(250,145)
Total	$ (2,378,870)

III. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Year Ended March 31,		2025
2026	$	(443,657)
2027		(555,058)
2028		(580,366)
2029		(472,357)
2030		(321,161)
Thereafter		(723,696)
Total	$	(3,096,295)

Single Discount Rate

The single discount rate used to measure the TOL for both years was 3.75%. The projection of cash flows used to determine the discount rate assumed that the Board's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

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

The following table presents the sensitivity of the Board's NOA or NOL to changes in the single discount rate, calculated using the single discount rate of 3.75%, as well as what it would be if it were calculated using a single discount rate that is 1% point lower (2.75%) or 1% point higher (4.75%) than the current rate:

		1% Decrease (2.75%)	Single Discount Rate (3.75%)		1% Increase (4.75%)
Net OPEB Liability (Asset) - March 31, 2026	$	2,969,599	(490,878)	$	(3,172,728)
Net OPEB Liability (Asset) - March 31, 2025	$	3,461,907	131,622	$	(2,446,857)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the Board's NOL to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

		1% Decrease	Healthcare Cost Trend Rate		1% Increase
Net OPEB Liability (Asset) - March 31, 2026	$	(3,683,308)	(490,878)	$	3,807,335
Net OPEB Liability (Asset) - March 31, 2025	$	(2,808,119)	131,622	$	4,072,064

III. OTHER INFORMATION (CONTINUED)

D. 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.

E. Franchise Fees

The Board pays the City of Gaffney (the "City") a fee of 3.05% of electricity sales. For the fiscal years ended March 31, 2026 and 2025, the Board paid the City approximately $798,000 and $804,000, respectively, in franchise fees.

As part of the agreement to transfer the Blacksburg Sewer System to the Board, the Board agrees to pay the Town of Blacksburg a 5% franchise fee on the gross sales of all sewer service accounts within the Town of Blacksburg. The agreement is for 30 years with automatic annual renewals after the end of the initial 30 years. For the fiscal years ended March 31, 2026 and 2025, the Board paid the Town of Blacksburg approximately $18,000 and $16,000, respectively.

F. Commitments and Contingencies

Litigation

The Board is periodically the subject of litigation by a variety of plaintiffs. The Board's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Additionally, the Board is a Defendant in a matter in the United States District Court for the District of South Carolina, Spartanburg Division in which the Plaintiff alleges that the Board committed antitrust and South Carolina unfair trade practices act violations related to providing utility services. The Plaintiff is seeking an undetermined amount of damages. Because the litigation is currently in its early stages and discovery is ongoing, the Board is unable to evaluate the probability of an unfavorable outcome or reasonably estimate the amount or range of potential loss, if any, that may result from an adverse decision. Accordingly, no liability or provision for loss has been recorded in the accompanying financial statements. Management intends to vigorously defend the Board in this matter.

Grants

The Board receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability in the financial statements. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Board at March 31, 2026 and 2025.

Town of Blacksburg Sewer System Transfer Agreement

In April 2024, the Town of Blacksburg, South Carolina transferred the assets and operations of the Blacksburg Sewer System to the Board for a total value of $3,000,000. $200,000 of the value will be paid by the Board in three annual installments beginning April 1, 2024. See Note II.F for further discussion on this note payable.

The remaining $2,800,000 purchase price is a deferred payment to be collected through an additional 5% charge on sales of current and future customers of the Eastern Broad River service area (outside of the municipal limits of the Town of Blacksburg) and remitted to the Town of Blacksburg until the balance is paid in full. Per the agreement, if the deferred payment is no longer collected through the deferred purchase price charge, the Board will be responsible for the remaining purchase price less the sum of all deferred purchase price charges paid less $2,300,000. As of March 31, 2026 and 2025 respectively, the Board had approximately $2,795,000 and $2,798,000 outstanding on the agreement.

III. OTHER INFORMATION (CONTINUED)

F. Commitments and Contingencies (Continued)

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, 2026 and 2025, the Board’s purchased power expense from PMPA was approximately $19,575,000 and $19,714,000, respectively. Also, the amount included in accrued expenses for accrued purchased power from PMPA at March 31, 2026 and 2025 is approximately $1,547,000 and $1,548,000, respectively.

Contract Commitments

As of March 31, 2026 and 2025, there were approximately $10,993,000 and $13,487,000, respectively, in outstanding commitments on construction contracts.

G. 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.

H. Correction of an Error – Special Item

As discussed in Note II.F and Note III.F, the Board entered into an agreement with the Town of Blacksburg, South Carolina (the “Town”) to transfer the assets and operations of the Town’s sewer system to the Board. In exchange for this transfer, a note payable of $200,000 would be paid by the Board in three annual installments. The carrying value of the capital assets on the Town’s records was $2,198,921. In the financial statements for the year ended March 31, 2025 the Board reported capital assets received from the transfer of $2,198,921, a note payable of $200,000, and contributed capital of $1,998,921. Upon further review of this event and in reference to GASB No. 69 “*Government Combinations and Disposals of Government Operations*”, the Board should have reported a special item of $1,998,921 instead of contributed capital. Therefore, on the Statements of Revenues, Expenses, and Changes in Net Position for the year ended March 31, 2025, $1,998,921 has been reclassified from contributed capital to a special item.

Required Supplementary Information

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

LAST EIGHT FISCAL YEARS

	Year Ended March 31, 2026	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability:								
Service Cost	$ 493,536	538,645	820,164	823,840	581,160	410,924	351,873	$ 351,643
Interest	595,291	500,353	376,168	342,834	276,340	272,844	264,515	248,566
Changes of Benefit Terms	-	-	-	-	2,167,508	2,531,827	-	-
Differences Between Expected and Actual Experience	356,213	(491,677)	30,375	875,120	17,010	290,532	55	417,684
Changes of Assumptions	-	515,249	(4,108,919)	-	501,558	(1,600,586)	-	(19,788)
Benefit Payments, Including Refunds of Member Contributions	(732,298)	(389,833)	(390,097)	(356,347)	(324,139)	(275,932)	(275,721)	(302,952)
Net Change in Total OPEB Liability	712,742	672,737	(3,272,309)	1,685,447	3,219,437	1,629,609	340,722	695,153
Total OPEB Liability - Beginning of Year	15,993,808	15,321,071	18,593,380	16,907,933	13,688,496	12,058,887	11,718,165	11,023,012
Total OPEB Liability - End of Year	$ 16,706,550	15,993,808	15,321,071	18,593,380	16,907,933	13,688,496	12,058,887	$ 11,718,165
Plan Fiduciary Net Position:								
Employer Contribution	1,452,246	1,139,833	1,890,097	1,106,347	1,074,139	575,932	725,721	602,952
Net Investment Income	653,123	762,103	602,676	132,754	(109,835)	16,553	80,367	91,710
Benefit Payments, Including Refunds of Member Contributions	(732,298)	(389,833)	(390,097)	(356,347)	(324,139)	(275,932)	(275,721)	(302,952)
Administrative Expenses	(37,829)	(35,273)	(31,667)	(28,730)	(27,539)	(15,518)	(7,500)	(7,500)
Net Change in Plan Fiduciary Net Position	1,335,242	1,476,830	2,071,009	854,024	612,626	301,035	522,867	384,210
Plan Fiduciary Net Position - Beginning of Year	15,862,186	14,385,356	12,314,347	11,460,323	10,847,697	10,546,662	10,023,795	9,639,585
Plan Fiduciary Net Position - End of Year	$ 17,197,428	15,862,186	14,385,356	12,314,347	11,460,323	10,847,697	10,546,662	$ 10,023,795
Net OPEB Liability (Asset) - End of Year	$ (490,878)	131,622	935,715	6,279,033	5,447,610	2,840,799	1,512,225	$ 1,694,370
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	102.94%	99.18%	93.89%	66.23%	67.78%	79.25%	87.46%	85.54%
Covered - Employee Payroll	$ 9,307,621	9,633,022	8,991,221	8,307,838	7,420,552	7,192,354	6,361,614	$ 5,865,106
Net OPEB Liability as a Percentage of Covered - Employee Payroll	-5.27%	1.37%	10.41%	75.58%	73.41%	39.50%	23.77%	28.89%

Notes to Schedule:

The Board adopted GASB #75 during the year ended March 31, 2019. Information is not available for prior years.

Significant Changes of Assumptions	2026	2025	2024	2023	2022	2021	2020	2019
Long-term rate of return and Single Discount Rate	3.75%	3.75%	3.25%	2.00%	2.00%	2.00%	2.25%	2.25%

2025: SCRS demographic and salary increase assumptions were revised based on the 2024 experience study, the tables used to model the impact of aging on the underlying claims were updated, and the health care trend rates were updated.

2022: Changes of 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: 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 excise tax on high-cost employer health plans.
Changes of benefit terms reflect the Board paying Medicare Part B premiums for qualifying retirees and their qualifying spouses who retire from the Board after February 26, 2019.

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SOUTH CAROLINA RETIREMENT SYSTEM
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LAST TEN FISCAL YEARS

	Year Ended March 31,									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Employer's Proportion of the Net Pension Liability (Asset)	0.056366%	0.056928%	0.056215%	0.056753%	0.054724%	0.054321%	0.051988%	0.048152%	0.048002%	0.047018%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$12,180,071	13,349,749	13,591,317	13,758,262	11,842,994	13,880,001	11,870,958	10,789,370	10,806,022	$10,042,975
Employer's Covered Payroll	$ 8,285,334	7,822,870	6,724,472	6,373,155	5,812,500	6,060,257	5,136,954	4,328,214	4,128,864	$ 4,356,125
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	147.01%	170.65%	202.12%	215.88%	203.75%	229.03%	231.09%	249.28%	261.72%	230.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.21%	61.79%	58.65%	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SOUTH CAROLINA RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

LAST TEN FISCAL YEARS

	Year Ended March 31,									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 1,591,426	1,520,647	1,405,892	1,201,348	1,084,013	952,639	917,745	755,374	646,947	$ 548,177
Contributions in Relation to the Contractually Required Contribution:										
Contributions from the Employer	1,591,426	1,520,647	1,405,892	1,201,348	1,084,013	952,639	917,745	755,374	646,947	548,177
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-	$ -
Employer's Covered Payroll	$ 8,574,495	8,193,144	7,676,455	6,939,199	6,642,726	6,122,358	5,992,637	5,992,637	5,274,229	$ 4,792,404
Contributions as a Percentage of Covered Payroll	18.56%	18.56%	18.31%	17.31%	16.32%	15.56%	15.31%	12.61%	12.27%	11.44%

Supplementary Information

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULES OF WATER DEPARTMENT OPERATIONS

YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Water	$ 9,632,727	$ 8,250,666
Other	528,894	446,562
TOTAL OPERATING REVENUES	10,161,621	8,697,228
OPERATING EXPENSES - EXCLUDING DEPRECIATION		
Plant		
Salaries and Related Payroll Expenses	1,956,030	2,071,134
Uniforms	7,401	2,631
Training and Schools	8,991	2,657
Professional Fees	40,914	56,966
Postage	1,380	412
Telephone	3,541	4,681
Insurance	66,194	68,188
Vehicle Expenses	4,125	5,103
Equipment Maintenance and Operation	414,416	212,654
Building and Grounds Maintenance	102,312	62,786
Materials and Supplies	37,361	24,469
Chemicals	458,209	577,580
Other Expenses	28,263	16,550
Bad Debts - Net	10,445	2,053
Lab Expense	86,842	94,544
Contract Services	98,340	95,755
Other Post-Employment Benefits	95,143	81,548
Utilities	984,554	835,032
	4,404,461	4,214,743
Maintenance		
Salaries and Related Payroll Expenses	1,818,797	1,656,138
Uniforms	21,698	8,329
Training and Schools	4,583	1,753
Professional Fees	70,859	25,737
Telephone	7,965	9,111
Insurance	40,595	29,849
Vehicle Expenses	45,106	39,174
Equipment Maintenance and Operation	49,010	80,553
Building and Grounds Maintenance	-	1,772
Materials and Supplies	697,716	598,546
Other Expenses	64	52
Utilities	12,814	12,730
Computer Processing	-	18,616
	2,769,207	2,482,360
Costs Allocated to Other Departments	(374,684)	(266,600)
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	**6,798,984**	**6,430,503**
Depreciation		
Plant Depreciation	1,596,174	1,455,678
Maintenance Depreciation	44,532	91,383
	1,640,706	1,547,061
TOTAL OPERATING EXPENSES	**8,439,690**	**7,977,564**
OPERATING INCOME	**$ 1,721,931**	**$ 719,664**

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULES OF SEWER DEPARTMENT OPERATIONS

YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Sewer	$ 7,491,750	$ 6,387,470
Other	96,225	113,721
TOTAL OPERATING REVENUES	7,587,975	6,501,191
OPERATING EXPENSES - EXCLUDING DEPRECIATION		
Plant		
Salaries and Related Payroll Expenses	1,648,999	2,074,932
Uniforms	9,866	4,807
Training and Schools	5,073	2,002
Professional Fees	19,826	34,832
Telephone	9,053	8,196
Insurance	67,332	53,275
Vehicle Expenses	18,820	22,456
Equipment Maintenance and Operation	129,283	180,154
Building and Grounds Maintenance	54,129	41,982
Materials and Supplies	31,957	63,781
Chemicals	204,501	183,750
Other Expenses	182	109
Bad Debts - Net	5,334	127
Lab Expenses	83,793	74,988
Landfill Disposal Costs	323,039	324,098
Other Post-Employment Benefits	236,636	183,216
Utilities	1,436,169	1,394,173
Scholarship Program	1,000	1,000
	4,284,992	4,647,878
Maintenance		
Salaries and Related Payroll Expenses	1,098,568	1,046,883
Uniforms	10,344	2,695
Professional Fees	134,624	29,308
Telephone	7,994	9,111
Insurance	36,270	31,001
Vehicle Expenses	11,879	10,656
Equipment Maintenance and Operation	10,582	18,523
Building and Grounds Maintenance	24,291	20,599
Materials and Supplies	62,795	47,039
Other Expenses	69	52
Utilities	11,746	11,669
Computer Processing	-	245
	1,409,162	1,227,781
Costs Allocated to Other Departments	(258,011)	(235,940)
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	**5,436,143**	**5,639,719**
Depreciation		
Plant Depreciation	1,131,393	1,139,286
Maintenance Depreciation	54,951	130,294
	1,186,344	1,269,580
TOTAL OPERATING EXPENSES	**6,622,487**	**6,909,299**
OPERATING INCOME	**$ 965,488**	**$ (408,108)**

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULES OF ELECTRICAL DEPARTMENT OPERATIONS

YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electric Sales	$ 28,559,027	$ 28,769,384
Other	1,042,613	981,842
TOTAL OPERATING REVENUES	29,601,640	29,751,226
OPERATING EXPENSES - EXCLUDING DEPRECIATION		
Power Purchased	20,219,479	20,327,112
Line Expenses		
Salaries and Related Payroll Expenses	2,896,667	3,337,008
Uniforms	32,004	20,417
Training and Schools	14,185	11,753
Professional Fees	90,911	32,034
Telephone	13,894	25,045
Insurance	112,570	96,754
Vehicle Expenses	65,123	72,513
Equipment Maintenance and Operation	137,793	117,048
Building and Grounds Maintenance	28,340	26,100
Materials and Supplies	342,310	340,009
Other Expenses	75,818	46,738
Bad Debts - Net	39,747	11,878
Contract Services	187,587	189,208
Other Post-Employment Benefits	21,733	89,109
Utilities	43,126	41,497
Scholarship Program	1,000	-
Computer Processing	-	49,880
	24,322,287	24,834,103
Costs allocated to other departments	(1,813,041)	(1,747,376)
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	**22,509,246**	**23,086,727**
Depreciation		
Line Depreciation	688,125	823,946
	688,125	823,946
TOTAL OPERATING EXPENSES	**23,197,371**	**23,910,673**
OPERATING INCOME	**$ 6,404,269**	**$ 5,840,553**

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULES OF WAREHOUSE, CLINIC, ADMINISTRATIVE, AND SERVICE DEPARTMENT EXPENSES

YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
Warehouse		
Salaries and Related Payroll Expenses	$ 970,833	$ 1,145,947
Uniforms	3,184	1,661
Training and Schools	871	-
Professional Fees	5,822	4,096
Postage	1,728	1,167
Telephone	1,844	1,607
Insurance	22,542	17,885
Vehicle Expenses	1,619	4,202
Equipment Maintenance and Operation	3,968	27,915
Building and Grounds Maintenance	17,369	62,110
Materials and Supplies	12,506	17,139
Other Post-Employment Benefits	(6,486)	(13,060)
Utilities	27,763	27,581
Scholarship Program	-	20,901
	1,063,563	1,319,151
Clinic		
Salaries and Related Payroll Expenses	339,151	355,354
Training and Schools	-	4,441
Professional Fees	13,228	15,230
Telephone	1,615	856
Insurance	674	488
Materials and Supplies	33,014	45,450
Utilities	5,339	5,304
Scholarship Program	2,000	1,000
Claims Reimbursements	(131,475)	(130,018)
	263,546	298,105
Administrative		
Salaries and Related Payroll Expenses	3,540,019	3,777,000
Uniforms	6,984	6,469
Training and Schools	16,604	20,214
Professional Fees	271,765	391,022
Public Relations	178,483	197,408
Postage	3,368	6,134
Telephone	26,922	24,219
Insurance	53,407	51,212
Vehicle Expenses	1,570	4,744
Equipment Maintenance and Operation	20,556	8,034
Building and Grounds Maintenance	121,532	147,835
Materials and Supplies	183,710	194,063
Other Expenses	234,692	184,876
Other Post-Employment Benefits	(340,038)	(191,825)
Utilities	61,952	58,875
Computer Processing	446,787	332,493
	$ 4,828,313	$ 5,212,773

(Continued)

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULES OF WAREHOUSE, CLINIC, ADMINISTRATIVE, AND SERVICE DEPARTMENT EXPENSES

YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
Service		
Salaries and Related Payroll Expenses	$ 885,164	$ 1,124,062
Uniforms	5,120	3,500
Telephone	6,553	4,811
Insurance	1,418	-
Vehicle Expenses	23,697	22,658
Materials and Supplies	3,073	3,500
	925,025	1,158,531
TOTAL WAREHOUSE, CLINIC, ADMINISTRATIVE AND SERVICE EXPENSES EXCLUDING DEPRECIATION	**7,080,447**	**7,988,560**
Depreciation		
Warehouse Depreciation	31,849	56,864
Clinic Depreciation	820	992
Administration Depreciation	123,939	121,139
	156,608	178,995
TOTAL WAREHOUSE, CLINIC, ADMINISTRATIVE AND SERVICE EXPENSES	**$ 7,237,055**	**$ 8,167,555**

Compliance Section

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED MARCH 31, 2026

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor's Number	Federal Expenditures
US Department of Treasury			
Pass-Through SC Rural Infrastructure Authority:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act)	21.027	A-23-R076	$ 4,731,562
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act)	21.027	A-23-E002	14,126,192
Total US Department of Treasury			18,857,754
US Environmental Protection Agency (EPA)			
Pass-Through SC Rural Infrastructure Authority:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CF3-24-11100001-01	532,264
Total US Environmental Protection Agency (EPA)			532,264
US Department of Energy			
Pass-Through SC Public Service Authority - Santee Cooper:			
Grid Resilience Formula Grants to States and Indian Tribes	81.254	DE-GF0000041	251,943
Total US Department of Energy			251,943
US Department of Homeland Security			
Pass-Through SC Emergency Management Division:			
Federal Emergency Management Agency - Disaster Grants - Public Assistance	97.036	N/A	510,955
Total US Department of Homeland Security			510,955
TOTAL FEDERAL ASSISTANCE EXPENDED			**$ 20,152,916**

There were no expenditures to subrecipients for the year ended March 31, 2026.

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED MARCH 31, 2026

A – General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the Gaffney Board of Public Works (the "Board") for the year ended March 31, 2026. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, which is described in the notes to the Board's financial statements.

C – Relationship to Financial Statements

Federal award expenditures are generally reported as expenses or capital asset additions in the Board's financial statements.

D – Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

E – Indirect Cost Rate

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

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Greene Finney Cauley, LLP
Certified Public Accountants & Advisors

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *("Government Auditing Standards")*, the financial statements of the Gaffney Board of Public Works, Gaffney, South Carolina (the "Board"), as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 25, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2026-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

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The Board's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 25, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Gaffney Board of Public Works, South Carolina's (the "Board") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended March 31, 2026. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2026.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 25, 2026

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED MARCH 31, 2026

There were no audit findings in the prior year.

GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2026

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (Uniform Guidance)?		Yes	X	No

Identification of major programs:

Assistance Listing Number(s)	*Name of Federal Program or Cluster*
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act)
97.036	Federal Emergency Management Agency - Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs: $ 1,000,000

Auditee qualified as low-risk auditee?	X	Yes		No

Section II – Current Year Financial Statement Findings

<u>2026-001: CORRECTION OF AN ERROR – SPECIAL ITEM</u>

Condition: During the 2026 audit, it was identified in the prior year that the Board reported the gain on the transfer of the Town of Blacksburg's ("Town") sewer system assets and operations as contributed capital. This gain should have been reported as a special item.

Criteria: GASB No. 69 "*Government Combinations and Disposals of Government Operations*" ("GASB #69") requires a gain resulting from the transfers of operations to be reported as a special item on the Statements of Revenues, Expenses, and Changes in Net Position.

Context, Cause, and Effect: In the prior year, the Board entered into an agreement with the Town to transfer the assets and operations of the Town's sewer system to the Board. In exchange for this transfer, a note payable of \$200,000 would be paid by the Board in three annual installments. The carrying value of the capital assets on the Town's records was \$2,198,921. In the financial statements for the year ended March 31, 2025, the Board reported capital assets received from the transfer of \$2,198,921, a note payable of \$200,000, and contributed capital of \$1,998,921. The Board should have reported a special item of \$1,998,921 instead of contributed capital. Therefore, on the Statements of Revenues, Expenses, and Changes in Net Position for the year ended March 31, 2025, \$1,998,921 has been reclassified from contributed capital to a special item.

Recommendation: We recommend that the Board take the necessary steps to monitor and ensure that its financial statements are properly stated.

Response: The Board agrees with this finding and will adhere to the corrective action plan on page 66 in this audit report.

Section III – Current Year Federal Award Findings and Questioned Costs

None noted

RELIABLE. LOCAL. COMMITTED.

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GAFFNEY BOARD OF PUBLIC WORKS
GAFFNEY, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED MARCH 31, 2026

Section II – Financial Statement Findings

Finding:	2026-001
Contact Person:	Diane Fowler, Finance Director, dfowler@gbpw.com
Corrective Action:	The Board will ensure that unique transactions are reported correctly in the future so that the financial statements are properly stated.
Completion Date:	August 2026

Section III – Federal Award Findings and Questioned Costs

No matters to report.