

CITY OF GAFFNEY, SOUTH CAROLINA

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2023**

1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100
 101
 102
 103
 104
 105
 106
 107
 108
 109
 110
 111
 112
 113
 114
 115
 116
 117
 118
 119
 120
 121
 122
 123
 124
 125
 126
 127
 128
 129
 130
 131
 132
 133
 134
 135
 136
 137
 138
 139
 140
 141
 142
 143
 144
 145
 146
 147
 148
 149
 150
 151
 152
 153
 154
 155
 156
 157
 158
 159
 160
 161
 162
 163
 164
 165
 166
 167
 168
 169
 170
 171
 172
 173
 174
 175
 176
 177
 178
 179
 180
 181
 182
 183
 184
 185
 186
 187
 188
 189
 190
 191
 192
 193
 194
 195
 196
 197
 198
 199
 200
 201
 202
 203
 204
 205
 206
 207
 208
 209
 210
 211
 212
 213
 214
 215
 216
 217
 218
 219
 220
 221
 222
 223
 224
 225
 226
 227
 228
 229
 230
 231
 232
 233
 234
 235
 236
 237
 238
 239
 240
 241
 242
 243
 244
 245
 246
 247
 248
 249
 250
 251
 252
 253
 254
 255
 256
 257
 258
 259
 260
 261
 262
 263
 264
 265
 266
 267
 268
 269
 270
 271
 272
 273
 274
 275
 276
 277
 278
 279
 280
 281
 282
 283
 284
 285
 286
 287
 288
 289
 290
 291
 292
 293
 294
 295
 296
 297
 298
 299
 300
 301
 302
 303
 304
 305
 306
 307
 308
 309
 310
 311
 312
 313
 314
 315
 316
 317
 318
 319
 320
 321
 322
 323
 324
 325
 326
 327
 328
 329
 330
 331
 332
 333
 334
 335
 336
 337
 338
 339
 340
 341
 342
 343
 344
 345
 346
 347
 348
 349
 350
 351
 352
 353
 354
 355
 356
 357
 358
 359
 360
 361
 362
 363
 364
 365
 366
 367
 368
 369
 370
 371
 372
 373
 374
 375
 376
 377
 378
 379
 380
 381
 382
 383
 384
 385
 386
 387
 388
 389
 390
 391
 392
 393
 394
 395
 396
 397
 398
 399
 400
 401
 402
 403
 404
 405
 406
 407
 408
 409
 410
 411
 412
 413
 414
 415
 416
 417
 418
 419
 420
 421
 422
 423
 424
 425
 426
 427
 428
 429
 430
 431
 432
 433
 434
 435
 436
 437
 438
 439
 440
 441
 442
 443
 444
 445
 446
 447
 448
 449
 450
 451
 452
 453
 454
 455
 456
 457
 458
 459
 460
 461
 462
 463
 464
 465
 466
 467
 468
 469
 470
 471
 472
 473
 474
 475
 476
 477
 478
 479
 480
 481
 482
 483
 484
 485
 486
 487
 488
 489
 490
 491
 492
 493
 494
 495
 496
 497
 498
 499
 500
 501
 502
 503
 504
 505
 506
 507
 508
 509
 510
 511
 512
 513
 514
 515
 516
 517
 518
 519
 520
 521
 522
 523
 524
 525

CITY OF GAFFNEY, SOUTH CAROLINA

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements	
Government-Wide Financial Statements:	
Exhibit 1 - Statement of Net Position	12
Exhibit 2 Statement of Activities	13
Fund Financial Statements:	
Exhibit 3 - Balance Sheet - Governmental Funds	14
Exhibit 4 - Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	15
Exhibit 5 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Exhibit 6 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements	18-56
Required Supplementary Information:	
Schedule 1 Schedule of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- General Fund	57
Schedule 1 Schedule of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- Special Revenue Fund	58
Supplementary Information:	
Schedule 1 Schedule of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- Capital Projects Fund	59
Schedule 1 Schedule of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- Totals All Governmental Funds	60

CITY OF GAFFNEY, SOUTH CAROLINA

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Required Supplementary Information:	
Schedule 2 City of Gaffney's Net OPEB Liability and Related Ratios and Schedule of Employer Contributions	61-62
Schedule 3 City of Gaffney's Proportionate Share of the SCRS Net Pension Liability and Employer Contributions	63
Schedule 4 City of Gaffney's Proportionate Share of the PORS Net Pension Liability and Employer Contributions	64
Supplementary Information:	
Schedule 5 Municipal Court Summary Schedule of Court Fines and Fees, Assessments and Surcharges	65

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, 2023, 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, 2023 and 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 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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.

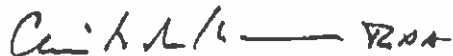
The budgetary comparison schedules- Capital Project Funds and Total All Governmental Funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2024, 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 March 12, 2024 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, 2023.



Gaffney, SC
April 19, 2024

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent year by \$15,460,115. Of this amount, \$5,583,747 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 \$10,744,434, an increase of \$2,619,186, as compared to the prior fiscal year. Of this total amount, \$5,111,298 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 \$4,501,437 or approximately 33% of total General Fund expenditures.

During the year, the City's long-term debt decreased from \$1,272,138 to \$1,041,082, a net decrease of \$231,056.

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 consist of:

- 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.

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 described as follows:

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.

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, 2023, as compared to June 30, 2022, and June 30, 2021.

	Governmental Activities		
	2023	2022	2021
Assets:			
Current and Other Assets	\$ 15,290,481	\$ 12,841,404	\$ 9,411,286
Capital Assets, Net	18,483,245	16,569,737	16,323,777
Total Assets	33,773,726	29,411,141	25,735,063
Deferred Outflows	2,396,757	2,659,500	2,939,247
Liabilities:			
Long-Term Liabilities	1,981,995	2,271,669	2,968,263
OPEB Liability	1,430,800	1,581,300	1,631,100
Net Pension Obligation	11,971,988	10,354,816	12,795,698
Other Liabilities	4,495,392	4,633,211	2,085,722
Total Liabilities	19,880,175	18,840,996	19,480,783
Deferred Inflows	830,193	2,585,641	447,862
Net Position:			
Net Invested in Capital Assets	17,445,241	15,301,677	14,272,584
Restricted	2,585,379	1,232,069	1,496,052
Unrestricted	(4,570,505)	(5,889,742)	(7,022,971)
Total Net Position	\$ 15,460,115	\$ 10,644,004	\$ 8,745,665

By far the largest portion of the City's net position (\$17,445,241) 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 \$262,743 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 \$26,928 for contributions made subsequent to the measurement date required by GASB 75.

Deferred inflows decreased by \$1,755,448 from the prior year, the majority of which (\$1,839,764) was the net difference between projected and actual earnings and the remainder is a decrease, being the difference in retirement contributions and liability experience from what was expected \$(84,316). This also included deferred inflows related to Other Post-Employment benefits of \$536,600 consisting of an increase in liability experience and a decrease in assumption changes. Net position increased by \$4,816,111 after the effect of GASB Statement No. 68 (\$72,360). The GASB 68 statement requires the City to record the net pension liability of \$11,971,988 thus reducing unrestricted net assets.

An additional portion of the City's net position (\$2,585,379) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,583,747) 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 \$4,816,111 including the effect of GASB 68 (\$72,360). 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 \$4,888,491 net of GASB 68 effect. The following table shows the change in net position for 2023 compared to 2022 and 2021.

	Governmental Activities		
	2023	2022	2021
Revenues:			
Program Revenue:			
Charges for Service	\$ 2,057,105	\$ 1,961,340	\$ 1,810,042
Operating Grants and Contributions	988,195	785,973	763,267
Capital Grants	1,604,306	103,928	200,000
Total Program Revenue	<u>4,649,606</u>	<u>2,851,241</u>	<u>2,773,309</u>
General Revenue:			
Taxes	6,380,966	6,194,756	6,020,868
Business License	3,050,968	4,053,395	2,701,107
Intergovernmental	3,464,526	2,275,114	414,350
Other	2,397,309	2,159,856	2,104,610
Total General Revenues	<u>15,293,769</u>	<u>14,683,121</u>	<u>11,240,935</u>
Total Revenues	<u>19,943,375</u>	<u>17,534,362</u>	<u>14,014,244</u>
Expenses:			
General Government	2,300,044	3,168,601	1,784,329
Finance	526,983	464,828	473,328
Municipal Court	509,977	467,958	469,565
Police	3,723,915	3,510,599	3,343,123
Fire	3,992,517	3,972,586	3,550,180
Streets	1,264,768	1,366,560	1,130,899
Sanitation	781,628	838,869	736,961
Parks and Recreation	823,650	704,609	654,754
Tourism and Beautification	215,984	236,280	212,337
Community Development	586,903	556,685	864,203
Maintenance Garage	382,263	321,674	267,628
Interest and Fiscal Charge	18,632	26,774	32,223
Total Expense	<u>\$ 15,127,264</u>	<u>\$ 15,636,023</u>	<u>\$ 13,519,530</u>
Change in Net Position	\$ 4,816,111	\$ 1,898,339	\$ 494,714
Net Position Beginning of Year	\$ 10,644,004	\$ 8,745,665	\$ 8,250,951
Net Position End of Year	\$ 15,460,115	\$ 10,644,004	\$ 8,745,665

Charges for services increased by \$95,765.

- Operating grants and contributions increased by \$202,222.
- Capital Grants and contributions decreased by \$1,500,378.
- Tax revenues increased by \$186,210.
- Other revenue increased by \$424,438.

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 \$10,744,434, an increase of \$2,619,186 in comparison with the prior year. Of this total amount, \$5,111,298 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 \$4,501,437. 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 33% and 54% of total General Fund expenditures, respectively.

During the current year, the fund balance of the City's General Fund increased by \$601,788, due primarily to a deferral of some expenditures, and vacancies in some departments which resulted in budgeted salaries not being spent.

General Fund Budget Highlights

The total revenue received in 2023 was \$19,863,086 or \$1,350,339 more than the final budget of \$18,512,747. Business licenses and permit revenues were \$551,589 more than the budget due to higher-than-anticipated collections in many of the business license types. All other revenues were more than budget in total by \$798,750 due to an over-application of LOST credit in the prior year that was reclassified in the current year.

The total expenditures were \$16,275,688 or \$3,378,724 less than the final budget of \$19,654,412. The City's actual expenditures were lower than budget due to cost-cutting measures across all departments and some delayed expenditures. 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, 2023, amounts to \$18,483,245 (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 \$1,041,082 in debt (general obligation bonds, notes, lease purchase agreements) outstanding compared to \$1,272,128 in the prior fiscal year, a decrease of \$231,046. This was due to issuance of both GO debt and a capital lease during the year.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Outstanding Debt			
Note Payable	\$ 3,078	\$ 4,068	\$ 6,078
General	783,374	887,970	1,402,828
Obligation Bonds			
Lease Purchase Agreements	254,630	380,090	642,287
Total	<u>\$ 1,041,082</u>	<u>\$ 1,272,128</u>	<u>\$ 2,051,193</u>

ECONOMIC FACTORS AND THEIR EFFECT ON THE FISCAL YEAR 2020 BUDGET

Several factors impact the Fiscal Year 2024 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 supply chain issues associated with 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, 2023

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 13,056,206
Receivables:	
Taxes, Net	96,835
Intergovernmental	1,793,514
Other	217,540
Inventory	126,386
Capital Assets:	
Non-Depreciable	3,306,816
Depreciable, Net of Depreciation	15,176,429
Total Capital Assets Net of Depreciation	<u>18,483,245</u>
Total Assets	<u><u>33,773,726</u></u>
DEFERRED OUTFLOWS	
Pension Related Items	2,111,329
OPEB Related Items	285,428
	<u><u>2,396,757</u></u>
LIABILITIES	
Accounts Payable	476,019
Accrued Expenses	332,222
Unremitted Withholdings	79,475
Unearned Revenue	1,365,247
Unearned Revenue - Property Tax Credit	2,162,958
Police Bonds Pending	8,718
Police Seizures Pending	32,208
Tax Sale Proceeds Pending	16,596
Accrued Interest Payable	6,140
Other Liabilities	15,809
Long-term Liabilities:	
Due Within One Year	630,552
Due in More than One Year	1,351,443
Net Pension Liability	11,971,988
OPEB Liability	1,430,800
Total Liabilities	<u><u>19,880,175</u></u>
DEFERRED INFLOWS	
Pension Related Items	293,593
OPEB Related Items	536,600
	<u><u>830,193</u></u>
NET POSITION	
Net Investment in Capital Assets	17,445,241
Restricted For:	
Cemetery	64,068
Various Purposes	2,521,311
Unrestricted	(4,570,505)
Total Net Position	<u><u>\$ 15,460,115</u></u>

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, 2023

	Expenses	Program Revenues			Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 1,969,503	56,400	844,910	1,579,306	511,113
Visitors Center	330,541	-	3,950	-	(326,591)
Finance	526,983	-	-	-	(526,983)
Municipal Court	509,977	-	-	-	(509,977)
Public Safety					
Police	3,723,915	651,967	760	-	(3,071,188)
Fire	3,992,517	1,044,614	110,176	-	(2,837,727)
Public Improvements					
Streets	1,264,768	-	19,125	-	(1,245,643)
Sanitation	781,628	32,556	-	-	(749,072)
Parks and Recreation	823,650	15,192	9,274	25,000	(774,184)
Tourism and Beautification	215,984	-	-	-	(215,984)
Community Development	586,903	256,376	-	-	(330,527)
Maintenance Garage	382,263	-	-	-	(382,263)
Interest and Fiscal Charges	18,632	-	-	-	(18,632)
Total Governmental Activities	\$ 15,127,264	2,057,105	988,195	1,604,306	(10,477,658)

General Revenues	\$	
Property Taxes	5,404,393	
Local Option Sales Tax	976,573	
Business Privilege License Revenue	3,050,968	
Intergovernmental	3,464,526	
Accommodations Tax	283,880	
Hospitality Tax	1,764,402	
Franchise Tax	247,621	
Gain (Loss) on Sale of Assets	3,442	
Investment Income	42,524	
PEBA Credit	52,384	
Other	3,056	
Total General Revenues	15,293,769	
Change in Net Position	4,816,111	
Net Position Beginning of Year	10,644,004	
Net Position End of Year	\$ 15,460,115	

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, 2023

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
ASSETS				
Cash and Cash Equivalents	\$ 10,472,493	2,518,793	64,920	13,056,206
Taxes Receivable	96,835	-	-	96,835
Intergovernmental Receivables	1,731,259	62,255	-	1,793,514
Other Receivables	41,696	175,844	-	217,540
Prepaid Expense	-	-	-	-
Inventories	126,386	-	-	126,386
Due From Other Funds	1,167,276	3,398,579	917,652	5,483,507
Total Assets	\$ 13,635,945	6,155,471	982,572	20,773,988
LIABILITIES				
Accounts Payable	\$ 165,514	89,017	221,488	476,019
Accrued Expense	332,222	-	-	332,222
Unremitted Withholdings	79,475	-	-	79,475
Unearned Revenue	-	1,365,247	-	1,365,247
Unearned Revenue - Deferred Property Tax Credit	2,162,958	-	-	2,162,958
Police Bonds Pending	8,718	-	-	8,718
Police Seizures Pending	-	32,208	-	32,208
Tax Sale Proceeds Pending	16,596	-	-	16,596
Due to Other Funds	3,398,579	1,997,773	87,155	5,483,507
Other Liabilities	13,847	1,962	-	15,809
Total Liabilities	6,177,909	3,486,207	308,643	9,972,759
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	56,795	-	-	56,795
	56,795	-	-	56,795
FUND BALANCES				
Fund Balances				
Nonspendable	155,134	-	-	155,134
Restricted	-	2,521,311	64,068	2,585,379
Committed	2,744,670	-	-	2,744,670
Assigned	-	147,953	-	147,953
Unassigned	4,501,437	-	609,861	5,111,298
Total Fund Balances	7,401,241	2,669,264	673,929	10,744,434
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,635,945	6,155,471	982,572	20,773,988

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, 2023

Total fund balances - Governmental funds June 30, 2023	\$ 10,744,434
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	3,306,816
Capital Assets Being Depreciated	37,711,016
Accumulated depreciation	<u>(22,534,587)</u>
Total capital assets	<u>18,483,245</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>56,795</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	(783,374)
Capital leases	(254,630)
Note Payable	(3,078)
Accrued interest	(6,140)
Landfill closure and post closure care costs	(475,560)
Compensated absences	(465,353)
OPEB Accrued Liability	(1,430,800)
Net Pension Obligation	(11,971,988)
Deferred Outflows/Inflows- Net	1,566,564
Total long-term liabilities	<u>(13,824,359)</u>
Total Net Position - Governmental activities, June 30, 2023	<u>\$ 15,460,115</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, 2023

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
REVENUES				
Taxes	\$ 5,372,230	-	-	5,372,230
Licenses	3,298,589	-	-	3,298,589
Intergovernmental	3,716,355	4,764,350	-	8,480,705
Police and Fire	288,011	59,739	-	347,750
Fees and Permits	256,376	1,893,552	-	2,149,928
Cemetery	56,400	-	-	56,400
Commercial Sanitation	32,556	-	-	32,556
Miscellaneous	47,469	76,672	787	124,928
Total Revenues	<u>13,067,986</u>	<u>6,794,313</u>	<u>787</u>	<u>19,863,086</u>
EXPENDITURES				
Current				
General Government	1,440,972	541,666	47,509	2,030,147
Visitor's Center	272,650	-	-	272,650
Finance	524,176	-	14,708	538,884
Municipal Court	509,977	-	-	509,977
Public Safety				
Police	3,375,937	15,615	279,787	3,671,339
Fire	3,626,429	84,080	211,907	3,922,416
Public Improvements				
Streets	1,194,051	-	366,818	1,560,869
Sanitation	701,241	-	3,590	704,831
Parks and Recreation	572,441	2,011,528	-	2,583,969
Tourism and Beautification	209,803	-	-	209,803
Community Development	583,316	-	29,240	612,556
Maintenance Garage	353,785	-	23,193	376,978
Debt Service - Principal	231,056	-	-	231,056
Interest	18,425	-	-	18,425
Total Expenditures	<u>13,614,259</u>	<u>2,652,889</u>	<u>976,752</u>	<u>17,243,900</u>
Excess of Revenue Over (Under Expenditures)	<u>(546,273)</u>	<u>4,141,424</u>	<u>(975,965)</u>	<u>2,619,186</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,148,061	200,000	1,741,893	3,089,954
Operating Transfers Out	-	(2,889,954)	(200,000)	(3,089,954)
	<u>1,148,061</u>	<u>(2,689,954)</u>	<u>1,541,893</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	601,788	1,451,470	565,928	2,619,186
FUND BALANCES AT BEGINNING OF YEAR	<u>6,799,453</u>	<u>1,217,794</u>	<u>108,001</u>	<u>8,125,248</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,401,241</u>	<u>2,669,264</u>	<u>673,929</u>	<u>10,744,434</u>

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, 2023

Total change in fund balances - total governmental funds	\$ 2,619,186
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	2,920,379
Depreciation expense	(1,002,613)
Book Value of Disposals of Assets	(4,258)
Excess of capital outlay over depreciation and other expense	<u>1,913,508</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>32,163</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	104,596
Financing Lease Principal Payments	125,460
Note Payable Principal Payments	1,000
	<u>231,056</u>
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.	<u>(207)</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	63,309
Accrued Closure Costs	(4,691)
OPEB Expense	150,500
Pension Obligation	(188,713)
	<u>20,405</u>
Change in Net Position - Governmental activities, June 30, 2023	<u>\$ 4,816,111</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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023, restricted net position for the governmental activities was \$3,665,500 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, 2023, 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, 2023

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, 2023, were distributed as follows:

	General Fund	Special Revenue Fund	Nonmajor Funds	Total
Nonspendable:				
Inventory	\$ 155,134	-	-	155,134
Subtotal	<u>155,134</u>	<u>-</u>	<u>-</u>	<u>155,134</u>
Restricted For:				
Cemetery	-	-	64,068	64,068
Public Safety	-	129,939	-	129,939
Parks & Tourism	-	817,868	-	817,868
Community Development	-	1,901	-	1,901
Capital Projects	-	1,503,985	-	1,503,985
Special Projects	-	67,618	-	67,618
Subtotal	<u>-</u>	<u>2,521,311</u>	<u>64,068</u>	<u>2,585,379</u>
Committed:				
2023 - 2024 Budget	<u>2,744,670</u>	<u>-</u>	<u>-</u>	<u>2,744,670</u>
Assigned To:				
Tourism Projects	<u>-</u>	<u>147,953</u>	<u>-</u>	<u>147,953</u>
Unassigned	<u>4,501,437</u>	<u>-</u>	<u>609,861</u>	<u>5,111,298</u>
TOTAL	<u>\$ 7,401,241</u>	<u>2,669,264</u>	<u>673,929</u>	<u>\$ 10,744,434</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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		
General Fund	Inventory	<u>\$ 155,134</u>
Total Nonspendable		<u>155,134</u>
Restricted		
Capital Projects Fund	Cemetery	45,543
	Cemetery Maintenance - Principal	18,525
Special Revenue Fund:		
Timken and COVID	Special Projects	67,618
Accommodations Tax	Tourism	155,715
Special Revenue Fund	Fire Safety Projects	95,522
Hospitality Tax	Tourism	662,153
Confiscated Drug Program	Law Enforcement	1,189
Other Programs	Police	33,228
Special Revenue Fund	Public Improvement	1,901
Capital Projects		<u>1,503,985</u>
Total Restricted		<u>2,585,379</u>
Committed		
General Fund	Subsequent Year Expenditures	<u>2,744,670</u>
Assigned		
Special Revenue Fund	Tourism Projects	<u>147,953</u>
Unassigned		
Non-Major Funds		609,861
General Fund		<u>4,501,437</u>
Total Unassigned		<u>5,111,298</u>
Total Fund Balances		<u>\$ 10,744,434</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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, 2023 is approximately \$578,940 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 2022-23 Budget in Cherokee Chronicle
- ◆ Publish Notice of Public Hearing on Proposed FY 2022-23 Budget in Gaffney Ledger
- ◆ First Reading on FY 2022-23 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, 2023

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, 2023.
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	\$ 13,587,428	1,372,448	1,315,812	16,275,688
Prior Year Encumbrances	32,680	1,450,608	19,805	1,503,093
Prior Year Unencumbered	-	(141,667)	-	(141,667)
Current Year Encumbrances	(5,849)	(28,500)	(358,865)	(393,214)
GAAP Expenditures	<u>\$ 13,614,259</u>	<u>2,652,889</u>	<u>976,752</u>	<u>17,243,900</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, 2023

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, 2023, were \$13,620,261. 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, 2023

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, 2023.

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, 2023, 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, 2023.

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, 2023.

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, 2023

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>\$ 13,056,206</u>
Total Statement of Net Position	<u>13,056,206</u>

Disclosure, Deposits and Investments:

Carrying Value of Deposits:	
Held by Banks	13,054,586
Cash on Hand	<u>1,620</u>
Total Disclosure, Deposits and Investments	<u>\$ 13,056,206</u>

New GASB Pronouncement Implementation

The City also implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset -an intangible asset- and a corresponding subscription liability. Both the asset and the liability are amortized systematically over the period of the subscription term. These changes were incorporated in the City's June 30, 2023 financial statements but had no effect on the beginning net position.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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 2022 assessed value was \$43,403,898 including \$3,543,758 for vehicles, the total of which was between 4% and 10.5% of the estimated value of \$829,326,295. The City operating tax rate during the current fiscal year was 113.9 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, 2023

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	\$ 213,198	-	-	213,198
Other	41,696	175,844	-	217,540
Gross Receivables	254,894	175,844	-	430,738
Less Allowance	(116,363)	-	-	(116,363)
Net Receivables	<u>\$ 138,531</u>	<u>175,844</u>	<u>-</u>	<u>314,375</u>

Intergovernmental:

Intergovernmental Receivables Consist of the Following:

General Fund	
Board of Public Works	\$ 844,910
Cherokee County	36,868
SC Municipal Association	279,767
Local Option Sales Tax	466,851
State of South Carolina	102,863
Total	<u>1,731,259</u>
Special Revenue Fund	
State of South Carolina	62,255
Total	<u>\$ 62,255</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, 2023

NOTE 5 - CAPITAL ASSETS

Primary government capital asset activity for the year ended June 30, 2023 is as follows:

Governmental Activities	Balance 06/30/22	Additions	Retirements	Transfers	Balance 06/30/23
Capital Assets Not Being Depreciated:					
Land	\$ 2,861,220	12,445	-	-	2,873,665
Historical Preservation Asset	43,703	-	-	-	43,703
Construction in Progress	652,805	189,448	-	(452,805)	389,448
Total Capital Assets Not Being Depreciated	3,557,728	201,893	-	(452,805)	3,306,816
Capital Assets Being Depreciated:					
Land Improvements	1,078,351	1,894,743	-	2,335,752	5,308,846
Buildings and Improvements	11,952,861	22,402	-	(1,882,947)	10,092,316
Furniture, Fixtures and Equipment	9,061,605	780,221	76,385	-	9,765,441
Intangible Asset (Under Capital Lease)	94,328	21,120	-	-	115,448
Assets Under Capital Lease	439,886	-	-	-	439,886
Infrastructure	11,989,079	-	-	-	11,989,079
Total Other Capital Assets at Historical Cost Being Depreciated	34,616,110	2,718,486	76,385	452,805	37,711,016
Less Accumulated Depreciation	21,604,101	1,002,613	72,127	-	22,534,587
Total Capital Assets Being Depreciated, Net	13,012,009	1,715,873	4,258	452,805	15,176,429
Government-Type Activities Capital Assets, Net	\$ 16,569,737	1,917,766	4,258	-	18,483,245

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

Governmental Activities	
General Government	\$ 188,545
Visitor's Center	57,891
Finance	2,806
Public Safety	
Police	172,031
Fire	216,427
Public Improvements	
Streets	111,274
Sanitation	72,106
Parks and Recreation	158,786
Tourism and Beautification	6,181
Community Development	3,586
Maintenance Shop	12,980
	<u>\$ 1,002,613</u>

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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, 2023

NOTE 7 - GENERAL LONG-TERM DEBT

A summary of the outstanding debt at June 30, 2023, is as follows:

	Balance June 30, 2022	Added	Retired	Balance June 30, 2023	Amounts Due Within One Year
<u>Note Payable</u>					
Annual installments of \$1,000 at no interest. Highway right-of-way. Due 2027.	\$ 4,078	-	1,000	3,078	1,000
<u>Direct Placement - General Obligation Debt</u>					
\$1,100,000 General Obligation Bonds due in annual principal installments of \$106,363 to \$117,615 through February 1, 2030; plus interest semiannually at 1.69%.	887,970	-	104,596	783,374	106,363
	887,970	-	104,596	783,374	106,363
<u>Direct Placement - Capital Leases</u>					
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.	380,090	-	125,460	254,630	126,693
	380,090	-	125,460	254,630	126,693
<u>Other</u>					
C & D Landfill Closure and Post Closure					
Care Costs	470,869	4,691	-	475,560	-
Accrued Annual Leave	528,662	-	63,309	465,353	396,496
OPEB Accrued Liability	1,581,300	148,300	298,800	1,430,800	-
Net Pension Liability	10,354,816	1,617,172	-	11,971,988	-
	12,935,647	1,770,163	362,109	14,343,701	396,496
\$	14,207,785	1,770,163	593,165	15,384,783	630,552

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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 required 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
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>\$ 783,374</u>	<u>53,843</u>	<u>837,217</u>

	Note Payable			Total		
	Principal	Interest	Total	Principal	Interest	Total
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	78	-	78	111,926	7,754	119,680
2028	-	-	-	113,738	5,865	119,603
2029	-	-	-	115,660	3,943	119,603
2030	-	-	-	117,615	1,987	119,602
	<u>\$ 3,078</u>	<u>-</u>	<u>3,078</u>	<u>786,452</u>	<u>53,843</u>	<u>840,295</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, 2023 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, 2023

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>144,403</u>
Total	<u><u>\$ 295,483</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

<u>Fiscal Year Ending June 30</u>	
2024	\$ 128,878
2025	<u>128,878</u>
Total Minimum Lease Payments	257,756
Less Amount Representing Interest	<u>3,126</u>
Present Value of Minimum Lease Payments	<u><u>\$ 254,630</u></u>

Other Leasing Arrangements

The City is leasing a mailing machine under a noncancelable lease that expires August, 2027, with a purchase option. The following is a schedule of future minimum rental payments required under this operating lease as of June 30, 2023:

	<u>Amount</u>
2024	\$ 2,062
2025	2,063
2026	2,063
2027	2,062
2028	<u>172</u>
	<u><u>\$ 8,422</u></u>

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 \$20,750 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, 2023

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, 2023, the City has incurred a liability of \$475,560, which represents the amount of costs reported to date based on an estimated 79.26 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, 2022 was \$470,869. 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 \$124,440, which will be recognized as the remaining capacity is used (estimated to be twenty-one 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, 2023, 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 retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' 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 Report is publicly available through the Retirement Benefits' link on 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, 2023

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 and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first term individuals elected to the South Carolina General Assembly. 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 first-term individuals elected to the South Carolina General Assembly. 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, newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly 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, 2023

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, 2023

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. The Retirement Funding and Administration Act of 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. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

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

Effective July 1, 2022, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 23.81%. Included in the total SCRS employer contribution rate is a base retirement contribution of 17.41% 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, 2023, 2022, and 2021 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>
2023	17.410%	\$ 447,019	0.15%	\$ 3,852
2022	16.410%	\$ 382,825	0.15%	\$ 3,499
2021	15.410%	\$ 344,415	0.15%	\$ 3,353

Effective July 1, 2022, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 26.49%. Included in the total PORS employer contribution rate is a base retirement contribution of 19.84%, 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, 2023, 2022, and 2021 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>
2023	19.840%	\$ 803,074	0.20%	\$ 8,095	0.20%	\$ 8,095
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

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

	<u>SCRS</u>		<u>PORS</u>	
Actuarial Cost Method		Entry age normal		Entry age normal
Investment Rate of Return	1	7%	1	7%
Projected Salary Increases		3.0% to 11.0% (varies by service)	1	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 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

NOTE 9 - PENSION PLANS, Continued

Actuarial Assumptions and Methods, Continued

Assumptions used in the determination of the June 30, 2022, 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, 2022, 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	\$ 56,454,779.872	32,212,626.932	24,242,152.940	57.1%	0.019591%	4,749,379
PORS	8,937,686.946	5,938,707.767	2,998,979.179	66.4%	0.240836%	7,222,609
						<u>11,971,988</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 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, 2023, the City reported liabilities of \$4,749,379 and \$7,222,609 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, 2023, the City's SCRS and PORS proportion was 0.019591% and 0.240836%, respectively.

For the year ended June 30, 2023, the City recognized net pension expenses of \$375,644 and \$822,133 for SCRS and PORS, respectively.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	\$ 41,263	121,181	162,444
Changes of Assumptions	152,324	300,761	453,085
Net difference between Projected and Actual Earnings on Pension Plan Investments	7,324	21,810	29,134
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	1,916	194,613	196,529
City Contributions Subsequent to the Measurement Date	450,872	819,265	1,270,137
TOTAL	\$ 653,699	1,457,630	2,111,329
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	\$ 20,698	142,779	163,477
Changes of Assumptions	-	-	-
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	130,116	-	130,116
TOTAL	\$ 150,814	142,779	293,593

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

NOTE 9 - PENSION PLANS, Continued

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

The \$450,872 and \$819,265 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, 2022 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. 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>
2023	\$ 14,837	250,663
2024	34,194	182,165
2025	(120,879)	(217,984)
2026	123,861	280,741
2027	-	-
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 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the 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, 2023

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:

<u>Allocation/Exposure</u>		<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity		46.0%	6.79%	3.12%
Bonds		26.0%	(0.35)%	(0.09)%
Private Equity	1	9.0%	8.75%	0.79%
Private Debt	1	7.0%	6.00%	0.42%
Real Assets		12.0%		
Real Estate	1	9.0%	4.12%	0.37%
Infrastructure	1	3.0%	5.88%	0.18%
Total Expected Return	2	100.0%		4.79%
Inflation for Actuarial Purposes				2.25%
				<u>7.04%</u>

1 RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

2 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 15% of total assets.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

NOTE 9 - PENSION PLANS, Continued

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 City's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7 percent, as well as what the City'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	\$ 6,089,290	4,749,379	3,635,417
PORS	10,071,494	7,222,609	4,890,529

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, 2022, and the accounting valuation report as of June 30, 2022. 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' ACFR.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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:

<u>Type of Coverage</u>	<u>Retiree</u>	<u>Spouse</u>
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, 2023, the City made payments for post-retirement health benefit premiums of \$26,928. 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, 2023

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	252,100
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	<u>138</u>	<u>1,092,900</u>
Total	<u>144</u>	<u>1,345,000</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, 2023 for the employer fiscal year and reporting period of July 1, 2022 to June 30, 2023. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2022 and the corresponding measurement period of July 1, 2021 to July 1, 2022. 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, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, Continued

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate:	3.69%
Salary Scale:	2.50%
Healthcare Cost Trend Rates:	0.48% for fiscal year end 2022, then 13.65% for fiscal year end 2023 (to reflect actual experience), then 6.50% for fiscal year end 2024, decreasing 0.25% per year to an ultimate rate 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 3.69% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / Asset (a) - (b)
Balances at July 1, 2022	\$ 1,581,300	-	1,581,300
Changes for the year:			
Service Cost	116,000	-	116,000
Interest	32,300	-	32,300
Differences between expected and Actual Experience	(18,800)	-	(18,800)
Contributions - employer	-	34,900	(34,900)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(34,900)	(34,900)	-
Change of Benefit Terms	-	-	-
Administrative expense	-	-	-
Assumption changes	(245,100)	-	(245,100)
Net Changes	(150,500)	-	(150,500)
Balances at June 30, 2023*	\$ 1,430,800	-	1,430,800

*Measurement date is July 1, 2022

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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)	\$ 1,608,800	1,430,800	1,275,100

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)	\$ 1,236,300	1,430,800	1,665,500

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

For the year ended June 30, 2023, under GASB 75 the employer OPEB expense is \$95,000. The Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB as of June 30, 2023 from various sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,000	314,000
Changes of assumptions	246,500	222,600
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions after Measurement Date but prior to fiscal year end	26,928 ⁽¹⁾	-
Total	<u>\$ 285,428</u>	<u>536,600</u>

(1) Contributions made to OPEB subsequent to measurement date (July 1, 2022) and before fiscal year end (June 30, 2023) - deferred outflow of resources.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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>
2024	\$ (59,300)
2025	(59,300)
2026	(49,700)
2027	(50,100)
2028	(55,000)
Thereafter	(4,700)

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, 2023, 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	\$ -	383,434
Due From Capital Projects Fund	87,000	-
Special Revenue Fund		
Due From General Fund	383,434	-
Capital Projects Fund		
Due To General Fund	-	87,000

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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, 2023

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, 2023 are as follows:

3.05% of gross electric revenues	\$ 844,910
City's utility services	848,936

At June 30, 2023 this \$844,910 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, and was adjusted to \$34.69 effective July 1, 2023. 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, 2023 was \$107,743.

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, 2023 was \$994,614. 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 no reimbursement under this agreement.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

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 **\$75,601.04** 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 **\$188,353.50** 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 **\$80,950.96** 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 **\$53,362.56** 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 **\$408,377.20** 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 **\$241,104.18** in the most recent fiscal year.

CITY OF GAFFNEY, SOUTH CAROLINA
Notes To Financial Statements, Continued
June 30, 2023

NOTE 17 – SUBSEQUENT EVENTS

Management has through April 19, 2024, 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, 2023, 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, 2023

	General Fund			Variance
	Budget			Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes	\$ 5,227,000	5,227,000	5,372,230	145,230
Licenses	2,747,000	2,747,000	3,298,589	551,589
Intergovernmental	3,393,406	3,393,406	3,716,355	322,949
Police and Fire	264,500	264,500	288,011	23,511
Fees and Permits	120,900	120,900	256,376	135,476
Cemetery	72,000	72,000	56,400	(15,600)
Commercial Sanitation	31,000	31,000	32,556	1,556
Miscellaneous	32,000	32,000	47,469	15,469
Total Revenues	11,887,806	11,887,806	13,067,986	1,180,180
EXPENDITURES				
General Government	2,775,457	2,687,720	1,719,668	968,052
Finance	518,934	528,015	524,176	3,839
Municipal Court	517,153	514,821	509,977	4,844
Public Safety				
Police	3,803,955	3,814,761	3,403,187	411,574
Fire	3,678,541	3,686,387	3,728,343	(41,956)
Public Improvements				
Streets	1,360,863	1,375,090	1,219,367	155,723
Sanitation	725,199	726,427	758,407	(31,980)
Parks and Recreation	581,362	571,385	572,441	(1,056)
Tourism and Beautification	270,873	270,872	209,803	61,069
Community Development	550,670	556,166	583,317	(27,151)
Maintenance Garage	349,807	354,286	358,742	(4,456)
Total Expenditures	15,132,814	15,085,930	13,587,428	1,498,502
Excess of Revenues				
Over (Under Expenditures)	(3,245,008)	(3,198,124)	(519,442)	2,678,682
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	1,148,061	1,148,061
Operating Transfers Out	-	-	-	-
	-	-	1,148,061	1,148,061
Excess of Revenues and Other Financing				
Sources Over (Under) Expenditures	(3,245,008) *	(3,198,124)	628,619	3,826,743
FUND BALANCE AT BEGINNING OF YEAR			6,766,773	
FUND BALANCE AT END OF YEAR			\$ 7,395,392	

* 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, 2023

	Special Revenue Fund			Variance
	Budget			Favorable
	Original	Final	Actual	(Unfavor- able)
REVENUES				
Taxes	\$ -	-	-	-
Licenses	-	-	-	-
Intergovernmental	4,955,991	4,955,991	4,764,350	(191,641)
Police and Fire	68,500	68,500	59,739	(8,761)
Fees and Permits	1,578,000	1,578,000	1,893,552	315,552
Cemetery	-	-	-	-
Commercial Sanitation	-	-	-	-
Miscellaneous	22,450	22,450	76,672	54,222
Total Revenues	6,624,941	6,624,941	6,794,313	169,372
EXPENDITURES				
General Government	1,250,199	1,340,199	568,266	771,933
Finance	-	-	-	-
Municipal Court	-	-	-	-
Public Safety				
Police	10,070	10,070	15,615	(5,545)
Fire	133,000	133,000	84,080	48,920
Public Improvements				
Streets	-	-	-	-
Sanitation	-	-	-	-
Parks and Recreation	1,037,750	1,048,400	704,487	343,913
Tourism and Beautification	-	-	-	-
Community Development	890,000	800,000	-	800,000
Maintenance Shop	-	-	-	-
Total Expenditures	3,321,019	3,331,669	1,372,448	1,959,221
Excess of Revenues				
Over (Under Expenditures)	3,303,922	3,293,272	5,421,865	2,128,594
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	200,000	200,000
Operating Transfers Out	-	-	(2,889,954)	(2,889,954)
	-	-	(2,689,954)	(2,689,954)
Excess of Revenues and Other Financing				
Sources Over (Under) Expenditures	3,303,922 *	3,293,272	2,731,911	(561,360)
FUND BALANCE AT BEGINNING OF YEAR			(91,147)	
FUND BALANCE AT END OF YEAR			\$ 2,640,764	

* 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, 2023

	Capital Projects Fund			Variance Favorable (Unfavor- able)
	Budget			
	Original	Final	Actual	
REVENUES				
Taxes	\$ -	-	-	-
Licenses	-	-	-	-
Intergovernmental	-	-	-	-
Police and Fire	-	-	-	-
Fees and Permits	-	-	-	-
Cemetery	-	-	-	-
Commercial Sanitation	-	-	-	-
Miscellaneous	-	-	787	787
Total Revenues	-	-	787	787
EXPENDITURES				
General Government	20,000	46,000	47,509	(1,509)
Finance	-	-	-	-
Municipal Court	-	15,000	14,708	292
Public Safety				
Police	291,080	289,080	317,552	(28,472)
Fire	188,500	193,483	229,641	(36,158)
Public Improvements				
Streets	381,000	381,000	366,818	14,182
Sanitation	252,000	252,000	287,151	(35,151)
Parks and Recreation	-	-	-	-
Tourism and Beautification	-	-	-	-
Community Development	24,000	29,250	29,240	10
Maintenance Shop	44,000	31,000	23,193	7,807
Total Expenditures	1,200,580	1,236,813	1,315,812	(78,999)
Excess of Revenues				
Over (Under Expenditures)	(1,200,580)	(1,236,813)	(1,315,025)	(78,212)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	1,741,893	1,741,893
Operating Transfers Out	-	-	(200,000)	(200,000)
	-	-	1,541,893	1,541,893
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(1,200,580) *	(1,236,813)	226,868	1,463,681
FUND BALANCE AT BEGINNING OF YEAR			88,196	
FUND BALANCE AT END OF YEAR			\$ 315,064	

* 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, 2023

	Totals All Governmental Funds (Memorandum Only)			Variance Favorable (Unfavor- able)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes	\$ 5,227,000	5,227,000	5,372,230	145,230
Licenses	2,747,000	2,747,000	3,298,589	551,589
Intergovernmental	8,349,397	8,349,397	8,480,705	131,308
Police and Fire	333,000	333,000	347,750	14,750
Fees and Permits	1,698,900	1,698,900	2,149,928	451,028
Cemetery	72,000	72,000	56,400	(15,600)
Commercial Sanitation	31,000	31,000	32,556	1,556
Miscellaneous	54,450	54,450	124,928	70,478
Total Revenues	18,512,747	18,512,747	19,863,086	1,350,339
EXPENDITURES				
General Government	4,045,656	4,073,919	2,335,443	1,738,476
Finance	518,934	528,015	524,176	3,839
Municipal Court	517,153	529,821	524,685	5,136
Public Safety				
Police	4,105,105	4,113,911	3,736,354	377,557
Fire	4,000,041	4,012,870	4,042,064	(29,194)
Public Improvements				
Streets	1,741,863	1,756,090	1,586,185	169,905
Sanitation	977,199	978,427	1,045,558	(67,131)
Parks and Recreation	1,619,112	1,619,785	1,276,928	342,857
Tourism and Beautification	270,873	270,872	209,803	61,069
Community Development	1,464,670	1,385,416	612,557	772,859
Maintenance Shop	393,807	385,286	381,935	3,351
Total Expenditures	19,654,413	19,654,412	16,275,688	3,378,724
Excess of Revenues Over (Under Expenditures)	(1,141,666)	(1,141,665)	3,587,398	4,729,063
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	3,089,954	3,089,954
Operating Transfers Out	-	-	(3,089,954)	(3,089,954)
	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(1,141,666) *	(1,141,665)	3,587,398	4,729,063
FUND BALANCE AT BEGINNING OF YEAR			6,763,822	
FUND BALANCE AT END OF YEAR			\$ 10,351,220	

* 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, 2023

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,	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 116,000	99,700	86,400	71,800	75,200	73,400
Interest	32,300	41,800	48,100	48,500	49,100	45,000
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(18,800)	(343,100)	(45,000)	26,800	(92,500)	-
Changes of assumptions	(245,100)	204,200	117,900	75,000	(53,100)	-
Benefit payments, including refunds of employee contributions	(34,900)	(52,400)	(54,400)	(22,800)	(5,500)	(4,600)
Net Change in total OPEB Liability	(150,500)	(49,800)	153,000	199,300	(26,800)	113,800
Total OPEB Liability - Beginning	1,581,300	163,100	1,478,100	1,278,800	1,305,600	1,191,800
Total OPEB Liability - Ending (a)	1,430,800	1,581,300	1,631,100	1,478,100	1,278,800	1,305,600
Plan Fiduciary Net Position						
Contributions - employer	34,900	52,400	54,400	22,800	5,500	4,600
Contributions - employee	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(34,900)	(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)	1,430,800	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%	0.00%
Covered-Employee Payroll	5,567,400	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	25.70%	28.40%	30.12%	27.30%	27.63%	28.21%
Notes to Schedule:						
None						
Actuarially Determined Contribution	34,900	52,400	54,400	22,800	5,500	4,600 ²
Contributions in relation to the Actuarially Determined Contribution	34,900	52,400	54,400	22,800	5,500	4,600 ²
Contribution Deficiency (excess)	-	-	-	-	-	-
Expected covered-employee payroll	5,567,400	5,567,400	5,415,100	5,415,100	4,628,600	4,628,600
Contributions as a percentage of covered-employee payroll	0.63%	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, 2023

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, 2023	0.019591%	\$ 4,749,379	\$ 2,329,878	203.85%	57.1%
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, 2023	\$ 450,872	\$ 450,872	-	\$ 2,568,176	17.56%
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, 2023

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, 2023	0.240836%	7,222,609	3,811,454	189.50%	66.4%
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, 2023	\$ 819,265	819,265	-	4,047,751	20.24%
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, 2023

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			289,223	289,223
Court fines and assessments remitted to State Treasurer			156,007	156,007
Total Court Fines and Assessments retained			133,216	133,216
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			6,686	6,686
Assessments retained			13,301	13,301
Total Surcharges and Assessments retained for victim services			19,987	19,987

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	103,888		103,888
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	13,301		13,301
Victim Service Surcharges Retained by City/County Treasurer	6,686		6,686
Interest Earned	845		845
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)	124,720		124,720
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	2,715		2,715
Operating Expenditures	5,244		5,244
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)	7,959		7,959
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	116,761		116,761