

CITY OF GAFFNEY, SOUTH CAROLINA

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2022**

CITY OF GAFFNEY, SOUTH CAROLINA

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FINANCIAL SECTION

Independent Auditors' Report

The Honorable Mayor
and Members of the City Council
City of Gaffney, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Gaffney (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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.

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 City'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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 City'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 City'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 budgetary comparison, the schedule of the City's proportionate share of the net pension liability and contributions and the schedule of the City's proportionate share of the net OPEB 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Municipal Court Fines and Fees, Assessment and Surcharges and the budgetary comparison schedules- Capital Project Funds and Total All Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Municipal Court Fines and Fees, Assessment and Surcharges is the responsibility of management and was derived from and relate 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 Schedule of Municipal Court Fines and Fees, Assessment and Surcharges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

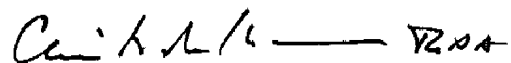
The budgetary comparison schedules- Capital Project Funds and Total All Governmental Funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, on our consideration of the City'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 provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.

Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

We have also issued our report dated February 27, 2023 on our examination of the City of Gaffney's compliance with the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Programs (CSLFRF) requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients that would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2022 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended June 30, 2022.



Gaffney, SC
February 27, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent year by \$10,644,004. Of this amount, \$4,336,870 may be used to meet the government's ongoing obligations to citizens and creditors, exclusive of the effect of GASB 68.

At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$8,125,248, an increase of \$860,512, as compared to the prior fiscal year. Of this total amount, \$5,508,795 is unassigned fund balance for governmental funds.

At the end of the current fiscal year, unassigned fund balance for the General Fund for the Governmental Funds was \$5,466,835 or approximately 40% of total General Fund expenditures.

During the year, the City's long-term debt decreased from \$2,051,193 to \$1,272,138, a net decrease of \$779,055.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Gaffney's finances in a manner similar to a private-sector business. The statement of net position includes all of the City of Gaffney's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Gaffney is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows.

The government-wide financial statements of the City of Gaffney are divided into two categories:

- Governmental activities – Most of the City’s basic services are included here, such as police, fire, public works, and parks departments, and general administration. Property taxes and franchises and licenses finance most of these activities.
- Component units- The City includes one other legally separate entity in its report – Gaffney Local Development Corporation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gaffney, like other local governments, uses fund accounting to ensure and demonstrate compliance with State Law and other finance-related legal requirements. The funds of the City of Gaffney can be grouped into two fund types: 1) governmental funds and 2) fiduciary funds.

Governmental funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City’s basic services are accounted for in governmental funds, which focus on how assets can readily be converted to cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that assists in determining whether there are more or fewer financial resources to finance the City’s programs. The relationship between government activities and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Fiduciary funds – The City acts as agent, or *fiduciary*, for other entities’ resources. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate fund financial statement. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position, over time, may serve as one useful indicator of a government's financial position. The following table provides a summary of the City's position at June 30, 2022 as compared to June 30, 2021 and June 30, 2020.

	<i>Governmental Activities</i>		
	2022	2021	2020
Assets:			
Current and Other Assets	\$ 12,841,404	\$ 9,411,286	\$ 8,068,099
Capital Assets, Net	16,569,737	16,323,777	15,534,080
Total Assets	<u>29,411,141</u>	<u>25,735,063</u>	<u>23,602,179</u>
Deferred Outflows	<u>2,659,500</u>	<u>2,939,247</u>	<u>2,023,253</u>
Liabilities:			
Long-Term Liabilities	2,271,669	2,968,263	1,928,978
OPEB Liability	1,581,300	1,631,100	1,478,100
Net Pension Obligation	10,354,816	12,795,698	11,418,820
Other Liabilities	2,835,517	599,852	902,262
Total Liabilities	<u>17,043,302</u>	<u>17,994,913</u>	<u>15,728,160</u>
Deferred Inflows	<u>4,383,335</u>	<u>1,933,732</u>	<u>1,646,321</u>
Net Position:			
Net Invested in Capital Assets	15,301,677	14,272,584	14,627,620
Restricted	1,232,069	1,496,052	990,214
Unrestricted	(5,889,742)	(7,022,971)	(7,366,883)
Total Net Pension	<u>\$ 10,644,004</u>	<u>\$ 8,745,665</u>	<u>\$ 8,250,951</u>

By far the largest portion of the City's net position (\$15,301,677) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Deferred outflows decreased overall by \$279,747 from the prior year, consisting of an increase in liability experience, a difference in investment experience versus expected, an increase in assumption changes, an increase in retirement contributions and increased contributions subsequent to the measurement date as required by the GASB 68 statement. This also includes deferred outflows related to Other Post-employment benefits of \$19,155 for contributions made subsequent to the measurement date required by GASB 75.

Deferred inflows increased by \$2,449,603 from the prior year, the majority of which(\$1,983,764) was property tax credit, the remainder is a decrease, being the difference in retirement contributions and liability experience from what was expected (\$3,719). This also included deferred inflows related to Other Post-Employment benefits of \$392,600 consisting of a decrease in liability experience and a decrease in assumption changes. Net position increased by \$1,898,339 after the effect of GASB Statement No. 68 (\$140,194). The GASB 68 statement requires the City to record the net pension liability of \$10,354,816 thus reducing unrestricted net assets.

An additional portion of the City's net position (\$1,232,069) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,336,870) net of GASB Statement No. 68 effect, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current year, the City is able to report positive balances in net position, for the government as a whole, net of GASB Statement No. 68 effect.

During the current year, the City's net position increased by \$1,898,339 including the effect of GASB 68 (\$140,194). This was due primarily to the cost of new capital purchases exceeding depreciation of assets.

Governmental Activities

Governmental Activities increased the City's net position by \$1,898,339 net of GASB 68 effect. The following table shows the change in net position for 2022 compared to 2021 and 2020.

	<i>Governmental Activities</i>		
	2022	2021	2020
Revenues:			
Program Revenue:			
Charges for Service	\$ 1,961,340	\$ 1,810,042	\$ 1,510,452
Operating Grants and Contributions	785,973	763,267	955,697
Capital Grants	103,928	200,000	122,962
Total Program Revenue	<u>2,851,241</u>	<u>2,773,309</u>	<u>2,589,111</u>
General Revenue:			
Taxes	6,194,756	6,020,868	5,743,928
Business License	4,053,395	2,701,107	2,694,872
Intergovernmental	2,275,114	414,350	397,651
Other	2,159,856	2,104,610	1,886,382
Total General Revenues	<u>14,683,121</u>	<u>11,240,935</u>	<u>10,722,833</u>
Total Revenues	<u>17,534,362</u>	<u>14,014,244</u>	<u>13,311,944</u>
Expenses:			
General Government	3,168,601	1,784,329	1,774,733
Finance	464,828	473,328	428,181
Municipal Court	467,958	469,565	441,809
Police	3,510,599	3,343,123	3,550,440
Fire	3,972,586	3,550,180	3,483,559
Streets	1,366,560	1,130,899	1,126,335
Sanitation	838,869	736,961	708,621
Parks and Recreation	704,609	654,754	726,449
Tourism and Beautification	236,280	212,337	229,819
Community Development	556,685	864,203	776,170
Maintenance Garage	321,674	267,628	280,407
Interest and Fiscal Charge	26,774	32,223	21,333
Total Expense	<u>\$ 15,636,023</u>	<u>\$ 13,519,530</u>	<u>\$ 13,836,107</u>
Change in Net Position	\$ 1,898,339	\$ 494,714	\$ (524,163)
Net Position Beginning of Year	\$ 8,745,665	\$ 8,250,951	\$ 8,775,114
Net Position End of Year	\$ 10,644,004	\$ 8,745,665	\$ 8,250,951

Charges for services increased by \$151,298.

- Operating grants and contributions increased by \$22,706
- Capital Grants and contributions decreased by \$96,072
- Tax revenues increased by \$173,888
- Other revenue increased by \$55,246

FINANCIAL ANALYSIS OF THE GOVERNMENT'S (CITY'S) FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$8,125,248, an increase of \$860,512 in comparison with the prior year. Of this total amount, \$5,508,795 is unassigned fund balance for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$5,466,835. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 40% and 50% of total General Fund expenditures, respectively.

During the current year, the fund balance of the City's General Fund increased by \$1,691,933, due primarily to a deferral of some expenditures and an increase in revenues from license and fees.

General Fund Budget Highlights

The total revenue received in 2022 was \$18,841,666 or \$1,208,369 less than the final budget of \$20,050,035. Business licenses and permit revenues were \$731,717 lower than the budget due to lower than anticipated collections in many of the business license types. All other revenues were more than budget in total by \$536,470 due to an over application of LOST credit in the prior year that was reclassified in the current year.

The total expenditures were \$18,200,323 or \$1,499,922 less than the final budget of \$19,700,245. The City's actual expenditures were lower than budget due to cost cutting measures across all departments and some delayed expenditures such as the T-Bridge project. The outbreak of COVID-19 also impacted some decisions to delay spending in certain areas.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$16,569,737 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads, sidewalks and storm drainage systems.

Major capital asset additions during the current year included the following:

- Purchase of Police Vehicles and Equipment
- Purchase of New Public Works/Parks Vehicles and Equipment
- Purchase of New Fire Ladder Truck

Debt Administration

At the end of the year, the City had \$1,272,128 in debt (general obligation bonds, notes, lease purchase agreements) outstanding compared to \$2,051,128 in the prior fiscal year, a decrease of \$779,065. This was due to issuance of both GO debt and a capital lease during the year.

	<i>Governmental Activities</i>		
	2022	2021	2020
Outstanding Debt			
Note Payable	\$ 4,068	\$ 6,078	\$ 7,078
General	887,970	1,402,828	544,000
Obligation Bonds			
Lease Purchase Agreements	380,090	642,287	362,460
Total	<u>\$ 1,272,128</u>	<u>\$ 2,051,193</u>	<u>\$ 913,538</u>

ECONOMIC FACTORS AND THEIR EFFECT ON THE FISCAL YEAR 2020 BUDGET

Several factors impact the Fiscal Year 2023 Budget including:

- The continued rise in healthcare cost, nationally and locally, is reflected in the insurance premiums for employee medical insurance.
- Providing competitive wage and benefits
- Business license revenue and tax revenue have stabilized or increased slightly after having decreased for several years.
- The instability in energy costs will also impact the City's finances.
- The economic impact of COVID-19 on future budgets is uncertain at this time.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gaffney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, P.O. Box 2109, Gaffney, South Carolina 29342. The discretely presented component unit which is included in these financial statements is Gaffney Local Development Corporation. Separate financial statements for each discretely presented component unit are available from each component unit or by writing the City at Post Office Box 2109, Gaffney, South Carolina 29342.

CITY OF GAFFNEY, SOUTH CAROLINA

Statement of Net Position

June 30, 2022

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 10,812,684
Receivables:	
Taxes, Net	136,068
Intergovernmental	1,483,843
Other	218,641
Prepaid Expense	64,864
Inventory	125,304
Capital Assets:	
Non-Depreciable	3,557,728
Depreciable, Net of Depreciation	13,012,009
Total Capital Assets Net of Depreciation	16,569,737
Total Assets	29,411,141
DEFERRED OUTFLOWS	
Pension Related Items	2,321,245
OPEB Related Items	338,255
	2,659,500
LIABILITIES	
Accounts Payable	890,184
Accrued Expenses	476,826
Unremitted Withholdings	126,381
Unearned Revenue	1,276,180
Police Bonds Pending	10,106
Police Seizures Pending	13,624
Tax Sale Proceeds Pending	16,596
Accrued Interest Payable	5,933
Other Liabilities	19,687
Long-term Liabilities:	
Due Within One Year	231,056
Due in More than One Year	2,040,613
OPEB Liability	1,581,300
Net Pension Liability	10,354,816
Total Liabilities	17,043,302
DEFERRED INFLOWS	
Pension Related Items	2,193,041
OPEB Related Items	392,600
Property Tax Credit	1,797,694
	4,383,335
NET POSITION	
Net Investment in Capital Assets	15,301,677
Restricted For:	
Cemetery	66,041
Various Purposes	1,166,028
Unrestricted	(5,889,742)
Total Net Position	\$ 10,644,004

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

CITY OF GAFFNEY, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues			Primary
		Charges	Operating	Capital	Governmental
	Expenses	for	Grants and	Grants and	Governmental
		Services	Contributions	Contributions	Activities
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 2,808,826	88,300	667,540	-	(2,052,986)
Visitors Center	359,775	3,190	-	500	(356,085)
Finance	464,828	-	-	-	(464,828)
Municipal Court	467,958	-	-	-	(467,958)
Public Safety					
Police	3,510,599	645,958	5,139	-	(2,859,502)
Fire	3,972,586	956,615	113,294	83,237	(2,819,440)
Public Improvements					
Streets	1,366,560	68,007	-	-	(1,298,553)
Sanitation	838,869	35,466	-	-	(803,403)
Parks and Recreation	704,609	4,873	-	20,191	(679,545)
Tourism and Beautification	236,280	-	-	-	(236,280)
Community Development	556,685	158,931	-	-	(397,754)
Maintenance Garage	321,674	-	-	-	(321,674)
Interest and Fiscal Charges	26,774	-	-	-	(26,774)
Total Governmental Activities	<u>\$ 15,636,023</u>	<u>1,961,340</u>	<u>785,973</u>	<u>103,928</u>	<u>(12,784,782)</u>
General Revenues					
				\$	5,261,901
					932,855
					4,053,395
					2,275,114
					317,626
					1,576,999
					251,088
					(58,907)
					-
					3,285
					52,384
					17,381
Total General Revenues					<u>14,683,121</u>
Change in Net Position					1,898,339
Net Position Beginning of Year					<u>8,745,665</u>
Net Position End of Year				\$	<u>10,644,004</u>

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

CITY OF GAFFNEY, SOUTH CAROLINA

Balance Sheet - Governmental Funds

June 30, 2022

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
ASSETS				
Cash and Cash Equivalents	\$ 9,044,782	1,461,109	306,793	10,812,684
Taxes Receivable	136,068	-	-	136,068
Intergovernmental Receivables	1,427,949	55,894	-	1,483,843
Other Receivables	45,902	172,739	-	218,641
Prepaid Expense	64,864	-	-	64,864
Inventories	125,304	-	-	125,304
Due From Other Funds	-	1,312,756	-	1,312,756
Total Assets	<u>\$ 10,844,869</u>	<u>3,002,498</u>	<u>306,793</u>	<u>14,154,160</u>
LIABILITIES				
Accounts Payable	\$ 203,749	487,643	198,792	890,184
Accrued Expense	476,826	-	-	476,826
Unremitted Withholdings	126,381	-	-	126,381
Unearned Revenue	-	1,276,180	-	1,276,180
Police Bonds Pending	10,106	-	-	10,106
Police Seizures Pending	-	13,624	-	13,624
Tax Sale Proceeds Pending	16,596	-	-	16,596
Due to Other Funds	1,312,756	-	-	1,312,756
Other Liabilities	12,430	7,257	-	19,687
Total Liabilities	<u>2,158,844</u>	<u>1,784,704</u>	<u>198,792</u>	<u>4,142,340</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue - Deferred Property Tax Credit	1,797,614	-	-	1,797,614
Unavailable Revenue - Property Taxes	88,958	-	-	88,958
	<u>1,886,572</u>	<u>-</u>	<u>-</u>	<u>1,886,572</u>
FUND BALANCES				
Fund Balances				
Nonspendable	190,952	-	-	190,952
Restricted	-	1,166,028	66,041	1,232,069
Committed	1,141,666	-	-	1,141,666
Assigned	-	51,766	-	51,766
Unassigned	5,466,835	-	41,960	5,508,795
Total Fund Balances	<u>6,799,453</u>	<u>1,217,794</u>	<u>108,001</u>	<u>8,125,248</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,844,869</u>	<u>3,002,498</u>	<u>306,793</u>	<u>14,154,160</u>

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

CITY OF GAFFNEY, SOUTH CAROLINA
Reconciliation of Total Governmental Fund
Balances to Net Position of Governmental Activities
June 30, 2022

Total fund balances - Governmental funds June 30, 2021	\$ 8,125,248
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital Assets not Being Depreciated	3,557,728
Capital Assets Being Depreciated	34,616,110
Accumulated depreciation	<u>(21,604,101)</u>
Total capital assets	<u>16,569,737</u>
Some revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
Property taxes	<u>88,958</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation debt	(887,970)
Capital leases	(380,090)
Note Payable	(4,078)
Accrued interest	(5,933)
Landfill closure and post closure care costs	(470,869)
Compensated absences	(528,662)
OPEB Accrued Liability	(1,581,300)
Net Pension Obligation	(10,354,816)
Deferred Outflows/Inflows- Net	<u>73,779</u>
Total long-term liabilities	<u>(14,139,939)</u>
Total Net Position - Governmental activities, June 30, 2022	<u>\$ 10,644,004</u>

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

CITY OF GAFFNEY, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
REVENUES				
Taxes	\$ 5,255,283	-	-	5,255,283
Licenses	4,304,483	-	-	4,304,483
Intergovernmental	3,384,567	1,921,493	-	5,306,060
Police and Fire	290,027	151,739	-	441,766
Fees and Permits	158,931	1,894,625	-	2,053,556
Cemetery	83,800	-	-	83,800
Commercial Sanitation	35,466	-	-	35,466
Miscellaneous	43,297	31,405	10,370	85,072
Total Revenues	13,555,854	3,999,262	10,370	17,565,486
EXPENDITURES				
Current				
General Government	1,593,095	1,685,587	1,116	3,279,798
Visitor's Center	266,247	36,524	-	302,771
Finance	443,872	15,295	-	459,167
Municipal Court	451,989	13,419	-	465,408
Public Safety				
Police	3,260,105	110,774	284,357	3,655,236
Fire	3,494,536	178,247	107,654	3,780,437
Public Improvements				
Streets	947,325	240,318	103,986	1,291,629
Sanitation	734,489	24,235	234,951	993,675
Parks and Recreation	518,162	65,081	-	583,243
Tourism and Beautification	221,432	6,111	-	227,543
Community Development	532,673	17,522	-	550,195
Maintenance Garage	296,455	10,166	-	306,621
Capital Outlay	-	-	-	-
Debt Service - Principal	779,055	-	-	779,055
Interest	30,196	-	-	30,196
Total Expenditures	13,569,631	2,403,279	732,064	16,704,974
Excess of Revenue Over (Under Expenditures)	(13,777)	1,595,983	(721,694)	860,512
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	2,514,579	573,869	235,000	3,323,448
Operating Transfers Out	(808,869)	(2,514,579)	-	(3,323,448)
	1,705,710	(1,940,710)	235,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,691,933	(344,727)	(486,694)	860,512
FUND BALANCES AT BEGINNING OF YEAR	5,107,520	1,562,521	594,695	7,264,736
FUND BALANCES AT END OF YEAR	\$ 6,799,453	1,217,794	108,001	8,125,248

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

CITY OF GAFFNEY, SOUTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Total change in fund balances - total governmental funds	\$ 860,512
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	1,286,979
Depreciation expense	(950,893)
Book Value of Disposals of Assets	(90,126)
Excess of capital outlay over depreciation and other expense	<u>245,960</u>
Because some revenue will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred property tax revenues increased by this amount this year.	<u>6,598</u>
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of long-term debt is reported as an expenditure in governmental funds. In the current year, these amounts consisted of:	
Bond Principal Retirement, Net	514,858
Financing Lease Principal Payments	262,197
Note Payable Principal Payments	2,000
	<u>779,055</u>
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.	<u>3,442</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Compensated Absences	(78,434)
Accrued Closure Costs	(4,028)
OPEB Expense	49,800
Pension Obligation	35,434
	<u>2,772</u>
Change in Net Position - Governmental activities, June 30, 2022	<u><u>\$ 1,898,339</u></u>

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

CITY OF GAFFNEY, SOUTH CAROLINA
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gaffney, the county seat of Cherokee County, is situated in the northeast corner of the Piedmont region of the upstate. With a population in the 2020 census of almost 13,000, Gaffney is right in the middle of the I-85 corridor between two of the fastest growing metro areas in the Piedmont - Greenville, South Carolina and Charlotte, North Carolina.

The Entity

The City of Gaffney, South Carolina - the primary government - is a political subdivision of the State of South Carolina. It is governed by a mayor, elected at large, and a six-member council elected from single-member districts. These financial statements present all the fund types and account groups of the City and its component units. Component units are legally separate entities that meet any one of the following criteria for financial accountability: (1) the City appoints a voting majority of the board of the entity and is able to impose its will on the entity and/or is in a relationship of financial benefit or burden with the entity, (2) the entity is fiscally dependent upon the City, or (3) the financial statements would be misleading if data from the entity were not included. Component units may be presented by two different methods. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City.

Excluded from the Reporting Entity:

The Board of Public Works of the City of Gaffney 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 to provide utility services to other areas near Gaffney, to establish rules and regulations and set rates for such services. Bond issuance authorizations are required by the Gaffney City Council but the City exercises no oversight and is not responsible for the revenue debt.

The Housing Authority of the City of Gaffney is a non-profit corporation organized under the laws of the State of South Carolina for the purpose of providing adequate housing for qualified low - income individuals in areas where a shortage of such housing exists. The Housing Authority's governing board (appointed by the City Council) selects the director and oversees the operation and management in accordance with HUD regulations and guidelines. The City provides no funding to the Housing Authority, does not hold title to any of its assets, and is not liable for its debt in the event of default, nor does it have any right to the Housing Authority's surpluses. The City does receive a payment in lieu of taxes each year from the Housing Authority.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the "Primary Government"). The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City. Any indirect allocations that may have been made in the funds have been reversed for the statement of activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers property taxes to be available if they are received by the City within 30 days of the end of the current fiscal period. A 60-day availability period is generally used for revenue recognition for all other governmental fund revenue with the exception of certain expenditure driven grants for which a one-year availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. The following fund types and major funds are used by the City.

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the proprietary funds and fiduciary funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's major and non-major governmental fund types are as follows:

The *general fund*, a major fund and a budgeted fund, is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *special revenue fund*, a major fund and a budgeted fund, accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

The *debt service fund* accounts for the accumulation of resources for, and the payment of, long-term general obligation principal, interest and related costs not being financed by proprietary funds.

The *capital projects fund* account for the construction or acquisition of major capital projects not being financed by proprietary funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, and/or other funds. The City's only fiduciary fund is its agency funds. The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues - Exchange And Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent taxes, grants, interest, fees and charges for services.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of a fiscal year are reported as "due to/from other funds."

All accounts receivable are shown net of an allowance for doubtful accounts. Real property taxes receivable is the actual property taxes levied and still outstanding after the fiscal year end.

Intergovernmental Receivable

Amounts due from federal grants represent reimbursable costs, which have been incurred by the City but have not been reimbursed by the grantor agency. Costs under grant programs are recognized as expenditures in the period in which they are incurred by the City.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventories

Inventories are determined by actual physical count and are valued at moving average cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption basis).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed.

All reported capital assets except for the land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 - 20 Years
Buildings	20 - 50 Years
Building Improvements	10 - 50 Years
Vehicles	5 - 20 Years
Furniture and Equipment	10- 20 Years
Machinery and Equipment	3 - 15 Years
Infrastructure	25 - 50 Years

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. At June 30, 2022, restricted net position for the governmental activities was \$1,232,069 as reported on the government-wide statement of net position.
- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

Fund Equity

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. It is the City's policy to use available restricted resources before using unrestricted resources, and committed, assigned, or unassigned are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. As of June 30, 2022, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City's Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City's Council or (b) a body (for example: a budget or finance committee) or official to which the City's Council had delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Equity, Continued

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all major and nonmajor governmental funds as of June 30, 2022, were distributed as follows:

	General Fund	Special Revenue Fund	Nonmajor Funds	Total
Nonspendable:				
Prepays	\$ 64,864	-	-	64,864
Inventory	126,088	-	-	126,088
Subtotal	<u>190,952</u>	<u>-</u>	<u>-</u>	<u>190,952</u>
Restricted For:				
Cemetery	-	-	66,041	66,041
Public Safety	-	186,077	-	186,077
Parks & Tourism	-	858,010	-	858,010
Community Development	-	1,901	-	1,901
Special Projects	-	120,040	-	120,040
Subtotal	<u>-</u>	<u>1,166,028</u>	<u>66,041</u>	<u>1,232,069</u>
Committed:				
2021 - 2022 Budget	<u>1,141,666</u>	<u>-</u>	<u>-</u>	<u>1,141,666</u>
Assigned To:				
Tourism Projects	<u>-</u>	<u>51,766</u>	<u>-</u>	<u>51,766</u>
Unassigned	<u>5,466,835</u>	<u>-</u>	<u>41,960</u>	<u>5,508,795</u>
TOTAL	<u><u>\$ 6,799,453</u></u>	<u><u>1,217,794</u></u>	<u><u>108,001</u></u>	<u><u>\$ 8,125,248</u></u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Equity, Continued

A more detailed description of these various classifications is as follows:

<u>Classification / Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable	Prepaid Expense	\$ 64,864
General Fund	Inventory	126,088
Total Nonspendable		<u>190,952</u>
Restricted		
Capital Projects Fund	Cemetery	47,516
	Cemetery Maintenance - Principal	18,525
Special Revenue Fund:		
Liquor Permit Fee	Special Projects	35,388
Accommodations Tax	Tourism	163,403
Special Revenue Fund	Fire Safety Projects	116,320
Hospitality Tax	Tourism	694,607
Confiscated Drug Program	Law Enforcement	1,189
Other Programs	Police	68,568
Special Revenue Fund	Public Improvement	1,901
Capital Projects		84,652
Total Restricted		<u>1,232,069</u>
Committed		
General Fund	Subsequent Year Expenditures	<u>1,141,666</u>
Assigned		
Special Revenue Fund	Tourism Projects	<u>51,766</u>
Unassigned		
Non-Major Funds		41,960
General Fund		<u>5,466,835</u>
Total Unassigned		<u>5,508,795</u>
Total Fund Balances		<u>\$ 8,125,248</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers. Non-recurring or non-routine permanent transfer of equity are reported as residual equity transfer. All other interfund transfers are reported as operating transfer.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The City's annual leave policy allows accrual of between twenty-two and thirty days per year at graduated rates per pay period, depending on continuous length of service with a maximum accumulation to be carried over from one year to the next 480 hours. Employees terminating or retiring are paid for up to 240 hours of their accumulated leave based on the hourly rate of pay earned at the time of termination or retirement. Employees terminating or retiring are not paid for their accumulated sick leave. The amount of accumulated annual leave at June 30, 2022 is approximately \$528,662 and relates principally to the General Fund.

Budgets and Budgetary Accounting

The City follows procedures in establishing the budgetary data on the accrual basis reflected in the financial statements for its governmental funds. The budget calendar is as follows:

- , Publish Budget Calendar
- , Detailed Instructions and Budget Worksheets to Departments
- , Departmental Budget Requests to City Administrator
- , Budget Workshop with Finance Committee and Department Heads
- , Budget Workshop with Council
- , Publish Notice of Public Hearing on Proposed FY 2021-22 Budget in Cherokee Chronicle
- , Publish Notice of Public Hearing on Proposed FY 2021-22 Budget in Gaffney Ledger
- , First Reading on FY 2021-22 Budget
- , Public Hearing and Second Reading and Adoption of Budget Ordinance (Special Council Meeting)
- , Publish Final Adopted Fiscal Year Budget Document
- , Publish Notice of Audit Report Availability for Public Inspection No Later Than 30 Days Following its Completion and Receipt by the City

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgets and Budgetary Accounting, Continued

1. The budget is administered by the City Administrator, who is authorized to transfer appropriated funds within and between departments and agencies of the City as may be necessary to achieve the budget objectives set by City Council.
2. Revisions that alter the total budgeted expenditures of the City as a whole must be approved by City Council (legal level). There was one such revision for the fiscal year ended June 30, 2022.
3. Appropriations lapse at year-end.
4. Formal budgetary integration is employed as a management control device for the General and the Special Revenue Funds. As noted earlier, the City Administrator may move funds between departments because it is at the total appropriation level that fiscal responsibility for budgets is enforced.
5. Encumbrances are included in budgetary expenditures. Encumbered appropriations carryforward and a reserve of fund balance are established to offset the expenditure. A reconciliation of budget to GAAP is as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Budget Expenditures	\$ 13,594,567	3,853,887	751,869	18,200,323
Prior Year Encumbrances	7,744	-	-	7,744
Current Year Encumbrances	(32,680)	(1,450,608)	(19,805)	(1,503,093)
GAAP Expenditures	<u>\$ 13,569,631</u>	<u>2,403,279</u>	<u>732,064</u>	<u>16,704,974</u>

Deposits and Investments

Cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents. Investments with a readily determinable fair value are stated at fair value in accordance with GASB Statement 31. All other investments are at cost. The City's current policy does not utilize amortized cost for any applicable investments.

Statutes established by the State of South Carolina allow the City to invest in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;
4. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) 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.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deposits and Investments, Continued

5. Repurchase agreements when collateralized by securities as set forth in this section;
6. 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 trustees or agent for a bond or other debt issue of the City, 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 (1), (2), and (5) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share to that end, value its assets by the amortized cost method.

DEPOSITS:

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

It is the policy of the City of Gaffney to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The deposits for the City of Gaffney primary government at June 30, 2022, were \$11,691,695. The entire amount was insured or collateralized with securities held by the pledging institution in the City's name.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City of Gaffney does not maintain deposits that are denominated in a currency other than the United States dollar, therefore, the City is not exposed to this risk.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

INVESTMENTS:

The City is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The City had no investments at June 30, 2022.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The City's policy concerning custodial credit risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The City had no investments at June 30, 2022, that were held by the City or in the City's name by the City's custodial banks. The City recognized no losses during the year due to the default by counterparts to investment transactions.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The City's policy concerning custodial credit risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The City had no rated debt investments as of June 30, 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy on concentration of credit risk.

The City had no debt securities investments at June 30, 2022.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

INVESTMENTS:, Continued

The City's policy concerning interest rate risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City of Gaffney does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the City is not exposed to this risk.

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments.

Statement of Net Position

Cash and Cash Equivalents	<u>\$ 10,812,684</u>
Total Statement of Net Position	<u><u>10,812,684</u></u>

Disclosure, Deposits and Investments:

Carrying Value of Deposits:	
Held by Banks	10,811,034
Cash on Hand	<u>1,650</u>
Total Disclosure, Deposits and Investments	<u><u>\$ 10,812,684</u></u>

New GASB Pronouncement Implementation

In fiscal year 2021, the City implemented of Governmental Accounting Standard Board (GASB) Statement No. 84, *Fiduciary Activities*. This statement requires that the City to reevaluate the accounting treatment of fiduciary activities. The new standard requires the City to determine if funds are still considered fiduciary, and if so, if they are considered custodial funds under the new definitions of GASB Statements No. 84. No restatements were required in conjunction with the implementation of this statement.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 2 - PROPERTY TAX CALENDAR

The City property tax is levied each fall (except automobiles which are annually assessed on the first day of the month the automobiles are registered) on the assessed valuations of property located in the City as of the preceding January 1. The books are open for collection September 30 with the first penalty, three percent, applicable to payments made after January 15, the due date. An additional seven percent penalty is added to payments made after February 1, and an additional 5 percent penalty plus costs is added after March 16. Property taxes attach as an enforceable lien, and are considered delinquent if not paid by March 16.

Property taxes on vehicles are billed by the 15th day of the month preceding the expiration date of South Carolina vehicle licenses, and are due by the last day of that month.

Assessed values for personal property and real estate are established annually by the County Tax Assessor at between 4% and 10.5% of market value determined by the South Carolina Tax Commission. Assessed values for privately-owned public utilities are established by the South Carolina Tax Commission. The 2021 assessed value was \$32,260,568 including \$3,475,715 for vehicles, the total of which was between 4% and 10.5% of the estimated value of \$740,600,216. The City operating tax rate during the current fiscal year was 122.3 mills.

The County of Cherokee bills and collects the City's property and vehicle taxes. City property tax revenues are recognized when they become measurable and available. Property taxes collected within 60 days of the year end are included in revenue in the current fiscal year and are reflected as taxes receivable on the combined balance sheet. Unavailable Revenue – Property Taxes in the Deferred Inflow of Resources section of the combined balance sheet are taxes paid in advance, not to be recognized as revenue until they are levied.

The City follows Governmental Accounting Standards Board (GASB) Statement Number 33, Accounting and Financial Reporting for Non-exchange Transactions to account for non-exchange revenues, which primarily consist of imposed non-exchange revenues or ad valorem taxes. Under the standard, a receivable is recorded when an enforceable legal claim for property taxes has arisen, and revenue is recognized when the resources are available.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 3 - RECEIVABLES

Non-Intergovernmental:

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	General	Special Revenue	Nonmajor Governmental	Total
Taxes	\$ 136,068	-	-	136,068
Other	45,902	172,739	-	218,641
Gross Receivables	181,970	172,739	-	354,709
Less Allowance	(88,958)	-	-	(88,958)
Net Receivables	<u>\$ 93,012</u>	<u>172,739</u>	<u>-</u>	<u>265,751</u>

Intergovernmental:

Intergovernmental Receivables Consist of the Following:

General Fund

Board of Public Works	\$ 667,540
Cherokee County	10,716
Cherokee County School District One	79,065
SC Municipal Association	92,605
Local Option Sales Tax	468,884
State of South Carolina	109,139
Total	<u>1,427,949</u>

Special Revenue Fund

State of South Carolina	55,894
Total	<u>\$ 55,894</u>

NOTE 4- SPECIAL REVENUE FUNDS

Pursuant to the provisions of Title I of Public Law 92-512, Special Revenue Funds have been established to account for funds received from the Federal Government.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 5 - CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2022 is as follows:

	Balance 06/30/21	Additions	Retirements	Transfers	Balance 06/30/22
Governmental Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 2,861,220	-	-	-	2,861,220
Historical Preservation Asset	43,703	-	-	-	43,703
Construction in Progress	-	652,805	-	-	652,805
Total Capital Assets Not Being Depreciated	<u>2,904,923</u>	<u>652,805</u>	<u>-</u>	<u>-</u>	<u>3,557,728</u>
Capital Assets Being Depreciated:					
Land Improvements	1,067,477	10,874	-	-	1,078,351
Buildings and Improvements	11,941,971	10,890	-	-	11,952,861
Furniture, Fixtures and Equipment	8,400,021	588,067	317,521	391,038	9,061,605
Intangible Asset (Under Capital Lease)	69,985	24,343	-	-	94,328
Assets Under Capital Lease	830,924	-	-	(391,038)	439,886
Infrastructure	<u>11,989,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,989,079</u>
Total Other Capital Assets at					
Historical Cost Being Depreciated	<u>34,299,457</u>	<u>634,174</u>	<u>317,521</u>	<u>-</u>	<u>34,616,110</u>
Less Accumulated Depreciation	<u>20,880,603</u>	<u>950,893</u>	<u>227,395</u>	<u>-</u>	<u>21,604,101</u>
Total Capital Assets Being Depreciated, Net	<u>13,418,854</u>	<u>(316,719)</u>	<u>90,126</u>	<u>-</u>	<u>13,012,009</u>
Government-Type Activities Capital					
Assets, Net	<u>\$ 16,323,777</u>	<u>336,086</u>	<u>90,126</u>	<u>-</u>	<u>16,569,737</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 175,589
Visitor's Center	56,179
Finance	2,952
Public Safety	
Police	154,650
Fire	223,595
Public Improvements	
Streets	87,586
Sanitation	71,562
Parks and Recreation	155,097
Tourism and Beautification	8,201
Community Development	2,497
Maintenance Shop	12,985
	<u>\$ 950,893</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position (government-wide and proprietary funds) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditures) until then. The City currently has two types of deferred outflows of resources: (1) The City reports deferred pension charges in its Statement of Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The City reports deferred OPEB charges in its Statements of Net Position in connection with its OPEB Plan.

In addition to liabilities, the statement of net position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has four types of deferred inflows of resources: (1) The City reports unavailable revenue only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The City also reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. The deferred pension credits is amortized in a systematic and rational method and recognized as a reduction of pension expense in future period in accordance with GAAP. (3) The City also reports deferred OPEB credits in its Statement of Net Position. (4) The City also reports deferred property tax credit. This revenue is received before time requirements are met, but after all other requirements have been met. In 2009, City residents approved a Local Option Sales Tax referendum. Under state law, the City is required to give the taxpayers a credit on their property tax bill once the referendum is passed. The City recognizes revenue, on both the entity-wide statements and the fund financial statements, in the period in which the credit is given on the property tax bills and for the dollar amount of credit taxpayers are given on their property tax bills. Deferred inflows result when funds are received from the State of South Carolina prior to the time requirements are met, but after all other eligibility requirements are met.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 7 - GENERAL LONG-TERM DEBT

A summary of the outstanding debt at June 30, 2022, is as follows:

	Balance June 30, 2021	Added	Retired	Balance June 30, 2022	Amounts Due Within One Year
<u>Note Payable</u>					
Annual installments of \$1,000 at no interest.					
Highway right-of-way. Due 2027.	\$ 6,078	-	2,000	4,078	1,000
<u>Direct Placement - General Obligation Debt</u>					
\$1,140,000 General Obligation Bonds due in annual principal installments of \$110,000 to \$140,000 through May 1, 2024; plus interest semiannually at 1.75%.	412,000	-	412,000	-	-
\$1,100,000 General Obligation Bonds due in annual principal installments of \$102,858 to \$117,615 through February 1, 2030; plus interest semiannually at 1.69%.	990,828	-	102,858	887,970	104,596
	<u>1,402,828</u>	<u>-</u>	<u>514,858</u>	<u>887,970</u>	<u>104,596</u>
<u>Direct Placement - Capital Leases</u>					
Financing Lease purchase with six semi-annual installments of \$69,768.75 including interest at 2.182% per annum. Secured by equipment. Due April 1, 2022.	137,287	-	137,287	-	-
Financing Lease purchase with eight semi-annual installments of \$64,439.19 including interest at 0.98% per annum. Secured by equipment. Due April 1, 2025.	505,000	-	124,910	380,090	125,460
	<u>642,287</u>	<u>-</u>	<u>262,197</u>	<u>380,090</u>	<u>125,460</u>
<u>Other</u>					
C & D Landfill Closure and Post Closure					
Care Costs	466,841	4,028	-	470,869	-
Accrued Annual Leave	450,229	529,573	451,140	528,662	-
OPEB Accrued Liability	1,631,100	345,700	395,500	1,581,300	-
Net Pension Liability	12,795,698	979,455	3,420,337	10,354,816	-
	<u>15,343,868</u>	<u>1,858,756</u>	<u>4,266,977</u>	<u>12,935,647</u>	<u>-</u>
	<u>\$ 17,395,061</u>	<u>1,858,756</u>	<u>5,046,032</u>	<u>14,207,785</u>	<u>231,056</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 7 - GENERAL LONG-TERM DEBT, Continued

In July 2020, the City issued a \$1,100,000 direct placement general obligation bond to finance equipment for the public safety department of the City. The debt ordinance requires principal payments beginning in the fiscal year 2021 with an interest rate of 1.69 percent.

The general fund retires all debt.

Future principal and interest payments of long-term debt for each of the next five fiscal years and in aggregate thereafter are as follows:

General Obligation Bond			
	Principal	Interest	Total
2023	\$ 104,596	15,007	119,603
2024	106,363	13,239	119,602
2025	108,161	11,441	119,602
2026	109,989	9,614	119,603
2027	111,848	7,754	119,602
2028	113,738	5,865	119,603
2029	115,660	3,943	119,603
2030	117,615	1,987	119,602
	<u>\$ 887,970</u>	<u>68,850</u>	<u>956,820</u>

	Note Payable			Total		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,000	-	1,000	105,596	15,007	120,603
2024	1,000	-	1,000	107,363	13,239	120,602
2025	1,000	-	1,000	109,161	11,441	120,602
2026	1,000	-	1,000	110,989	9,614	120,603
2027	1,000	-	1,000	112,848	7,754	120,602
2028	78	-	78	113,816	5,865	119,681
2029	-	-	-	115,660	3,943	119,603
2030	-	-	-	117,615	1,987	119,602
	<u>\$ 5,078</u>	<u>-</u>	<u>5,078</u>	<u>893,048</u>	<u>68,850</u>	<u>961,898</u>

Default events for these debt instruments include failure to pay any principal or interest, or base payment when due, failure to provide budget appropriations for debt principal and interest payments, any representations made by the City in the debt agreements that are found to be incorrect or misleading in any material respect, institution of proceedings under bankruptcy or reorganization by or against the City lasting more than thirty days, or any priority lien found to exist on any property affecting the validity of any security interest provided by the debt agreements. Remedies provided within the debt agreements include all remaining payments becoming immediately due and payable, surrender by the City of all property and any "unspent balances" on hand, court action to enforce specific performance and recovery of attorney's fees and other related expenses. At June 30, 2022 and during the fiscal year then ended the City was not in default on any of its debt agreements and covenants.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 7 - GENERAL LONG-TERM DEBT, Continued

Leases

The City has entered into two separate direct placement financing lease agreements as lessee for financing the acquisition of police and fire department equipment (emergency services) and public works equipment. These lease agreements qualify as leases under GASB 87 for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through financing leases are as follows:

Equipment	\$ 439,886
Less: Accumulated Depreciation	<u>87,032</u>
Total	<u><u>\$ 352,854</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

<u>Fiscal Year Ending June 30</u>	
2023	\$ 128,878
2024	128,878
2025	<u>128,878</u>
Total Minimum Lease Payments	386,634
Less Amount Representing Interest	<u>6,544</u>
Present Value of Minimum Lease Payments	<u><u>\$ 380,090</u></u>

Other Leasing Arrangements

The City is leasing a mailing machine under a noncancelable lease that expires August, 2022, with a purchase option. The following is a schedule of future minimum rental payments required under this operating lease as of June 30, 2022:

	<u>Amount</u>
2022	\$ 1,985
2023	331

The City also rents copiers and other equipment as needed on a month to month basis. The copiers are under rental agreements through the State contract and are on a "per copy" basis as used, not with fixed monthly payments. These rentals are also included in lease expense. Rental expense for this equipment amounted to approximately \$24,010 for the current fiscal year. These rental arrangements either do not qualify as leases under GASB 87 or are not considered to be material.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 8 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The City began operations of a construction, demolition and land clearing debris (C&D) landfill site in 1988-89. State and Federal laws will require the City to close the landfill once its capacity is reached and to monitor and maintain the site for thirty subsequent years. The City intends to recognize a portion of the closure and post closure care costs in each future operating period even though actual payouts will not occur until the landfill is closed. Estimates are not available to apportion these costs to the current year. The amount recognized to date is based on the landfill capacity used as of the balance sheet date. As of June 30, 2022, the City has incurred a liability of \$470,869, which represents the amount of costs reported to date based on an estimated 78.48 percent of landfill capacity used to date. This amount is reflected as long-term debt in the statement of net assets. The liability as of June 30, 2021 was \$466,841. The City has completed a substantial portion of closure on the portion of the landfill capacity already used, including construction of a sediment pond, capping and seeding work, which has reduced the estimated cost of ultimate closure. The remaining estimated liability for these costs is \$129,131, which will be recognized as the remaining capacity is used (estimated to be twenty-two and one half years).

The closure and postclosure costs are subject to changes such as the effects of inflation, revision of laws and other variables. By federal and state laws, the City is required to establish financial assurance by the use of one of several approved mechanisms, to accumulate, or otherwise provide, the assets needed for the actual payout of closure and postclosure care costs. As of June 30, 2022, the City has complied with these regulations

NOTE 9 - PENSION 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 various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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 generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Plan Descriptions

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

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

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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 newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Membership, Continued

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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 the 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.

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.

PORS - 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The 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.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go in effect July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

Effective July 1, 2021, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 16.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 16.41% and 0.15% for the incidental death benefit program. The City's actual retirement and incidental death benefit program contributions for participating employees to the SCRS for the years ended June 30, 2022, 2021, and 2020 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2022	16.410%	\$ 382,825	0.15%	\$ 3,499
2021	15.410%	\$ 344,415	0.15%	\$ 3,353
2020	15.410%	\$ 345,459	0.15%	\$ 3,363

Effective July 1, 2021, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 19.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 18.84%, 0.20% for the incidental death benefit program, and 0.20% for the accidental death program. The City's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2022, 2021, and 2020 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>		<u>Accidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2022	18.840%	\$ 718,078	0.20%	\$ 7,623	0.20%	\$ 7,623
2021	17.840%	\$ 633,495	0.20%	\$ 7,102	0.20%	\$ 7,102
2020	17.840%	\$ 622,610	0.20%	\$ 6,980	0.20%	\$ 6,980

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2021, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021.

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	7%	7%
Projected Salary Increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

¹ 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 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2020.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Actuarial Assumptions and Methods, Continued

Assumptions used in the determination of the June 30, 2021, TPL are as follows:

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%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2021, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	City's Proportionate Share of NPL	City's Portion of NPL
SCRS	\$ 55,131,579,363	33,490,305,970	21,641,273,393	60.7%	0.019772%	4,278,847
PORS	8,684,586,488	6,111,672,064	2,572,914,424	70.4%	0.236151%	6,075,969
						<u>10,354,816</u>

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

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

At June 30, 2022, the City reported liabilities of \$4,278,847 and \$6,075,969 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2022, the City's SCRS and PORS proportion was 0.019772% and 0.236151%, respectively.

For the year ended June 30, 2022, the City recognized net pension expenses of \$262,217 and \$717,234 for SCRS and PORS, respectively.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

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

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	PORS	Total
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	\$ 72,885	206,699	279,584
Changes of Assumptions	234,210	433,367	667,577
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	75,618	178,817	254,435
City Contributions Subsequent to the Measurement Date	386,325	733,324	1,119,648
TOTAL	<u>\$ 769,038</u>	<u>1,552,207</u>	<u>2,321,244</u>
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	\$ 5,775	18,923	24,698
Changes of Assumptions	-	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	621,559	1,362,205	1,983,764
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	184,579	-	184,579
TOTAL	<u>\$ 811,913</u>	<u>1,381,128</u>	<u>2,193,041</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

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

The \$386,325 and \$733,324 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date for SCRS and PORS, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2022	\$ (34,576)	11,974
2023	(90,505)	(14,712)
2024	(71,538)	(82,195)
2025	(232,580)	(477,311)
2026	-	-
Thereafter	-	-

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 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.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Long-Term Expected Rate of Return, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation/Exposure		Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	1	46.0%	6.87%	3.16%
Bonds		26.0%	0.27%	0.07%
Private Equity	1,2	9.0%	9.68%	0.87%
Private Debt	2	7.0%	5.47%	0.39%
Real Assets		12.0%		
Real Estate	2	9.0%	6.01%	0.54%
Infrastructure	2	3.0%	5.08%	0.15%
Total Expected Return	3	100.0%		5.18%
Inflation for Actuarial Purposes				2.25%
				<u>7.43%</u>

¹ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end.

When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight.

Private Equity and Public Equity combine for 55% of the entire portfolio.

² Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

³ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 9 - PENSION PLANS, Continued

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the County's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7 percent, as well as what the County's respective NPL would be if it were calculated using a discount rate of 1.00 percent lower (6 percent) or 1.00 percent higher (8 percent) than the current rate.

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
SCRS	\$ 5,604,756	4,278,847	3,176,741
PORS	8,815,454	6,075,969	3,831,912

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2021, and the accounting valuation report as of June 30, 2021. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' Comprehensive Annual Financial Report.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Other Post-Employment Benefits – Healthcare Benefits

Plan Description

In addition to providing pension benefits, the City has elected to provide healthcare benefits to retirees of the City who are participating in the City's medical program and have completed 20 years of service (yos) at the City of Gaffney and for SCRS Employees: the earlier of age 60 & 20 yos, age 55 & 25 yos, or 28 years of service; for PORS employees: 25 years of service or age 55 & 20 yos, or for disabled employees who qualify for SCRS or PORS disability, City Policy requires 20 or more years of service. To be covered, all full time employees must be covered by the active plan at the time of retirement or disability.

Retired employees meeting the criteria discussed herein will be provided hospitalization as follows:

Type of Coverage	Retiree	Spouse
Life Insurance	No Post-Retirement Life Insurance is Valued	Not Applicable
Medical Coverage		
Retiree Cost Sharing*	Employer Pays 50% of Basic Plan and Retiree Pays Rest of Premium	Retiree Pays 100% of Spousal Premium
Coverage Ceases	Coverage Stops at Age 65 or When Eligible For Medicare	Coverage Stops at Spouse Age 65.
Disability Coverage		
Retiree Cost Sharing	Employer Pays 50% of Basic Plan and Retiree Pays Rest of Premium	Retiree Pays 100% of Spousal Premium
Coverage Ceases	Coverage Stops at Eligibility for Medicare	Coverage Stops at Spouse Eligibility for Medicare.
Dental & Vision Coverage		
Retiree Cost Sharing	Retiree Pays 100% of Dental Premium and 100% of Vision Premium.	Retiree Pays 100% of Spousal Premium
Coverage Ceases	Coverage Stops at Age 65.	Coverage Stops at Spouse Age 65

* There is one retiree that retired prior to July 17, 2006 where the City pays 100% of their Medical premium.

Retirees can purchase coverage for their dependents at the city's group rates. Currently, retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2022, the City made payments for post-retirement health benefit premiums of \$19,155. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Amendments

The employer reserves the right to amend the Plan at any time subject to Council action.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, Continued

Funding Policy

For members that retire with generally at least 20 years of service or are disabled, the City pays 50% of the cost of coverage for the healthcare paid to qualified retirees under a city resolution that can be amended by the City Council. The City's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage

The funding policy of the City is to contribute to the plan the net claims paid during the year. The City of Gaffney has elected to make an annual contribution equal to these Benefit Payments. This requires the use of an interest rate based on the long term expected return on short term investments. The Employer Share of Net Benefits is the difference between the "Expected Benefit (or Premium) Payments" and the "Retiree Contributions". It is sometimes referred to as "PAYGO". The Expected Benefit (or Premium) Payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Employees covered by benefit terms. At July 1, 2021 (the valuation date) the following were covered by the benefit terms:

	<u>Count</u>	<u>Total OPEB Liability</u>
Inactive employees or beneficiares currently receiving benefits	6	286,900
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	<u>138</u>	<u>1,294,400</u>
Total	<u><u>144</u></u>	<u><u>1,581,300</u></u>

Employer Contributions

The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

Employee Contributions

None

Net OPEB Liability

The employer's net OPEB liability is reported herein as of June 30, 2022 for the employer fiscal year and reporting period of July 1, 2021 to June 30, 2022. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2021 and the corresponding measurement period of July 1, 2020 to July 1, 2021. The measurement of the total OPEB liability is based on a valuation date of July 1, 2021.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, Continued

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Expected Return on Assets:	N/A
Discount Rate:	1.92%
Salary Scale:	2.50%
Healthcare Cost Trend Rates:	7.00% for fiscal year end 2022, then 6.75% for fiscal year end 2023, decreasing 0.25% per year to an ultimate reate of 5.00%
Mortality:	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.
Actuarial Cost Method:	Entry Age Actuarial Cost Method.

Expected Return on Assets:

None

Discount Rate:

The discount rate has been set equal to 1.92% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / Asset (a) - (b)
Balances at July 1, 2021	\$ 1,631,100	-	1,631,100
Changes for the year:			
Service Cost	99,700	-	99,700
Interest	41,800	-	41,800
Differences between expected and Actual Experience	(343,100)	-	(343,100)
Contributions - employer	-	52,400	(52,400)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(52,400)	(52,400)	-
Change of Benefit Terms	-	-	-
Administrative expense	-	-	-
Assumption changes	204,200	-	204,200
Net Changes	(49,800)	-	(49,800)
Balances at June 30, 2022*	\$ 1,581,300	-	1,581,300

*Measurement date is July 1, 2021

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, Continued

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Employer's Net OPEB Liability/(Asset)	\$ 1,768,800	1,581,300	1,413,300

Sensitivity of the net OPEB liability to changes in the Trend rate. The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the trend rate, as well as what the employer's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Employer's Net OPEB Liability/(Asset)	\$ 1,364,400	1,581,300	1,843,600

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

For the year ended June 30, 2022, under GASB 75 the employer OPEB expense is \$129,000. The Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB as of June 30, 2022 from various sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,700	367,900
Changes of assumptions	303,400	24,700
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions after Measurement Date but prior to fiscal year end	19,155	-
Total	<u>\$ 338,255</u>	<u>392,600</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, Continued

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2023	\$ (16,100)
2024	(16,100)
2025	(1,600)
2026	(6,500)
2027	(6,900)
Thereafter	(11,800)

NOTE 11 - INTERFUND RECEIVABLES AND INTERFUND PAYABLES

During the course of its operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and purchase and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is determined by City management. To the extent that certain transactions between funds had not been paid or received as of June 30, 2022, balances of interfund amounts receivable or payable have been recorded. The City uses the pooling of cash method of accounting whereby the general fund makes all receipts and disbursements for the other funds. The due to/from in the other funds generally corresponds to the amount of cash on hand for those funds in the general fund.

The following is a summary of amount Interfund Receivables and Interfund Payables:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Due To Special Revenue Fund	\$ -	1,312,756
Special Revenue Fund		
Due From General Fund	1,312,756	-

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 12 - CONTINGENCIES

Due to the nature of the City's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result from litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies at June 30 if the related liability has not been recorded yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The City maintains insurance against certain loss contingencies with tort liability policies and physical damage coverage. At the date of this report, the City is a party to several lawsuits, none of which, in the opinion of the City's management and legal council would give rise to any material loss contingency. Settlements have not exceeded insurance coverage limits for the last three fiscal years.

Due to the COVID 19 Pandemic that has continued to materialize during the fiscal year, the City is evaluating what effect it will have on its operation with respect to revenues and expenses, the ability to obtain necessary services, materials and supplies, manage and protect the health and safety, including the stability of its employees and support workforce, and the ability to be mobile, access service locations, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, management is continuing to monitor the effect of this circumstance and will be evaluating on an ongoing basis to determine the effect of this on its operations, and the value of its assets and obligations long term.

NOTE 13 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

As of August 26, 1996, laws governing Section 457 plans were changed to state that plans were not eligible unless all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Johnson & Higgins/Kirke-Van Orsdel, Inc., 400 Locust Street, Des Moines, Iowa, 50306 (under state contract) are the program administrators of the 457 Plan, as well as the other available 401K Plan. The choice of deferred compensation options are selected by the participant. As recommended by GASB No. 32, *Accounting and Financial Reporting for IRC Section 457 Deferred compensation Plans*, the value of the assets under the Plan are not included in the City's financial statements.

NOTE 14 - RISK MANAGEMENT

The City has an agreement for insurance coverage with the South Carolina Municipal Insurance & Risk Financing Fund (SCMIRFF) whereby the City, as well as other entities, pay premiums to the SCMIRFF which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Real property, its contents, and other equipment.
2. Motor vehicles.
3. General liability.

Prior to entering into this agreement with SCMIRFF, the City had a similar agreement with the State Insurance Reserve Fund (IRF).

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 14 - RISK MANAGEMENT, Continued

The SCMIRFF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. The SCMIRFF purchases insurance for aircraft and ocean marine coverage. The SCMIRFF's rates are determined actuarially.

- There were no significant increases or reductions in insurance coverage from the prior year.
- There were no insurance settlements exceeding insurance coverage for the past three years.

NOTE 15 - CONTRACTUAL COMMITMENTS

The City has entered into an agreement with the Gaffney Board of Public Works whereby the City would receive from the Board's "surplus revenues" as defined in its general bond ordinance 3.05% of audited gross electric revenues. Also, the City will pay to the Board all fees and charges for water, sewer and electric services. In addition the agreement calls for the Board of Public Works to install, monitor and maintain all fire hydrants within the City and the City to pay the Board for installation, maintenance and electric charges of all street and traffic lighting in the City. The Board of Public Works makes an annual payment under this agreement and bills the City for utility services quarterly. The amounts paid pursuant to this agreement for the fiscal year ended June 30, 2022 are as follows:

3.05% of gross electric revenues	\$ 667,540
City's utility services	753,692

At June 30, 2022 this \$667,540 is included in the receivable from the Board of Public Works.

The City has entered into a long-term agreement with Cherokee County whereby the County will house all adult male and female prisoners over which the City municipal court has jurisdiction, for a per day fee to be adjusted annually each July 1 based on actual cost of operation. The per day fee was adjusted to \$42.12 effective July 1, 2021. The agreement is for 25 years, and was initiated in November, 1997. The total amount paid under this agreement for the fiscal year ended June 30, 2022 was \$78,722.

The City has also entered into a ten year agreement with Cherokee County whereby the City will provide fire protection in a defined fire protection area outside the City limits in exchange for the County providing monthly payments to the City for the cost of providing fire protection on a cost per call basis. The per call fee is to be adjusted annually based on actual cost of the previous fiscal year provided the maximum amount to be paid by the County to the City will not exceed the amount of taxes generated by the millage assessed in the Gaffney Fire Protection Area. The initial term of the agreement expired on December 31, 2010, and was extended for two successive five year terms, in accordance with the terms of the agreement. The total amount the City received under this agreement for the fiscal year ended June 30, 2022 was \$936,979. During the year a public referendum authorized an increase in the millage for this Fire Protection Area to 16 mills, which was assessed, billed and collected with the tax notices that went out in the fall of 2020. A new agreement was entered into dated November 16, 2021 that provides for an initial ten year term beginning January 1, 2022, with additional successive five year terms with the agreement of both parties.

The City has entered into an agreement with the South Carolina Department of Transportation whereby the City will assist with snow and ice removal as needed and directed by the SCDOT, and for which the SCDOT will provide reimbursement. The agreement provides for specified manpower and equipment, as well as directed prioritized scheduling. During this fiscal year the City received \$34,773 in reimbursement under this agreement.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 16 – TAX ABATEMENTS

Companies that are located in South Carolina and are classified as manufacturing facilities are subject to *ad valorem taxes*. The fair market value is multiplied by the assessment ratio, generally equal to 10.5%, to produce the assessed value and then multiplied by the millage rate. Cherokee County provides certain tax reductions through the following programs:

1. Fee in Lieu of Ad Valorem Tax
2. Special Source Revenue Credit

The *Fee in Lieu of Ad Valorem Tax* program is intended to encourage investment in commercial and industrial investments in South Carolina. The property tax reduction is granted pursuant to Chapter 44 of Title 12 of the South Carolina Code of Laws of South Carolina 1976 as amended. Taxpayers are eligible to receive a reduction in property taxes, through reduced assessed values and locked millage rates, if they enter into an agreement with Cherokee County and invest at least \$2.5 million in taxable property (or some other negotiated investment floor) in Cherokee County within a 5 year period. Under the *Fee in Lieu of Ad Valorem Tax* program, if a taxpayer does not make the required investment within the 5 year period, then the reduced property taxes terminate and the taxpayer must repay Cherokee County the difference between the abated taxes received and what the taxpayer would have paid had it not had the benefit of the *Fee in Lieu of Ad Valorem Tax* program.

Cherokee County has **three (3)** taxpayers within the City limits of Gaffney that have entered into an agreement with Cherokee County under the *Fee in Lieu of Ad Valorem Tax* program. In the aggregate, these taxpayers, without the benefit of the program would pay **\$80,324.64** to Cherokee County in *ad valorem* tax. However, due to the benefit provided by the *Fee in Lieu of Ad Valorem Tax* program, the taxpayers paid an aggregate of **\$172,814.48** to Cherokee County in the most recent fiscal year.

The *Special Source Revenue Credit* program is intended to encourage investment into infrastructure serving Cherokee County or infrastructure serving a commercial or manufacturing enterprise in Cherokee County. The property tax reduction is granted pursuant to Chapter 1 of Title 4 of the South Carolina Code of Laws of South Carolina 1976, as amended. All property that is located in an MCIP, *Multi-County Industrial Park*, is exempt from property taxes, but property owners must pay an amount equivalent to the property taxes that would otherwise be due. The companies that make an agreement with the county based on this option are based on infrastructure credits or credits based on investments/money spent to improve a facility. Taxpayers are eligible to receive a percentage reduction off their total property tax liability if the taxpayer is located in a multicounty park, enters into an agreement with Cherokee County and agrees to make an investment in taxable property in Cherokee County and create jobs. If the taxpayer does not meet its investment or job commitments, the taxpayer must repay a portion of the reduction.

Cherokee County has **two (2)** taxpayers within the City limits of Gaffney that have entered into an agreement with Cherokee County under the Special Source Revenue Credit program. In the aggregate, these taxpayers, without the benefits of the program would pay **\$88,335.97** to Cherokee County in *ad valorem* tax in the most recent fiscal year. However, due to the benefit provided by the *Special Source Revenue Credit* program, the taxpayers pay an aggregate of **\$57,303.10** to Cherokee County.

For the Greater Gaffney fire District, Cherokee County has **fifteen (15)** taxpayers that have entered into an agreement with Cherokee County under the *Fee in Lieu of Ad Valorem Tax* program. In the aggregate, these taxpayers, without the benefit of the program would pay **\$372,664.90** to Cherokee County and sent on to the City in *ad valorem* tax. However, due to the benefit provided by the *Fee in Lieu of Ad Valorem Tax* program, the taxpayers paid an aggregate of **\$212,653.97** in the most recent fiscal year.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2022

NOTE 17 – SUBSEQUENT EVENTS

Management has through February 27, 2023, the date the financial statements were available to be issued, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2022, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

CITY OF GAFFNEY, SOUTH CAROLINA
Schedule of Governmental Funds - Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	General Fund			Variance
	Budget			Favorable
	Original	Final	Actual	(Unfavor- able)
REVENUES				
Taxes	\$ 5,216,943	5,216,943	5,255,283	38,340
Licenses	5,036,200	5,036,200	4,304,483	(731,717)
Intergovernmental	3,757,155	3,757,155	3,384,567	(372,588)
Police and Fire	205,000	205,000	290,027	85,027
Fees and Permits	65,100	65,100	158,931	93,831
Cemetery	75,000	75,000	83,800	8,800
Commercial Sanitation	30,000	30,000	35,466	5,466
Miscellaneous	36,067	36,067	43,297	7,230
Total Revenues	14,421,465	14,421,465	13,555,854	(865,611)
EXPENDITURES				
General Government	2,477,073	2,144,980	1,960,154	184,826
Finance	499,671	535,774	507,439	28,335
Municipal Court	468,140	494,795	500,201	(5,406)
Public Safety				
Police	3,726,487	3,818,724	3,496,757	321,967
Fire	3,499,387	3,509,611	3,642,315	(132,704)
Public Improvements				
Streets	1,168,725	1,153,328	1,045,578	107,750
Sanitation	711,003	711,003	793,135	(82,132)
Parks and Recreation	523,682	516,956	518,162	(1,206)
Tourism and Beautification	276,187	275,687	221,432	54,255
Community Development	575,469	616,562	595,558	21,004
Maintenance Garage	286,744	286,744	313,836	(27,092)
Total Expenditures	14,212,568	14,064,164	13,594,567	469,597
Excess of Revenues				
Over (Under Expenditures)	208,897	357,301	(38,713)	(396,014)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	2,514,579	2,514,579
Operating Transfers Out	-	-	(808,869)	(808,869)
	-	-	1,705,710	1,705,710
Excess of Revenues and Other Financing				
Sources Over (Under) Expenditures	208,897 *	357,301	1,666,997	1,309,696
FUND BALANCE AT BEGINNING OF YEAR			5,099,776	
FUND BALANCE AT END OF YEAR			\$ 6,766,773	

* This amount represents beginning cash balances budgeted by ordinance.

CITY OF GAFFNEY, SOUTH CAROLINA
Schedule of Governmental Funds - Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Special Revenue Fund			Variance
	Budget			Favorable
	Original	Final	Actual	(Unfavor- able)
REVENUES				
Taxes	\$ -	-	-	-
Licenses	-	-	-	-
Intergovernmental	845,212	3,985,869	3,345,335	(640,534)
Police and Fire	155,501	157,001	151,739	(5,262)
Fees and Permits	1,476,200	1,476,200	1,746,963	270,763
Cemetery	-	-	-	-
Commercial Sanitation	-	-	-	-
Miscellaneous	13,000	9,500	31,405	21,905
Total Revenues	2,489,913	5,628,570	5,275,442	(353,128)
EXPENDITURES				
General Government	1,396,680	3,160,879	2,765,738	395,141
Finance	-	14,388	15,295	(907)
Municipal Court	-	12,290	13,419	(1,129)
Public Safety				
Police	19,570	117,296	110,774	6,522
Fire	137,500	249,820	210,647	39,173
Public Improvements				
Streets	-	40,207	240,318	(200,111)
Sanitation	-	24,124	24,235	(111)
Parks and Recreation	37,500	460,719	439,662	21,057
Tourism and Beautification	-	6,111	6,111	-
Community Development	785,212	801,794	17,522	784,272
Maintenance Shop	-	8,750	10,166	(1,416)
Total Expenditures	2,376,462	4,896,378	3,853,887	1,042,491
Excess of Revenues				
Over (Under Expenditures)	113,451	732,192	1,421,555	689,363
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	573,869	573,869
Operating Transfers Out	-	-	(2,514,579)	(2,514,579)
	-	-	(1,940,710)	(1,940,710)
Excess of Revenues and Other Financing				
Sources Over (Under) Expenditures	113,451 *	732,192	(519,155)	(1,251,347)
FUND BALANCE AT BEGINNING OF YEAR			1,562,521	
FUND BALANCE AT END OF YEAR			\$ 1,043,366	

* This amount represents beginning cash balances budgeted by ordinance.

CITY OF GAFFNEY, SOUTH CAROLINA
Schedule of Governmental Funds - Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Capital Projects Fund			Variance
	Budget		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ -	-	-	-
Licenses	-	-	-	-
Intergovernmental	-	-	-	-
Police and Fire	-	-	-	-
Fees and Permits	-	-	-	-
Cemetery	-	-	-	-
Commercial Sanitation	-	-	-	-
Miscellaneous	-	-	10,370	10,370
Total Revenues	-	-	10,370	10,370
EXPENDITURES				
General Government	-	-	1,116	(1,116)
Finance	-	-	-	-
Municipal Court	-	-	-	-
Public Safety				
Police	309,348	306,247	284,357	21,890
Fire	108,500	113,005	127,459	(14,454)
Public Improvements				
Streets	74,500	85,500	103,986	(18,486)
Sanitation	230,000	234,951	234,951	-
Parks and Recreation	-	-	-	-
Tourism and Beautification	-	-	-	-
Community Development	-	-	-	-
Maintenance Shop	-	-	-	-
Total Expenditures	722,348	739,703	751,869	(12,166)
Excess of Revenues				
Over (Under Expenditures)	(722,348)	(739,703)	(741,499)	(1,796)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	235,000	235,000
Operating Transfers Out	-	-	-	-
	-	-	235,000	235,000
Excess of Revenues and Other Financing				
Sources Over (Under) Expenditures	(722,348) *	(739,703)	(506,499)	233,204
FUND BALANCE AT BEGINNING OF YEAR			594,695	
FUND BALANCE AT END OF YEAR			\$ 88,196	

* This amount represents beginning cash balances budgeted by ordinance.

CITY OF GAFFNEY, SOUTH CAROLINA
Schedule of Governmental Funds - Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

Totals All Governmental Funds (Memorandum Only)				
	Budget		Actual	Variance Favorable (Unfavor- able)
	Original	Final		
REVENUES				
Taxes	\$ 5,216,943	5,216,943	5,255,283	38,340
Licenses	5,036,200	5,036,200	4,304,483	(731,717)
Intergovernmental	4,602,367	7,743,024	6,729,902	(1,013,122)
Police and Fire	360,501	362,001	441,766	79,765
Fees and Permits	1,541,300	1,541,300	1,905,894	364,594
Cemetery	75,000	75,000	83,800	8,800
Commercial Sanitation	30,000	30,000	35,466	5,466
Miscellaneous	49,067	45,567	85,072	39,505
Total Revenues	<u>16,911,378</u>	<u>20,050,035</u>	<u>18,841,666</u>	<u>(1,208,369)</u>
EXPENDITURES				
General Government	3,873,753	5,305,859	4,727,008	578,851
Finance	499,671	550,162	522,734	27,428
Municipal Court	468,140	507,085	513,620	(6,535)
Public Safety				
Police	4,055,405	4,242,267	3,891,888	350,379
Fire	3,745,387	3,872,436	3,980,421	(107,985)
Public Improvements				
Streets	1,243,225	1,279,035	1,389,882	(110,847)
Sanitation	941,003	970,078	1,052,321	(82,243)
Parks and Recreation	561,182	977,675	957,824	19,851
Tourism and Beautification	276,187	281,798	227,543	54,255
Community Development	1,360,681	1,418,356	613,080	805,276
Maintenance Shop	286,744	295,494	324,002	(28,508)
Total Expenditures	<u>17,311,378</u>	<u>19,700,245</u>	<u>18,200,323</u>	<u>1,499,922</u>
Excess of Revenues Over (Under Expenditures)	<u>(400,000)</u>	<u>349,790</u>	<u>641,343</u>	<u>291,553</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	3,323,448	3,323,448
Operating Transfers Out	-	-	(3,323,448)	(3,323,448)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(400,000) *	349,790	641,343	291,553
FUND BALANCE AT BEGINNING OF YEAR			<u>7,256,992</u>	
FUND BALANCE AT END OF YEAR			<u><u>\$ 7,898,335</u></u>	

* This amount represents beginning cash balances budgeted by ordinance.

CITY OF GAFFNEY, SOUTH CAROLINA

Other Post-Employment Benefits
Required Supplementary Information
For the Year Ended June 30, 2022

Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Last 10 Fiscal Years (as information becomes available)

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 99,700	86,400	71,800	75,200	73,400
Interest	41,800	48,100	48,500	49,100	45,000
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(343,100)	(45,000)	26,800	(92,500)	-
Changes of assumptions	204,200	117,900	75,000	(53,100)	-
Benefit payments, including refunds of employee contributions	(52,400)	(54,400)	(22,800)	(5,500)	(4,600)
Net Change in total OPEB Liability	(49,800)	153,000	199,300	(26,800)	113,800
Total OPEB Liability - Beginning	1,631,100	1,478,100	1,278,800	1,305,600	1,191,800
Total OPEB Liability - Ending (a)	1,581,300	1,631,100	1,478,100	1,278,800	1,305,600
Plan Fiduciary Net Position					
Contributions - employer	52,400	54,400	22,800	5,500	4,600
Contributions - employee	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,400)	(54,400)	(22,800)	(5,500)	(4,600)
Administrative expenses	-	-	-	-	-
Other	-	-	-	-	-
Net change in Plan Fiduciary Net Position	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	-	-	-	-	-
Employer's Net OPEB Liability - Ending (a)-(b)	1,581,300	1,631,100	1,478,100	1,278,800	1,305,600
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	5,567,400	5,415,100	5,415,100	4,628,600	4,628,600
Employer's Net OEB Liability as a Percentage of Covered-Employee Payroll	28.40%	30.12%	27.30%	27.63%	28.21%
Notes to Schedule:					
None					
Actuarially Determined Contribution	52,400	54,400	22,800	5,500	4,600 ²
Contributions in relation to the Actuarially Determined Contribution	52,400	54,400	22,800	5,500	4,600 ²
Contribution Deficiency (excess)	-	-	-	-	-
Expected covered-employee payroll	5,567,400	5,415,100	5,415,100	4,628,600	4,628,600
Contributions as a percentage of covered-employee payroll	0.94%	1.00%	0.42%	0.12%	0.10%

² The first valuation under GASB 75 used expected "pay-as-you-go" cost.

CITY OF GAFFNEY, SOUTH CAROLINA**Other Post-Employment Benefits
Required Supplementary Information
For the Year Ended June 30, 2022****Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Last 10 Fiscal Years (as information becomes available)****Notes to Schedule**

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go".

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the expected "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown.

CITY OF GAFFNEY
Net Pension Liability Required Supplementary Information
For the Year Ended June 30, 2022

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)
Schedule of the City's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.019772%	\$ 4,278,847	\$ 2,235,009	191.45%	60.7%
June 30, 2021	0.020094%	4,440,921	2,241,787	198.10%	50.7%
June 30, 2020	0.021217%	4,440,921	2,440,475	181.97%	54.4%
June 30, 2019	0.019820%	4,440,921	2,058,502	215.74%	54.1%
June 30, 2018	0.020561%	4,628,612	2,067,401	223.89%	53.3%
June 30, 2017	0.021789%	4,654,098	2,108,701	220.71%	52.9%
June 30, 2016	0.021687%	4,113,044	2,036,250	201.99%	57.0%
June 30, 2015	0.022385%	3,854,055	2,032,280	189.64%	59.9%

Schedule of Employer Contribution

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 386,325	\$ 386,325	-	\$ 2,329,878	16.58%
June 30, 2021	347,767	347,767	-	2,235,009	15.56%
June 30, 2020	327,300	327,300	-	2,241,787	14.60%
June 30, 2019	326,213	326,213	-	2,440,475	13.37%
June 30, 2018	279,133	279,133	-	2,058,502	13.56%
June 30, 2017	238,992	238,992	-	2,067,401	11.56%
June 30, 2016	233,222	233,222	-	2,108,701	11.06%
June 30, 2015	218,897	218,897	-	2,036,250	10.75%

Note: This schedule will continue to build prospectively until a 10 year trend of data is compiled.

CITY OF GAFFNEY
Net Pension Liability Required Supplementary Information
For the Year Ended June 30, 2022

POLICE OFFICERS RETIREMENT SYSTEM (PORS)
Schedule of the City's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability	Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.236151%	\$ 6,075,969	\$ 3,550,982	171.11%	70.4%
June 30, 2021	0.231025%	7,661,264	3,489,967	219.52%	58.8%
June 30, 2020	0.229386%	6,574,065	3,327,150	197.59%	62.7%
June 30, 2019	0.223440%	6,331,334	3,092,779	204.71%	61.7%
June 30, 2018	0.221990%	6,081,441	2,989,767	203.41%	60.9%
June 30, 2017	0.235460%	5,972,282	3,001,753	198.96%	60.4%
June 30, 2016	0.023240%	5,065,041	2,879,055	175.93%	64.6%
June 30, 2015	0.237400%	4,547,698	2,855,358	159.27%	67.5%

Schedule of Employer Contribution

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 733,324	\$ 733,324	\$ -	\$ 3,811,454	19.24%
June 30, 2021	647,699	647,699	-	3,550,982	18.24%
June 30, 2020	605,708	605,708	-	3,489,967	17.36%
June 30, 2019	573,599	573,599	-	3,327,150	17.24%
June 30, 2018	502,267	502,267	-	3,092,779	16.24%
June 30, 2017	425,742	425,742	-	2,989,767	14.24%
June 30, 2016	412,442	412,442	-	3,001,753	13.74%
June 30, 2015	374,565	374,565	-	2,879,055	13.01%

Note: This schedule will continue to build prospectively until a 10 year trend of data is compiled.

CITY OF GAFFNEY, SOUTH CAROLINA
Municipal Court
Summary Schedule of Court Fines and Fees, Assessments and Surcharges
June 30, 2022

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			292,907.28	292,907.28
Court fines and assessments remitted to State Treasurer			156,663.16	156,663.16
Total Court Fines and Assessments retained			136,244.12	136,244.12
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			5,916.83	5,916.83
Assessments retained			13,015.83	13,015.83
Total Surcharges and Assessments retained for victim services			18,932.66	18,932.66

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	111,343.66		111,343.66
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	13,015.83		13,015.83
Victim Service Surcharges Retained by City/County Treasurer	5,916.83		5,916.83
Interest Earned	189.46		189.46
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	130,465.78		130,465.78
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	7,645.59		7,645.59
Operating Expenditures	18,932.66		18,932.66
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	26,578.25		26,578.25
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	103,887.53		103,887.53