

COMBINED UTILITY SYSTEM OF EASLEY

Easley, South Carolina



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED MARCH 31, 2023 AND 2022

Prepared by the Finance Department



INTRODUCTORY SECTION

COMBINED UTILITY SYSTEM OF EASLEY

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COMBINED UTILITY SYSTEM OF EASLEY

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EASLEY COMBINED UTILITIES

A Community Tradition

Letter of Transmittal

August 9, 2023

To the Commissioners and Customers
of the Combined Utility System of Easley

We are pleased to present the Annual Comprehensive Financial Report (“ACFR”) for the Combined Utility System of Easley (the “Utility”) for the fiscal year ended March 31, 2023. The Utility is responsible for the accuracy and completeness of the presentation, including all necessary disclosures, of the ACFR. The ACFR is designed to provide the reader with a comprehensive understanding of the Utility’s financial activities. The enclosed information has been presented to the best of our knowledge and belief.

The Utility’s management has established a system of internal controls designed to provide reasonable, but not absolute, assurance for the safeguarding of assets and financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits.

The Utility is required by state law to publish an annual financial report audited by a certified public accountant. This ACFR fulfills that requirement. Greene Finney Cauley, LLP conducted the independent audit of the Utility’s financial statements. The objective of the audit was to obtain reasonable assurance that the financial statements are free of material misstatements. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in “*Government Auditing Standards*.” Greene Finney Cauley, LLP has issued an unmodified opinion that the Utility’s financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The Independent Auditor’s Report is presented as the first component of the financial section of this report.

Following the Independent Auditor’s Report, in the financial section of this report, is the Management’s Discussion and Analysis (“MD&A”). The MD&A provides an overview and analysis of the Utility’s financial statements. This Letter of Transmittal is intended to complement the MD&A and should be read in conjunction with it.

Profile of the Utility

The Utility was originally established in 1911 to supply water and electricity to the City of Easley. In 1959, wastewater service was added. The Utility is operated and managed by the Commission of Public Works (the “Commission”). The Commission is comprised of three representatives that are elected to six-year staggered terms.

The electric system maintained by the Utility services approximately 51 square miles in, and around, the City of Easley. The power is supplied by Piedmont Municipal Power Agency (“PMPA”), a joint action agency, of which Easley and nine other upstate cities are members, and its allocation of hydro-power from the Southeastern Power Administration (“SEPA”). PMPA owns 25% of Unit Two at the Catawba Nuclear Plant in York, South Carolina. PMPA secures for the Utility supplemental power and energy, above its allocation from Catawba, from Santee Cooper. As of March 31, 2023, the Utility had 16,614 electric accounts.

The Utility has one water treatment plant (Don L. Moore Water Treatment Plan), located on the Saluda Lake. The Utility provides water on a wholesale basis to water districts including: Southside Water District, Easley Central Water District, Dacusville-Cedar Rock Water District, and Powdersville Water District. These water districts accounted for approximately 36% of total water sales (by volume) in 2023. The water system services approximately 40 square miles in Pickens County. As of March 31, 2023, the Utility had 15,070 water accounts.

The Utility maintains three wastewater treatment plants (Middle Branch, Georges Creek, and Golden Creek) and capacity entitlement in REWA Georges Creek treatment plant. The wastewater system serves approximately 40 square miles in and around Pickens County (Middle Branch is located in, and services some customers in, Anderson County). As of March 31, 2023, the Utility had 12,079 wastewater accounts.

Financial Profile of the Utility

The Utility adopts an annual operating budget for management and financial planning purposes. During adoption of the budget, the Commission reviews and assesses future financial plans (minimum of five years) including: capital improvement plans, rate-setting projections, and debt service needs. The Commission adopts the annual operating budget before the fiscal year begins (April 1) and sets the rates to meet operating and financial objectives. In long-range planning, the Commission utilizes numerous benchmarking tools to determine necessary steps in maintaining a reliable, efficient and affordable utility system. One financial benchmark that the Commission strives to maintain is a favorable debt service ratio. For fiscal year 2023, the debt coverage ratio, based on revenue bond covenant definition, was a strong 3.20%. Also, the Utility reviews other local comparable rates, in the region, to determine if rates are reasonably set. Customer rates for the year compare favorably with those in the region.

For the year ending March 31, 2023, the Utility’s net position was approximately \$89,564,000, an 8.3% increase from the 2022 fiscal year. The positive change in net position for the current period can be attributed to a slight customer base increase, higher capacity/tap fee revenue, several large contributions in aid of construction developments (non-cash), and efficient spending in operations. The Utility incurred a great deal of capital expenditures in the fiscal year (discussed in more detail in our attached MD&A), as we have taken aggressive measures in assuring reliability in all three systems. We have positioned the Utility in a strong financial position to continue operating the Utility in an efficient manner, without sacrificing reliability.

Local Economy

The Utility operates in Pickens County, SC (in and around the Easley city limits). Population for the county has steadily increased throughout the past ten years. The unemployment rate has steadied itself as of March 31, 2023 at approximately 3.2%. The major employers of the county include Clemson University and the School District of Pickens County. Located between Greenville and Clemson, the Easley community has seen a surge in residential development, which is noted in the increase of capacity fees and contribution in aid collected the past several years. With an estimated sizeable population growth expected over the next ten years, the Utility is well positioned to handle the service needs of the county.

Long-Term Financial Planning

The Utility prepares a ten-year facility plan for each utility department. The long-range plans make recommendations on improvements in each department over the ten-year period for growth and reliability. The recommendations of the facility plans are incorporated into the Utility's capital plan, which is updated on an annual basis. The capital plan includes the projected cost of projects, the timing of the projects, and a projected source of funds. The Utility also prepares a five-year pro-forma financial forecast that incorporates information from the capital plan. These tools allow the Utility to formulate and maintain the Utility's financial stability.

Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Utility for its Annual Comprehensive Financial Report for the fiscal year ended March 31, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The successful completion of this Annual Comprehensive Financial Report would not have been possible without the commitment and hard work of many different people. The entire finance staff has continued to maintain an exemplary level of performance without which this report would not be able to be completed.

We appreciate the dedication and hard work displayed by the commissioners and employees of the Utility in continuing our mission in "providing reliable, high quality, and environmentally responsible utility services at the best possible value to the greater Easley, South Carolina community."

Respectfully submitted,



James A. Sevic
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Combined Utility System of Easley
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

March 31, 2022

Christopher P. Morill

Executive Director/CEO

COMBINED UTILITY SYSTEM OF EASLEY

LIST OF PRINCIPAL OFFICIALS

Commission of Public Works- Manager Form of Government

COMMISSION OF PUBLIC WORKS

MR. JEFF R. FOGLE
Commissioner



MR. JAMES N. CALDWELL
Commissioner - Chairman



MR. ERIC D. GOODWIN
Commissioner



UTILITY ADMINISTRATION

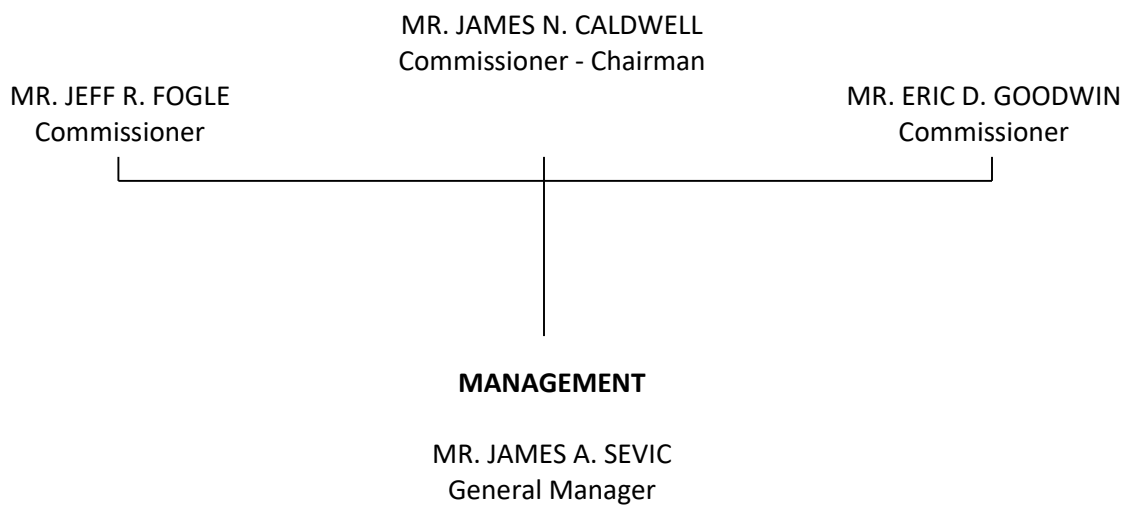
MR. JAMES A. SEVIC
General Manager



COMBINED UTILITY SYSTEM OF EASLEY

ORGANIZATIONAL CHART

COMMISSION OF PUBLIC WORKS





FINANCIAL SECTION



INDEPENDENT AUDITOR’S REPORT

To the Commissioners
 Combined Utility System of Easley
 Easley, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Combined Utility System of Easley, Easley, South Carolina (the “Utility”), as of and for the years ended March 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Utility’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utility, as of March 31, 2023 and 2022, and the changes in financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility'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 Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the other post-employment benefits schedules of changes in the net other post-employment benefits liability and related ratios and employer contributions, and the pension plan schedules of employer's proportionate share of the net pension liability and employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits 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 August 9, 2023 on our consideration of the Utility'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 Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 9, 2023

**COMBINED UTILITY SYSTEM OF EASLEY
EASLEY, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Combined Utility System of Easley (the "Utility") offers the users of the Utility's financial statements this overview and analysis of the Utility's financial performance for the fiscal years ending March 31, 2023, 2022, and 2021. Please read this overview in conjunction with the Utility's audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position increased by \$6,839,000, or 8.3%.
- Operating revenues of \$56.0 million for FY 2023 increased \$3,131,000, or 5.9% over FY 2022.
- Operating expenses before depreciation and amortization for FY 2023 increased \$4,057,000, or 10.3% above FY 2022.
- Operating income before depreciation and amortization of \$12,529,000 for FY 2023 was \$927,000 less than that of FY 2022, or a decrease of 6.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

Our annual report includes this management's discussion and analysis, our independent certified public accountant's report, and the basic financial statements and notes of the Utility.

Management's discussion and analysis (MD&A) serves as management's discussion of the Utility's financial condition and performance. It is intended to supplement the financial statements.

The **statements of net position** represent the Utility's financial position on an accrual historical cost basis and provide information about the Utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being net position.

The **statements of revenues, expenses, and changes in net position** report the results from business activities during the respective fiscal year and present the Utility's ability to recover its costs from operations and provide for reinvestment into the Utility.

The **statements of cash flows** report the increase or decrease in cash and cash equivalents through operating, investing, and financing activities and present cash disbursements and receipts information resulting in the net change in cash position.

The **notes to basic financial statements** provide additional information required for understanding the basic financial statements. Disclosures about material risks, accounting policies, debt obligations, and significant balances are presented here.

SUMMARY OF THE ORGANIZATION AND BUSINESS

The Commission of Public Works (the "Commission") operates and manages the Utility which provides water, wastewater and electrical services in the City of Easley and surrounding areas. The Commission is the policy-making body of the Utility and approves all major operating procedures, expenditures, capital improvements and rates and charges. All charges imposed upon customers for services rendered are set by the Commission and require no approval by any state or local agency. The Commission makes recommendations to the City Council for the issuance of bonds to finance improvements to the Utility but is otherwise authorized under State law to have full control and management of the Utility. The Commission appoints the General Manager, the Utility's chief executive officer. As a matter of policy, the Commission periodically reviews management's recommendations relating to capital improvements, service obligations and projections along with revenue requirements to meet these needs.

The Commission consists of three members elected by the electorate of the City to six-year staggered terms, with one seat up for election every two years. The members of the Commission, as of March 31, 2023, and the number of years of continuous service as Commission members are as follows:

<u>Name</u>	<u>Number of Years Served</u>
James N. Caldwell (Chairman)	11
Jeff R. Fogle	12
Eric D. Goodwin	9

The Utility was established in 1911 as the Easley Water and Light Plant and placed under the control of the Commission. In 1953, the water and electric systems were combined and the existing wastewater system of the City was added in 1959. The combined utility is governed by the Commission.

FINANCIAL ANALYSIS

The Utility's financial condition remained strong at year-end. Reliable utility plant and equipment, adequate liquidity, and appropriate rate structures are in place to continue to provide reliable, quality utility services to the citizens of Easley and the surrounding community. The following financial statements and other information serve as key indicators and data for planning and managing the Utility.

Overall revenue from operations increased in 2023 by \$3,131,000 or 5.9% above 2022, and \$5,036,000 or 9.9% above 2021. Operating expenses of \$43,428,000 represents an increase of \$4,057,000 or 10.3%, from 2022 expenses and an increase of \$5,539,000 or 14.6% from 2021 expenses. Operating expenses for the electric department increased by \$3,202,000, or 11.5%, over 2022 expenses, which was primarily due to an increase in wholesale power costs. Operating expenses for the water department were \$471,000 higher in FY 2023 than FY 2022, or a 15.2% increase. Wastewater expenses in FY 2023 were \$617,000 higher than FY 2022, or a 23.7% increase. Customer service and administration expenses were \$233,000 lower in FY 2023 than in FY 2022, or a 4.0% decrease.

FINANCIAL CONDITION

Total assets experienced an increase of \$4,683,000 in FY 2023, or an increase of 3.2%. Within total assets, current assets (including cash and investments) increased by a total of \$3,184,000, or an increase of 6.3%. This increase was primarily attributable to an excess funds resulting from increases in capacity/tap fees and contributions in aid of construction. Noncurrent assets (capital assets) increased by \$1,499,000, or an increase of 1.5%.

Current liabilities increased by only \$45,000 in the current year. Long-term liabilities decreased by \$798,000 from FY 2022 primarily due to scheduled principal payments of the revenue bonds and 2017 State Revolving Loan (see Note 7 of the notes to the basic financial statements). These payments were offset by increases in both the Net Pension and Net OPEB liabilities (see Notes 9 and 10 of the notes to the basic financial statements).

Net position increased by \$6,839,000 in the current year, which was a \$826,000 decrease from the prior year change in net position. The large net position increase of \$6,839,000 for the year ended March 31, 2023 was primarily attributable to \$4,837,000 in capacity/tap fees, and \$1,805,000 in contributions in aid of construction.



COMBINED UTILITY SYSTEMS OF EASLEY
CONDENSED STATEMENTS OF NET POSITION
(AMOUNTS IN THOUSANDS)

	MARCH 31		Variance (2023 vs. 2022)	
	2023	2022	Dollars	%
Current assets, restricted assets, and investments				
Capital assets:				
Capital assets, net	\$ 53,748	\$ 50,564	\$ 3,184	6.3%
Construction in progress	94,577	90,557	1,704	1.8%
	3,099	3,600	(205)	-6.2%
	<u>151,424</u>	<u>146,741</u>	<u>4,683</u>	<u>3.2%</u>
Total assets				
	<u>1,980</u>	<u>2,180</u>	<u>(200)</u>	<u>-9.2%</u>
Costs on advance refunding of debt, net	2,041	1,993	48	2.4%
Deferred outflows from pension and OPEB	<u>4,021</u>	<u>4,173</u>	<u>(152)</u>	<u>-3.6%</u>
Total deferred outflows of resources				
	<u>\$ 155,445</u>	<u>\$ 150,914</u>	<u>\$ 4,531</u>	<u>3.0%</u>
Total assets and deferred outflows of resources				
	\$ 8,814	\$ 8,770	\$ 44	0.5%
Current liabilities	55,488	56,285	(797)	-1.4%
Long-term liabilities	<u>64,302</u>	<u>65,055</u>	<u>(753)</u>	<u>-1.2%</u>
Total liabilities				
	1,579	3,133	(1,554)	-49.6%
Deferred inflows from pension and OPEB	<u>1,579</u>	<u>3,133</u>	<u>(1,554)</u>	<u>-49.6%</u>
Total deferred inflows of resources				
	54,463	48,528	2,621	5.1%
Net position:	1,137	1,178	(2)	-0.2%
Net investment in capital assets	33,964	29,745	4,219	14.2%
Restricted	<u>89,564</u>	<u>82,726</u>	<u>6,838</u>	<u>8.3%</u>
Unrestricted				
Total net position				
	<u>\$ 155,445</u>	<u>\$ 150,914</u>	<u>\$ 4,531</u>	<u>3.0%</u>
Total liabilities, net position and deferred inflows of resources				

COMBINED UTILITY SYSTEM OF EASLEY
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(AMOUNTS IN THOUSANDS)

	March 31		2021		Variance (2023 vs 2022)		Variance (2023 vs 2021)	
	2023	2022	2021	2020	Dollars	%	Dollars	%
Operating revenues:								
Electric service revenue	\$ 36,542	\$ 35,946	\$ 35,343	\$ 596	\$ 1,199	1.7%	\$ 1,199	3.4%
Water service revenue	8,030	7,656	8,263	374	(233)	4.9%	(233)	-2.8%
Wastewater service revenue	6,194	5,765	5,536	429	658	7.4%	658	11.9%
Capacity/tap fees	4,837	3,109	1,472	1,728	3,365	55.6%	3,365	228.6%
Finance charges	296	275	229	21	67	7.6%	67	29.3%
Other non-utility income	58	76	78	(18)	(20)	-23.7%	(20)	-25.6%
Total operating revenues	55,957	52,827	50,921	3,130	5,036	5.9%	5,036	9.9%
Operating expenses:								
Electric operations	31,017	27,815	26,091	3,202	4,926	11.5%	4,926	18.9%
Water operations	3,571	3,100	2,830	471	741	15.2%	741	26.2%
Wastewater operations	3,224	2,607	2,563	617	661	23.7%	661	25.8%
Customer service & administration	5,616	5,849	6,405	(233)	(789)	-4.0%	(789)	-12.3%
Total operating expense	43,428	39,371	37,889	4,057	5,539	10.3%	5,539	14.6%
Operating income before depreciation & amortization	12,529	13,456	13,032	(927)	(503)	-6.9%	(503)	-3.9%
Depreciation & amortization	(5,625)	(5,463)	(5,660)	(162)	35	3.0%	35	-0.6%
Net non-operating expenses	(1,871)	(2,941)	(1,616)	1,070	(255)	-36.4%	(255)	15.8%
Change in net position, before capital grants and contributions in aid of construction, and special item	5,033	5,052	5,756	(19)	(723)	-0.4%	(723)	-12.6%
Capital grant income	-	157	1,093	(157)	(1,093)	-100.0%	(1,093)	-100.0%
Contributions in aid of construction	1,805	2,455	752	(650)	1,053	-26.5%	1,053	140.0%
Special item: loss on impairment of Saluda Lake dredging	-	-	(5,024)	-	5,024	-	5,024	-
Change in net position	\$ 6,838	\$ 7,664	\$ 2,577	\$ (826)	\$ 4,261	-10.8%	\$ 4,261	165.3%
Net position, beginning of year	82,726	75,062	72,485					
Net position, end of year	\$ 89,564	\$ 82,726	\$ 75,062	\$ 82,726	\$ 75,062		\$ 75,062	

RESULTS FROM OPERATIONS

Electric System

The Utility has operated the electric system since 1911. The electric system consists of six delivery points which serve 25 distribution feeder circuits of 7,200/12,470 volts. The electric system services over 51 square miles. The electric system operates primarily within the City limits, but also serves the community of Dacusville located approximately eight miles north of the City limits. Extension of the electrical system outside the City limits and into newly annexed areas of the City is regulated by the South Carolina Public Service Commission which must approve any reassignment of power suppliers. The Utility is a member of the American Public Power Association and the South Carolina Association of Municipal Power Systems, a mutual aid agreement with 19 other members which provides for mutual assistance in case of extreme emergencies such as ice storms, tornadoes and hurricanes.



The Utility is a member of the American Public Power Association and the South Carolina Association of Municipal Power Systems, a mutual aid agreement with 19 other members which provides for mutual assistance in case of extreme emergencies such as ice storms, tornadoes and hurricanes.

The Utility signed an all-requirements power supply contract with the Piedmont Municipal Power Agency ("PMPA") in 1980 for PMPA to be the electric system's sole power supply provider. This contract is in effect until the outstanding debt owed by PMPA is retired, currently in the year 2034, but neither termination nor expiration of the Power Sales Agreement shall affect any accrued liability or obligation thereunder, including, without limitation, the cost of decommissioning the Catawba Project. During the fiscal year ending March 31, 2023, Easley Combined Utilities paid \$26,299,101 to PMPA. Beginning January 1, 2014, PMPA began receiving its supplemental power and energy requirements from Santee Cooper. Should PMPA's peak resource demand be greater than the Catawba output of 277 Megawatts ("MW"), Santee Cooper must supply all supplemental demand requirements. The original contract was twelve years, with provisions for extensions beyond the original term. The Utility's supplemental contract will expire on December 31, 2029. Termination of the supplemental contract with Santee Cooper required a ten-year notice. Also beginning on January 1, 2014 is a contract between PMPA and Duke Energy whereby Duke Energy provides all backstand requirements for PMPA's share of Catawba. The Utility also purchases power from the Southeastern Power Administration ("SEPA"), an agency of the U.S. Department of Energy and paid \$797,113 to SEPA during FY 2023 for power and energy.



In 1993, the Utility constructed a peak shaving generation facility that allows the electric system to provide for a portion of its load during times of its peak. The capacity of the peak shaving facility is 6,400 kilowatts ("kW"). In 2008, the Utility added a 4.5 MW generator for emergency back-up and peak shaving. Beginning in January 2014, with the start of the Santee Cooper supplemental power contract with PMPA, the peak shaving generation is dispatched and operated based on the requirements of Santee Cooper. In return for this generation being available for dispatch, the Utility receives a monthly capacity credit. During FY 2023, the Utility received a reduction of \$681,188 in

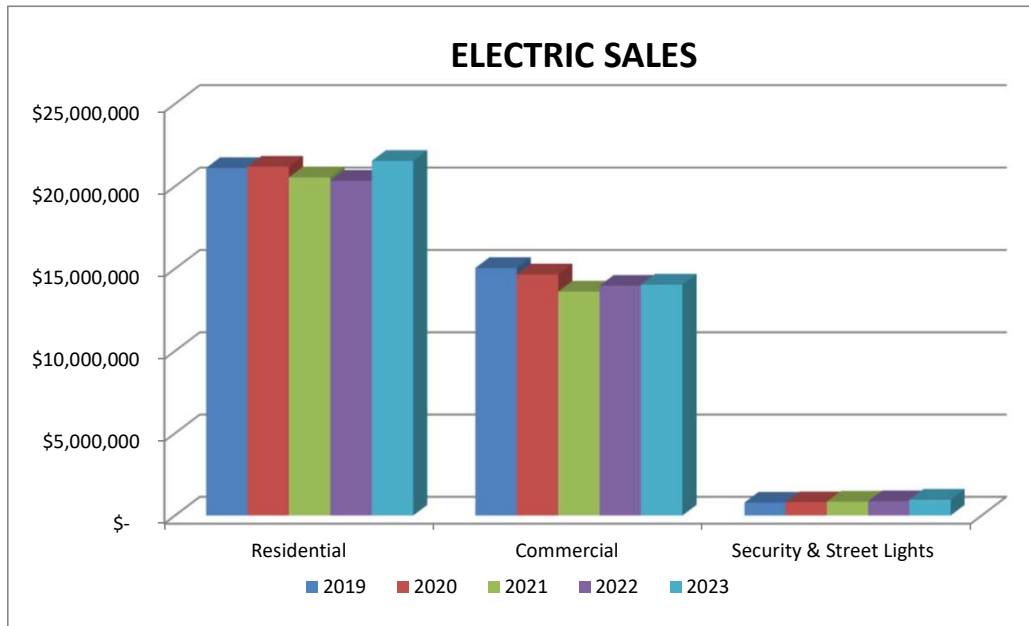
power supply costs for having this generation available.

For the fiscal year ending March 31, 2023, electric system revenues increased \$596,000 above FY 2022 revenues, an increase of 1.7%. Purchased power increased in 2023 by \$2,591,000, or 10.6%, above 2022 power costs.

Operating revenues in excess of operating expenses were sufficient to support the electrical portion of debt service and capital reinvestment. Electric revenues account for approximately 65% of total operating revenues. Approximately 87% of the electric system operating expenses, excluding depreciation and interest, is wholesale power costs.

RESULTS FROM OPERATIONS - ELECTRIC SYSTEM
(Amounts in thousands)

	2023	% of Sales	2022	Variance	%
Revenues					
Electric system sales	\$ 36,542	97.7%	\$ 35,946	\$ 596	1.7%
Other electric sales & fees	913	2.4%	229	684	298.7%
Investment income (expense)	(48)	-0.1%	(458)	410	-89.5%
Total electric revenues	37,407	100.0%	35,717	1,690	4.7%
Operating & maintenance expense					
Power production	27,526	73.6%	24,692	2,834	11.5%
Distribution	3,491	9.3%	3,123	368	11.8%
Subtotal	31,017	82.9%	27,815	3,202	11.5%
Administrative	2,134	5.7%	2,254	(120)	-5.3%
Depreciation	1,542	4.1%	1,541	1	0.1%
Interest	138	0.4%	112	26	23.2%
Total O&M expense	34,831	93.1%	31,722	3,109	9.8%
Electric system income (loss)	\$ 2,576	6.9%	\$ 3,995	\$ (1,419)	-35.5%

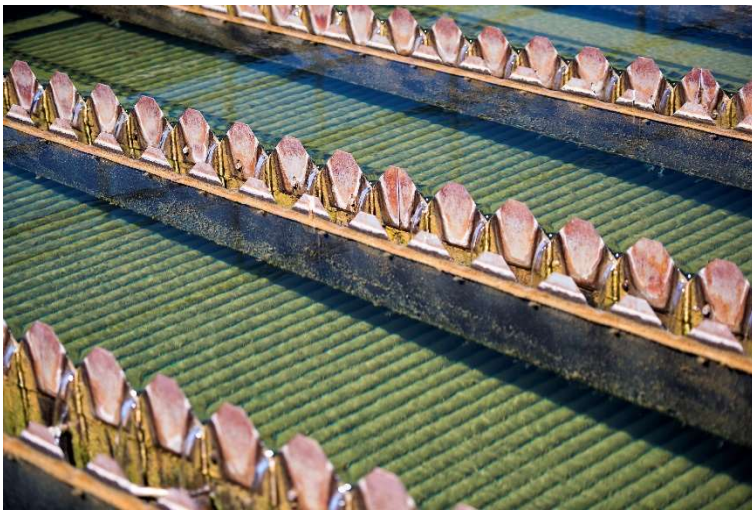


HISTORICAL ELECTRIC STATISTICS

Fiscal Year	Total Average			
	Customer Accounts	Annual % Growth	Total Energy Sales (kWh)	Annual % Growth
2014	13,825	1.45%	291,308,479	0.35%
2015	13,902	0.56%	299,504,197	2.81%
2016	13,970	0.49%	299,375,935	-0.04%
2017	14,183	1.52%	299,081,520	-0.10%
2018	14,398	1.52%	293,855,146	-1.75%
2019	14,715	2.20%	300,475,186	2.25%
2020	14,952	1.61%	298,576,456	-0.63%
2021	15,147	1.30%	280,115,323	-6.18%
2022	15,586	2.90%	281,756,192	0.59%
2023	16,246	4.23%	288,612,084	2.43%

Water System

The Utility operates the Don L. Moore Water Treatment Plant located on Saluda Lake, which is approximately 8 miles east of the City of Easley. This plant is a state-of-the-art conventional water treatment facility that can treat a maximum of 18.0 million gallons per day (“MGD”). Included with the treatment facilities are: a 5 million gallon (“MG”) finished water clear well and a finished water pump station with a capacity to pump 24 MGD. The plant, storage tank, and pump station that provided 12 MGD of production capacity were completed in 2005. An expansion that included the addition of sludge handling facilities and plate settlers was completed in 2008. This expansion increased production capacity to the current 18 MGD level. A 30-inch water main connects the water treatment facilities with the water distribution system which includes 406 miles of water mains, 4.78 million gallons of elevated storage and 6.0 million gallons of ground storage. A parallel 36” secondary supply transmission water main was completed in 2014 that stretches from the Don L Moore Water Treatment Plant to the remote clear well and high service pump station located within the City.



To provide an emergency water supply, ECU has an agreement with the Greenville Water System to supply water in emergency situations with the prior consent of Greenville Water System. The Commission has a 24-inch connection on the 72-inch water line running from the Greenville Water System's Lake Keowee water treatment plant through the Commission's service area to Greenville, South Carolina. 2.9 million gallons of water was purchased for the year ending March 31, 2023. No emergency water was purchased for the years ending March 31, 2022 or 2021.

The average daily water usage for the system was 5.3 MGD in fiscal year 2023. The average daily water usage for the system through March 31, 2022 was 4.9 MGD. The peak daily usage for the System for the fiscal years ending March 31, 2023 was 8.4 MGD. The peak daily usage for the System for the fiscal years ending March 31, 2022 was 8.1 MGD.

The water system is under the jurisdiction of DHEC with regard to the quality of water sold to customers. The State requires that water systems of the Utility's size maintain a certified laboratory and perform system analysis checks throughout the month, with monthly reports forwarded to DHEC. The existing water treatment facilities have a State certified lab and have met all requirements for State reporting in the past.

The water system serves an area of approximately 40 square miles in Pickens County. Total area of the County is 511.87 square miles. For the fiscal year ending March 31, 2023, the water system served 15,070 metered customers, 1,187 fire hydrants, and 12 master meters serving four rural water districts with partial water requirements. For the fiscal year ending March 31, 2023, these water districts accounted for approximately 36% of total water sales by volume.

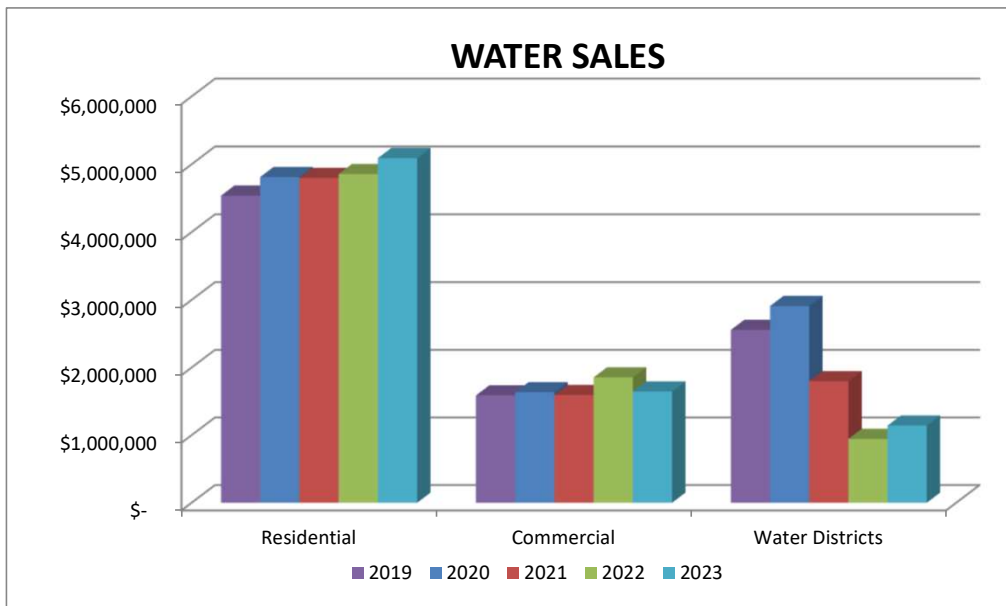


The Utility currently has contracts to supply water to four wholesale customers. In 2020, Powdersville Water Company and Southside Water Company each signed a wholesale water contract for a term of 20 years (expiring in 2040). The Dacusville-Cedar Rock Water District signed a wholesale water contract for a term of 10 years (expiring in August 2030). Easley-Central Water District does not currently have a wholesale water contract.

For the year ending March 31, 2023, water system revenues increased 4.9% or \$374,000 from fiscal year 2022. This increase was primarily attributed to higher wholesale water sales (predominantly from Southside Water District). For the year ending March 31, 2023 water system's operating expenses were \$471,000 higher than FY 2022 expenses. Operating revenues exceeded operating expenses by \$4,458,000 and were sufficient to support its portion of debt service and capital reinvestment. For the year ending March 31, 2021, the water system recognized an impairment expense of approximately \$5,024,000 (recognized as a non-operating expense). The impairment expense was recognized based on an analysis of the 2014 dredging of the Saluda Lake. In FY 2022 the water treatment plant produced 1,789,247 gallons and in FY 2023 the water treatment plant produced 1,934,672 gallons.

RESULTS FROM OPERATIONS - WATER SYSTEM
(Amounts in thousands)

	2023	% of Sales	2022	Variance	%
Revenues					
Water system sales	\$ 8,030	82.3%	\$ 7,656	\$ 374	4.9%
Other water sales & fees	1,057	10.8%	1,260	(203)	-16.1%
Contributions in aid of construction	711	7.3%	1,118	(407)	-36.4%
Investment income (expense)	(44)	-0.5%	(446)	402	-90.1%
Total water revenues	9,754	100.0%	9,588	166	1.7%
Operating & maintenance expense					
Water treatment	1,734	17.8%	1,554	180	11.6%
Transmission & distribution	1,837	18.8%	1,546	291	18.8%
Subtotal	3,571	36.6%	3,100	471	15.2%
Administrative	1,965	20.1%	2,196	(231)	-10.5%
Depreciation	2,251	23.1%	2,195	56	2.6%
Interest	1,095	11.2%	1,100	(5)	-0.5%
Total O&M expense	8,882	91.1%	8,591	291	3.4%
Water system income (loss)	\$ 872	8.9%	\$ 997	\$ (125)	-12.5%



HISTORICAL WATER STATISTICS

Fiscal Year	Total Average			
	Customer Accounts	Annual % Growth	Total Cubic Feet Sold	Annual % Growth
2014	13,623	0.75%	307,959,624	1.75%
2015	13,310	-2.30%	333,831,807	8.40%
2016	13,403	0.70%	332,389,190	-0.43%
2017	13,427	0.18%	360,083,942	8.33%
2018	13,538	0.83%	337,500,951	-6.27%
2019	13,623	0.63%	331,121,779	-1.89%
2020	13,824	1.48%	359,610,279	8.60%
2021	13,996	1.24%	254,866,660	-29.13%
2022	14,325	2.35%	201,316,759	-21.01%
2023	14,840	3.60%	221,806,035	10.18%

Wastewater System

The Utility is responsible for collection and treatment of wastewater from the City and the neighboring community of Arial. The sewer system consists of three wastewater treatment plants and capacity allocation into the Renewable Water (REWA0)/Georges Creek treatment plant with a total available capacity of 5.4 MGD of treatment. The sewer system also includes 26 lift stations, 200 miles of gravity sewer lines, and 21 miles of force main.

The Utility assumed control of the sanitary sewer system from the City in 1959. In 1959, the Utility constructed six oxidation ponds in order to improve the ability to treat sanitary waste within the City. These oxidation ponds continued in operation until 1987, when three new wastewater treatment plants were constructed, and the oxidation ponds ceased operation.

The largest of the Utility's wastewater treatment plants is the Middle Branch Wastewater Treatment Plant. This plant is located in Anderson County, south of the City. Middle Branch has a capacity of 3.75 MGD, with an average loading of 2.442 MGD. Located to the east of the City is the Georges Creek Wastewater Treatment Plant, with a capacity of 820,000 gallons per day ("GPD"). Georges Creek Wastewater Treatment Plant has an average loading of 429,300 GPD. The Golden Creek Wastewater Treatment Plant is located to the west of the City and has a capacity of 580,000 GPD and an average loading of 92,500 GPD. In 2019, the Utility purchased 500,000 GPD capacity into the REWA/Georges Creek Wastewater Treatment Plant (located to the east of the City). Current average loading of this capacity is approximately 175,000 GPD.

Both the Middle Branch and the Golden Creek plants have industrial customers discharging into their waste stream, and the Utility therefore has a pre-treatment program for each plant. The pre-treatment programs are administered by the chief wastewater operator, who has authority over all three plants.

A laboratory technician is responsible for the operation of the laboratory located at the Middle Branch plant. This laboratory performs the majority of all tests which are required by DHEC and the Environmental Protection Agency. Tests which cannot be performed in house are contracted to private laboratories. Currently all plants are operating within the limits placed upon them by DHEC.

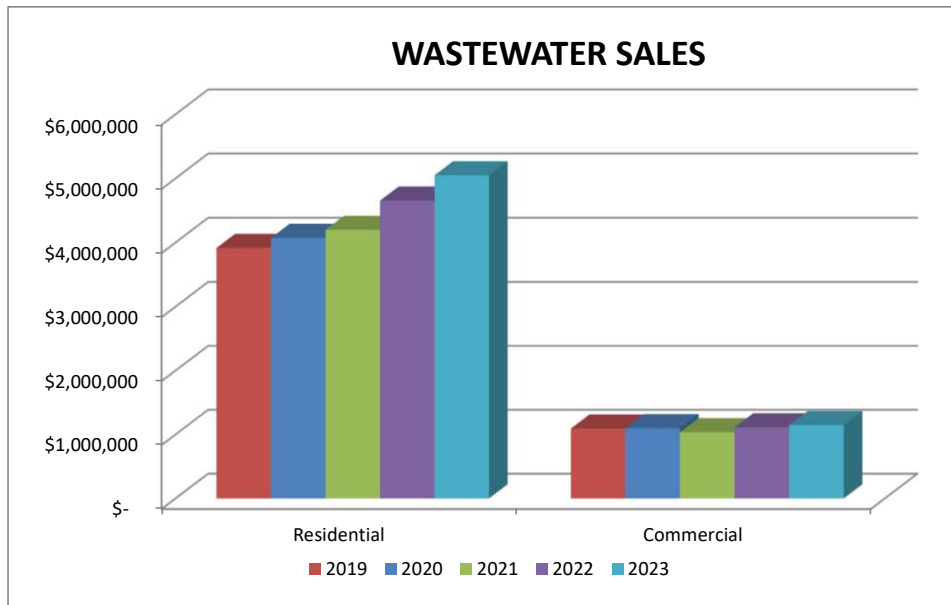
The sewer system serves an area of approximately 40 square miles. Of all of the sewer systems, 85 percent are residential and 89 percent live or operate a business within the City limits. For the fiscal year ending March 31, 2023, the sewer system served 12,079 customers.

Operating revenues exceeded operating expenses before depreciation, sufficiently to support its portion of debt service and capital reinvestment. The Utility continues to make efforts to ensure that each utility revenue stream is adequate to support its operations, debt service and capital reinvestment.



**RESULTS FROM OPERATIONS - WASTEWATER SYSTEM
(AMOUNTS IN THOUSANDS)**

	2023	% of Sales	2022	Variance	%
Revenues					
Wastewater system sales	\$ 6,194	59.2%	\$ 5,765	\$ 429	7.4%
Other wastewater sales & fees	3,214	30.7%	1,992	1,222	61.3%
Capital grant income	-	0.0%	157	(157)	-100.0%
Contributions in aid of construction	1,094	10.5%	1,337	(243)	-18.2%
Investment income (expense)	(34)	-0.3%	(335)	301	-89.9%
Total wastewater revenues	10,468	100.0%	8,916	1,552	17.4%
Operating & maintenance expense					
Collection	975	9.3%	696	279	40.1%
Pumping	291	2.8%	256	35	13.7%
Wastewater treatment	1,958	18.7%	1,656	302	18.2%
Subtotal	3,224	30.8%	2,608	616	23.6%
Administrative	1,576	15.1%	1,578	(2)	-0.1%
Depreciation	1,657	15.8%	1,631	26	1.6%
Interest	445	4.3%	428	17	4.0%
Total O&M Expense	6,902	65.9%	6,245	657	10.5%
Wastewater system income (loss)	\$ 3,566	34.1%	\$ 2,671	\$ 895	33.5%

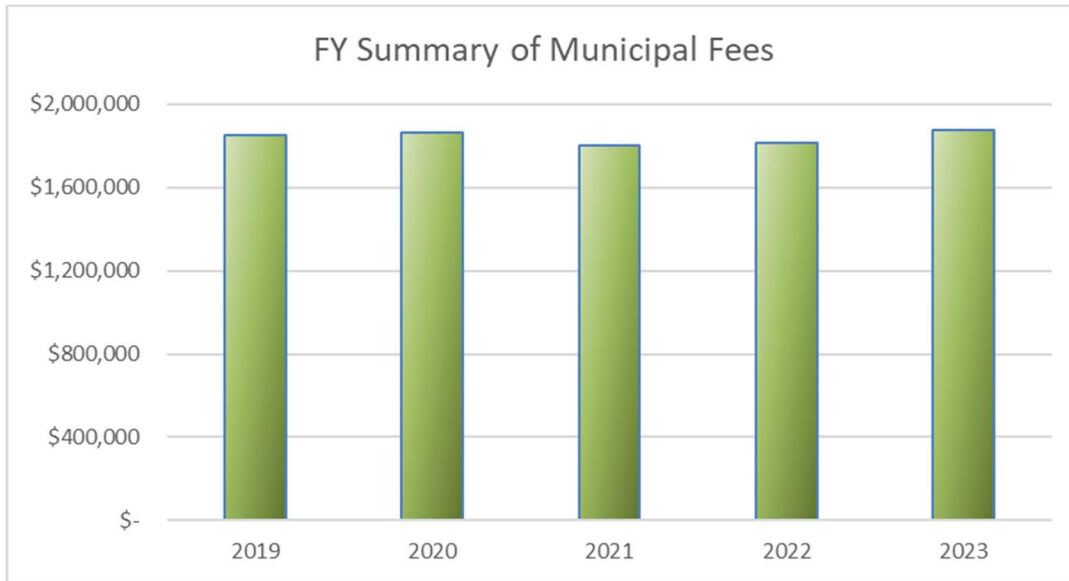


HISTORICAL WASTEWATER STATISTICS

Fiscal Year	Total Average		Total Treated	
	Customer Accounts	Annual % Growth	Volumes Billed (cf)	Annual % Growth
2014	10,273	1.24%	85,794,213	-6.63%
2015	10,363	0.88%	91,817,664	7.02%
2016	10,451	0.85%	91,798,672	-0.02%
2017	10,475	0.23%	96,695,771	5.33%
2018	10,601	1.20%	91,049,482	-5.84%
2019	10,679	0.74%	89,932,013	-1.23%
2020	10,933	2.38%	94,273,879	4.83%
2021	11,238	2.79%	88,852,566	-5.75%
2022	11,587	3.11%	91,594,913	3.09%
2023	12,079	4.25%	97,182,492	6.10%

MUNICIPAL FEE

On April 1, 2013 Easley Combined Utilities and the City of Easley entered into a new inter-government agreement that supersedes the agreement signed in October 1998. The new agreement increased the fee the City receives to 5% of all inside city revenues collected. The new agreement dictates that the fee is to be placed as a line item on the customer's utility bill. Under the previous agreement the fee was an expense item in the Utility's budget and was not presented on the customer's utility bill. Since inception, Easley Combined Utilities has paid the City of Easley approximately \$30,263,000 in Municipal fees. Fees paid to the City increased slightly from \$1,817,155 in 2022 to \$1,877,775 in 2023.



CAPITAL PROJECTS AND DEBT ADMINISTRATION

Easley Combined Utilities currently has four revenue bonds outstanding. In October 2019, the Utility issued \$20,170,000 in revenue bonds in order to refund the remaining balance of the 2010 Bond Issue. Currently, the balance of the 2019 Bond Issue as of March 31, 2023, is \$19,285,000.

In September, 2018, the Utility issued \$9,685,000 in revenue bonds in order to refund the remaining balance of the 2011 Bond Issue. Currently, the balance of the 2018 Bond Issue as of March 31, 2023, is \$9,165,000.

In October 2017, the Utility issued \$9,500,000 in revenue bonds. The proceeds from the 2017 Bond Issue are being used to construct a replacement of the sludge removal system in sedimentation basins at the Don L. Moore Water Treatment Plant, modification of the Peak Generation Plant, relocation of water facilities along the extension of HWY 153, continue rehabilitation of the West End and Arial Mill sewer systems, and increase capacity at Georges Creek Waste Water Treatment Plant. Currently the balance of the 2017 Bond Issue as of March 31, 2023, is \$9,500,000.

In December 2015, the Utility issued \$14,080,000 in revenue bonds in order to refund the remaining balance of the 2005 Bond Issue. Currently, the balance of the 2015 Bond Issue as of March 31, 2023, is \$785,000.

In December of 2017, the Utility entered into a loan agreement with the State Revolving Fund for an amount not to exceed \$3,251,667 (later amended to not exceed \$3,128,280). The proceeds of the loan are being used for the planning, design and rehabilitation of the Arial Mill Sewer System. The balance of the loan as of March 31, 2023, is \$2,721,316.

In November of 2022, the Utility entered into a loan agreement with the State Revolving Fund for an amount not to exceed \$4,032,516. The proceeds of the loan are being used for the construction of the Headworks Improvement Project at the Middle Branch Wastewater Plant. Only a portion of the loan has been drawn down. The balance of the loan as of March 31, 2023, is \$552,100.

The Utility utilizes independent engineering firms from time to time to develop capital improvement master plans for each component of the System. The most recently prepared studies (the "System Studies") each evaluated the applicable system condition and capacity and anticipated demand growth over a 20-year planning period and set forth recommendations of capital proceeds to address system needs and growth. The Utility utilizes the System Studies in its long-term planning and budgetary efforts.

See Note 7 in the accompanying notes to basic financial statements for additional discussion of long-term debt activity.

RECENT CAPITAL IMPROVEMENTS

The Utility upgrades and expands the System on an ongoing basis. The following table indicates the use of proceeds from long-term debt incurred to leverage the cost of these improvements and the amounts of moneys from operations of the System which were used for capital improvement purposes over the past five fiscal years. Generally consistent with its past practice, the Utility expects to use System earnings to pay for approximately \$2,400,000 of the total capital expenditures to be undertaken in each future fiscal year.

Fiscal year ended March 31,	Financed by long-term debt	Provided from operations, grants, and reserves	Total construction expenses
2019	\$ 2,449,973	\$ 6,205,841	\$ 8,655,814
2020	7,095,692	3,438,363	10,534,055
2021	282,365	5,500,203	5,782,568
2022	1,196,799	6,374,550	7,571,349
2023	\$ 1,108,485	\$ 6,156,303	\$ 7,264,788

The following are some of the items included in the capital expenditures for Fiscal Year 2023:

- Construction of electric services at Stewart Dr. Apartments, Lenhardt Grove Phase III., and Northview Phase III Subdivision.
- Construction of Crayton Creek sewer line and capacity for discharge into ReWa Sewer Treatment System
- Engineering and construction on the Headworks Improvement Project and Sludge Thickener at Middle Branch Wastewater Treatment plant.
- Construction of water line replacement at McAlister Rd.

See Note 5 in the accompanying notes to basic financial statements for additional discussion of capital asset activity.

BUDGETARY PROCESS – RATE SETTING

A budget for each fiscal year, April to March, is prepared during the last quarter of each calendar year by the General Manager, the Finance Manager and staff. The proposed budget is presented to the Commission at a workshop each February. The budgeting process begins with revenue projections. Usage by customer class is estimated in order to arrive at a monthly revenue budget. Estimated consumption is based on normal temperatures and precipitation. The Utility periodically monitors whether revenue levels in each of the units of the System are adequate to cover necessary operating expenses, debt service, and capital replacements. If estimated revenue levels are insufficient, the General Manager will determine, with concurrence by the Commission, whether a rate increase or a budget adjustment is warranted, and commission a rate evaluation by either staff or outside consultants. Purchased power and water, salaries, materials, chemicals and other operating expenses are then budgeted. Capital expenditures and debt service are then budgeted with the remaining funds. The General Manager, Finance Manager and superintendents all provide input to determine the total budget. After the evaluation is completed, it is presented to the Commission for consideration and possible action. The length of time from the determination of a need for a rate increase to implementation can be from three to six months. Along with the budget preparation, a five-year pro-forma projection is prepared annually for planning purposes.

CONTACTING THE UTILITY'S GENERAL MANAGER

These financial statements are designed to provide our customers, creditors and bondholders with a general overview of the financial status of Easley Combined Utilities. If you have any further questions about this report, or need further information, please contact the General Manager, Easley Combined Utilities, PO Box 619, Easley, SC 29641 or by e-mail at gm@easleyutilities.com.

FINAL COMMENTS

The Utility remains committed to providing the best possible water, wastewater and electric service to the residents of Easley, South Carolina and surrounding areas. The Utility continues to strive to conserve costs without sacrificing service, reliability, or quality. Strategic efforts are being made to ensure future electric and water supplies are available for coming generations. Continued capital investments are being made to meet and exceed customer expectations. Growth will continue to challenge us to meet the wastewater treatment needs of the area. As is evident by strong bond ratings, the Utility continues to remain financially sound and is committed to meeting the challenges and needs of the coming years.



**COMBINED UTILITY SYSTEM OF EASLEY
STATEMENTS OF NET POSITION**

	March 31,	
	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,718,670	\$ 10,954,762
Restricted cash and cash equivalents	636,786	1,193,171
Investments	35,134,805	29,847,723
Restricted investments	1,137,393	1,138,346
Accounts receivable, net	5,185,643	4,383,499
Other receivable	552,100	-
Inventories	3,220,589	2,927,812
Prepaid expenses	162,154	119,057
Total current assets	53,748,140	50,564,370
Noncurrent assets		
Capital assets, net	97,675,811	96,176,605
Total noncurrent assets	97,675,811	96,176,605
TOTAL ASSETS	151,423,951	146,740,975
DEFERRED OUTFLOWS OF RESOURCES		
Costs on advance refunding of debt, net	1,979,742	2,179,575
Deferred outflows from pension	1,399,852	1,642,101
Deferred outflows from other post employment benefits	641,373	350,836
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,020,967	4,172,512
LIABILITIES		
Current liabilities		
Accounts payable	1,226,567	942,729
Accrued expenses	3,127,806	3,309,412
Customer deposits	1,632,220	1,540,369
	5,986,593	5,792,510
Current liabilities (payable from restricted assets)		
Retainage payable	26,245	137,151
Accrued revenue bond interest	536,697	551,218
Current portion of long-term liabilities	2,264,613	2,288,748
	2,827,555	2,977,117
Total current liabilities	8,814,148	8,769,627
Noncurrent liabilities		
Net pension liability	10,644,775	9,786,783
Net OPEB liability	1,562,560	1,217,055
Long-term debt, net of unamortized premium and discounts	43,280,124	45,281,681
Total noncurrent liabilities	55,487,459	56,285,519
TOTAL LIABILITIES	64,301,607	65,055,146
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension	493,111	1,882,846
Deferred inflows from other post employment benefits	1,085,771	1,249,958
TOTAL DEFERRED INFLOWS OF RESOURCES	1,578,882	3,132,804
NET POSITION		
Net investment in capital assets	54,462,878	51,841,771
Restricted		
Capital projects	1,125,257	1,126,554
Debt service	12,136	11,792
Unrestricted	33,964,158	29,745,420
TOTAL NET POSITION	\$ 89,564,429	\$ 82,725,537

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

COMBINED UTILITY SYSTEM OF EASLEY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the years ended March 31,	
	2023	2022
OPERATING REVENUES		
Electric	\$ 36,541,920	\$ 35,945,804
Water	8,029,653	7,656,096
Wastewater	6,193,857	5,764,569
Capacity/tap fees	4,837,068	3,109,142
Finance charges	296,095	274,897
Other non-utility income	58,562	76,024
Total operating revenues	55,957,155	52,826,532
OPERATING EXPENSES		
Electric	31,016,826	27,814,609
Water	3,571,495	3,100,123
Wastewater	3,224,229	2,607,538
Customer service and administration	5,615,516	5,848,659
Total operating expenses	43,428,066	39,370,929
Operating income before depreciation and amortization	12,529,089	13,455,603
DEPRECIATION AND AMORTIZATION	5,625,018	5,462,870
Operating income	6,904,071	7,992,733
NON-OPERATING REVENUE (EXPENSES)		
Gain (loss) on disposal of assets	(6,877)	20,600
Investment income (expense)	(125,797)	(1,238,945)
Loan Issuance costs	(59,114)	-
Interest expense	(1,678,546)	(1,722,824)
Net non-operating expenses	(1,870,334)	(2,941,169)
CAPITAL GRANT INCOME	-	156,517
CONTRIBUTIONS IN AID OF CONSTRUCTION	1,805,155	2,455,345
Change in net position	6,838,892	7,663,426
NET POSITION, BEGINNING OF YEAR	82,725,537	75,062,111
NET POSITION, ENDING	\$ 89,564,429	\$ 82,725,537

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

**COMBINED UTILITY SYSTEM OF EASLEY
STATEMENTS OF CASH FLOWS**

	For the years ended March 31,	
	2023	2022
OPERATING ACTIVITIES		
Receipts from charges for fees and services	\$ 55,246,862	\$ 52,441,176
Payments for goods and services	(43,695,757)	(35,940,049)
Payments to employees for personal services	(449,325)	(4,268,820)
Net cash provided by operating activities	11,101,780	12,232,307
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,485,878)	(5,356,697)
Proceeds from the disposal of capital assets	44,476	20,600
Capital grant proceeds	-	156,517
Principal paid on revenue bonds and notes payable	(2,288,748)	(2,247,081)
Interest paid on revenue bonds and notes payable	(1,693,067)	(1,737,076)
Bond issuance costs paid	(59,114)	-
Net cash used for capital and related financing activities	(9,482,331)	(9,163,737)
INVESTING ACTIVITIES		
Interest and dividends received on investments	730,115	452,381
Proceeds from the sale of investments	26,975,393	35,192,824
Purchase of investments	(33,117,434)	(45,443,734)
Net cash used for investing activities	(5,411,926)	(9,798,529)
Net decrease in cash and cash equivalents	(3,792,477)	(6,729,959)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,147,933	18,877,892
CASH AND CASH EQUIVALENTS, END OF YEAR	8,355,456	12,147,933
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	6,904,071	7,992,733
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,625,018	5,462,870
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(802,144)	(424,460)
Inventories	(292,777)	(730,424)
Prepaid expenses	(43,097)	(4,883)
Deferred OPEB charges	(290,537)	(107,805)
Deferred pension charges	242,249	(10,477)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	199,177	(31,291)
Accrued expenses	(181,606)	391,811
Customer deposits	91,851	39,104
Net OPEB liability	345,505	(1,242,968)
Net pension liability	857,992	(1,375,285)
Deferred OPEB credits	(164,187)	1,107,823
Deferred pension credits	(1,389,735)	1,165,559
Net cash provided by operating activities	\$ 11,101,780	\$ 12,232,307
CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 7,718,670	\$ 10,954,762
Restricted cash and cash equivalents	636,786	1,193,171
Total cash and cash equivalents	\$ 8,355,456	\$ 12,147,933
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Change in acquisition of capital assets not yet paid for	\$ 110,906	\$ 51,828
Capital contributions	\$ 1,805,155	\$ 2,455,345
Unrealized gain (loss) on investments	\$ (855,912)	\$ (1,691,326)
Loan proceeds not received as of year end	\$ 552,100	\$ -

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

**COMBINED UTILITY SYSTEM OF EASLEY
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Business activity

The Combined Utility System of Easley (the "Utility") is a municipally-owned and operated utility established in 1911 to supply the City of Easley with water and electricity. Wastewater service was added in 1959.

Reporting entity

The accompanying financial statements present the activities of the Utility including its electricity, water, and wastewater operations. The Utility is governed by a Commission consisting of three members who are elected by the public and have decision-making abilities such as the ability 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 Utility's Board of Commissioners is financially accountable have been included in the accompanying financial statements.

Basis of presentation

The Utility accounts for its activities in an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (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.

Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The financial statements of the Utility have been prepared in conformity with generally accepted accounting principles as adapted to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the Utility are charges to customers for services. Operating expenses for proprietary funds include the cost to provide services, administrative expenses, and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* - This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same component as the unspent proceeds.
- *Restricted* - This component consists of net positions with constraints placed on their use through external groups imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component consists of all other net positions.

Revenues and expenses

Operating revenues and expenses are revenues and expenses that result from the ongoing principal operations of the Utility. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and results from non-exchange transactions or ancillary activities.

Cash and cash equivalents

For the purposes of the statements of cash flows, the Utility considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities and money market funds are valued based on published market prices and quotations from national security exchanges and securities pricing services.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the Utility's investment operations.

The Utility is authorized by state law to invest in:

- (1) Obligations of the United States of America and agencies thereof;
- (2) General obligations of State of South Carolina or any of its political units;
- (3) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

- (4) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a fair 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.
- (5) Repurchase agreements when collateralized by securities as set forth in this section.

Accounts receivable

Accounts receivable consist of amounts owed from customers for services provided including amounts owed for which billings have not been prepared. The allowance for doubtful accounts is based upon prior years' experience and management's analysis of the outstanding accounts receivable balances.

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

Inventories

Inventory consisting of materials and supplies is recorded at average invoice cost.

Restricted assets

Certain cash and cash equivalents are classified as restricted assets on the statements of net position because its use is limited by revenue bond covenants.

When both restricted and unrestricted resources are available for use, it is the Utility's policy to use restricted resources first, and then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Capital assets

Equipment purchased is capitalized at invoice cost. Extensions and improvements to the Utility system are capitalized at invoice or contract cost if such extensions are not undertaken by the Utility's personnel. Costs of extensions and improvements undertaken by the Utility's personnel including materials and labor are capitalized.

Depreciation of buildings, equipment and utility systems has been provided over the assets' estimated useful lives using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or extend the asset's life are expensed as incurred. Major outlays for capital assets and improvements of \$5,000 or more are capitalized as projects are constructed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

The estimated useful lives of each class of capital assets, which are significant estimates, are:

Buildings	40 - 50
Equipment	5 - 20
Utility System	
Wastewater system	3 - 40
Water system	3 - 60
Electric system	5 - 35

Long-lived asset impairment

The Utility assesses the impairment of intangible and other long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Utility recognizes an impairment loss on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of these assets. Management determined that there were no impaired assets for the years ending March 31, 2023 or 2022.

Customer deposits

The Utility requires the majority of its residential and commercial customers to provide a deposit against future default on the customer's account balance. Such deposits are recorded as a liability upon receipt. Residential deposits are refunded to customers after two years of good credit history. Commercial deposits are held until the customer's account is closed.

Bond discount and premium

Bond discounts and premiums are amortized over the life of the respective bonds as increases and decreases, respectively, to interest expense using methods which approximate the effective interest method.

Contributions in aid of construction

Contributions in aid of construction of capital assets consists primarily of water and wastewater lines in new subdivisions contributed to the Utility.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the Utility's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Pensions and Other Postemployment Benefits

In government-wide financial statements, pensions and other postemployment benefits ("OPEB") are required to be recognized and disclosed using the accrual basis of accounting (see Note 9 and Note 10 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The Utility 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 Utility's proportionate share

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

thereof in the case of a cost-sharing multiple-employer plan, measured as of the Utility'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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Utility currently has three types of deferred outflows of resources: (1) The Utility reports deferred charges on debt refunding. (2) The Utility reports *deferred pension charges* in its Statement(s) of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (3) The Utility reports *deferred OPEB charges* in its Statement(s) of Net Position in connection with the Agent Multiple-Employer Defined Benefit OPEB Plan of the Utility. 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 and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utility currently has two types of deferred inflows of resources: (1) The Utility reports *deferred pension credits* in its Statement(s) of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (2) The Utility reports *deferred OPEB credits* in its Statement(s) of Net Position in connection with the Agent Multiple-Employer Defined Benefit OPEB Plan of the Utility. 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.

Reclassifications

Certain items in the prior year have been reclassified to conform with current year presentation.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of March 31, 2023, and 2022, the Utility had the following cash and cash equivalents:

	March 31,	
	2023	2022
Checking and other cash	\$ 8,355,456	\$ 12,147,933
Less restricted amounts	636,786	1,193,171
	<u>\$ 7,718,670</u>	<u>\$ 10,954,762</u>

The Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Utility has the following recurring fair value measurements as of March 31, 2023:

- US Treasury obligations of \$29,055,102 are valued using quoted market prices (Level 1 inputs),
- US Government agency obligations of \$3,987,085 are valued using quoted market prices (Level 1 inputs).
- Certificates of Deposit of \$972,215 are valued using quoted market prices (Level 1 inputs).
- Federated Hermes Treasury obligations of \$2,257,796 are valued using quoted market prices (Level 1 inputs),

As of March 31, 2023, the Utility had the following investments (all are listed at fair value):

Investment Type	Fair Value	Investment maturities (in years)		
		less than 1	1 - 5	5 - 10
US Treasury obligations	\$ 29,055,102	\$ 6,793,571	\$ 16,452,904	\$ 5,808,626
US Government agency obligations	3,987,085	-	2,905,162	1,081,924
Certificates of Deposits	972,215	-	972,215	-
Federated Hermes Treasury obligation	2,257,796	2,257,796	-	-
	<u>\$ 36,272,198</u>	<u>\$ 9,051,367</u>	<u>\$ 20,330,281</u>	<u>\$ 6,890,550</u>

As of March 31, 2022, the Utility had the following investments (all are listed at fair value):

Investment Type	Fair Value	Investment maturities (in years)		
		less than 1	1 - 5	5 - 10
US Treasury obligations	\$ 24,211,597	\$ 4,070,703	\$ 15,662,003	\$ 4,478,891
US Government agency obligations	5,610,507	1,799,096	2,247,817	1,563,594
Certificates of Deposits	972,215	-	972,215	-
Federated Hermes Treasury obligations	191,750	191,750	-	-
	<u>\$ 30,986,069</u>	<u>\$ 6,061,549</u>	<u>\$ 18,882,035</u>	<u>\$ 6,042,485</u>

Interest rate risk

The Utility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 - CASH AND CASH EQUIVALENTS, Continued

Credit risk

State law limits investments to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance, and certificates of deposits where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest. The Utility has no investment policy that would further limit its investment choices.

Type of Investment	Fair Value	Standard & Poor's	Moody's Services	Fitch Ratings
US Treasury Notes	\$ 29,055,102	N/A	AAA	N/A
Federal Home Loan Bank	771,773	AA+	AAA	N/A
Federal National Mortgage Association	3,215,312	AA+	AAA	AAA
Certificates of Deposit	972,215	N/A	N/A	N/A
Federated Hermes Treasury Obligations Fund	2,257,796	AAAm	Aaa-mf	N/A
Total	\$ 36,272,198			

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, the Utility may not be able to recover the value of its investment or collateral that in the possession of the bank. The Utility does not have a formal policy for custodial credit risk, but follows Section 6-5-15, South Carolina Code of Law, 1976 (as amended) which states that to the extent that deposits exceed the amount of insurance provided by the Federal Deposit Insurance Corporation, the bank or savings loan association at the time of deposit must furnish an indemnity bond in a responsible surety company or pledge as collateral obligations of qualifying federal, state, and local government agencies, in which the Utility is named as beneficiary. There were no uninsured or uncollateralized deposits at March 31, 2023 and 2022.

Concentration of credit risk

The Utility places no limits on the amount the Utility may invest in any one issuer. As of March 31, 2023, US Treasury Notes, Federal National Mortgage Association, and Federal Hermes Treasury Obligations, exceeded 5 percent of total investments. As of March 31, 2022, US Treasury Notes, Federal National Mortgage Association, and Federal Home Loan Bank, exceeded 5 percent of total investments.

NOTE 3 - ACCOUNTS RECEIVABLE

	March 31,	
	2023	2022
Customer accounts receivable	\$ 1,854,164	\$ 1,741,651
Unbilled customer accounts receivables	2,356,931	2,524,594
Miscellaneous accounts receivable	1,124,548	267,254
	5,335,643	4,533,499
Less allowance for doubtful accounts	150,000	150,000
	\$ 5,185,643	\$ 4,383,499

NOTE 4 - RESTRICTED ASSETS

Certain provisions of the revenue bond agreements require the Utility to establish funds and restrict the use of certain cash and cash equivalents. A brief description of these funds follows:

Construction funds - restricts the use of revenue bond proceeds, interest earnings on such proceeds, and capital contributions to the construction of capital projects.

Current principal and interest payments - reports resources accumulated for the next bond principal and interest payments.

Depreciation and contingency fund - reports resources set aside to build up a reserve for depreciation of the utility system, restoration or replacement of depreciated or obsolete items, and improvements, betterments and extensions to the utility system, other than those necessary to maintain the utility system in good repair and working order.

Certain cash, cash equivalents, and investments are restricted for the following uses:

	<u>March 31,</u>	
	<u>2023</u>	<u>2022</u>
Construction funds (unspent related debt proceeds)	\$ 636,786	\$ 1,193,171
Current principal and interest payments	12,136	11,792
Depreciation and contingency fund	1,125,257	1,126,554
	<u>\$ 1,774,179</u>	<u>\$ 2,331,517</u>

Restricted assets are reported on the statements of net position as follows:

	<u>March 31,</u>	
	<u>2023</u>	<u>2022</u>
Restricted cash and cash equivalents	\$ 636,786	\$ 1,193,171
Restricted investments	1,137,393	1,138,346
	<u>\$ 1,774,179</u>	<u>\$ 2,331,517</u>

NOTE 5 - CAPITAL ASSETS

	March 31, 2022	Additions	Disposals	Reclassifications	March 31, 2023
Capital assets not being depreciated:					
Land	\$ 2,560,786	\$ 20,619	\$ -	\$ 42,810	\$ 2,624,215
Right of way	1,417,993	-	-	-	1,417,993
Construction work in progress	3,303,536	4,593,589	-	(4,798,407)	3,098,718
Total capital assets not being depreciated	<u>7,282,315</u>	<u>4,614,208</u>	<u>-</u>	<u>(4,755,597)</u>	<u>7,140,926</u>
Capital assets being depreciated:					
Buildings	4,090,723	9,936	4,266	25,318	4,121,711
Equipment	2,733,710	118,942	201,183	136,450	2,787,919
Utility system					
Wastewater system	57,954,253	1,323,687	338,388	2,398,399	61,337,951
Water system	69,568,090	1,131,264	1,120,950	587,208	70,165,612
Electric system	50,920,547	66,751	879,718	1,608,222	51,715,802
Total capital assets being depreciated	<u>185,267,323</u>	<u>2,650,580</u>	<u>2,544,505</u>	<u>4,755,597</u>	<u>190,128,995</u>
Less: accumulated depreciation for:					
Buildings	1,842,468	91,847	4,266	-	1,930,049
Equipment	2,245,355	171,933	201,183	-	2,216,105
Wastewater system	25,792,594	1,657,284	338,388	-	27,111,490
Water system	37,740,081	2,250,671	1,120,899	-	38,869,853
Electric system	28,752,535	1,542,494	828,416	-	29,466,613
Total accumulated depreciation	<u>96,373,033</u>	<u>5,714,229</u>	<u>2,493,152</u>	<u>-</u>	<u>99,594,110</u>
Total capital assets, being depreciated, net	<u>88,894,290</u>	<u>(3,063,649)</u>	<u>51,353</u>	<u>4,755,597</u>	<u>90,534,885</u>
Total capital assets, net	<u>\$ 96,176,605</u>	<u>\$ 1,550,559</u>	<u>\$ 51,353</u>	<u>\$ -</u>	<u>\$ 97,675,811</u>

	March 31, 2021	Additions	Disposals	Reclassifications	March 31, 2022
Capital assets not being depreciated:					
Land	\$ 2,560,786	\$ -	\$ -	\$ -	\$ 2,560,786
Right of way	1,291,618	124,075	-	2,300	1,417,993
Construction work in progress	3,600,291	4,296,040	-	(4,592,795)	3,303,536
Total capital assets not being depreciated	<u>7,452,695</u>	<u>4,420,115</u>	<u>-</u>	<u>(4,590,495)</u>	<u>7,282,315</u>
Capital assets being depreciated:					
Buildings	3,986,626	104,097	-	-	4,090,723
Equipment	2,592,979	144,156	29,618	26,193	2,733,710
Utility system					
Wastewater system	53,642,958	1,621,496	44,060	2,733,859	57,954,253
Water system	67,723,561	1,261,924	233,144	815,749	69,568,090
Electric system	50,049,336	19,561	163,044	1,014,694	50,920,547
Total capital assets being depreciated	<u>177,995,460</u>	<u>3,151,234</u>	<u>469,866</u>	<u>4,590,495</u>	<u>185,267,323</u>
Less: accumulated depreciation for:					
Buildings	1,754,057	88,411	-	-	1,842,468
Equipment	2,109,146	165,827	29,618	-	2,245,355
Wastewater system	24,275,135	1,561,519	44,060	-	25,792,594
Water system	35,778,374	2,194,851	233,144	-	37,740,081
Electric system	27,374,106	1,541,473	163,044	-	28,752,535
Total accumulated depreciation	<u>91,290,818</u>	<u>5,552,081</u>	<u>469,866</u>	<u>-</u>	<u>96,373,033</u>
Total capital assets, being depreciated, net	<u>86,704,642</u>	<u>(2,400,847)</u>	<u>-</u>	<u>4,590,495</u>	<u>88,894,290</u>
Total capital assets, net	<u>\$ 94,157,337</u>	<u>\$ 2,019,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,176,605</u>

NOTE 5 - CAPITAL ASSETS, Continued

Depreciation expense for the years ended March 31, 2023 and 2022 totaled \$5,714,229 and \$5,552,081, respectively.

Construction work in progress as of March 31, 2023 and 2022 consists of expansion and upgrades to the electric, water, and sewer systems. The balance as of March 31, 2023 primarily consists of three sewer projects. The installation of the Georges Creek Sewer Line, and the installations of a headworks improvement system and sludge thickener system- both at the Middle Branch Wastewater Treatment Plant, and the installation of a Sludge Thickener. All projects, with the exception of the Georges Creek Sewer Line, are scheduled to be placed into service during FY 2024. As of March 31, 2023 the remaining commitment is approximately \$3,045,000.

NOTE 6 - ACCRUED EXPENSES

	March 31,	
	2023	2022
Power purchased	\$ 2,232,647	\$ 2,144,607
Compensated absences	326,519	355,617
Payroll and related taxes	91,762	283,806
Municipal fee	226,972	226,300
Sales tax and other	249,906	299,082
	<u>\$ 3,127,806</u>	<u>\$ 3,309,412</u>

NOTE 7 - LONG TERM LIABILITIES

	March 31, 2022			March 31, 2023	
	beginning balance	Additions	Reductions	ending balance	Amounts due within one year
Revenue bonds payable					
Publicly traded debt					
Combined Utility System Revenue Bonds, Series 2017, with annual principal payments, beginning in December 2024, ranging from \$275,000 to \$600,000 plus coupon interest at 3.0 percent to 4.0 percent and effective interest at 2.04 percent to 3.6 percent payable semi-annually. Bonds mature December 2046.	\$ 9,500,000	-	-	9,500,000	\$ -
Combined Utility System Revenue Bonds, Series 2018, with annual principal payments ranging from \$75,000 to \$960,000 plus coupon interest at 2.5 percent to 5.0 percent and effective interest at 1.54 percent to 3.49 percent payable semi-annually. Bonds mature December 2034.	9,250,000	-	(85,000)	9,165,000	580,000
Combined Utility System Revenue Bonds, Series 2019, with annual principal payments ranging from \$105,000 to \$2,090,000 plus coupon interest at 3.0 percent to 5.0 percent and effective interest at 1.44 percent to 2.47 percent payable semi-annually. Bonds mature December 2034.	19,395,000	-	(110,000)	19,285,000	1,145,000
Total publicly traded debt	38,145,000	-	(195,000)	37,950,000	1,725,000

NOTE 7 - LONG TERM LIABILITIES, Continued

Direct placement debt

Combined Utility System Revenue Bonds, Series 2015, with annual principal payments ranging from \$85,000 to \$2,005,000 plus coupon interest at 1.86 percent payable semi-annually. Bonds mature December 2027.

	<u>2,790,000</u>	-	<u>(2,005,000)</u>	<u>785,000</u>	<u>440,000</u>
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Total direct placement debt	<u>2,790,000</u>	-	<u>(2,005,000)</u>	<u>785,000</u>	<u>440,000</u>
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Total revenue bonds payable	<u>40,935,000</u>	-	<u>(2,200,000)</u>	<u>38,735,000</u>	<u>2,165,000</u>
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Premium/discount on bonds:

Series 2017 bonds	336,214	-	(13,584)	322,630
Series 2018 bonds	548,726	-	(43,320)	505,406
Series 2019 bonds	<u>2,940,425</u>	-	<u>(232,140)</u>	<u>2,708,285</u>

Total revenue bonds payable	\$ 44,760,365	-	(2,489,044)	\$ 42,271,321
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State revolving loans payable

Arial Mill Sewer Improvements loan dated December 6, 2017. Payable in quarterly installments of \$35,377, including interest at 1.90 percent for first 20 years, and then 2.4 percent for the final 10 years. Note matures June 1, 2048.

	\$ 2,810,064	-	(88,748)	2,721,316	\$ 90,446
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Middle Branch Wastewater Treatment Plant Headworks Improvements loan dated November 17, 2022. Payable in quarterly installments of \$58,439, including interest at 1.50 percent. Note has been approved for \$4,032,516; only \$552,100 has been drawn through March 31, 2023. Note matures November 1, 2043.

	\$ -	552,100	-	552,100	\$ 9,167
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Total state revolving loans payable	<u>\$ 2,810,064</u>	<u>552,100</u>	<u>(88,748)</u>	<u>3,273,416</u>	<u>99,613</u>
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Total long-term liabilities	<u>\$ 47,570,429</u>	<u>\$ 552,100</u>	<u>\$ (2,577,792)</u>	<u>\$ 45,544,737</u>	<u>\$ 2,264,613</u>
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Changes in long term liabilities for the year ended March 31, 2022 were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Revenue bonds	\$ 47,209,409	\$ -	\$ (2,449,044)	\$ 44,760,365
Loan payable	2,897,145	-	(87,081)	2,810,064
	<u>\$ 50,106,554</u>	<u>\$ -</u>	<u>\$ (2,536,125)</u>	<u>\$ 47,570,429</u>

Interest expense on the revenue bonds and note payable totaled approximately \$1,679,000 and \$1,723,000 for the years ended March 31, 2023 and 2022, respectively. Net amortization of costs (gains) on advance refunding of debt, bond premiums and discounts totaled approximately (\$89,000) for the both years ended March 31, 2023 and 2022.

NOTE 7 - LONG TERM LIABILITIES, Continued

The revenue bonds and note payable are payable solely from and secured by a pledge of the gross revenues of the Utility. The Utility is required to comply with various limitations, restrictions, and covenants contained in the various bond indentures, ordinances and notes payable agreements.

Obligations through direct borrowings/placements are generally secured/collateralized by the underlying capital assets and are subject to acceleration clauses in case of an event of default (i.e. nonpayment, etc.) as defined in the debt documents.

Future amounts required to pay principal and interest on long-term debt outstanding as of March 31, 2023 are as follows:

Year Ending March 31,	Direct placement debt		Publicly traded debt		Total
	Principal	Interest	Principal	Interest	
2024	\$ 539,613	\$ 72,580	\$ 1,725,000	\$ 1,582,563	\$ 3,919,756
2025	201,332	63,758	2,065,000	1,510,813	3,840,903
2026	203,461	60,049	2,150,000	1,424,863	3,838,373
2027	205,628	56,300	2,255,000	1,322,963	3,839,891
2028	212,836	52,512	2,340,000	1,228,913	3,834,261
2029-2033	648,745	219,624	14,715,000	4,332,538	19,915,907
2034-2038	710,373	157,997	7,990,000	1,479,475	10,337,845
2039-2043	689,645	115,691	2,430,000	685,075	3,920,411
2044-2048	614,914	42,361	2,280,000	202,995	3,140,270
2049	31,869	192	-	-	32,061
Total	\$ 4,058,416	\$ 841,064	\$ 37,950,000	\$ 13,770,198	\$ 56,619,678

NOTE 8 - COMMITMENTS

The Combined Utility System of Easley, along with nine other cities, has entered into a contract with the Piedmont Municipal Power Agency ("PMPA") to purchase significantly all electrical power needs from the Agency. PMPA sold bonds of \$1,359,242,000 in order to purchase 25 percent of Duke Energy's Catawba Unit #2 nuclear reactor located on Lake Wylie in York County, South Carolina. The purpose of the contract is (1) to purchase a reliable source of future energy, (2) to give PMPA an opportunity to expand its electrical generating capacity and (3) to purchase power from PMPA at rates lower than Duke Power would charge if such an agreement was not in effect. The actual cost or savings from this commitment cannot be estimated as of March 31, 2023.

The Commission signed an all-requirements power supply contract with the PMPA in 1980 for PMPA to be the System's sole power supply provider. This contract is in effect until the outstanding debt owed by PMPA is retired, currently in the year 2034, but neither termination nor expiration of the Power Sales Agreement shall affect any accrued liability or obligation thereunder, including, without limitation, the cost of decommissioning the Catawba Project. During the fiscal year ending March 31, 2023 and 2022, the Utility paid PMPA \$26,299,101 and \$23,783,239, respectively. Beginning January 1, 2014, the Commission entered into an agreement with the South Carolina Public Service Authority ("Santee Cooper") to provide power and energy above what is supplied by Catawba. Should PMPA's peak resource demand be greater than the Catawba output of 277 Megawatts ("MW"), Santee Cooper must supply all supplemental demand requirements. The Utility also purchases power from the Southeastern Power Administration ("SEPA"), an agency of the U.S. Department of Energy and paid \$797,113 and \$724,731 to SEPA during 2023 and 2022, respectively, for power and energy.

NOTE 8 – COMMITMENTS, Continued

The Utility has also entered into an inter-governmental agreement with the City of Easley such that all utility services provided to the City will be billed monthly at the prevailing commercial rates. The agreement also states that the Utility will pay the City a municipal fee equal to 5 percent of all inside-city revenues collected. The agreement expires on March 31, 2033. The Utility paid approximately \$1,877,775 and \$1,817,155 to the City of Easley for municipal fees during the years ended March 31, 2023 and 2022, respectively.

NOTE 9 – RETIREMENT PLAN

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

Plan Description

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

Plan Membership

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

NOTE 9 – RETIREMENT PLAN, Continued

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

Plan Benefits

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

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, the SCRS (“Plan”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for the SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for the SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020.

NOTE 9 – RETIREMENT PLAN, Continued

In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

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

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

	SCRS Rates			
	2022		2023	
	4/1 - 6/30	7/1 - 3/31	4/1 - 6/30	7/1 - 3/31
Employer Contribution Rate: [^]				
Retirement	15.41%	16.41%	16.41%	17.41%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.00%
	<u>15.56%</u>	<u>16.56%</u>	<u>16.56%</u>	<u>17.56%</u>
Employee Rate	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>

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

The actual and required contributions to the SCRS were approximately \$1,006,000 for the year ended March 31, 2023. The actual and required contributions to the SCRS were approximately \$845,000 for the year ended March 31, 2022.

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, 2019.

NOTE 9 – RETIREMENT PLAN, Continued

The June 30, 2022 and 2021 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2021 and July 1, 2020. The TPL was rolled-forward from the valuation date to the Plan’s fiscal year end, June 30th, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems. In 2021, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in the South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 and 2021 (measurement dates) for the SCRS.

	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.0% to 11.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (“2020 PRSC”), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the respective year.

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%

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 rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

NOTE 9 – RETIREMENT PLAN, 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 and 2021 fiscal years. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For the June 30, 2022 and 2021 measurement dates, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	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 Rate of Return	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

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

The NPL is calculated separately for each System and represents that particular System’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2022 measurement date and the June 30, 2021 measurement date, for the SCRS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	\$ 56,454,779,872	32,212,626,932	\$ 24,242,152,940	57.1%
June 30, 2021	\$ 55,131,579,363	33,490,305,970	\$ 21,641,273,393	60.7%

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

At March 31, 2023 and 2022, the Utility reported a liability of approximately \$10,645,000 and \$9,787,000, respectively, for its proportionate share of the NPL for the SCRS. The NPL were measured as of June 30, 2022 and 2021, and the TPL for the Plan used to calculate the NPL were determined based on the most recent actuarial valuation reports as of July 1st of the preceding year that was projected forward to the measurement date.

NOTE 9 – RETIREMENT PLAN, Continued

The Utility’s proportion of the NPL were based on a projection of the Utility’s long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2022 measurement date, the Utility’s SCRS proportion was 0.043910 percent, which was a decrease of 0.001313 from its proportion measured as of June 30, 2021. At the June 30, 2021 measurement date, the Utility’s SCRS portion was 0.045223 percent, which was an increase of 0.001539 from its proportion measured as of June 30, 2020.

For the year ended March 31, 2023, the Utility recognized pension expense of approximately \$717,000 for the SCRS. At March 31, 2023, the Utility reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 92,483	\$ 46,390
Change in Assumptions	341,403	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,416	-
Changes in Proportion and Differences Between the Employer’s Contributions and Proportionate Share of Contributions	176,518	446,721
Employer Contributions Subsequent to the Measurement Date	773,032	-
Total SCRS	<u>\$ 1,399,852</u>	<u>\$ 493,111</u>

For the year ended March 31, 2022, the Utility recognized pension expense of approximately \$625,000 for the SCRS. At March 31, 2022, the Utility reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 166,707	\$ 13,209
Change in Assumptions	535,696	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,421,659
Changes in Proportion and Differences Between the Employer’s Contributions and Proportionate Share of Contributions	307,129	447,978
Employer Contributions Subsequent to the Measurement Date	632,569	-
Total SCRS	<u>\$ 1,642,101</u>	<u>\$ 1,882,846</u>

For the year ended March 31, 2023, approximately \$773,000 that were reported as a deferred outflows of resources related to the Utility’s contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the NPL in the year ended March 31, 2024. For the year ended March 31, 2022, approximately \$633,000 that were reported of deferred outflows of resources related to the Utility’s contributions subsequent to the measurement date to the SCRS were recognized as a reduction of the NPL in the year ended March 31, 2023.

NOTE 9 – RETIREMENT PLAN, Continued

Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended March 31,	2023	2022
2023	\$ -	\$ (147,541)
2024	26,129	(154,379)
2025	143,923	(39,428)
2026	(313,953)	(531,966)
2027	277,610	-
Total	<u>\$ 133,709</u>	<u>\$ (873,314)</u>

Discount Rate

For the years ended March 31, 2023 and 2022, the discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Utility’s proportionate share of the NPL of the Plan to changes in the discount rate for the year ended March 31, 2023 (measurement date of June 30, 2022), calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Utility’s proportionate share of the net pension liability of the SCRS	\$ 13,647,916	10,644,775	\$ 8,148,055

The following table presents the sensitivity of the Utility’s proportionate share of the NPL of the Plan to changes in the discount rate for the year ended March 31, 2022 (measurement date of June 30, 2021), calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Utility’s proportionate share of the net pension liability of the SCRS	\$ 12,819,468	9,786,783	\$ 7,265,995

NOTE 9 – RETIREMENT PLAN, Continued

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS. The ACFR is publicly available through the PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Payable to Plan

The Utility did not report a payable to the PEBA as of March 31, 2023, as the required employer and employee contributions for the month of March 2023 for the SCRS were paid at the end of March 2023. The Utility reported a payable of approximately \$49,000 to the PEBA as of March 31, 2022, representing required employer and employee contributions for the month of March 2022 for the SCRS. This amount is included in Accrued Expenses on the financial statements and was paid in April 2022.

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The Utility sponsors a single-employer defined benefit healthcare plan (the “OPEB Plan”) that provides medical and dental insurance benefits to eligible retirees and their spouses. Employees that retire with at least twenty-five years of continuous service with the Utility, and are at least age sixty at retirement, are eligible to participate in the OPEB Plan. The OPEB Plan is approved each year by the Commissioners.

The OPEB Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (“SC ORBET”), 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, 2020, the last actuarial valuation, the following employees were covered by the OPEB Plan’s benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	17
Active Members	<u>80</u>
Total Membership	<u>97</u>

Plan Benefits and Contributions

The primary benefits of the OPEB Plan include health care, prescription drug, dental, and vision coverages for retirees and their eligible dependents. Prior to Medicare eligibility, retirees are covered by the Traditional Plan. Upon Medicare eligibility age, retirees are moved from the group health policy to a Medicare Supplement plan with prescription drug coverage, but continue dental and vision through the group health plan.

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN, Continued

Retiree contributions requirements for the Utility are established and amended by the Utility and are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Utility.

Currently, retirees must pay \$125 monthly and retirees and dependents must pay \$682 monthly. The Utility pays for the remainder of the cost of coverage. During the year ended March 31, 2023, the Utility made contributions of approximately \$272,000, or an average of 4.68% of covered-employee payroll. During the year ended March 31, 2022, the Utility made contributions of approximately \$360,000, or an average of 6.93% of covered-employee payroll.

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.

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, 2020
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 2021 decreasing to an ultimate rate of 4.50% for 2031; Medicare - 5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025
Payroll Growth	SCRS - 3.00% - 9.50%
Coverage Elections	100% of eligible retirees will elect coverage and 30% 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 than males.
Mortality Table	PUB-2010 Mortality Table for Employees with a 135% multiplier for both males and females

The actuarial assumptions used above were based on the results of the 2020 Experience Study adopted for the SCRS pension plan and a review of recent plan experience done concurrently with the December 31, 2020 valuation.

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN, Continued

Long-Term Expected Rate of Return

Several factors should be considered in evaluating the long-term rate or 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 of 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 OPEB Plan, the target asset allocation for each major asset class, as provided by the OPEB Plan, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
US Government Agency	58.00%	1.75%	1.02%
US Government MBS/CMO/CMBS	40.00%	3.35%	1.34%
Cash and Short Duration (Net)	2.00%	1.65%	0.03%
Total Expected Real Rate of Return	<u>100.00%</u>		<u>2.39%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>4.64%</u>

The annual money-weighted rate of return net of expenses for the OPEB Plan for the year ended December 31, 2022 (measurement date) was approximately -14.25%. The annual money-weighted rate of return net of expenses for the OPEB Plan for the year ended December 31, 2021 (measurement date) was approximately -2.20%.

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

The Utility's net OPEB liability ("NOL") was measured as of December 31, 2022 and the total OPEB liability ("TOL") used to calculate the NOL was determined by an actuarial valuation as of December 31, 2020 that was rolled forward to the measurement date.

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN, Continued

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of December 31, 2021	\$ 3,521,833	2,304,778	\$ 1,217,055
Changes for the year:			
Service Cost	79,920	-	79,920
Interest	164,600	-	164,600
Difference Between Expected/Actual Experience	27,796	-	27,796
Contributions - Employer	-	271,958	(271,958)
Net Investment Income	-	(342,897)	342,897
Benefit Payments	(114,458)	(114,458)	-
Administrative Expense	-	(2,250)	2,250
Net Changes	157,858	(187,647)	345,505
Balances as of December 31, 2022	\$ 3,679,691	2,117,131	\$ 1,562,560

The Utility's net OPEB liability ("NOL") was measured as of December 31, 2021 and the total OPEB liability ("TOL") used to calculate the NOL was determined by an actuarial valuation as of December 31, 2020 that was rolled forward to the measurement date.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of December 31, 2020	\$ 4,624,276	2,164,253	\$ 2,460,023
Changes for the year:			
Service Cost	112,900	-	112,900
Interest	215,915	-	215,915
Difference Between Expected/Actual Experience	(1,215,220)	-	(1,215,220)
Changes of Assumptions or Other Inputs	(56,790)	-	(56,790)
Contributions - Employer	-	359,748	(359,748)
Net Investment Income	-	(54,830)	54,830
Benefit Payments	(159,248)	(159,248)	-
Administrative Expense	-	(5,145)	5,145
Net Changes	(1,102,443)	140,525	(1,242,968)
Balances as of December 31, 2021	\$ 3,521,833	2,304,778	\$ 1,217,055

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN, Continued

For the year ended March 31, 2023, the Utility recognized OPEB expense of approximately \$128,000. At March 31, 2023, the Utility 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	\$ 169,612	\$ 971,263
Change in Assumptions	-	114,508
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments	454,261	-
Employer Contributions Subsequent to the Measurement Date	17,500	-
Total	\$ 641,373	\$ 1,085,771

For the year ended March 31, 2022, the Utility recognized OPEB expense of approximately \$360,000. At March 31, 2022, the Utility 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	\$ 171,825	\$ 1,115,908
Change in Assumptions	-	134,050
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments	126,511	-
Employer Contributions Subsequent to the Measurement Date	52,500	-
Total	\$ 350,836	\$ 1,249,958

Approximately \$18,000 that was reported as deferred outflows of resources related to the Utility's contributions subsequent to the measurement date to the OPEB Plan, respectively, will be recognized as a reduction of the NOL in the year ended March 31, 2024. Approximately \$53,000 that was reported as deferred outflows of resources related to the Utility's contributions subsequent to the measurement date to the OPEB Plan, respectively, were recognized as a reduction of the NOL in the year ended March 31, 2023.

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

Year Ended March 31,	2023	2022
2023	\$ -	\$ (100,276)
2024	(15,052)	(109,418)
2025	(13,891)	(108,257)
2026	(10,532)	(104,898)
2027	(42,976)	(137,340)
Thereafter	(379,447)	(391,433)
Total	\$ (461,898)	\$ (951,622)

NOTE 10 - POSTEMPLOYMENT HEALTHCARE PLAN, Continued

Discount Rate

The discount rate used to measure the TOL was 4.75%. The projection of cash flows used to determine the discount rate assumed that the Utility’s contributions will be made at rates equal to the actuarially determined contribution rates.

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

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

The following table presents the sensitivity of the Utility’s NOL 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 - March 31, 2023	\$ 2,241,424	1,562,560	\$ 1,025,267
Net OPEB Liability - March 31, 2022	\$ 1,873,514	1,217,055	\$ 697,598

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - March 31, 2023	\$ 928,977	1,562,560	\$ 2,390,752
Net OPEB Liability - March 31, 2022	\$ 632,944	1,217,055	\$ 1,977,040

NOTE 11 - LITIGATION

The Utility is from time-to-time subject to various claims, legal actions and other matters arising out of the normal operations conducted by the Utility. In 2019, the Utility along with three other municipalities, filed a formal complaint against PMPA and four municipalities alleging improper actions in regards to modifying electric rates. In the opinion of management, based on prior experience and available information, the disposition of any lawsuits will not materially affect the Utility’s financial position.

NOTE 12 – RISK MANAGEMENT

The Utility is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utility maintains insurance coverage through the State of South Carolina Insurance Reserve Fund and has effectively managed risk through various employee education and prevention programs. No significant reductions in insurance coverage have occurred from the prior year to the current year. The amount of settlements has not exceeded insurance coverage for the years ending March 31, 2023, 2022, and 2021. The Utility believes that the amount of actual or potential claims as of March 31, 2023 and 2022 will not materially affect the financial condition of the Utility.

NOTE 12 – RISK MANAGEMENT, Continued

The Utility believes that the amount of actual or potential claims as of March 31, 2023 will not materially affect the financial condition of the Utility.

The Utility changed from a self-insured plan for medical and prescription coverage (up to \$35,000 per employee and covered retiree and an aggregate limit of \$1,568,166 per plan year) to the state healthcare plan (insured plan) as of December 31, 2021. This change resulted in changes in the deferred inflows and outflows related to OPEB and the total OPEB Liability.

NOTE 13 – SUBSEQUENT EVENTS

In May 2023, the Utility received a notification of award of the South Carolina Infrastructure Investment Program Grant. The grant is for the Georges Creek Trunk Sewer Line in the amount of \$10M.

In July 2023, the Utility awarded Don Moorhead Construction Inc. the project for \$10,218,693 for the Georges Creek Trunk Sewer Project.

COMBINED UTILITY SYSTEM OF EASLEY
REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended December 31,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service Cost	\$ 79,920	\$ 112,900	\$ 109,611	\$ 116,596	\$ 113,200	\$ 109,903
Interest	164,600	215,915	208,233	193,728	186,608	177,097
Differences Between Expected and Actual Experience	27,796	(1,215,220)	(15,577)	252,366	(45,627)	(19,322)
Changes of Assumptions	-	(56,790)	-	(122,964)	-	-
Benefit Payments, Including Refunds of Member Contributions	(114,458)	(159,248)	(122,280)	(146,136)	(63,394)	(72,226)
Net Change in Total OPEB Liability	157,858	(1,102,443)	179,987	293,590	190,787	195,452
Total OPEB Liability - Beginning of Year	3,521,833	4,624,276	4,444,289	4,150,699	3,959,912	3,764,460
Total OPEB Liability - End of Year (a)	\$ 3,679,691	\$ 3,521,833	\$ 4,624,276	\$ 4,444,289	\$ 4,150,699	\$ 3,959,912
OPEB Plan Fiduciary Net Position:						
Employer Contribution	\$ 271,958	\$ 359,748	\$ 294,280	\$ 318,136	\$ 236,439	\$ 297,666
Net Investment Income	(342,897)	(54,830)	110,265	87,068	26,202	34,071
Benefit Payments, Including Refunds of Member Contributions	(114,458)	(159,248)	(122,280)	(146,136)	(63,394)	(72,226)
Administrative Expense	(2,250)	(5,145)	(1,000)	(3,917)	-	(14,795)
Net Change in OPEB Plan Fiduciary Net Position	(187,647)	140,525	281,265	255,151	199,247	244,716
OPEB Plan Fiduciary Net Position - Beginning of Year	2,304,778	2,164,253	1,882,988	1,627,837	1,428,590	1,183,874
OPEB Plan Fiduciary Net Position - End of Year (b)	\$ 2,117,131	\$ 2,304,778	\$ 2,164,253	\$ 1,882,988	\$ 1,627,837	\$ 1,428,590
Net OPEB Liability (Asset) - End of Year (a) - (b)	\$ 1,562,560	\$ 1,217,055	\$ 2,460,023	\$ 2,561,301	\$ 2,522,862	\$ 2,531,322
OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	57.54%	65.44%	46.80%	42.37%	39.22%	36.08%
Covered-Employee Payroll	\$ 4,610,906	\$ 4,610,906	\$ 4,358,276	\$ 4,358,276	\$ 4,049,892	\$ 4,049,892
Net OPEB Liability as a Percentage of Covered-Employee Payroll	33.89%	26.40%	56.44%	58.77%	62.29%	62.50%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31st of the preceding year (measurement date).
The Utility adopted GASB #75 during the year ended March 31, 2019. Information is not available for fiscal years prior to 2018.

COMBINED UTILITY SYSTEM OF EASLEY
REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Year Ended December 31,					
	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 174,912	\$ 206,780	\$ 298,515	\$ 293,949	\$ 284,972	\$ 267,125
Contributions in Relation to the Actuarially Determined Contribution	271,958	359,748	294,280	318,136	236,439	297,666
Contribution Deficiency (Excess)	<u>\$ (97,046)</u>	<u>\$ (152,968)</u>	<u>\$ 4,235</u>	<u>\$ (24,187)</u>	<u>\$ 48,533</u>	<u>\$ (30,541)</u>
Covered-Employee Payroll	\$ 5,811,046	\$ 5,187,697	\$ 4,358,276	\$ 4,358,276	\$ 4,049,892	\$ 4,049,892
Contributions as a Percentage of Covered-Employee Payroll	4.68%	6.93%	6.75%	7.30%	5.84%	7.35%

Notes to Schedule:

The Utility adopted GASB #75 during the year ended March 31, 2019. Information is not available for fiscal years prior to 2018.

Valuation Date: December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	4.75%
Healthcare Cost Trend Rates	Pre-Medicaid - 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031; Medicare - 5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025
Salary Increases	SCRS - 3.0% - 9.5% (including inflation)
Investment Rate of Return	4.75%, Net of OPEB Plan Investment Expenses, Including Inflation
Mortality	PUB-2010 Mortality Table for Employees with a 135% multiplier for both males and females

**COMBINED UTILITY SYSTEM OF EASLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	SCRS								
	Year Ended March 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.043910%	0.045223%	0.043684%	0.047712%	0.046976%	0.047002%	0.044965%	4.544900%	4.446300%
Employer's proportionate share of the net pension liability	\$ 10,644,775	\$ 9,786,783	\$ 11,162,068	\$ 10,894,718	\$ 10,525,717	\$ 10,580,906	\$ 9,604,458	\$ 8,619,622	\$ 7,655,055
Employer's covered payroll during the measurement period	\$ 5,228,674	\$ 5,112,017	\$ 4,873,558	\$ 5,038,298	\$ 4,867,969	\$ 4,742,341	\$ 4,354,277	\$ 4,261,408	\$ 4,036,638
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	203.58460%	191.44661%	229.03324%	216.23806%	216.22399%	223.11567%	220.57526%	202.27169%	189.63937%
Plan fiduciary net position as a percentage of the total pension liability	57.06%	60.70%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.90%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of March 31st of the preceding year.
 The Utility implemented GASB #68/71 during the year ended March 31, 2016. Information before 2015 is not available.
 The discount rate was lowered from (a) 7.25% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

**COMBINED UTILITY SYSTEM OF EASLEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN**

	SCRS									
	Year Ended March 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ 1,006,332	\$ 845,404	\$ 795,156	\$ 733,135	\$ 725,265	\$ 622,602	\$ 517,750	\$ 475,563	\$ 455,632	
Contributions in relation to the contractually required contribution	1,006,332	845,404	795,156	733,135	725,265	622,602	517,750	475,563	455,632	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Employer's covered payroll	\$ 5,811,046	\$ 5,187,697	\$ 5,110,258	\$ 4,794,370	\$ 5,071,913	\$ 4,772,084	\$ 4,522,257	\$ 4,313,795	\$ 4,205,089	
Contributions as a percentage of covered payroll	17.31757%	16.29633%	15.56000%	15.29158%	14.29963%	13.04675%	11.44893%	11.02424%	10.83525%	

Notes to Schedule:

The Utility implemented GASB #68/71 during the year ended March 31, 2016. Information before 2015 is not available.



**STATISTICAL SECTION
(UNAUDITED)**

Statistical Section

This section of the Annual Comprehensive Financial Report serves to provide the reader with additional information concerning the Utility's financial statements and note disclosures. The provided information in this section will improve the reader's understanding of the Utility's financial condition as well as the overall financial and economic state of Pickens County.

Contents	Page
Financial Trends	53
These schedules provide trend information that will help the reader better understand the Utility's financial performance and operations over time.	
Revenue Analysis	57
These schedules give the reader more information concerning financial performance of the Utility's contributing departments, and thus, create a better understanding of operations.	
Debt Analysis	68
These schedules provide information regarding the historical debt and the current outstanding debt of the Utility. This provides the reader with a better understanding of the affordability of the Utility's current debt and its ability to issue additional debt in the future.	
Demographic and Economic Information	70
These schedules provide the reader with information concerning the demographic and economic conditions of the area in which the Utility operates.	
Operating Information	72
These schedules give the reader details of both the service and capital asset information which provide a better understanding of how the Utility's financial report correlates with services provided by and activities performed by the Utility.	

TABLE 1

**COMBINED UTILITY SYSTEM OF EASLEY
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS**

	Year Ended March 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Components of net position										
Net investment in capital assets	\$ 43,933,552	\$ 43,103,635	\$ 44,355,135	\$ 45,591,037	\$ 47,587,805	\$ 51,556,729	\$ 51,769,073	\$ 48,527,638	\$ 51,841,771	\$ 54,462,878
Prior Period Adjustment/Restatement	-	-	(7,724,108)	-	-	(2,487,277)	-	-	-	-
Restricted	1,151,281	1,171,692	1,185,563	1,177,966	1,177,413	1,110,254	1,177,243	1,178,054	1,138,346	1,137,393
Unrestricted	18,164,648	19,634,282	19,617,073	11,777,304	12,527,428	14,295,032	19,538,689	25,356,419	29,745,420	33,964,158
Total net position	\$ 63,249,481	\$ 63,909,609	\$ 57,433,663	\$ 58,546,307	\$ 61,292,646	\$ 64,474,738	\$ 72,485,005	\$ 75,062,111	\$ 82,725,537	\$ 89,564,429

TABLE 2

COMBINED UTILITY SYSTEM OF EASLEY
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

	Year Ended March 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue										
Operating revenue										
Electric	\$ 33,695,439	\$ 35,485,942	\$ 36,244,580	\$ 37,112,126	\$ 36,731,789	\$ 37,428,959	\$ 36,984,818	\$ 35,342,652	\$ 35,945,804	\$ 36,541,920
Water	7,730,043	8,207,077	8,485,420	9,081,772	8,726,836	8,800,161	9,458,365	8,263,179	7,656,096	8,029,653
Wastewater	4,404,106	4,625,864	4,816,060	5,032,820	5,169,143	5,285,598	5,454,701	5,536,118	5,764,569	6,193,857
Capacity/tap fees	644,416	434,317	279,973	332,351	1,080,225	979,938	1,212,668	1,472,344	3,109,142	4,837,068
Finance charges	329,070	303,317	316,988	316,986	310,831	304,789	286,946	228,726	274,897	296,095
Other non-utility income (expense)	19,006	25,144	107,178	118,179	40,141	79,047	101,237	78,162	76,024	58,562
Total operating revenue	46,822,080	49,081,661	50,250,199	51,994,234	52,058,965	52,878,492	53,498,735	50,921,181	52,826,532	55,957,155
Non-operating revenue (expense)	(21,203)	216,967	1,077,860	412,195	785,454	1,621,123	922,258	1,248,400	(1,061,828)	(132,674)
Total revenue	46,800,877	49,298,628	51,328,059	52,406,429	52,844,419	54,499,615	54,420,993	52,169,581	51,764,704	55,824,481
Expenses										
Operating expenses										
Electric	29,032,802	31,541,559	32,629,777	33,167,861	31,967,480	29,233,986	26,998,738	26,090,684	27,814,609	31,016,826
Water	2,553,780	2,667,779	2,776,867	2,775,287	2,651,587	3,066,767	3,137,885	2,830,423	3,100,123	3,571,495
Wastewater	2,182,444	2,306,245	2,338,487	2,290,243	2,330,768	2,500,419	2,438,520	2,563,575	2,607,538	3,224,229
Customer service and administration	4,816,460	4,664,258	4,769,644	5,899,677	6,125,140	6,189,647	6,509,033	6,404,812	5,848,659	5,615,516
Total operating expenses	38,585,486	41,179,841	42,514,775	44,133,068	43,074,975	40,990,819	39,084,176	37,889,494	39,370,929	43,428,066
Depreciation and amortization	5,042,795	5,158,161	5,242,978	5,316,397	5,506,496	5,893,090	5,558,017	5,660,210	5,462,870	5,625,018
Non-operating expenses	2,448,552	2,300,498	2,322,144	1,844,320	2,781,043	2,426,417	2,325,332	1,770,516	1,722,824	1,737,660
Total expenses	46,076,833	48,638,500	50,079,897	51,293,785	51,362,514	49,310,326	46,967,525	45,320,220	46,556,623	50,790,744
Excess, before capital contributions and special items	724,044	660,128	1,248,162	1,112,644	1,481,905	5,189,289	7,453,468	6,849,361	5,208,081	5,033,737
Capital contributions	261,364	-	-	-	1,264,434	480,080	556,799	751,728	2,455,345	1,805,155
Special item: loss on impairment of Saluda Lake dredging	-	-	-	-	-	-	-	(5,023,983)	-	-
Increase in net position	985,408	660,128	1,248,162	1,112,644	2,746,339	5,669,369	8,010,267	2,577,106	7,663,426	6,838,892
Net position, beginning of year	62,264,073	63,249,481	63,909,609	57,433,663	58,546,307	61,292,646	64,474,738	72,485,005	75,062,111	82,725,537
Prior period adjustment/Restatement	-	-	(7,724,108)	-	-	(2,487,277)	-	-	-	-
Net position, end of year	\$ 63,249,481	\$ 63,909,609	\$ 57,433,663	\$ 58,546,307	\$ 61,292,646	\$ 64,474,738	\$ 72,485,005	\$ 75,062,111	\$ 82,725,537	\$ 89,564,429

TABLE 3

COMBINED UTILITY SYSTEM OF EASLEY
SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal year	Operating revenue					Non-operating revenue				Total revenue
	Electric	Water	Wastewater	Tap/Capacity Fees	Other	Investment income (expense)	Capital grant income	Miscellaneous income (expense)		
2014	\$ 33,695,439	7,730,043	4,404,106	644,416	348,076	(21,203)	-	-	\$ 46,800,877	
2015	35,485,942	8,207,077	4,625,864	434,317	328,461	216,967	-	-	49,298,628	
2016	36,244,580	8,485,420	4,816,060	279,973	424,166	121,008	956,852	-	51,328,059	
2017	37,112,126	9,081,772	5,032,820	332,351	435,165	(428)	412,623	-	52,406,429	
2018	36,731,789	8,726,836	5,169,143	1,080,225	350,972	11,025	774,429	-	52,844,419	
2019	37,428,959	8,800,161	5,285,598	979,938	383,836	306,492	1,250,000	64,631	54,499,615	
2020	36,984,818	9,458,365	5,454,701	1,212,668	388,183	902,155	10,000	10,103	54,420,993	
2021	35,342,652	8,263,179	5,536,118	1,472,344	306,888	119,518	1,093,483	35,399	52,169,581	
2022	35,945,804	7,656,096	5,764,569	3,109,142	350,921	(1,238,945)	156,517	20,600	51,764,704	
2023	\$ 36,541,920	8,029,653	6,193,857	4,837,068	354,657	(125,797)	-	(6,877)	\$ 55,824,481	

TABLE 4

**COMBINED UTILITY SYSTEM OF EASLEY
SCHEDULE OF EXPENSES BY UNIT BY ACTIVITY (UNAUDITED)
LAST TEN FISCAL YEARS**

	Year Ended March 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Electric</u>										
Operating	\$ 29,032,802	\$ 31,541,559	\$ 32,629,777	\$ 33,167,861	\$ 31,967,480	\$ 29,233,986	\$ 26,998,738	\$ 26,090,684	\$ 27,814,609	\$ 31,016,826
Depreciation	1,158,805	1,128,935	1,160,167	1,196,451	1,339,674	1,452,408	1,534,430	1,577,398	1,541,473	1,542,494
Interest	193,546	186,798	164,952	129,069	134,155	139,199	122,240	116,532	112,053	107,491
	30,385,153	32,857,292	33,954,896	34,493,381	33,441,309	30,825,593	28,655,408	27,784,614	29,468,135	32,666,811
<u>Water</u>										
Operating	2,553,780	2,667,779	2,776,867	2,775,287	2,651,587	3,066,767	3,137,885	2,830,423	3,100,123	3,571,495
Depreciation	2,406,183	2,651,182	2,656,299	2,633,481	2,637,396	2,634,489	2,508,211	2,444,357	2,194,851	2,250,671
Interest	1,879,799	1,829,766	1,676,702	1,427,871	1,418,021	1,398,092	1,189,585	1,136,266	1,099,658	1,066,674
Other	-	-	-	-	-	-	-	5,023,983	-	-
	6,839,762	7,148,727	7,109,868	6,836,639	6,707,004	7,099,348	6,835,681	11,435,029	6,394,632	6,888,840
<u>Wastewater</u>										
Operating	2,182,444	2,306,245	2,338,487	2,290,243	2,330,768	2,500,419	2,438,520	2,563,575	2,607,538	3,224,229
Depreciation	907,146	885,658	908,145	963,180	1,002,095	1,056,530	1,239,174	1,491,359	1,561,519	1,657,284
Interest	222,443	217,958	204,257	181,942	287,508	467,308	451,152	432,799	428,057	423,222
	3,312,033	3,409,861	3,450,889	3,435,365	3,620,371	4,024,257	4,128,846	4,487,733	4,597,114	5,304,735
<u>Administration</u>										
Operating	4,816,460	4,664,258	4,769,644	5,899,677	6,125,140	6,189,647	6,509,033	6,404,812	5,848,659	5,615,516
Depreciation	298,299	217,269	243,250	255,999	266,418	287,613	252,238	236,307	254,238	263,780
Interest	84,681	81,885	73,867	58,070	75,555	94,686	87,181	84,919	83,056	81,159
Other	340,445	259,208	477,483	314,654	1,126,717	789,182	499,138	(89,211)	(89,211)	(30,097)
	5,539,885	5,222,620	5,564,244	6,528,400	7,593,830	7,361,128	7,347,590	6,636,827	6,096,742	5,930,358
Total Expenses	\$ 46,076,833	\$ 48,638,500	\$ 50,079,897	\$ 51,293,785	\$ 51,362,514	\$ 49,310,326	\$ 46,967,525	\$ 50,344,203	\$ 46,556,623	\$ 50,790,744

COMBINED UTILITY SYSTEM OF EASLEY
ELECTRIC SYSTEM
(UNAUDITED)

Electric Service Rates

The Utility provides electrical power to two types of customers, residential and general service. Residential electrical service is available to all single-family dwelling units and individual dwelling units in apartment structures or other multi-family residential structures. All other customers pay the general service rate. The following sets forth the Utility's electric rates for residential and general service, which became effective April 1, 2022:

Residential Service

Table

Basic Facilities Charge	\$9.56
All Energy (kWh)	\$.1177/kWh

General Service

Small General Service

Fixed Charge	\$17.00
--------------	---------

Energy Charge

First 3,000 kWh	\$0.1531/kWh
Next 6,000 kWh	\$0.1139/kWh
Next 21,000 kWh	\$0.0762/kWh
Next 30,000 kWh	\$0.0700/kWh
Over 60,000 kWh	\$0.0542/kWh

Large General Service

Fixed Charge	\$17.00
--------------	---------

Demand Charge

First 30 kW	\$0.00
All over 30 kW	\$8.59/kWh

Energy Charge

First 400 kWh/kW	
First 3,000 kWh	\$0.1531/kWh
Next 6,000 kWh	\$0.1139/kWh
Next 21,000 kWh	\$0.0762/kWh
All over 30,000 kWh	\$0.0700/kWh
Over 400 kWh/kW	\$0.0542/kWh

(Continued)

Electric System, Continued*Number of Meters*

The following table shows the number of meters in the electric system as of the last day of each of the last ten fiscal years.

Fiscal Year Ended <u>March 31,</u>	<u>Residential</u>	General <u>Service</u>	<u>Total</u>
2014	12,223	1,602	13,825
2015	12,298	1,604	13,902
2016	12,352	1,618	13,970
2017	12,557	1,626	14,183
2018	12,943	1,637	14,580
2019	13,093	1,652	14,745
2020	13,296	1,656	14,952
2021	13,630	1,675	15,305
2022	14,026	1,681	15,707
2023	14,934	1,680	16,614

Kilowatt-hour Sales and Peak Demand

The table below sets forth the kilowatt-hour sales and peak demand as of the last day of the last ten fiscal years:

Fiscal Year Ended <u>March 31,</u>	<u>Residential</u>	General <u>Service</u>	<u>Lighting</u>	<u>Total</u>	Peak Demand <u>(kW)</u>
2014	154,704,001	133,186,871	3,417,607	291,308,479	67,961
2015	153,418,929	142,346,400	3,738,868	299,504,197	69,697
2016	153,935,279	141,756,764	3,683,892	299,375,935	73,301
2017	153,096,605	142,296,410	3,688,505	299,081,520	74,169
2018	152,018,557	138,163,504	3,673,085	293,855,146	71,959
2019	166,327,530	130,465,617	3,682,039	300,475,186	70,388
2020	160,776,753	134,113,732	3,685,971	298,576,456	71,470
2021	158,692,175	117,560,447	3,862,701	280,115,323	70,686
2022	159,182,870	118,688,948	3,884,374	281,756,192	69,818
2023	164,905,667	119,868,614	3,837,803	288,612,084	75,023

(Continued)

Electric System, Continued*Ten Major Users*

The ten largest electric users for the fiscal year ending March 31, 2023, are listed below:

<u>Customer Name</u>	<u>kWh</u>	<u>Revenue</u>	<u>Percent of Billed Revenue</u>	<u>Percent of Top 10 Revenue</u>
Pickens County Schools	6,381,466	\$ 868,988	2.4%	19.4%
City of Easley	3,800,832	858,131	2.3%	19.1%
Prisma Health (Easley)	9,226,840	808,113	2.2%	18.0%
Ingles Markets #251	4,056,887	339,410	0.9%	7.6%
Ingles Markets #51	3,721,131	322,353	0.9%	7.2%
Presbyterian Home of SC	3,190,873	313,732	0.9%	7.0%
Walmart Stores, Inc.	3,379,840	303,165	0.8%	6.8%
Sam's Club	2,755,018	260,042	0.7%	5.8%
Rock Springs Baptist Church	1,785,658	212,253	0.6%	4.7%
Publix	<u>2,258,776</u>	<u>203,063</u>	<u>0.6%</u>	<u>4.5%</u>
	40,557,321	\$ 4,489,250	12.3%	100%

The ten largest electric users for the fiscal year ending March 31, 2014, are listed below:

<u>Customer Name</u>	<u>kWh</u>	<u>Revenue</u>	<u>Percent of Billed Revenue</u>	<u>Percent of Top 10 Revenue</u>
Pickens County Schools	8,005,843	\$ 978,643	2.9%	23.5%
Baptist Easley	9,019,391	778,032	2.3%	18.7%
City of Easley	2,415,489	394,840	1.2%	9.5%
Ingles Markets #251	4,253,585	331,576	1.0%	7.9%
Clovervale Food Processing	3,778,827	323,442	1.0%	7.8%
Emeritus Assisted Living	2,632,804	308,853	0.9%	7.4%
Wal-Mart Stores, Inc.	3,748,400	299,385	0.9%	7.2%
Ingles Markets #51	3,735,178	290,565	0.9%	7.0%
Presbyterian Home of SC	2,493,484	235,533	0.7%	5.7%
Lowe's of Easley, Inc.	<u>2,626,000</u>	<u>227,830</u>	<u>0.7%</u>	<u>5.5%</u>
	42,709,001	\$ 4,168,699	12.4%	100%

(Continued)

Electric System, Continued*PMPA*

The City's share of PMPA's share of the Catawba Project output is 13.2426%. PMPA bills each participant monthly for its power costs, including its share of the debt service on bonds issued by PMPA. The City's obligations under the Power Sales Agreement are payable as an operating expense of its electric system (including all properties and assets used or pertaining to the generation, transmission, transformation, distribution, and sale of electric power and energy) solely from the revenues of such electric system. The City has paid the following amounts for the purchase of capacity and energy from PMPA during the past ten calendar years:

<u>Year</u>	<u>Purchase Amount</u>
2014	\$ 26,339,799
2015	28,433,257
2016	29,502,235
2017	30,041,877
2018	29,020,365
2019	25,628,928
2020	23,668,671
2021	22,059,107
2022	23,783,239
2023	\$ 26,299,101

The City has also entered into a Supplemental Power Sales Agreement with PMPA under which the City has agreed, in exchange for its electric power and energy requirements (exclusive of any purchased from SEPA) in excess of those supplied under the Power Sales Agreement and from any future PMPA projects not financed with bonds issued under the current PMPA bond resolution, to pay for its share of supplemental power costs to the extent delivered and supplied. Payments are made by the City solely from the revenues of its electric system (including all properties and assets used or pertaining to the generation, transmission, transformation, distribution, and sale of electric power and energy) and are treated as an operating expense thereof.

**COMBINED UTILITY SYSTEM OF EASLEY
WATER SYSTEM
(UNAUDITED)**

Water Service Rates

Water service charges were last increased effective April 1, 2020. The rates for water based on volume will be \$2.5226 per 100 cubic feet for customers located inside the City and \$3.7817 per 100 cubic feet for customers located outside the City. Minimum monthly water service charges (effective April 1, 2022) based on meter size are set forth in the table below.

<u>Minimum Charges by Meter Size</u>	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 11.11	\$ 16.67
1"	27.78	41.66
1¼"	41.66	62.49
1½"	55.55	83.33
2"	88.88	133.32
3"	166.65	249.98
4"	277.75	416.63
6"	555.50	833.25
8"	\$ 888.80	\$ 1,333.20

The Utility's monthly charges based upon line size for fire sprinkler connections are set forth below. The customer is responsible for paying all costs for labor and materials for installing the lines.

<u>Line Size</u>	<u>Monthly Charge</u>
2"	\$ 16.36
4"	32.73
6"	49.07
8"	65.41
10"	81.77
12"	98.11
24"	114.47
28"	\$ 130.82

(Continued)

Water System, Continued

Water Service Tap Fees

Water service tap fees were last increased effective August 1, 2017 and are set forth in the following table. This service connection includes tapping main, running service line to curb, and installing meter and meter box. Total water tap fees for the fiscal year ended March 31, 2023, amounted to \$935,591.

<u>Size</u>	<u>Cost</u>
5/8"	\$2,315
1"	\$4,420
1½" and larger	Cost of installation + Capacity Fee

Number of Connections

The following table shows the number of water connections as of the last day of each of the last ten fiscal years and the average and maximum daily usage for such fiscal years. The average and maximum daily usage for the 12-month period ended March 31, 2023 were approximately 4.9 MGD and 8.4 MGD, respectively.

<u>Fiscal Year</u> <u>Ended March 31,</u>	<u>No. of Connections</u> <u>Inside City</u>	<u>No. of Connections</u> <u>Outside City</u>	<u>Total</u>	<u>Average</u> <u>MGD</u>	<u>Maximum</u> <u>MGD</u>
2014	9,410	4,213	13,623	6.9	10.2
2015	9,072	4,238	13,310	7.4	12.1
2016	9,151	4,252	13,403	7.5	12.0
2017	9,146	4,281	13,427	8.2	14.0
2018	9,235	4,303	13,538	7.4	13.1
2019	9,271	4,352	13,623	7.6	11.8
2020	9,439	4,385	13,824	8.3	13.3
2021	9,699	4,442	14,141	5.8	11.7
2022	10,067	4,483	14,550	4.9	8.1
2023	10,561	4,509	15,070	5.3	8.4

(Continued)

Water System, Continued

Water Sales

The table below classifies water consumption (in cubic feet) by inside City and outside City sales for the years shown:

<u>Fiscal Year Ended</u> <u>March 31,</u>	<u>Inside City</u>	<u>Outside City</u>	<u>Total</u>
2014	90,935,181	217,024,443	307,959,624
2015	97,053,863	236,777,944	333,831,807
2016	97,256,279	235,132,911	332,389,190
2017	106,908,379	253,175,563	360,083,942
2018	96,402,748	241,098,203	337,500,951
2019	94,604,193	236,517,586	331,121,779
2020	100,608,823	259,001,456	359,610,279
2021	93,310,646	161,556,014	254,866,660
2022	96,796,566	104,520,193	201,316,759
2023	103,194,719	118,611,316	221,806,035

Ten Major Customers

The ten largest customers of the water unit of the system for fiscal year ended March 31, 2023 are shown below:

<u>Customer Name</u>	<u>Cubic Feet</u>	<u>Revenue</u>	<u>Percent of Billed Revenue</u>	<u>Percent of Top 10 Revenue</u>
Southside Water District	43,155,801	\$ 562,220	7.0%	36.5%
Dacusville Cedar Rock	19,889,373	310,880	3.9%	20.2%
Easley Central Water District	15,955,669	252,159	3.1%	16.4%
Ortec Inc.	2,203,070	88,098	1.1%	5.7%
Prisma Health (Easley)	2,512,364	81,209	1.0%	5.3%
Pickens County Schools	1,393,806	69,125	0.9%	4.5%
City of Easley	545,802	50,701	0.6%	3.3%
Presbyterian Home	1,278,758	44,031	0.5%	2.9%
Ridge @ Perry Bend	1,281,104	41,702	0.5%	2.7%
Powers Properties	<u>1,469,760</u>	<u>40,409</u>	<u>0.5%</u>	<u>2.6%</u>
	89,685,507	\$ 1,540,534	19.2%	100%

(Continued)

TABLE 6, Continued

Water System, Continued

The ten largest customers of the water unit of the system for fiscal year ended March 31, 2014 are shown below:

<u>Customer Name</u>	<u>Cubic Feet</u>	<u>Revenue</u>	Percent of Billed <u>Revenue</u>	Percent of Top <u>10 Revenue</u>
Powdersville Water District	113,369,869	\$ 1,336,093	17.3%	50.2%
Dacusville Cedar Rock	24,682,912	413,608	5.4%	15.5%
Southside Water District	21,970,674	279,103	3.6%	10.5%
Easley Central Wtr District	14,508,372	184,348	2.4%	6.9%
Alice Mfg Ellison Plant	5,695,570	139,810	1.8%	5.3%
Ortec, Inc.	3,053,442	101,851	1.3%	3.8%
Pickens County Schools	1,769,506	68,240	0.9%	2.6%
Baptist Easley	2,054,796	57,962	0.8%	2.2%
Emeritus Assisted Living	1,654,921	44,929	0.6%	1.7%
Palmetto Finishing	<u>859,705</u>	<u>36,059</u>	<u>0.5%</u>	<u>1.4%</u>
	189,619,767	\$ 2,662,003	34.4%	100%

**COMBINED UTILITY SYSTEM OF EASLEY
SEWER SYSTEM
(UNAUDITED)**

Sewer Service Rates

Residential, commercial, and industrial sewer service volume charges for customers who are also water customers are set forth in the following table. Fixed fees of \$21.15, for inside of City limits, and \$27.71 for outside of City limits, respectively, per month are charged to those sewer customers in addition to the volume charge. No additional volume charge is imposed on sewer customers for usage over 1,600 cubic feet. Residential sewer customers who are not water customers are charged fixed fees of \$38.10 and \$51.15, respectively, per month for inside and outside the City limits, and are not charged on a volume basis.

<u>Monthly Charge Inside City Limits</u>	<u>Monthly Charge Outside City Limits</u>
\$2.923 per 100 cubic feet (up to 1,600 cubic feet)	\$4.0419 per 100 cubic feet (up to 1,600 cubic feet)

Sewer Service Tap Fees

Sewer service tap charges are set forth in the following table:

<u>Size</u>	<u>Cost</u>
<i>4" Tap</i>	<i>\$1,330 + capacity fee</i>
<i>Larger Taps</i>	<i>cost + capacity fee</i>

The capacity fee of \$2,500 for sewer is applicable per Residential Equivalent Unit (REU). An REU is equivalent to 300 gallons per day (GPD) of discharge. 300 GPD is the amount of discharge that one single-family home would release into the system per day. Total sewer-tap fees for the fiscal year ended March 31, 2023 amounted to \$3,120,329.

(Continued)

TABLE 7, Continued

Sewer System, Continued

Number of Connections

The following table provides the total number of sewer connections as of March 31 in each of the calendar years shown, and the total treatment volumes for the fiscal years then ended.

Fiscal Year Ended <u>March 31,</u>	Number of Connections <u>Inside City Limits</u>	Number of Connections <u>Outside City Limits</u>	Total Number of Connections	Total Treatment Volumes (MG)
2014	9,308	965	10,273	1,111.774
2015	9,311	1,052	10,363	974.671
2016	9,341	1,110	10,451	1,113.090
2017	9,350	1,125	10,475	938.078
2018	9,460	1,141	10,601	908.907
2019	9,510	1,169	10,679	1,070.831
2020	9,689	1,244	10,933	1,062.833
2021	9,985	1,253	11,238	1,157.763
2022	10,330	1,257	11,587	1,035.059
2023	10,795	1,284	12,079	1,081.760

The table below lists the average daily loading for each plant for the fiscal years given.

Fiscal Year Ended <u>March 31,</u>	Middle Branch (MGD)	Golden Creek (MGD)	Georges Creek (MGD)
2014	2.494	0.1553	0.3927
2015	2.227	0.1318	0.3119
2016	2.519	0.1458	0.3852
2017	2.076	0.1132	0.3807
2018	1.992	0.1386	0.3597
2019	2.369	0.1446	0.4207
2020	2.373	0.1143	0.4243
2021	2.667	0.0961	0.4085
2022	2.346	0.0963	0.3932
2023	2.442	0.0925	0.4293

(Continued)

TABLE 7, Continued

Sewer System, Continued

Ten Major Users

Largest users of the sewer unit of the system for the fiscal year ended March 31, 2023 are shown below:

<u>Customer Name</u>	<u>Cubic Feet</u>	<u>Revenue</u>	<u>Percent of Billed Revenue</u>	<u>Percent of Top 10 Revenue</u>
Prisma Health (Easley)	2,512,363	\$ 50,719	0.8%	14.5%
Powers Properties	1,469,760	42,209	0.7%	12.1%
Pickens County Schools	982,134	40,425	0.7%	11.6%
Presbyterian Home	1,175,734	38,182	0.6%	10.9%
Serenity at Easley	1,020,190	34,173	0.6%	9.8%
Ridge at Perry Bend Apts	939,856	30,670	0.5%	8.8%
Easley Housing Authority	752,538	29,425	0.5%	8.4%
DR Horton	817,965	29,321	0.5%	8.4%
Creekside Apts	913,337	27,804	0.4%	8.0%
Papa Bear Carwash	<u>753,572</u>	<u>26,114</u>	<u>0.4%</u>	<u>7.5%</u>
	11,337,449	\$ 349,042	5.6%	100%

Largest users of the sewer unit of the system for the fiscal year ended March 31, 2014 are shown below:

<u>Customer Name</u>	<u>Cubic Feet</u>	<u>Revenue</u>	<u>Percent of Billed Revenue</u>	<u>Percent of Top 10 Revenue</u>
Emeritus Assisted Living	1,654,897	\$ 44,473	1.0%	16.9%
Baptist Easley	2,067,630	33,546	0.8%	12.8%
Pickens County Schools	1,136,013	29,557	0.7%	11.2%
Easley Housing Authority	927,519	28,399	0.7%	10.8%
Powers Properties	959,869	23,593	0.5%	9.0%
Creekside Apartments	812,598	22,602	0.5%	8.6%
Palmetto Plating	877,476	21,450	0.5%	8.1%
Auston Woods	789,591	20,795	0.5%	7.9%
Presbyterian Home	668,247	19,498	0.4%	7.4%
GMBI Inc.	<u>800,470</u>	<u>19,255</u>	<u>0.4%</u>	<u>7.3%</u>
	10,692,310	\$ 263,168	6.0%	100%

COMBINED UTILITY SYSTEM OF EASLEY
RATIOS OF BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal year	Revenue bonds	Notes and leases payable	Personal income	Population	As a share	
					of personal income	Per capita
2014	\$ 51,081,407	\$ 2,101,261	\$ 4,930,535	119,167	1.08%	\$ 446.29
2015	49,341,420	2,002,115	5,310,805	120,451	0.97%	426.26
2016	47,487,520	1,900,719	5,607,388	121,493	0.88%	406.51
2017	45,396,403	1,797,023	5,913,765	122,863	0.80%	384.11
2018	53,155,838	1,957,395	6,025,034	123,479	0.91%	446.34
2019	51,473,046	2,194,442	6,586,008	124,384	0.81%	431.47
2020	49,618,453	2,982,592	7,172,918	131,401	0.73%	400.31
2021	47,209,409	2,897,145	7,195,241	132,229	0.70%	378.94
2022	44,760,365	2,810,064	7,813,608	134,815	0.61%	352.86
2023	\$ 42,271,321	\$ 3,273,416	\$ 8,528,904	137,674	0.53%	\$ 330.82

Notes:

- (1) Personal income and population figures are based on residents of Pickens County.
- (2) Personal income and population figures for 2022 and 2023 were estimated based on the average annual change of the previous 5 years.
- (3) Personal income figures are listed in thousands

Source: Personal income and population figures- US Bureau of Labor Statistics and US Census Bureau

TABLE 9

COMBINED UTILITY SYSTEM OF EASLEY
HISTORICAL STATEMENTS OF REVENUES, EXPENSES, DEBT SERVICE AND DEBT SERVICE COVERAGE
(UNAUDITED)
LAST TEN FISCAL YEARS

	Year Ended March 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Revenues										
Electric unit	\$ 33,695,439	\$ 35,485,942	\$ 36,244,580	\$ 37,112,126	\$ 36,731,789	\$ 37,428,959	\$ 36,984,818	\$ 35,342,652	\$ 35,945,804	\$ 36,541,920
Water unit	7,730,043	8,207,077	8,485,420	9,081,772	8,726,836	8,800,161	9,458,365	8,263,179	7,656,096	8,029,653
Wastewater unit	4,404,106	4,625,864	4,816,060	5,032,820	5,169,143	5,285,598	5,454,701	5,536,118	5,764,569	6,193,857
Tap fees/developer fees	644,416	434,317	279,973	332,351	1,080,225	979,938	1,212,668	1,472,344	3,109,142	4,837,068
Other income	348,076	328,461	424,166	435,165	350,972	383,836	388,183	306,888	350,921	354,657
Gross revenues	46,822,080	49,081,661	50,250,199	51,994,234	52,058,965	52,878,492	53,498,735	50,921,181	52,826,532	55,957,155
Expenses										
Electric operations	29,032,802	31,541,559	32,629,777	33,167,861	31,967,480	29,233,986	26,998,738	26,090,684	27,814,609	31,016,826
Water operations	2,553,780	2,667,779	2,776,867	2,775,287	2,651,587	3,066,767	3,137,885	2,830,423	3,100,123	3,571,495
Wastewater operations	2,182,444	2,306,245	2,338,487	2,290,243	2,330,768	2,500,419	2,438,520	2,563,575	2,607,538	3,224,229
Customer service and administration	4,816,460	4,664,258	4,769,644	5,899,677	6,125,140	6,189,647	6,509,033	6,404,812	5,848,659	5,615,516
Total expense	38,585,486	41,179,841	42,514,775	44,133,068	43,074,975	40,990,819	39,084,176	37,889,494	39,370,929	43,428,066
Net revenues available for debt service	\$ 8,236,594	\$ 7,901,820	\$ 7,735,424	\$ 7,861,166	\$ 8,983,990	\$ 11,887,673	\$ 14,414,559	\$ 13,031,687	\$ 13,455,603	\$ 12,529,089
Debt service	\$ 4,167,360	\$ 4,158,611	\$ 4,010,016	\$ 4,007,929	\$ 4,476,022	\$ 4,204,717	\$ 3,985,698	\$ 3,984,157	\$ 3,981,816	\$ 3,919,756
Debt service coverage	1.98	1.90	1.93	1.96	2.01	2.83	3.62	3.27	3.38	3.20

PICKENS COUNTY DEMOGRAPHIC DATA (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal year</u>	<u>Estimated population(1)</u>	<u>Personal income(1)</u>	<u>Unemployment rate(2)</u>
2014	119,167	\$ 41,375	5.8%
2015	120,451	44,091	5.8%
2016	121,493	46,154	5.3%
2017	122,863	48,133	4.0%
2018	123,479	48,794	3.3%
2019	124,384	52,949	3.2%
2020	131,401	54,588	3.3%
2021	132,229	54,415	3.8%
2022	134,815	57,958	2.9%
2023	137,674	\$ 61,950	3.2%

Sources

(1) US Census Bureau (Personal income and population figures for 2023 and 2023 were estimated based on the average annual change of the previous 5 years)

(2) US Bureau of Labor Statistics (Pickens County)

TABLE 11

**COMBINED UTILITY SYSTEM OF EASLEY
PRINCIPAL EMPLOYERS OF PICKENS COUNTY (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO**

Employer	Employees	Percentage of total County employment	Employer	Employees	Percentage of total County employment
Clemson University	5,400	9.53%	State of South Carolina	4,807	8.41%
School District of Pickens County	2,227	3.93%	Clemson University	3,400	5.95%
Pickens County	730	1.29%	School District of Pickens County	1,893	3.31%
Reliable Automatic Sprinkler Co.	720	1.27%	Contract Environmental Services (CES)	1,200	2.10%
Prisma Health- Baptist Easley Hospital	704	1.24%	ARAMARK Services	800	1.40%
Yokohama America	470	0.83%	Palmetto Baptist Easley	656	1.15%
Abbott	330	0.58%	YH America, South Carolina	619	1.08%
Danfoss	260	0.46%	Picken County	592	1.04%
TaylorMade	245	0.43%	Wal-Mart	544	0.95%
AnMed Health Cannon	232	0.41%	Miliken & Co- Pendleton Finishing Plant	400	0.70%
Total	11,318	19.97%	Total	14,911	26.09%

Source: Appalachian Council of Governments

**COMBINED UTILITY SYSTEM OF EASLEY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY (UNAUDITED)
LAST TEN FISCAL YEARS**

	Full-time Equivalent Employees as of March 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Electric:</u>										
Electric lines and distribution	17	18	16	18	16	15	15	17	16	16
<u>Water:</u>										
Water lines and distribution	12	13	13	14	16	14	14	15	14	15
Water plant	6	6	6	6	6	6	6	6	7	7
<u>Wastewater:</u>										
Wastewater lines and distribution	5	5	5	5	5	4	5	6	4	4
Wastewater plant	9	10	9	9	8	8	8	9	8	8
<u>Administration:</u>										
General manager's office	2	2	2	2	2	2	2	2	2	2
Operations supervisor	1	2	2	2	2	1	1	1	1	1
Billing/Customer service	10	10	11	10	10	10	9	8	9	9
Electrical engineer	1	1	1	1	1	1	2	1	1	2
Information technology	2	3	2	2	2	2	2	2	2	2
Finance	3	3	2	2	2	2	2	2	2	2
Meter reading	2	2	2	2	2	2	2	1	2	2
Mapping service	2	2	2	2	2	2	2	2	2	2
Warehouse/Purchasing/Shop	4	4	5	5	5	4	5	5	5	5
Total employees	76	81	78	80	79	73	75	77	75	77

Note: All managers or directors are included with their divisions. A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Source: Easley Combined Utilities Payroll Department

TABLE 13

COMBINED UTILITY SYSTEM OF EASLEY
OPERATING AND CAPITAL INDICATORS (UNAUDITED)
LAST TEN FISCAL YEARS

	Year Ended March 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Electric system:										
Size of service area (sq. miles)	51	51	51	51	51	51	51	51	51	51
Number of substations	5	5	5	6	6	6	6	6	6	6
Number of circuits	21	21	21	25	25	25	25	25	25	25
Miles of underground service	149	145	145	148	149	151	155	158	164	169
Miles of overhead service	248	249	246	245	240	237	234	235	235	235
Miles of fiber optic line	29	29	29	29	37	37	37	37	37	38
Water system:										
Size of water shed (sq. miles)	293	293	293	293	293	293	293	293	293	293
Water storage capacity (MG)	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6
Miles of water mains	370	370	370	370	370	370	370	370	373	374
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)	18	18	18	18	18	18	18	18	18	18
Amount treated annually (MG)	2,614.5	2,802.1	2,812.5	3,014.9	2,692.0	2,782.2	3,031.7	2,110.1	1,797.9	1,952.3
Water purchased (MG)	-	-	-	-	-	-	-	-	-	2.9
Unused capacity (MG)	3,955.5	3,767.9	3,757.5	3,555.1	3,878.0	3,787.8	3,538.3	4,459.9	4,772.1	4,617.7
Percentage of capacity utilized	39.8%	42.6%	42.8%	45.9%	41.0%	42.3%	46.1%	32.1%	27.4%	29.7%
Wastewater system:										
Miles of sewer mains	212	212	212	212	212	212	212	212	212	212
Number of pump stations	21	21	21	21	21	21	21	21	21	21
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Treatment capacity (MGD)	4.9	4.9	4.9	4.9	4.9	4.9	5.4	5.4	5.4	5.4
Amount treated annually (MG)	1,111.8	974.7	1,113.1	938.1	908.9	1,070.8	1,062.8	1,157.8	1,035.1	1,081.8
Unused capacity (MG)	676.7	813.8	675.4	850.4	879.6	717.7	908.2	813.2	935.9	889.2
Percentage of capacity utilized	62.2%	54.5%	62.2%	52.5%	50.8%	59.9%	53.9%	58.7%	52.5%	54.9%

Source: Various Easley Combined Utilities Departments



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 *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR’S REPORT

To the Commissioners
 Combined Utility System of Easley
 Easley, 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 business-type activities of the Combined Utility System of Easley, Easley, South Carolina (the “Utility”), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Utility’s basic financial statements, and have issued our report thereon dated August 9, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility’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.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 9, 2023

