

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
YEARS ENDED DECEMBER 31, 2023 AND 2022**

TABLE OF CONTENTS

	<u>Page</u>
BOARD OF COMMISSIONERS	i
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Statements of net position	11 - 12
Statements of revenues, expenses and changes in net position	13
Statements of cash flows	14 - 15
NOTES TO FINANCIAL STATEMENTS	16 - 53
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of changes in total OPEB liability and related ratios	54
Schedule of Commission's OPEB contributions	55
Schedule of Commission's proportionate share of the net pension liability - South Carolina retirement system	56
Schedule Commission's of pension contributions - South Carolina retirement system	57
SUPPLEMENTARY INFORMATION	
Schedule of revenues, expenses and changes in net position - Budget and actual	58 - 59
COMPLIANCE SECTION	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>GOVERNMENTAL AUDITING STANDARDS</i>	60 - 61

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA**

BOARD OF COMMISSIONERS

C. Parker Moore, Jr., Chair
Gerald Abercrombie
Ulysses Cunningham
Tomeka Craig
Jeff Thompson



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Commissioners
Commission of Public Works
Laurens, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Commission of Public Works, Laurens, South Carolina, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Commission of Public Works, Laurens, South Carolina'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 Commission of Public Works, Laurens, South Carolina, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission of Public Works, Laurens, South Carolina, 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.

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 Commission of Public Works, Laurens, South Carolina'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 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, 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 Commission of Public Works, Laurens, South Carolina'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 Commission of Public Works, Laurens, South Carolina'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, other post-employment benefit plan schedules and pension plan schedules 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 Commission of Public Works, Laurens, South Carolina's basic financial statements. The schedule of revenue, expenses and changes in net position – budget and actual, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States

of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2024, on our consideration of the Commission of Public Works, Laurens, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission of Public Works, Laurens, South Carolina'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 Commission of Public Works, Laurens, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
April 4, 2024

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

This section presents management's analysis of the Commission's financial condition and activities for the years ended December 31, 2023 and 2022. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Commission's financial condition to be strong. The following are key financial highlights:

- Total assets and deferred outflows of resources at December 31, 2023 and 2022 were approximately \$62.7 million and \$63.2 million respectively, and exceeded liabilities and deferred inflows of resources by approximately \$40.5 million and \$38.5 million, respectively (i.e., net position). Of the total net position, approximately \$11.9 million and \$12.0 million, respectively, was unrestricted and was available to support short-term operations. The Commission participates in the South Carolina Retirement System's ("SCRS") pension plan, and the Commission is required by GASB #68 to recognize its proportionate share of the SCRS' unfunded liabilities. Total assets and deferred outflows of resources decreased, and total net position increased from fiscal year 2022 and 2023 in the amount of approximately \$1.0 million and \$1.9 million, respectively; from fiscal year end 2021 to 2022 total assets and deferred outflows of resources increased and total net position increased in the amounts of approximately \$9.0 million and \$3.3 million, respectively.
- Operating revenues were approximately \$29.4 million for 2023 compared to approximately \$31.8 million for 2022, decreasing primarily due to colder weather in 2022 compared to 2023. Operating revenues were approximately \$31.8 million for 2022 compared to approximately \$29.8 million for 2021, increasing primarily due to warmer weather in 2021 compared to 2022.
- Operating expenses, including depreciation of approximately \$2.9 million, decreased for 2023 compared to 2022, primarily due to colder weather in 2022 and an increase in the price of natural gas in 2022 due to industry and market conditions which decreased to a typical amount in 2023. Operating expenses, including depreciation of approximately \$2.8 million, increased for 2022 compared to 2021, and was partially offset by approximately \$1.4 million of credits issued by PMPA.
- Operating income for 2023 was approximately \$(0.03) million compared to approximately \$1.3 million in 2022, and approximately \$3.5 million in 2021. Net position increased by approximately \$1.9 million in 2023 compared to an increase of approximately \$3.3 million for 2022, and an increase of approximately \$3.6 million for 2021.
- Ratios of net cash provided by operations to total operating revenues were 7.5% for 2023 compared to 12.8% for 2022 and 20.2% for 2021.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

- Capital assets increased approximately \$1.2 million or 3.5% to approximately \$34.7 million compared to 2022 due to additions of approximately \$4.1 million, offset by depreciation expense of approximately \$2.9 million. In 2022, capital assets increased approximately \$2.4 million or 7.6% to approximately \$33.5 million compared to 2021 due to additions of approximately \$5.1 million, offset by depreciation expense of approximately \$2.8 million.
- Total bonded debt decreased approximately \$0.92 million or (16.3%) to approximately \$3.5 million compared to 2022, due to regularly scheduled principal payments. In 2022, bonded debt increased approximately \$3.5 million or 70.3% to approximately \$8.5 million compared to 2021, due to issuance of a \$4.9 million bond and regularly scheduled principal payments.

Overview of Annual Financial Report

Management's Discussion and Analysis ("MD&A") serves as an introduction to the financial statements, required supplementary information and other supplementary information. The MD&A represents management's discussion and analysis of the Commission's financial condition and performance.

The financial statements report information about the Commission using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the Commission on a full accrual historical cost basis. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Commission's recovery of its costs. The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration for the earning event, when an obligation arises or depreciation of capital assets.

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

The required supplementary information consists of the Commission's other post-employment benefits ("OPEB") and pension plan schedules. Other supplementary information consists of the budgetary comparison schedule.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Financial Analysis

Comparative data for net position is presented below:

	December 31,			Variance			
				Dollars		Percentage	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021	2023 vs. 2022	2022 vs. 2021
Assets							
Capital assets	\$34,731,938	\$33,549,656	\$31,186,252	\$1,182,282	\$2,363,404	3.5%	7.6%
Current and other assets	25,614,501	27,296,182	21,516,597	(1,681,681)	5,779,585	-6.2%	26.9%
Total assets	60,346,439	60,845,838	52,702,849	(499,399)	8,142,989	-0.8%	15.5%
Deferred Outflows							
Deferred charges	2,369,664	2,304,683	1,746,843	64,981	557,840	2.8%	31.9%
Total deferred outflows	2,369,664	2,304,683	1,746,843	64,981	557,840	2.8%	31.9%
Liabilities							
Current liabilities	4,044,096	5,496,861	4,054,705	(1,452,765)	1,442,156	-26.4%	35.6%
Net pension liability	9,788,163	9,099,472	8,398,343	688,691	701,129	7.6%	8.3%
Net OPEB liability	388,292	532,778	501,140	(144,486)	31,638	-27.1%	6.3%
Long-term liabilities	6,644,066	7,611,358	4,055,234	(967,292)	3,556,124	-12.7%	87.7%
Total liabilities	20,864,617	22,740,469	17,009,422	(1,875,852)	5,731,047	-8.2%	33.7%
Deferred Inflows							
Deferred credits	1,400,070	1,849,636	2,197,220	(449,566)	(347,584)	-24.3%	-15.8%
Total deferred inflows	1,400,070	1,849,636	2,197,220	(449,566)	(347,584)	-24.3%	-15.8%
Net Position							
Net invested in capital assets	27,455,319	24,950,295	26,105,068	2,505,024	(1,154,773)	10.0%	-4.4%
Restricted for debt service and other purposes	1,111,524	1,497,578	1,470,155	(386,054)	27,423	-25.8%	1.9%
Unrestricted	11,884,573	12,112,543	7,667,827	(227,970)	4,444,716	-1.9%	58.0%
Total net position	\$40,451,416	\$38,560,416	\$35,243,050	\$1,891,000	\$3,317,366	4.9%	9.4%

The Commission's financial condition remained strong at December 31, 2023 with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities and operating plants to meet anticipated customer needs are well balanced and under control.

Total assets decreased approximately \$0.50 million from December 31, 2022 to December 31, 2023 with the most significant factors consisting of an decrease in unrestricted and restricted cash and investments of approximately \$1.4 million and an increase in capital assets due to additions of approximately \$4.1 million offset by depreciation expense of approximately \$2.9 million, and an decrease in receivables of approximately \$0.30 million. Total assets increased approximately \$8.1 million from December 31, 2021 to December 31, 2022 with the most significant factors consisting of an increase in unrestricted and restricted cash and investments of approximately \$4.2 million and an increase in capital assets due to additions of approximately \$2.3 million offset by depreciation expense of approximately \$2.8 million, and a increase in receivables of approximately \$0.66 million.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Total liabilities decreased approximately \$1.9 million (8.2%) from December 31, 2022 to December 31, 2023, primarily due to the decrease in debt obligations of approximately \$0.92 million, and an decrease in OPEB liability of approximately \$0.14 million, and an increase in the net pension liability of approximately \$0.69 million, and an decrease in current portion of bonds and notes payable. Total liabilities increased approximately \$5.7 million (33.7%) from December 31, 2021 to December 31, 2022, primarily due to the increase in debt obligations of approximately \$3.5 million, and an increase in OPEB liability of approximately \$0.03 million, and an increase in the net pension liability of approximately \$0.7 million, and an increase in current portion of bonds and notes payable.

The changes in deferred outflows of resources and deferred inflows of resources were primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the Commission's proportionate share of the net pension liability in the State retirement plan, as well as changes in deferred inflows and deferred outflows related to Commission's OPEB plan.

Net position increased approximately \$1.9 million (4.9%) from December 31, 2022 to December 31, 2023. Total net position at December 31, 2023 was approximately \$40.5 million, including a positive unrestricted net position of approximately \$11.9 million. Net position increased approximately \$3.3 million (9.4%) from December 31, 2021 to December 31, 2022. Total net position at December 31, 2022 was approximately \$38.5 million, including a positive unrestricted net position of approximately \$12.0 million.

Changes in Net Position

The following schedule presents a summary of the Commission's revenues and expenses for the year ended December 31, 2023 compared to 2022 and 2022 compared to 2021:

	December 31,			Variance			
				Dollars		Percentage	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021	2023 vs. 2022	2022 vs. 2021
Revenues							
Electrical sales	\$14,056,576	\$14,416,520	\$14,288,420	\$ (359,944)	\$ 128,100	-2.5%	0.9%
Natural gas sales	8,384,179	10,696,420	8,510,398	(2,312,241)	2,186,022	-21.6%	25.7%
Water sales	4,127,718	3,874,952	4,081,812	252,766	(206,860)	6.5%	-5.1%
Sewer charges	2,339,468	2,318,806	2,294,856	20,662	23,950	0.9%	1.0%
Other operating revenues	509,750	483,465	605,563	26,285	(122,098)	5.4%	-20.2%
Nonoperating revenues	2,193,855	2,053,358	172,393	140,497	1,880,965	6.8%	1091.1%
Total revenues	<u>31,611,546</u>	<u>33,843,521</u>	<u>29,953,442</u>	<u>(2,231,975.00)</u>	<u>3,890,079</u>	<u>-6.6%</u>	<u>13.0%</u>
Expenses							
Electric power purchases	11,755,497	11,393,920	10,181,796	361,577	1,212,124	3.2%	11.9%
Natural gas purchases	4,532,425	7,321,268	5,182,903	(2,788,843)	2,138,365	-38.1%	41.3%
Raw water purchases	2,388,999	2,066,565	1,851,084	322,434	215,481	15.6%	11.6%
Operating department expenses	1,167,875	1,014,557	943,026	153,318	71,531	15.1%	7.6%
General and administrative salaries	2,483,415	2,215,427	1,960,525	267,988	254,902	12.1%	13.0%
Intergovernmental fees	793,008	768,324	747,018	24,684	21,306	3.2%	2.9%
Other operating expenses	3,446,538	2,873,859	2,697,972	572,679	175,887	19.9%	6.5%
Depreciation	2,903,878	2,784,312	2,675,004	119,566	109,308	4.3%	4.1%
Interest expense	248,911	87,923	123,043	160,988	(35,120)	183.1%	-28.5%
Total expenses	<u>29,720,546</u>	<u>30,526,155</u>	<u>26,362,371</u>	<u>(805,609)</u>	<u>4,163,784</u>	<u>-2.6%</u>	<u>15.8%</u>
Change in net position	<u>1,891,000</u>	<u>3,317,366</u>	<u>3,591,071</u>	<u>(1,426,366)</u>	<u>(273,705)</u>	<u>-43.0%</u>	<u>-7.6%</u>
Net position, beginning of year	<u>38,560,416</u>	<u>35,243,050</u>	<u>31,651,979</u>				
Net position, end of year	<u>\$40,451,416</u>	<u>\$38,560,416</u>	<u>\$35,243,050</u>				

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

During the year ended December 31, 2023, total revenues decreased approximately \$2 million to approximately \$32 million (7%) compared to 2022, primarily due to warmer weather during the year. During the same period, expenses decreased approximately \$0.80 million compared to 2022 (2.6%) primarily due to decrease in natural gas purchases. Total salaries and labor costs was approximately \$5.6 million for 2023 and related benefits was approximately \$1.8 million for 2023. Benefit cost for 2023 increased approximately 17.1% primarily due to insurance benefit premium increases and SC Retirement increases in the employer contribution.

During the year ended December 31, 2022, total revenues increased approximately \$3.9 million to approximately \$34 million (13%) compared to 2021, primarily due to colder weather and the increase in natural gas prices during the year. During the same period, expenses increased approximately \$4.2 million compared to 2021 (15.8%) primarily due to increase in natural gas purchases, partially offset by approximately \$1.4 million in credits issued by PMPA. Total salaries and labor costs was approximately \$5.1 million for 2022 and related benefits was approximately \$1.5 million for 2022. Benefit cost for 2022 increased approximately 8.3% primarily due to insurance benefit premium increases and SC Retirement increases in the employer contribution.

Cash Flow Activity

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

	December 31,			Variance			
				Dollars		Percentage	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021	2023 vs. 2022	2022 vs. 2021
Total operating revenue	\$ 29,418	\$ 31,790	\$ 29,781	\$ (2,372)	\$ 2,009	-7.5%	6.7%
Net cash provided by operations	2,210	4,069	6,002	(1,859)	(1,933)	-45.7%	-32.2%
Net operating cash as a % of revenue	7.5%	12.8%	20.2%				

Capital Asset and Debt Administration

Capital Assets

For the years ended December 31, 2023 and 2022, the Commission had invested approximately \$34.7 million and \$33.5 million in capital assets, respectively. For 2023, this amount represents a net increase of approximately \$1.2 million or 3.5% from 2022 due to additions of approximately \$4.1 million, less depreciation expense of approximately \$2.9 million. For 2022, this amount represents a net increase of approximately \$2.3 million or 1.5% from 2021 due to additions of approximately \$3.1 million, less depreciation expense of approximately \$2.6 million.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

The following schedule presents a summary of the Capital Assets for the years ended December 31, 2023, 2022 and 2021, respectively, net of depreciation, in thousands of dollars.

	December 31,			Variance			
				Dollars		Percentage	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021	2023 vs. 2022	2022 vs. 2021
Construction in progress	\$ 3,662	\$ 3,769	\$ 1,667	\$ (107)	\$ 2,102	-2.8%	126.1%
Land	1,089	1,026	1,026	63	-	6.1%	0.0%
Electrical system	15,939	15,055	14,516	884	539	5.9%	3.7%
Natural gas system	27,412	26,882	26,575	530	307	2.0%	1.2%
Water system	26,133	25,217	23,456	916	1,761	3.6%	7.5%
Sewer system	22,379	21,164	20,991	1,215	173	5.7%	0.8%
Other	13,470	13,070	12,918	400	152	3.1%	1.2%
Accumulated depreciation	(75,352)	(72,633)	(69,962)	(2,719)	(2,671)	3.7%	3.8%
Net capital assets	\$ 34,732	\$ 33,550	\$ 31,187	\$ 1,182	\$ 2,363	3.5%	7.6%

More detailed information about the Commission's capital assets is presented in Note II. C in the Notes to the Financial Statements.

Long Term Debt

At December 31, 2023 and 2022, the Commission had approximately \$7.2 million and \$8.6 million in outstanding indebtedness, respectively, which is a decrease in 2023 and an increase in 2022 of (16.3%) and 70.4%, respectively. More detailed information about the Commission's long-term liabilities is presented in Note II. D. in the Notes to the Financial Statements.

The following schedule presents a summary of the Outstanding Long-Term Debt for the years ended December 31, 2023, 2022 and 2021, respectively, in thousands of dollars.

	December 31,			Variance			
				Dollars		Percentage	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021	2023 vs. 2022	2022 vs. 2021
Revenue bonds, state revolving fund loan, and capital lease	\$ 7,159	\$ 8,558	\$ 5,023	\$ (1,399)	\$ 3,535	-16.3%	70.4%

Economic Condition and Outlook

The Commission operates in Laurens County.

- Economic indicators for this past year are steady. While inflation has slowed, supply chain issues and material costs are still impacting operations and purchasing decisions. LCPW has been able to take advantage of the interest rate environment to help offset expenses.
- The Commission's operating and non-operating revenues for calendar year 2023 were approximately \$31.6 million compared to approximately \$33.8 million in 2022. This equates to a 6.6% decrease in total revenues from the prior year.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

- The unemployment rate for Laurens County as of December 2023 was 3.4% compared to 3.0% as of December 2022. The 2023 unemployment rate was more than the state's average unemployment rate of 3.0% and less than the nation average rate of 3.7%.

The 2024 budget is approximately \$47,084,000 (including operating, capital and debt service expenditures), which is an increase of approximately \$7,705,000 from the 2023 budget.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Young, General Manager, Post Office Box 349, Laurens, South Carolina 29360.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Unrestricted cash and cash equivalents	\$ 19,060,776	\$ 20,072,685
Restricted cash and cash equivalents	1,111,524	1,497,578
Accounts receivable, net	3,603,777	3,901,570
Inventories	1,763,222	1,731,089
Prepaid insurance	64,783	76,786
Accrued interest receivable	10,419	16,474
Total current assets	<u>25,614,501</u>	<u>27,296,182</u>
Non-Current Assets		
Capital assets, net		
Non-depreciable	4,751,089	4,794,548
Depreciable, net	29,980,849	28,755,108
Total non-current assets	<u>34,731,938</u>	<u>33,549,656</u>
Total assets	<u>60,346,439</u>	<u>60,845,838</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension charges	2,256,887	2,162,358
Deferred other post employment benefit charges	112,777	142,325
Total deferred outflow of resources	<u>2,369,664</u>	<u>2,304,683</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,848,445	3,018,149
Accrued expenses	172,008	158,876
Customer deposits	594,253	656,224
Current portion of bonds and loans payable	918,998	1,399,233
Current portion of compensated absences	262,956	222,951
Accrued interest payable	117,919	41,428
Total current liabilities	<u>3,914,579</u>	<u>5,496,861</u>

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

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Non-Current Liabilities		
Bonds and loans payable	6,239,702	7,158,700
Compensated absences	533,881	452,658
Net pension liability	9,788,163	9,099,472
Net other post employment benefits	388,292	532,778
Total non-current liabilities	<u>16,950,038</u>	<u>17,243,608</u>
Total liabilities	<u>20,864,617</u>	<u>22,740,469</u>
 DEFERRED INFLOW OF RESOURCES		
Deferred pension credits	1,154,731	1,646,771
Deferred other post employment benefit credits	245,339	202,865
	<u>1,400,070</u>	<u>1,849,636</u>
 NET POSITION		
Net investment in capital assets	27,455,319	24,950,295
Restricted for debt service	1,111,524	1,497,578
Unrestricted	11,884,573	12,112,543
Total net position	<u>\$ 40,451,416</u>	<u>\$ 38,560,416</u>

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

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE		
Electrical sales	\$ 14,056,576	\$ 14,416,520
Natural gas sales	8,384,179	10,696,420
Water sales and tap fees	4,127,718	3,874,952
Sewer charges	2,339,468	2,318,806
Other operating revenue	509,750	483,465
Total revenue	<u>29,417,691</u>	<u>31,790,163</u>
OPERATING EXPENSES		
Electric department	11,755,497	11,393,920
Gas department	4,532,425	7,321,268
Water department	2,388,999	2,066,565
Sewer department	1,167,875	1,014,557
General and administrative	2,483,415	2,215,427
Other expenses	4,239,546	3,642,183
Depreciation	2,903,878	2,784,312
Total operating expenses	<u>29,471,635</u>	<u>30,438,232</u>
Operating income	<u>(53,944)</u>	<u>1,351,931</u>
NON-OPERATING REVENUE (EXPENSES)		
Scrap sales	11,914	5,820
Investment income	988,956	264,765
Miscellaneous income	101,337	88,265
Grant revenue	1,000,000	1,650,000
Gain on disposal of capital assets	91,648	44,508
Interest expense on revenue bonds and capital lease	(248,911)	(87,923)
Total non-operating revenue (expense)	<u>1,944,944</u>	<u>1,965,435</u>
Change in net position	<u>1,891,000</u>	<u>3,317,366</u>
Net position, beginning of year	<u>38,560,416</u>	<u>35,243,050</u>
Net position, end of year	<u><u>\$ 40,451,416</u></u>	<u><u>\$ 38,560,416</u></u>

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

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 29,715,484	\$ 31,124,030
Other revenues	113,251	94,084
Payments for supplies for goods and services	(21,271,213)	(21,306,806)
Payments to employees for services	(5,554,992)	(5,074,144)
Payments for intergovernmental fees	(793,008)	(768,324)
Net cash provided by operating activities	<u>2,209,522</u>	<u>4,068,840</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,122,491)	(5,156,008)
Principal payments on bonds	(1,399,233)	(1,364,476)
Interest paid on bonds and capital lease obligation	(172,420)	(105,270)
Cash received from bonds	-	4,900,000
Cash received from grants	1,000,000	1,650,000
Proceeds from sale of capital assets	91,648	44,508
Net cash used in capital and related financing activities	<u>(4,602,496)</u>	<u>(31,246)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	995,011	249,918
Net cash flows provided by investing activities	<u>995,011</u>	<u>249,918</u>
Net (decrease) increase in cash	(1,397,963)	4,287,512
Cash, beginning of year	21,570,263	17,282,751
Cash, end of year	<u><u>\$ 20,172,300</u></u>	<u><u>\$ 21,570,263</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Unrestricted cash and investments	19,060,776	20,072,685
Restricted cash and investments	1,111,524	1,497,578
Total cash and cash equivalents	<u><u>\$ 20,172,300</u></u>	<u><u>\$ 21,570,263</u></u>

The accompanying notes are an integral part of these financials statements.

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ (53,944)	\$ 1,351,931
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,903,878	2,784,312
Other revenues	113,251	94,084
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	303,848	(680,980)
(Increase) decrease in inventory	(32,133)	(804,520)
(Increase) decrease in prepaids	12,003	(6,573)
(Increase) decrease in deferred pension charges	(94,529)	(484,684)
(Increase) decrease in other post employment benefit charges	29,548	(73,156)
Increase (decrease) in accounts payable	(1,169,704)	1,385,436
Increase (decrease) in accrued expenses	134,360	98,714
Increase (decrease) in customer deposits	(61,971)	(4,047)
Increase (decrease) in other post employment benefits liability	(144,486)	31,638
Increase (decrease) in net pension liability	688,691	701,129
Increase (decrease) in deferred pension credits	(492,040)	(297,822)
Increase (decrease) in deferred other post employment benefit credits	72,750	(26,622)
Total adjustments	2,263,466	2,716,909
Net cash provided by operating activities	<u>\$ 2,209,522</u>	<u>\$ 4,068,840</u>

The accompanying notes are an integral part of these financials statements.

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Commission of Public Works, Laurens, South Carolina (the “Commission”) was created in 1922 and consists of natural gas, electric water, and sanitary sewer systems. The Commission buys and sells electricity, treats and distributes water, and collects and treats wastewater in and around the City of Laurens. The Commission also buys and sells natural gas in a service area generally covering the western half of Laurens County. The Commission is governed by a Board consisting of five members. Commissioners are elected by the public and have decision-making authority such as the authority to increase rates, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. All operations for which the Commissioners are financially accountable have been included in the accompanying financial statements.

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

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

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Commission having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Commission; and (c) issue bonded debt without approval by the Commission.

An entity has a financial benefit or burden relationship with the Commission if, for example, any one of the following conditions exists: (a) the Commission is legally entitled to or can otherwise access the entity’s resources, (b) the Commission is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Commission is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Commission’s financial statements to be misleading.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Reporting Entity, Continued

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

The Commission is established by a separate act of the South Carolina General Assembly to own and operate the utility system in the City of Laurens, South Carolina subject only to the City of Laurens' approval of the Commission's Revenue Bonded indebtedness issuance. The City of Laurens is in no way liable for the debt. There is therefore no financial burden, only a formal approval which is required by the separate act.

Measurement Focus, Basis of Accounting, and Basis of Presentation

All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting and financial reporting treatment applied to the Commission is determined by its measurement focus. The transactions of the Commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position is segregated into net investment in capital assets; restricted for debt service, capital activity and other purposes, and unrestricted components.

Proprietary fund types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Commission has one enterprise fund; it does not have any internal service funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

Cash, Cash Equivalents, and Investments

The Commission considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash equivalents. For purposes of reporting changes in cash flows, the Commission also considers all liquid non-equity investments with an original maturity of three months or less to be cash and cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

The Commission's investment policy is designed to operate within existing statutes that authorize the Commission to invest in the following:

- Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- Repurchase agreements when collateralized by securities as set forth in this section.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

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

The Commission reports its cash, cash equivalents, and investments at fair value, which is normally determined by quoted market prices.

The Commission currently or in the past two years has used the following investments:

- South Carolina Local Government Investment Pool (“LGIP” or “Pool”) investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 “Accounting and Financial Reporting for Certain Investments and for External Investment Pools” and GASB Statement No. 72 “Fair Value Measurement and Application”, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.
- Certificates of Deposit (“CD”) are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

- Open-end mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States government and related agencies.
- U.S. securities are generally treasury notes, treasury bonds, treasury bills, and related securities which are debt obligations of the U.S. government (lending money to the federal government for a specific period of time). These debt obligations are backed by the “full faith and credit” of the government and thus by its ability to raise tax revenues and print currency, U.S. Treasury securities are considered the safest of all investments.

Restricted Assets

The Commission is required to maintain debt service funds under the terms of its bonds and loans payable. The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. The Commission also established an account for bond proceeds that may only be used for construction purposes as required in the bond agreement. These funds are shown as restricted cash and investments on the Statement of Net Position because their use is limited by the applicable bond or loan covenants.

Inventories and Prepaid Insurance

Inventories include natural gas stored at external facilities and certain materials for plant improvements and extensions as well as for operations and maintenance. Inventories are stated at average invoice cost. Prepaid insurance is accounted for using the allocation method (expensed over the periods expected to benefit from the initial payment).

Accounts Receivable and Credit Risk

The Commission renders bills to residential, commercial, and industrial customers on billing cycles that end on various days throughout the month. The Commission grants credit to its customers, and accounts receivable are financial instruments that potentially subject the Commission to credit risk. If accounts have not been collected within the designated time, the service is disconnected and a penalty is required to be paid before the service is reconnected. Accounts which are not considered collectible are written off as bad debts at various times during the year. The Commission required customer deposits, which total approximately \$594,000 and \$656,000 at December 31, 2023 and 2022, respectively, based on the type of customer, type of service, and other factors. Deposits from residential customers may be returned after two years of timely payments.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

The Commission also participates in the State of South Carolina debt collection program, whereby delinquent customer balances may be withheld from customers' state income tax refunds.

At December 31, 2023 and 2022, accounts receivable were approximately \$3,604,000 and \$3,902,000, respectively, which includes approximately \$1,942,000 and \$2,186,000, respectively, of unbilled revenue. Unbilled revenue represents the portion of bills rendered to customers during the month of January for services that were provided in December.

An allowance for doubtful accounts is recorded and reduces the carrying value of receivables to its estimated net realizable value. The amount of the allowance is based upon management's estimates of currently uncollectible accounts, historical trends, current economic trends and other factors. Changes to the allowance are charged to operations. Accounts receivable is reported net of an allowance for doubtful accounts of approximately \$36,000 and \$39,000 at December 31, 2023 and 2022, respectively.

Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value (as estimated by the Commission) at the date of donation. The Commission maintains a capitalization threshold of \$5,000 with an estimated useful life of at least two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Construction projects begin being depreciated once they are completed and are placed in service, at which time the complete costs of the project (include any interest incurred during the construction of the assets) are transferred to the appropriate capital asset category. Depreciation is recognized using the straight-line method over the following estimated useful lives:

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

<u>Description</u>	<u>Useful Life</u>
Electric system	10-25 years
Natural gas system	10-33 years
Water system	20-50 years
Sewer system	40-50 years
Real estate and buildings	15-25 years
Office equipment	10 years
Autos and trucks	4-15 years
Communications equipment	5-10 years
Warehouse equipment	7-10 years

Compensated Absences

It is the Commission's policy to allow employees to accumulate personal leave benefits, such as vacation and sick leave, which are granted in varying amounts. The Commission will pay out any unused vacation and sick leave if an employee leaves or retires from the Commission on good terms. A liability for compensated absences is reported on the Statement of Net Position.

Long-term Obligations

If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission currently has two types of deferred outflows of resources: (1) The Commission reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System.

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

(2) The Commission reports *deferred Other Post Employment Benefits ("OPEB") charges* in its Statements of Net Position in connection with the Agent Multiple-Employer Defined Benefit OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

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

Net Position

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

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

Pensions and Other Postemployment Benefits

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

Fair Value

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

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Fair Value

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

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

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Commission believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires the Commission's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity, Continued

Cash, Cash Equivalents, and Investments, Continued

Budgetary Information

The Commission prepares an annual budget. Management begins the budgetary process in August. Workshops are held in the fall and the Board of Commissioners approves an annual budget, usually by December. The General Manager is authorized to make changes to individual budgetary line items as long as total budgeted expenses are not exceeded. The budgetary information for the year ended December 31, 2023 is included in the Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual and is presented as supplementary information.

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. The Commission does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of December 31, 2023 and 2022, none of the Commission's bank balances of approximately \$936,000 and \$1,423,000 respectively (with a carrying value of approximately \$728,000 and \$1,466,000, respectively) were exposed to custodial credit risk.

Investments

As of December 31, 2023, the Commission had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Investment Maturities in Years				
			Fair Value	<1 yr	1-3 yrs	3-5 yrs	>5 yrs
LGIP	N/A	NR, NR	\$ 12,761,549	12,761,549	-	-	\$ -
Money Market							
Mutual Funds	Level 1	AAAm, Aaa-mf	3,955,533	3,955,533	-	-	-
Certificates of							
Deposit	Level 1	NR	2,727,434	2,727,434	-	-	-
Total			<u>\$ 19,444,516</u>	<u>19,444,516</u>	-	-	<u>\$ -</u>

[^]If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

⁽¹⁾See Note I.C.11 for details of the Commission's fair value hierarchy.

NR – Not Rated

N/A – Not Applicable

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

The investments in the South Carolina Local Government Investment Pool have weighted average maturities of less than one year and are unrated. The mutual funds are in the first American Treasury Obligations Fund and the First American Government Obligations Fund. These mutual funds have weighted average maturities of less than one year and credit ratings of AAAM, Aaa-mf, and AAAMmf from Standards & Poor's, Moody's Investors Service and Fitch ratings, respectively. These investments are included with restricted Cash and Investments in the Statement of Net Position.

As of December 31, 2022, the Commission had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Investment Maturities in Years				
			Fair Value	<1 yr	1-3 yrs	3-5 yrs	>5 yrs
LGIP	N/A	NR, NR	\$ 11,953,912	11,953,912	-	-	\$ -
Money Market							
Mutual Funds	Level 1	AAAM, Aaa-mf	5,533,563	5,533,563	-	-	-
Certificates of Deposit	Level 1	NR	2,617,185	2,617,185	-	-	-
Total			<u>\$ 20,104,660</u>	<u>20,104,660</u>	-	-	<u>\$ -</u>

[^]If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

⁽¹⁾See Note I.C.11 for details of the Commission's fair value hierarchy.

NR – Not Rated

N/A – Not Applicable

The investments in the South Carolina Local Government Investment Pool have weighted average maturities of less than one year and are unrated. The mutual funds are in the first American Treasury Obligations Fund and the First American Government Obligations Fund. These mutual funds have weighted average maturities of less than one year and credit ratings of AAAM, Aaa-mf, and AAAMmf from Standards & Poor's, Moody's Investors Service and Fitch ratings, respectively. These investments are included with restricted Cash and Investments in the Statement of Net Position.

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of December 31, 2023 and 2022, none of the Commission's investments were exposed to custodial credit risk.

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

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

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

Inventories

Inventories consisted of the following:

	December 31,	
	2023	2022
Stored Natural Gas	\$ 268,564	\$ 309,952
Materials-Electric	486,228	464,345
Materials-Natural Gas	523,390	560,859
Materials-Water and Sewer	478,647	385,327
Fuel	5,939	10,298
Other	454	308
	<u>\$ 1,763,222</u>	<u>\$ 1,731,089</u>

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, non-depreciable					
Land	\$ 1,025,781	\$ 99,721	\$ (36,330)	\$ -	\$ 1,089,172
Construction in progress	3,768,767	1,650,070	-	(1,756,920)	3,661,917
Total capital assets, non-depreciable	4,794,548	1,749,791	(36,330)	(1,756,920)	4,751,089
Capital assets, depreciable					
Electrical system	15,054,513	884,788	-	-	15,939,301
Natural gas system	26,882,305	530,000	-	-	27,412,305
Water system	25,216,979	81,069	-	834,514	26,132,562
Sewer system	21,164,210	292,258	-	922,406	22,378,874
Other	13,070,061	584,584	(184,408)	-	13,470,237
Total capital assets, depreciable	101,388,068	2,372,699	(184,408)	1,756,920	105,333,279
Less: accumulated depreciation for:					
Electrical system	(11,421,232)	(452,037)	-	-	(11,873,269)
Natural gas system	(19,606,896)	(578,951)	-	-	(20,185,847)
Water system	(16,363,464)	(733,034)	-	-	(17,096,498)
Sewer system	(14,703,381)	(528,084)	-	-	(15,231,465)
Other	(10,537,987)	(611,772)	184,408	-	(10,965,351)
Total accumulated depreciation	(72,632,960)	(2,903,878)	184,408	-	(75,352,430)
Total capital assets, depreciable, net	28,755,108	(531,179)	-	1,756,920	29,980,849
Total capital assets, net	\$ 33,549,656	\$ 1,218,612	\$ (36,330)	\$ -	\$34,731,938

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2: DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, non-depreciable					
Land	\$ 1,025,781	\$ -	\$ -	\$ -	\$ 1,025,781
Construction in progress	1,667,037	3,513,007	-	(1,411,277)	3,768,767
Total capital assets, non-depreciable	2,692,818	3,513,007	-	(1,411,278)	4,794,548
Capital assets, depreciable					
Electrical system	14,515,625	414,058	-	124,830	15,054,513
Natural gas system	26,574,618	307,687	-	-	26,882,305
Water system	23,456,355	482,470	-	1,278,154	25,216,979
Sewer system	20,990,792	173,418	-	-	21,164,210
Other	12,918,386	265,369	(113,694)	-	13,070,061
Total capital assets, depreciable	98,455,776	1,643,002	(113,694)	1,402,984	101,388,068
Less: accumulated depreciation for:					
Electrical system	(10,987,919)	(433,313)	-	-	(11,421,232)
Natural gas system	(19,047,390)	(559,506)	-	-	(19,606,896)
Water system	(15,649,885)	(713,579)	-	-	(16,363,464)
Sewer system	(14,188,753)	(514,628)	-	-	(14,703,381)
Other	(10,088,395)	(449,592)	-	-	(10,537,987)
Total accumulated depreciation	(69,962,342)	(2,670,618)	-	-	(72,632,960)
Total capital assets, depreciable, net	28,493,434	(1,027,616)	(113,694)	-	28,755,108
Total capital assets, net	\$ 31,186,252	\$ 2,485,391	\$ (113,694)	\$ (8,294)	\$33,549,656

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

Long Term Obligations

Revenue Bonds-Direct Placement ("DP")

In July 2013, the Commission issued Combined Utility System Revenue Bonds, Series 2013A, in the principal amount of \$3,435,000 to provide resources for a natural gas project, software upgrades and a new truck. The Series 2013A Bonds carry interest at 2.45% which is due semi-annually beginning January 1, 2014. Annual principal installments begin January 1, 2019 and continue through January 1, 2023. The outstanding principal was \$0 and \$894,000 at December 31, 2023 and 2022, respectively.

In November 2018, the Commission issued Combined Utility System Revenue Bonds, Series 2018, in the principal amount of \$3,000,000 to provide resources for a gas line replacement project. The Series 2018 Bonds carry interest at 3.12%, which is due semi-annually beginning July 1, 2019. Annual principal installments begin January 1, 2020 and continue through January 1, 2026. The outstanding principal was \$1,368,000 and \$1,797,000 at December 31, 2023 and 2022, respectively.

In December 2022, the Commission issued Combined Utility System Revenue Bonds, Series 2022, in the principal amount of \$4,900,000 to provide resources for a gas line replacement project. The Series 2022 Bonds carry interest at 3.85%, which is due semi-annually beginning July 1, 2023. Annual principal installments begin January 1, 2024 and continue through January 1, 2033. The outstanding principal was \$4,900,000 and \$4,900,000 at December 31, 2023 and 2022, respectively.

The Combined Utility System Revenue Bonds are special obligations of the City of Laurens, South Carolina, payable solely from the revenues of the Commission of Public Works, Laurens, South Carolina. The Bonds do not constitute a debt of the City of Laurens, South Carolina. The bonds are to be paid, both principal and interest, out of the net revenues of the System after the payment of operating and maintenance expenses of the Commission, as defined by the bond ordinance. The bond ordinance established debt service funds to be kept on deposit with a trustee, with withdrawals to be made for the purposes as provided in the bond ordinance. The amounts that the Commission is to pay or deposit into the Debt Service Fund, in the following order of priority, are as follows:

- For credit to the Interest Account, a monthly amount equal to one-sixth of the next installment of interest due on the bonds outstanding. Interest payments are due January 1 and July 1.
- For credit to the Principal Account, a monthly amount equal to one-twelfth of the next principal installment due on the bonds outstanding. Principal payments are due January 1.

There are numerous limitations, restrictions, and covenants contained in the revenue bonds and the bond ordinance. As of December 31, 2023 and 2022 the Commission is in compliance with all significant restrictions and covenants, including its debt service coverage ratios.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

State Revolving Fund Loan-Direct Placement

The Commission entered into a loan agreement with the South Carolina Water Quality Revolving Fund Authority (the "Authority") in November 2012. The Commission used the proceeds from the loan to fund a water meter replacement program which began in 2012. The funding from the loan is on a reimbursement basis and thus the Commission will only record a payable once the cash is received from the Authority. The loan amount was approved for approximately \$1,852,000 at a 1% interest rate. Quarterly principal and interest payments totaling approximately \$26,000 began on January 1, 2015 and will continue through October 1, 2034. The Commission funded a debt service reserve of approximately \$103,000 as required by the loan agreement.

The Commission received a total of approximately \$1,550,000 from the Authority. The quarterly payments were adjusted to approximately \$21,000 to reflect the finalized balance. The outstanding balance as of December 31, 2023 and 2022 was \$890,700 and \$966,933, respectively.

Capital Lease-Direct Placement

The following is a summary of changes in long-term obligations for the year ended December 31, 2023:

<u>Long-Term Obligations</u>	<u>Type of Issuance</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and Loans Payable ..						
Combined Utility System Revenue Bonds-Direct:						
Series 2013A	DP	\$ 894,000	-	(894,000)	-	\$ -
Series 2018	DP	1,797,000	-	(429,000)	1,368,000	442,000
Series 2022		4,900,000	-	-	4,900,000	400,000
Sub-total Combined Utility System Bonds-Direct:		7,591,000	-	(1,323,000)	6,268,000	842,000
State Revolving Loan Payable	DP	966,933	-	(76,233)	890,700	76,998
Total Bonds and Loans Payable		8,557,933	-	(1,399,233)	7,158,700	918,998
Compensated Absences	N/A	675,609	307,804	(186,576)	796,837	262,956
Total Long-Term Obligations		\$ 9,233,542	307,804	(1,585,809)	7,955,537	\$ 1,181,954

Annual debt service requirements to maturity for all long-term debt as of December 31, 2023 are as follows:

Bonds and SRF Loan Payable

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 918,998	225,357	\$ 1,144,355
2025	958,771	194,694	1,153,465
2026	993,552	162,719	1,156,271
2027	539,340	137,178	676,518
2028	560,138	118,286	678,424
2029-2033	3,102,912	281,984	3,384,896
2034-2036	84,989	532	85,521
Totals	\$ 7,158,700	1,120,750	\$ 8,279,450

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

The following is a summary of changes in long-term obligations for the year ended December 31, 2022:

<u>Long-Term Obligations</u>	<u>Type of Issuance</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and Loans Payable						
Combined Utility System Revenue Bonds-Direct:						
Series 2013A	DP	\$ 1,767,000	-	(873,000)	894,000	\$ 894,000
Series 2018	DP	2,213,000	-	(416,000)	1,797,000	429,000
Series 2022		-	4,900,000	-	4,900,000	-
Sub-total Combined Utility System Bonds-Direct:		3,980,000	4,900,000	(1,289,000)	7,591,000	1,323,000
State Revolving Loan Payable	DP	1,042,409	-	(75,476)	966,933	76,233
Total Bonds and Loans Payable		5,022,409	4,900,000.00	(1,364,476)	8,557,933	1,399,233
Compensated Absences	N/A	592,987	260,441	(177,819)	675,609	222,951
Total Long-Term Obligations		\$ 5,615,396	5,160,441	(1,542,295)	9,233,542	\$ 1,622,184

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – DETAILED NOTES ON ALL FUNDS AND ACTIVITIES, Continued

Agreement with the City of Laurens

The Commission and the City of Laurens (the “City”) entered into an agreement in 1999 in which the Commission agreed to make annual payments to the City. This agreement expired in 2009. In July 2012, the Commission and the City entered into a new transfer fee agreement. The Commission shall pay the City an escalating transfer fee which ultimately shall represent five percent (5%) of the Commission’s gross total revenue derived from the sale of all utility services and revenue fees within the City’s municipal limits. Year 1; (July, 2012 through June, 2013) \$755,000 plus ½% of any yearly increase in gross sales within the City’s municipal limits, but not less than \$860,000. Year 2; (July 1, 2013 through June 30, 2014) \$775,000 plus ¾% of any yearly increase in gross sales within the City’s municipal limits. All utilities furnished by the Commission to the City shall be deducted from the transfer fees paid to the City. The initial term of this agreement is for five years and will automatically extend for an additional five years unless cancelled by either the Commission or the City within six months prior to July 1, 2017. As of the date of the financial statements neither party has cancelled the agreement. The payment to the City is reflected as Intergovernmental Fees in the Schedule of Revenues, Expenses, and Changes in Net Position-Budget and Actual, and Other Expenses in the Statements of Revenues, Expenses, and Changes in Net Position and totaled approximately \$793,000 and \$768,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 3 – PENSION PLANS

State Retirement Plan

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

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, Continued

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with 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 an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through 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.

Plan Descriptions

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

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3– PENSION PLANS, Continued

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

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education 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.
- 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.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, Continued

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.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, Continued

Contributions

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

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

Required employee contribution rates¹ for fiscal years 2023 and 2022 are as follows:

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, Continued

Required employer contribution rates¹ for fiscal years 2023 and 2022 are as follows:

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
SCRS		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	19.84%	18.84%
Employer Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

The required contributions and percentages of amounts contributed by the Commission to the Plan for the past three years were as follows:

Year Ended	<u>SCRS Contributions</u>	
December 31,	<u>Required</u>	<u>% Contributed</u>
2023	\$ 922,420	100%
2022	800,792	100%
2021	713,063	100%

Eligible payrolls of the Commission covered under the Plans for the past three years were as follows:

Year Ended	
December 31,	<u>SCRS Payroll</u>
2023	\$ 5,107,279
2022	4,680,535
2021	4,431,084

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3– PENSION PLANS, Continued

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2020 for first use in the July 1, 2021 actuarial valuation.

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 and 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.

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

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ³	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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 published Scale AA projected from the year 2020.

(Continued)

³ Includes inflation at 2.25%

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, 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, 2021, for SCRS 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
SCRS	\$ 56,454,779,872	\$ 32,212,626,932	\$ 24,242,152,940	57.1%

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.

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.

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 – PENSION PLANS, Continued

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 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Real Return	100%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in 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 collective NPL of the participating employers calculated using the discount rate of 7.00 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SCRS	\$ 31,081,431,145	\$ 24,242,152,940	\$ 18,556,181,381

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, Continued

The following table presents the collective NPL of the Commission using the discount rate of 7.00 percent, as well as what the Commission's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability of the SCRS	\$ 12,647,240	\$ 9,788,163	\$ 7,411,797

Pensions

At December 31, 2023, the Commission reported a liability of \$9,788,163 for its proportionate share of the SCRS NPL. The NPL was measured as of June 30, 2022, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The Commission's proportion of the NPL was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2023, the Commission's proportionate shares of the SCRS plan was 0.040485%.

For the year ended December 31, 2023, the Commission recognized pension expense for the SCRS plan of \$102,122. At December 31, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 169,939	\$ 27,144
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	149,969 500,152	- 152,160
Assumption changes		
Net difference between projected and actual earnings on pension plan investments	962,029	975,427
Commission's contributions subsequent to the measurement date	474,798	-
Total SCRS	<u>\$ 2,256,887</u>	<u>\$ 1,154,731</u>

An amount of \$474,798 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended December 31, 2023.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – PENSION PLANS, Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized as pension expense as follows:

Year Ended June 30,	SCRS
2024	\$ 274,853
2025	(56,062)
2026	414,307
2027	(5,741)
	<u>\$ 627,357</u>

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plan administered by PEBA is available in the System's audited financial statements for the fiscal year ended June 30, 2022 accounting and financial reporting actuarial valuation as of June 30, 2022.

NOTE 4 – OTHER INFORMATION

Deferred Compensation Plans

The Commission employees may participate in the 457 and/or 401(k) deferred compensation plans available to state and local government employees through the state public employee retirement system. These programs are administered by a state approved nongovernmental third party. The Commission matches a half percent for every one percent of employee contributions up to six percent of their annual salary. The expense to the Commission was approximately \$64,000 for each of the years ended December 31, 2023, 2022 and 2021, respectively.

Contingent Liabilities

Litigation

The Commission, its officers, and its employees are defendants in various claims and lawsuits. It is the opinion of the Commission's external counsel that resolution of these matters, either individually or in the aggregate, will not have a material adverse effect on the financial condition of the Commission.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 – OTHER INFORMATION, Continued

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability to the Commission. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial. Management has not been informed of any significant matters of noncompliance with grant provisions or planned grantor audits.

Other Postemployment Benefit Plan

Plan Description

The Commission sponsors a defined postemployment healthcare plan (the “OPEB Plan”) that provides certain health care benefits for retirees under the Medicare eligible age of 65. Substantially all of the Commission’s employees may become eligible for those benefits if they reach normal retirement age while working for the Commission. The OPEB Plan is approved by the Commission’s Board; the benefit and contribution requirements of the Commission and plan members are established and amended by the Board. These contributions are neither guaranteed nor mandatory. The Board has retained the right to unilaterally modify its payments toward retiree health care benefits at any time. The OPEB Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (“SCORBET”), and thus is considered an agent multiple-employer plan, whose OPEB Plan assets are administered by the Municipal Association of South Carolina (“MASC”). SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB Plan.

A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P.O. Box 12109, Columbia, South Carolina 29211.

Plan Membership

As of December 31, 2022, the last actuarial valuation, the following employees were covered by the OPEB Plan’s benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Payments	10
Active Employees	<u>76</u>
Total Membership	<u>86</u>

During September 2012, the Board elected to discontinue paying for health insurance upon retirement for any employee hired in September 2012 and after.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 – OTHER INFORMATION, Continued

Plan Benefits and Contributions

The Commission currently participates in the State Health Plan, which is administered by the PEBA. The PEBA is responsible for establishing and amending the provisions, benefits, and contribution requirements of those entities that participate in the State Health Plan. The Primary benefits of the OPEB Plan include medical, prescription, and dental coverages for retirees and their eligible dependents. Retiree contributions requirements for the Commission are established and amended by the Commission and are based on years of service.

If an employee retires with less than ten years of continuous employment, and prior to becoming eligible for Medicare benefits, health care insurance is available at the employee's expense under the group health insurance plan until such time as the employee becomes eligible for Medicare benefits. If the employee retires with more than ten years of continuous employment, and elects to remain under the Commission's group health insurance plan, the Commission will pay a portion of the premiums for health and dental coverage under that plan for a maximum of five years beginning at the time of retirement, or until the employee is eligible for Medicare benefits, whichever occurs first. The portion of the premium which the Commission will pay is based on the number of continuous years of employment, ranging from 25% for ten to fourteen years of continuous employment to 100% for thirty or more years of continuous employment. The retiree contributes the difference. The health and dental plans pay a percentage of allowed charges after the plan's deductible.

Actuarial Assumptions and Method

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 – OTHER INFORMATION, Continued

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.25%
Investment Rate of Return	4.75% which includes inflation
Discount Rate	4.75%
Healthcare Cost Trend Rate	Pre-Medicare 7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
Payroll Growth	SCRS- 3.00% - 9.50%
Coverage Elections	20% - 100% of eligible retirees will elect coverage based on years of service and 20% of those will elect to cover the spouse
Active Participation/Marriage	100% of all active employees are assumed to be married with female spouses assumed to be 3 years younger
Mortality Table	PUB-2011 Mortality Table for employees with a 135% multiplier

The actuarial assumptions used above were based on a review of recent plan expenditures done concurrently with the December 31, 2022 valuation.

Long-Term Expected Rate of Return

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 – OTHER INFORMATION, Continued

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return
US Government Agency	58.0%	3.60%
US Govt MBS/CMO/CMBS	40.0%	5.00%
Cash and Short Duration (Net)	2.00%	4.25%
Total Expected Real Rate of Return	100.00%	

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

The Commission's net OPEB liability was measured as of December 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances as of Dec. 31, 2022	\$ 1,059,650	\$ 526,872	\$ 532,778
Changes for the year:			
Service Cost	28,461	-	28,461
Interest	49,315	-	49,315
Difference Between Expected/ Actual Experience	(80,079)	-	(80,079)
Contributions-Employer	-	128,395	(128,395)
Net Investment Income	-	18,584	(18,584)
Benefit Payments	(43,399)	(43,399)	-
Administrative Expense	-	(4,796)	(4,796)
Net Changes	(45,702)	98,784	(144,486)
Balances as of Dec. 31, 2023	\$ 1,013,948	\$ 625,656	\$ 388,292

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 – OTHER INFORMATION, Continued

For the year ended December 31, 2023, the Commission recognized OPEB expense of approximately \$13,000. At December 31, 2023, the Commission reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 169,421
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments	88,829	-
Changes of Assumptions or Other Inputs	23,948	75,918
Total	<u>\$ 112,777</u>	<u>\$ 245,339</u>

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

Year Ended December 31,	Total
2024	\$ (75)
2025	(144)
2026	(7,954)
2027	(29,893)
2028	(28,113)
Thereafter	(66,383)
Total	<u>\$ (132,562)</u>

(Continued)

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 – OTHER INFORMATION, Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that the Commission's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all period of projected benefit payments to determine the OPEB liability.

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

The following table presents the sensitivity of the Commission's net OPEB liability to changes in the discount rate, calculated using the discount rate of 4.75%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (3.75%) or 1% point higher (5.75%) than the current rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$ 476,556	388,292	\$ 307,937

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

The following table presents the sensitivity of the Commission's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 7.00% decreasing to 4.50%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (6.00% decreasing to 3.50%) or 1% point 75 higher (8.00% decreasing to 5.50%) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 278,412	388,292	\$ 517,768

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 – OTHER INFORMATION, Continued

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. For all of these risks, the Commission is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk trust currently operating as a common risk management and insurance program for local governments. The Commission pays a premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims. The state accumulates assets to cover risks that its members incur in their normal operations. Specifically, the state assumes substantially all of the risk of the above.

The Commission has also joined together with municipalities and other local governments in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The Commission pays premiums to SCMIT. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses.

The Commission continues to carry commercial insurance for other risks of loss. For all of the above risk management programs, the Commission has not significantly reduced insurance coverage from the previous year and settled claims have not exceeded insurance coverage for the past three years.

Unconditional Purchase Obligations and Agreements

On December 15, 1980, the Commission entered into an agreement with the Piedmont Municipal Power Agency (“PMPA”), of which it is a charter member, whereby it is obligated to purchase its bulk electricity supply requirements from PMPA excluding any purchases of power and energy from the Southeastern Power Administration. The agreement extends until all of the payments on the bonds issued by PMPA have been paid or provided for, but in any event not later than August 1, 2035. The Commission’s electricity purchased from PMPA totaled approximately \$9,900,000 and \$9,600,000 for the years ended December 31, 2023 and 2022, respectively.

On December 14, 1981, the Commission entered into an agreement with Laurens County Water and Sewer Commission, whereby it is obligated to take or pay for 730 million gallons of raw water annually from the Laurens County Water and Sewer Commission. The agreement originally extended to December 14, 2021, however in November 2021, the agreement was extended for six months with the same terms to allow both organizations to enter into another long-term contract. The raw water purchased from the Laurens County Water and Sewer Commission totaled approximately \$480,000 and \$312,000 for the years ended December 31, 2023 and 2022, respectively.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 – OTHER INFORMATION, Continued

On January 27, 1986, the Commission entered into an agreement with the Southeastern Power Administration ("SEPA") whereby SEPA will make available and the Commission will purchase 4,678 kilowatts of capacity and a percentage of SEPA's available energy each month. The electricity purchased from SEPA totaled approximately \$502,000 and \$545,000 for 2023 and 2022, respectively.

The Commission enters into contracts with its suppliers of natural gas for the purchase of specified volumes of gas at defined prices, time periods, and locations. These agreements are entered into to manage the volatility of natural gas prices and to stabilize the cost to the Commissions' residential, commercial, and industrial customers. In addition, the Commission enters into agreements with certain of its industrial customers to lock in the future sale of specified volumes of gas at defined prices. The Commission purchased natural gas totaling approximately \$3,260,000 and \$6,097,000 from Direct Energy Business Marketing, LLC in 2023 and 2022, respectively.

Commitments and Contingencies

In August 2022, the Commission entered into an agreement with QEI, LLC to replace the current electric SCADA system in the amount of \$241,340. \$126,340 was the actual system and the remaining amount was for installation and other interfaces. An additional \$80,000 was budgeted in 2024 to complete the SCADA installation and integration.

In April 2023, the Commission entered into an agreement with Siemens Corp to purchase and install two bus circuit breakers and six feeder circuit breakers for the new substation at Hunter Park in the amount of \$252,750. This project is still in progress as of the end of 2023.

In October 2023, the Commission entered into an agreement with Sumter Utilities to construct the new Hunter Park substation in the amount of \$898,502.04. This project is still in progress as of the end of 2023.

(Continued)

**COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 – OTHER INFORMATION, Continued

Litigation Contingencies

Litigation among Piedmont Municipal Power Agency (PMPA) Participants concerning cost allocation has been settled. The litigation dates to 2019 and stemmed from a disagreement about the allocation of cost among the participants of PMPA's ownership and operation of the Catawba Nuclear Station Unit 2 located in York County.

Defendants in the case, Greer Commission of Public Works and the City of Rock Hill, asserted they were paying more of the cost of Catawba than they were contractually required. PMPA and the other participants disagreed. After several mediation attempts and a Summary Judgement hearing that provided no resolution, the participants agreed that settling this disagreement and moving on to address larger issues of electric power supply was more important than waiting for a trial.

The settlement consists of Greer CPW and City of Rock Hill receiving a combined cash payment of \$55 million, with all disputes and cost allocation claims being dismissed, and the current All Requirements wholesale power rate structure remaining in place through 2028. The \$55 million will be paid using a combination of PMPA working capital and debt financing. Debt service on the settlement financing will be paid by all other participants of PMPA excluding Greer CPW and the City of Rock Hill.

Subsequent Events

The Commission has evaluated events and transactions for subsequent events through April 4, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION

For the last six fiscal years

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 28,461	\$ 29,314	\$ 32,189	\$ 31,251	\$ 35,695	\$ 34,655
Interest	49,315	47,823	52,712	51,505	50,783	49,389
Changes of benefit terms	-	-	27,199	-	-	-
Economic losses	(45,760)	(2,536)	(108,771)	(17,755)	(80,703)	(9,389)
Effect of assumptions	(34,319)	-	(64,326)	-	53,078	-
Benefit payments, including refunds of member contributions	(43,399)	(43,022)	(40,852)	(38,352)	(48,847)	(41,815)
Net change in total OPEB liability	(45,702)	31,579	(101,849)	26,649	10,006	32,840
Total OPEB liability - beginning	\$ 1,059,650	\$ 1,028,071	1,129,920	1,103,271	1,093,265	1,060,425
Total OPEB liability - ending	<u>\$ 1,013,948</u>	<u>\$ 1,059,650</u>	<u>\$ 1,028,071</u>	<u>\$ 1,129,920</u>	<u>\$ 1,103,271</u>	<u>\$ 1,093,265</u>
Employer contribution	128,395	128,018	125,848	123,348	123,847	116,815
Net investment income	18,584	(83,805)	(15,227)	18,704	13,031	410
Benefit payments, including refunds of member contributions	(43,399)	(43,022)	(40,852)	(38,352)	(48,847)	(41,815)
Administrative expense	(4,796)	(1,250)	(5,002)	(1,000)	(3,422)	(3,421)
Net change in total OPEB plan fiduciary net position	98,784	(59)	64,767	102,700	84,609	71,989
Total OPEB plan fiduciary net position - beginning	526,872	526,931	462,164	359,464	274,855	202,866
Total OPEB plan fiduciary net position - ending	<u>625,656</u>	<u>526,872</u>	<u>526,931</u>	<u>462,164</u>	<u>359,464</u>	<u>274,855</u>
Net OPEB liability - ending	<u>\$ 388,292</u>	<u>\$ 532,778</u>	<u>\$ 501,140</u>	<u>\$ 667,756</u>	<u>\$ 743,807</u>	<u>\$ 818,410</u>
Covered-employee payroll	\$ 4,591,370	\$ 4,143,093	\$ 4,143,093	\$ 2,404,418	\$ 2,404,418	\$ 2,598,009
Total OPEB liability as a percentage of covered-employee payroll	8.46%	12.86%	12.10%	27.77%	30.94%	31.50%

Notes

(1) Pursuant to GASB 75, a 10-year history of the information shown above is required. However, until a full 10-year history is compiled, information for those years which are available may be presented.

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
SCHEDULE OF THE COMMISSION'S OPEB CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

For the last six fiscal years

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 53,631	\$ 68,919	\$ 71,876	\$ 78,785	\$ 81,320	\$ 89,956
Contributions in relation to actuarially determined contribution	128,395	128,018	125,848	123,348	123,847	116,815
Contribution deficiency (excess)	<u>\$ (74,764)</u>	<u>\$ (59,099)</u>	<u>\$ (53,972)</u>	<u>\$ (44,563)</u>	<u>\$ (42,527)</u>	<u>\$ (26,859)</u>
Covered-employee payroll	\$ 4,591,370	\$ 4,143,093	\$ 4,143,093	\$ 2,404,418	\$ 2,404,418	\$ 2,598,009
Total OPEB liability as a percentage of covered-employee payroll	2.80%	3.09%	3.04%	5.13%	5.15%	4.50%

Notes to schedule:

The Commission adopted GASB #75 during the year ended December 31, 2018.
Information is not available prior to the 2017 fiscal year end.

Valuation date: December 31, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Inflation	2.25%
Healthcare cost trends	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2023
Salary increases	SCRS - 3.0% - 9.5% (including inflation)
Investment rate of return	4.75%, net of OPEB plan investment expenses, including inflation
Mortality	RP - 2010 mortality table for employees with a 135% multiplies

Other information:

None.

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

Only ten years of information is presented as only ten years of data were available.

	2023	2022	2021	2020	Year Ended December 31,		2017	2016	2015	2014
					2019	2018				
Commission's proportion of the net pension liability	0.040485%	0.037536%	0.038807%	0.039045%	0.039718%	0.038552%	0.037989%	0.038232%	0.039279%	0.039761%
Commission's proportionate share of the net pension liability	\$ 9,788,163	\$ 9,099,472	\$ 8,398,343	\$ 9,976,712	\$ 9,069,259	\$ 8,638,387	\$ 8,551,935	\$ 8,166,299	\$ 7,449,452	\$ 6,845,526
Commission's covered-employee payroll	\$ 5,118,600	\$ 4,469,629	\$ 4,386,783	\$ 4,356,011	\$ 4,194,110	\$ 3,995,110	\$ 3,832,913	\$ 3,702,289	\$ 3,682,871	\$ 3,609,798
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.2%	203.6%	191.4%	229.03%	216.24%	216.22%	223.12%	220.57%	202.27%	189.64%
Plan fiduciary net position as a percentage of the total pension liability	58.60%	57.10%	60.70%	50.71%	54.40%	54.11%	53.34%	52.91%	56.99%	59.92%

Notes to schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COMMISSION'S PENSION CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

Only ten years of information is presented as only ten years of data were available.

	2023	2022	2021	2020	Year Ended December 31,				2016	2015	2014
					2019	2018	2017				
Contractually required contribution	\$ 922,420	\$ 800,792	\$ 713,062	\$ 701,320	\$ 644,972	\$ 575,922	\$ 492,717	\$ 424,275	\$ 406,088	\$ 388,174	
Contributions in relation to the contractually required contribution											
Contributions from the Commission	\$ 922,420	\$ 800,792	\$ 713,062	\$ 701,320	\$ 644,972	\$ 575,922	\$ 454,952	\$ 424,275	\$ 406,088	\$ 388,174	
Contributions from the State	-	-	-	-	-	-	37,765	-	-	-	
Contribution deficiency (excess)	\$ 922,420	\$ 800,792	\$ 713,062	\$ 701,320	\$ 644,972	\$ 575,922	\$ 492,717	\$ 424,275	\$ 406,088	\$ 388,174	
Commission's covered-employee payroll	\$ 5,107,279	\$ 4,680,535	\$ 4,431,084	\$ 4,507,195	\$ 4,281,191	\$ 4,094,110	\$ 3,920,213	\$ 3,750,693	\$ 3,698,553	\$ 3,610,353	
Contributions as a percentage of covered-employee payroll	18.06%	17.11%	16.09%	15.56%	15.07%	14.07%	12.57%	11.31%	10.98%	10.75%	

SUPPLEMENTARY INFORMATION

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

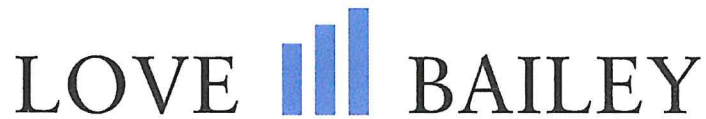
	Budget	Actual	Variance
OPERATING REVENUE			
Sales			
Electrical sales	\$ 14,725,000	\$ 14,056,576	\$ (668,424)
Natural gas sales	13,000,000	8,384,179	(4,615,821)
Water sales and tap fees	3,800,000	4,127,718	327,718
Sewer charges	2,300,000	2,339,468	39,468
Total sales	33,825,000	28,907,941	(4,917,059)
Other			
Attachment fees	62,000	62,288	288
Electrical taps and work for others	-	335	335
Gas taps and work for others	-	31,491	31,491
Water taps and work for others	75,000	78,085	3,085
Sewer taps	-	51,100	51,100
Connection and transfer fees	60,000	48,790	(11,210)
Penalties	280,000	269,072	(10,928)
Reconnection fees	25,000	17,706	(7,294)
Private placement	2,085,000	-	(2,085,000)
Bad debts, net of recoveries	25,000	(49,117)	(74,117)
Total other	2,612,000	509,750	(2,102,250)
Total operating revenues	36,437,000	29,417,691	(7,019,309)
OPERATING EXPENSES			
Electric power purchases	10,550,000	10,378,103	171,897
Natural gas purchases, net of refunds	7,442,000	3,260,231	4,181,769
Raw water purchases	480,000	480,000	-
Electric department	1,226,000	1,377,394	(151,394)
Gas department	1,265,000	1,272,194	(7,194)
Water department	1,768,000	1,908,999	(140,999)
Sewer department	1,015,000	1,167,875	(152,875)
General and administrative salaries	2,128,000	2,483,415	(355,415)
Other post employment benefits	85,000	12,532	72,468
GASB 68 related expense	-	102,122	(102,122)
Postage	62,000	63,915	(1,915)
Office expense	60,000	58,799	1,201
Bank and credit card fees	108,000	119,231	(11,231)
Programming	127,000	119,193	7,807
Repairs and maintenance	150,000	131,377	18,623
Insurance	1,014,000	1,018,368	(4,368)
Communications	55,000	53,079	1,921
Uniforms	50,000	58,003	(8,003)
Retirement	938,000	914,868	23,132
Professional fees	110,000	142,864	(32,864)
Bond issuance costs	85,000	-	85,000
Donations	25,000	24,715	285
General	35,000	64,740	(29,740)

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

COMMISSION OF PUBLIC WORKS
LAURENS, SOUTH CAROLINA
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance
Transportation - office	52,000	42,373	9,627
Medical	5,000	3,292	1,708
Community relations	97,000	109,891	(12,891)
Utilities	15,000	18,444	(3,444)
Employee education	93,000	46,280	46,720
Dues and memberships	38,000	47,219	(9,219)
Meetings and conventions	20,000	29,642	(9,642)
Safety	36,000	32,755	3,245
Engineering study	90,000	33,951	56,049
PSC assessment	4,000	4,507	(507)
Intergovernmental fees	780,000	793,008	(13,008)
Utilities and services provided to the City of Laurens	190,000	194,378	(4,378)
Depreciation	2,779,000	2,903,878	(124,878)
Total operating expenses	32,977,000	29,471,635	3,505,365
Operating income	3,460,000	(53,944)	(10,524,674)
NON-OPERATING REVENUE (EXPENSES)			
Scrap sales	-	11,914	11,914
Investment income	150,000	988,956	838,956
Miscellaneous income	45,000	101,337	56,337
Grant revenue	10,000	1,000,000	990,000
Gain on disposal of capital assets	50,000	91,648	41,648
Interest expense on revenue bonds and capital lease	(100,000)	(248,911)	(148,911)
Total non-operating revenue (expense)	155,000	1,944,944	1,789,944
Change in net position	3,615,000	1,891,000	(8,734,730)
Net position, beginning of year	38,560,416	38,560,416	-
Net position, end of year	\$ 42,175,416	\$ 40,451,416	\$ (8,734,730)

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



CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Board of Commissioners
Commission of Public Works
Laurens, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Commission of Public Works, Laurens, South Carolina, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission of Public Works, Laurens, South Carolina's basic financial statements, and have issued our report thereon dated April 4, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
April 4, 2024