

TOWN OF WEST PELZER, SOUTH CAROLINA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2025

TOWN OF WEST PELZER, SOUTH CAROLINA

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Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of West Pelzer, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Pelzer, South Carolina (the "Town"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an

audit conducted in accordance with GAAS 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, 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 Town'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 Town'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, budgetary comparison, and pension plan schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the Town'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 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 Town's internal control over financial reporting and compliance.



Payne, White & Schmutz, CPA, PA

Seneca, South Carolina

January 15, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF WEST PELZER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

The management of the Town of West Pelzer ("Town") offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025 ("FY 2025" or "2025") compared to the fiscal year ended June 30, 2024 ("FY 2024" or "2024"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the Town's overall financial performance.

Financial Highlights

- In the Statement of Net Position, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,047,065. Unrestricted net position has a balance of \$640,622 at June 30, 2025.
- The Town's total net position decreased by \$24,143 compared to the prior year net position, as revenues of \$786,542 were exceeded by expenses of \$810,685.
- As of the close of the current year, the Town's governmental funds reported combined ending fund balances of approximately \$1,102,021, a decrease of approximately \$82,500.
- At the end of the current year, unassigned fund balance for the General Fund was \$995,897, ~124% of total General Fund expenditures for 2025.
- The Town's capital assets increased by \$9,365 (1%). The increase in capital assets was primarily due to the asset additions.
- The Town's total debt decreased by \$14,813 during 2025 due to principal payments.
- The Town's net pension liability decreased by \$92,188 to \$352,353 at June 30, 2025.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes the MD&A, the financial statements, the required supplementary information, and the supplementary information) and the *Compliance Section* (if applicable).

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide and fund financial statements. In addition to the financial statements, this report contains required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Government-Wide Financial Statements. The financial statements include two statements that present different views of the Town. These are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Net Position* presents information on all of the Town's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include administrative and general, police, judicial services, and recreation and tourism. The business-type activities are the Town's water and sewer operations. The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – The Town uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund. The Hospitality Tax Fund is a major fund. The governmental funds financial statements can be found as listed in the table of contents.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Required Supplementary Information – A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with their budgets. Required pension plan schedules have been included which provide relevant information regarding the Town's participation in the State retirement plans. Required supplementary information can be found as listed in the table of contents.

TOWN OF WEST PELZER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Supplementary Information – In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information which is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Figure A-1 Major Features of the Town's Government-Wide and Fund Financial Statements		
	<u>Government-Wide Financial Statements</u>	<u>Fund Financial Statements</u>
	<u>Government-Wide Financial Statements</u>	<u>Governmental Funds</u>
Scope	Entire Town government.	The activities of the Town that are not proprietary.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	Balance Sheet. Statement of Revenues, Expenditures, and Changes in Fund Balances.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term obligations included.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

TOWN OF WEST PELZER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for June 30, 2025 and 2024:

	Governmental Activities		Total	
	2025	2024	2025	2024
Current and Other Assets	\$ 1,149,648	\$ 1,223,503	\$ 1,149,648	\$ 1,223,503
Capital Assets	400,470	391,105	400,470	391,105
Total Assets	<u>1,550,118</u>	<u>1,614,608</u>	<u>1,550,118</u>	<u>1,614,608</u>
Deferred Outflows of Resources	97,086	102,005	97,086	102,005
Current Liabilities	35,835	25,065	35,835	25,065
Long-Term Liabilities	88,520	100,840	88,520	100,840
Net Pension Liability	352,353	444,541	352,353	444,541
Total Liabilities	<u>476,708</u>	<u>570,446</u>	<u>476,708</u>	<u>570,446</u>
Deferred Inflows of Resources	123,431	74,959	123,431	74,959
Net Investment in Capital Assets	300,319	276,141	300,319	276,141
Restricted	106,124	101,757	106,124	101,757
Unrestricted	640,622	693,310	640,622	693,310
Total Net Position	<u>\$ 1,047,065</u>	<u>\$ 1,071,208</u>	<u>\$ 1,047,065</u>	<u>\$ 1,071,208</u>

The Town's total assets decreased \$64,490 from the prior year. Current and other assets decreased \$73,855 primarily due to the sale of the Town's water system. Capital assets increased \$9,365 from the prior year due to the capital asset additions. Total liabilities decreased \$93,738 from the prior year primarily due to a decrease in bond debt and net pension liability. The changes in deferred outflows and inflows of resources was primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the Town's share of the net pension liability in the State retirement plans.

The Town's net position decreased by \$24,143 during the current fiscal year primarily due to general expenses and the loss on sale of assets exceeding revenues in 2025. Please see the discussion following the next table regarding this increase.

The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,047,065 as of June 30, 2025. Approximately \$300,319 of total net position reflects the Town's net investment in capital assets (i.e., land, buildings, water and sewer utility system, equipment, vehicles, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately \$106,124 of net position represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related expenditures (hospitality taxes) and debt service.

The remaining portion of the Town's net position is an unrestricted balance of \$640,622.

TOWN OF WEST PELZER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for June 30, 2025 and 2024:

	Governmental Activities		Total	
	2025	2024	2025	2024
Revenues:				
Program Revenues:				
Charges for Services	\$ 72,915	\$ 55,910	\$ 72,915	\$ 55,910
Capital Grants and Contributions	20,000	-	20,000	-
General Revenues:				
Taxes	336,068	249,427	336,068	249,427
Other	357,559	375,626	357,559	375,626
Total Revenues	786,542	680,963	786,542	680,963
Expenses:				
Administrative and General	380,280	206,914	380,280	206,914
Judicial Services	45,208	48,605	45,208	48,605
Public Safety	262,993	220,597	262,993	220,597
Public Works	50,842	22,846	50,842	22,846
Recreation and Tourism	68,612	24,157	68,612	24,157
Interest on Long-Term Debt	2,750	3,119	2,750	3,119
Utility	-	-	-	-
Total Expenses	810,685	526,238	810,685	526,238
Change in Net Position Before Transfers	(24,143)	154,725	(24,143)	154,725
Transfers	-	512,085	-	512,085
Change in Net Position	(24,143)	666,810	(24,143)	666,810
Net Position - Beginning of Year	1,071,208	404,398	1,071,208	404,398
Net Position - End of Year	\$ 1,047,065	\$ 1,071,208	\$ 1,047,065	\$ 1,071,208

Governmental Activities: Governmental activities had a decrease in net position of \$24,143. Governmental activities revenues increased by \$105,579 (15%) from the prior year.

Expenses related to total governmental activities increased by \$284,447, or 54%, from the prior year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the Town's governmental funds reported ending fund balance of approximately \$1,102,021, a decrease of \$82,496, or 7% higher than the prior year fund balance.

TOWN OF WEST PELZER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Approximately \$995,897 of the total fund balance of the governmental funds constitutes unassigned fund balance, which, if positive, is available for spending at the Town's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending: (1) Prepaid Items (\$6,849) (2) Tourism and Other (\$93,678), and (3) Debt Service (\$5,597). Total unassigned fund balance of the governmental funds represents approximately 115% of total governmental funds expenditures. Highlights for the General Fund were as follows:

- Total General Fund revenues increased by ~\$81,000 from the prior year, primarily due to grant income.
- Total General Fund expenditures decreased by approximately \$354,000 from the prior year, due to lower principal payments.

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets as of June 30, 2025 amounted to \$400,470. The Town's capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, infrastructure, and the water and sewer utility system. The Town's capital assets (net of depreciation) as of June 30, 2025 and 2024 were as follows:

	Governmental Activities		Total	
	2025	2024	2025	2024
Land	\$ 32,089	\$ 32,089	\$ 32,089	\$ 32,089
Buildings and Improvements	338,668	330,691	338,668	330,691
Vehicles and Equipment	29,713	28,325	29,713	28,325
Total	\$ 400,470	\$ 391,105	\$ 400,470	\$ 391,105

The total increase in the Town's capital assets for 2025 was approximately \$9,365. Major capital asset events during 2025 included the following:

- Recreation equipment
- Trailer

Additional information on the Town's capital assets can be found in Note 3 in the notes to the financial statements.

**TOWN OF WEST PELZER, SOUTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

Debt

As of June 30, 2025, the Town had total outstanding debt of \$100,151. The Town’s total debt as of June 30, 2025 and 2024 were as follows:

	Governmental Activities		Total	
	2025	2024	2025	2024
Revenue Bonds	\$ 100,151	\$ 114,964	\$ 100,151	\$ 114,964
Total	\$ 100,151	\$ 114,964	\$ 100,151	\$ 114,964

The total decrease in the Town’s debt for 2025 was \$14,813. Major events during 2025 included the following:

Governmental Activities:

- Principal payments of approximately \$15,000

Additional information regarding the Town’s long-term obligations can be found in Note 4 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The Town’s elected officials and staff considered many factors when setting the fiscal year 2025 budget. The state of the economy, anticipated construction activity, future capital needs, and the best interests of the Town’s residents were all taken into account.

CONTACTING THE TOWN’S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town’s citizens, taxpayers, customers, investors and creditors with a general overview of the Town’s finances, and to demonstrate the Town’s accountability for the public assets under its management. Please contact the Town of West Pelzer Administration Department, 30 Main Street, West Pelzer, SC 29669 with any questions or to request additional information.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF WEST PELZER, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2025

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	\$ 317,871
Restricted Cash and Cash Equivalents	784,250
Accounts Receivable	35,281
Taxes Receivable	5,397
Prepaid Items	6,849
CAPITAL ASSETS:	
Non-Depreciable	32,089
Depreciable	872,599
Less Accumulated Depreciation	(504,218)
TOTAL ASSETS	1,550,118
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	97,086
TOTAL DEFERRED OUTFLOWS OF RESOURCES	97,086
LIABILITIES	
Accounts Payable	19,950
NON-CURRENT LIABILITIES	
DUE WITHIN ONE YEAR:	
Compensated Absences	689
Bond Payable	15,196
DUE IN MORE THAN ONE YEAR:	
Compensated Absences	3,565
Bond Payable	84,955
Net Pension Liability	352,353
TOTAL LIABILITIES	476,708
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue - Business Licenses	27,677
Deferred Pension Credits	95,754
TOTAL DEFERRED INFLOWS OF RESOURCES	123,431
NET POSITION	
Net Investment in Capital Assets	300,319
Restricted For:	
Debt Refinance	5,597
Prepaid Items	6,849
Recreation and Tourism	93,678
Unrestricted	640,622
TOTAL NET POSITION	\$ 1,047,065

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

TOWN OF WEST PELZER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES							
General Administration	\$ 380,280	\$ -	\$ -	\$ -	\$ (380,280)	\$ -	\$ (380,280)
Judicial Services	45,208	-	-	-	(45,208)	-	(45,208)
Public Safety	262,993	21,732	-	-	(241,261)	-	(241,261)
Public Works	50,842	51,183	-	-	341	-	341
Recreation	68,612	-	-	20,000	(48,612)	-	(48,612)
Interest on Long-Term Debt	2,750	-	-	-	(2,750)	-	(2,750)
TOTAL GOVERNMENTAL ACTIVITIES	<u>810,685</u>	<u>72,915</u>	<u>-</u>	<u>20,000</u>	<u>(717,770)</u>	<u>-</u>	<u>(717,770)</u>
BUSINESS-TYPE ACTIVITIES							
Utility Activity	-	-	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 810,685</u>	<u>\$ 72,915</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>(717,770)</u>	<u>-</u>	<u>(717,770)</u>
GENERAL REVENUES:							
Property Taxes, Levied for General Purposes					336,068	-	336,068
Hospitality Tax					58,198	-	58,198
Franchise Fees					71,798	-	71,798
Business Licenses and Permits					148,107	-	148,107
Intergovernmental Revenues					44,132	-	44,132
Interest					10,551	-	10,551
Miscellaneous					24,773	-	24,773
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					<u>693,627</u>	<u>-</u>	<u>693,627</u>
CHANGE IN NET POSITION					(24,143)	-	(24,143)
NET POSITION, BEGINNING OF YEAR					<u>1,071,208</u>	<u>-</u>	<u>1,071,208</u>
NET POSITION - ENDING					<u>\$ 1,047,065</u>	<u>\$ -</u>	<u>\$ 1,047,065</u>

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

See independent auditor's report.

FUND FINANCIAL STATEMENTS

TOWN OF WEST PELZER, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

	GENERAL FUND	HOSPITALITY TAX FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 317,871	\$ -	\$ 317,871
Restricted Cash and Cash Equivalents	693,778	90,472	784,250
Accounts Receivable	32,075	3,206	35,281
Property Taxes Receivable	5,397	-	5,397
Prepaid Items	6,849	-	6,849
TOTAL ASSETS	\$ 1,055,970	\$ 93,678	\$ 1,149,648
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts Payable	\$ 19,950	\$ -	\$ 19,950
TOTAL LIABILITIES	19,950	-	19,950
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Business Licenses	27,677	-	27,677
TOTAL DEFERRED INFLOWS OF RESOURCES	27,677	-	27,677
FUND BALANCES:			
Nonspendable:			
Prepaid Items	6,849	-	6,849
Restricted for:			
Debt Refinance	5,597	-	5,597
Recreation and Tourism	-	93,678	93,678
Unassigned:	995,897	-	995,897
TOTAL FUND BALANCE	1,008,343	93,678	1,102,021
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,055,970	\$ 93,678	\$ 1,149,648

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

TOWN OF WEST PELZER, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2025

Fund balances - total governmental funds \$ 1,102,021

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$904,688 and the accumulated depreciation was \$504,218. 400,470

The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (351,021)

Long-term liabilities, debt and lease purchase obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds.
Long-term liabilities consisted of the following:

Bonds payable	(100,151)	
Compensated absences	<u>(4,254)</u>	<u>(104,405)</u>

Net position of governmental activities \$ 1,047,065

TOWN OF WEST PELZER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	<u>GENERAL FUND</u>	<u>HOSPITALITY TAX FUND</u>	<u>TOTAL</u>
REVENUES			
Property Taxes	\$ 333,880	\$ -	\$ 333,880
Licenses, Permits and Fees	148,107	58,198	206,305
Franchise Fees	71,798	-	71,798
Intergovernmental Revenues	46,320	20,000	66,320
Fines and Forfeitures	21,732	-	21,732
Interest	10,551	-	10,551
Miscellaneous and Other	51,353	-	51,353
TOTAL REVENUES	<u>683,741</u>	<u>78,198</u>	<u>761,939</u>
EXPENDITURES			
CURRENT OPERATING:			
General Administration	359,514	-	359,514
Judicial Services	45,208	-	45,208
Public Safety	290,595	-	290,595
Public Works	50,842	-	50,842
Recreation and Tourism	-	68,612	68,612
Capital Expenditures	36,704	-	36,704
DEBT SERVICE:			
Principal	14,813	-	14,813
Interest	2,750	-	2,750
TOTAL EXPENDITURES	<u>800,426</u>	<u>68,612</u>	<u>869,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(116,685)</u>	<u>9,586</u>	<u>(107,099)</u>
OTHER FINANCING SOURCES AND (USES)			
Water Account Refunds	(30,028)	-	(30,028)
Insurance Proceeds	54,631	-	54,631
Interfund Transfers In (Out)	5,814	(5,814)	-
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>30,417</u>	<u>(5,814)</u>	<u>24,603</u>
NET CHANGE IN FUND BALANCES	<u>(86,268)</u>	<u>3,772</u>	<u>(82,496)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,094,611</u>	<u>89,906</u>	<u>1,184,517</u>
FUND BALANCES - ENDING	<u>\$ 1,008,343</u>	<u>\$ 93,678</u>	<u>\$ 1,102,021</u>

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

See independent auditor's report.

TOWN OF WEST PELZER, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds	\$ (82,496)
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Repayment of bond principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	14,813
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$27,339 was exceeded by capital asset additions of \$36,704 in the current period.	9,365
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(2,876)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>37,051</u>
Change in net position of governmental activities	<u><u>\$ (24,143)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

The Town of West Pelzer, South Carolina (“the Town”) was incorporated in 1913. It is governed by a mayor and four council members who serve staggered four-year terms. By South Carolina law, the Town operates under the Mayor/Council form of government.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Reporting Entity

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

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

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity’s resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or provide financial support to the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town’s financial statements to be misleading. Blended component units, although legally separate entities, are in substance, part of the government’s operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town.

Major Operations

The Town’s major governmental operations include: administrative and general, police, judicial services, and recreation (hospitality). In addition, the Town provides water and sewer operations through its utility fund.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, hospitality taxes, accommodation taxes, fire protection fees and charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, external service reimbursements and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources. Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. If applicable, non-major funds are aggregated and presented in a single column. When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town's only governmental funds and its major funds are as follows:

The **General Fund, a major fund and a budgeted fund**, is the general operating fund of the Town and accounts for all governmental revenues and expenditures of the Town. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Hospitality Tax Fund, a major fund**, accounts for all hospitality tax revenues and expenditures of the Town.

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

A proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for the enterprise fund includes the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting these general definitions are reported as non-operating revenues and expenses. The Town's only proprietary fund is as follows:

Enterprise Fund is 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, public policy, management control, accountability, or other purposes. The Town has the following enterprise fund:

The **Utility Fund, a major fund and a budgeted fund**, is used to account for the Town's water and sewer operations.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Cash, Cash Equivalents, and Investments

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

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash and investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Receivables and Payables

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, water, sewer, and other fees and charges.

E. Inventories and Prepaid Items

Inventories of materials and supplies are stated at average cost, which approximates market. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

F. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The Town’s capitalization levels are \$5,000 on tangible personal property and \$25,000 on infrastructure assets. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Buildings and Improvements	30-40
Equipment and Vehicles	5-10
Water Lines and Facilities	7-30

G. Compensated Absences

The Town accrues accumulated unpaid vacation when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the proprietary fund is also recorded in the proprietary fund financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Accrued Liabilities and Long-Term Obligations (continued)

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

I. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

J. Fund Balance

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54"), the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and for which such assignments are made before the report issuance date. Town Council formally granted the Town Administrator the right to make assignments of fund balance for the Town.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Fund Balance (continued)

The Town generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

K. Net Position

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one type of deferred outflow of resources, Deferred Pension Charges. This item is deferred and recognized as an outflow of resources (expense). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of deferred inflow of resources, Deferred Revenue from Business Licenses and Deferred Pension Credits. These items are deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

M. Property Tax

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes, less an allowance for amounts estimated to be uncollectible (if material). All property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Anderson County (“County”). The County generally levies its real property taxes in October based upon assessed valuations on January 1st of each year. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Property Tax (continued)

January	3%
February 2nd	an additional 7%
March 17th	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October.

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

O. Accounting Estimates

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

P. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for its participation in the Plans, which represents the Town's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the Town's preceding fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability 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 pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Q. Fair Value

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

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

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

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

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

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

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

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

R. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

S. New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which supersedes GASB Statement No. 16. This new standard establishes a unified model for the recognition, measurement, and disclosure of compensated absences. A significant change in the standard is a shift from a "probable" to a "more likely than not" threshold for recognizing and measuring the liability.

The Town adopted GASB Statement No. 101 effective for its fiscal year beginning July 1, 2024. The impact of the adoption was not considered material to the financial statements.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

S. New Accounting Pronouncements (continued)

GASB Statement No. 102, Certain Risk Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 102, Certain Risk Disclosures, to amend National Council on Governmental Accounting (NCGA) Interpretation 6, Notes to the Financial Statement Disclosure, specifically paragraph 5. This standard establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations and constraints, providing essential information for users of government financial statements to analyze data for decision-making or assessing accountability.

The Town has evaluated its financial position and operations and determined that no concentrations or constraints meet the criteria for disclosure under this standard. Therefore, no additional disclosure is required.

NOTE 2 – DEPOSITS:

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

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

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

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

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

Certain deposits and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2025 were (a) those imposed by the revenue source (i.e. hospitality fees, grants, etc.).

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 32,089	\$ -	\$ -	\$ 32,089
Total Capital Assets not being Depreciated	<u>32,089</u>	<u>-</u>	<u>-</u>	<u>32,089</u>
Capital Assets being Depreciated:				
Buildings and Improvements	554,484	29,088	-	583,572
Furniture and Equipment	78,674	7,616	-	86,290
Vehicles	202,737	-	-	202,737
Total Capital Assets being Depreciated	<u>835,895</u>	<u>36,704</u>	<u>-</u>	<u>872,599</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(223,793)	(21,111)	-	(244,904)
Furniture and Equipment	(60,654)	(1,648)	-	(62,302)
Vehicles	(192,432)	(4,580)	-	(197,012)
Total Accumulated Depreciation	<u>(476,879)</u>	<u>(27,339)</u>	<u>-</u>	<u>(504,218)</u>
Total Capital Assets being Depreciated, Net	<u>359,016</u>	<u>9,365</u>	<u>-</u>	<u>368,381</u>
Governmental Activities Capital Assets, Net	<u>\$ 391,105</u>	<u>\$ 9,365</u>	<u>\$ -</u>	<u>\$ 400,470</u>

Depreciation expense was charged to governmental functions as follows:

Function/Program	Depreciation Expense
General Administration	\$ 21,383
Public Safety	5,956
Total Depreciation Expense	<u>\$ 27,339</u>

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 4 – LONG-TERM OBLIGATIONS:

The Town may issue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. All other long-term indebtedness of the primary government is accounted for in the governmental column of the government-wide Statement of Net Position.

General Obligation Bonds - The Town issues general obligation bonds to provide for the acquisition and construction of major capital facilities. These are collateralized by the full faith, credit and taxing power of the Town. General obligation bonds outstanding as of June 30, 2025 are as follows:

General Obligation Bonds

\$156,000 General Obligation Bonds issued in June 2021, due in monthly principal installments of \$1,000 to \$1,500 beginning in August 2021 through August 2031, plus interest of 2.54% due monthly. The proceeds from this issue will be used to pay off bonds and capital leases.

\$ 100,151

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED):

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 15,196	\$ 2,367	\$ 17,563
2027	15,585	1,978	17,563
2028	15,987	1,576	17,563
2029	16,397	1,166	17,563
2030	16,818	745	17,563
2031-2035	20,168	296	20,464
Total	<u>\$ 100,151</u>	<u>\$ 8,128</u>	<u>\$ 108,279</u>

Interest expense on the General Obligation bonds totaled approximately \$3,500 for the year ended June 30, 2025.

Presented below is a summary of changes in long-term obligations for the Town’s governmental-type activities for the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
RBond - Series 2012 - 1/12	\$ 114,964	\$ -	\$ (14,813)	\$ 100,151	\$ 15,196
Other Liabilities:					
Compensated Absences	1,378	2,876	-	4,254	689
Net Pension Liability	444,541	-	(92,188)	352,353	-
Governmental Activities Long-term Liabilities	<u>\$ 560,883</u>	<u>\$ 2,876</u>	<u>\$ (107,001)</u>	<u>\$ 456,758</u>	<u>\$ 15,885</u>

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 5 – RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits in any of the past three fiscal years.

NOTE 6 – PENSION PLAN:

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

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

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The ACFR is publicly available through PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is 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 for the state.

Plan Description

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

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

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

Membership

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

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

Plan Benefits

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

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

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

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

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, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

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

- Required employee contribution rates (1) for the following fiscal years are as follows:

	Fiscal Year 2025	Fiscal Year 2024
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

- Required employer contributions rates (1) for the following fiscal years are as follows:

	Fiscal Year 2024	Fiscal Year 2025
SCRS		
Employer Class Two	18.56%	18.56%
Employer Class Three	18.56%	18.56%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	21.24%	21.24%
Employer Class Three	21.24%	21.24%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The GASB Statement No. 67 valuation report prepared as of June 30, 2024 is based on the experience study report for the period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023 and will be used for future valuations.

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

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2024.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	3.0% to 11.0%	3.5% to 10.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

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

Assumptions used in the determination of the June 30, 2024, TPL are as follows:

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

Net Pension Liability of the Plan

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, 2024, measurement date, for SCRS and PORS are as follows:

Plan	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 61,369,806,968	\$ 37,919,492,371	\$ 23,450,314,597	61.8%
PORS	\$10,177,904,231	\$7,178,118,865	\$2,999,785,366	70.5%

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

Long-term expected rate of return

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

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

<u>Allocation / Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity ¹	9.0%	9.60%	0.86%
Private Debt ¹	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real Estate ¹	9.0%	4.30%	0.39%
Infrastructure ¹	3.0%	7.30%	0.22%
Total Expected Return ²	100.0%		5.49%
Inflation for Actuarial Purposes			2.25%
Expected Rate of Return			<u>7.74%</u>

Discount Rate

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

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
SCRS	\$264,267	\$203,928	\$148,360
PORS	\$215,040	\$148,425	\$92,864

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

At June 30, 2025, the Town reported a liability of \$352,353 for the governmental activities on the government wide financial statements for its proportionate share of the net pension liability. The NPL was measured as of June 30, 2024, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The Town’s proportion of the NPL was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Town’s proportion for SCRS was 0.000870%. The Town’s proportion for PORS was 0.004948% at June 30, 2024.

For the year ended June 30, 2025, the Town recognized pension expense of approximately \$17,000.

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

At June 30, 2025, the Town’s governmental activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,702	\$ 253
Changes of assumptions	3,595	-
Net difference between projected and actual investment earnings	-	7,857
Change in allocated proportion	527	10,425
Contributions after the measurement date	22,821	-
Total	<u>\$ 33,645</u>	<u>\$ 18,535</u>

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,939	\$ 851
Changes of assumptions	3,231	-
Net difference between projected and actual investment earnings	-	8,322
Change in allocated proportion	15,244	68,046
Contributions after the measurement date	31,027	-
Total	<u>\$ 63,441</u>	<u>\$ 77,219</u>

The amount of \$22,821 and \$31,027 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	SCRS	PORS	Amount
	Amount	Amount	
2026	\$ (7,645)	\$ (25,679)	\$ (33,324)
2027	3,165	(3,244)	(79)
2028	(1,169)	(13,682)	(14,851)
2029	(2,062)	(2,200)	(4,262)
Thereafter	-	-	-
Total	<u>\$ (7,711)</u>	<u>\$ (44,805)</u>	<u>\$ (52,516)</u>

TOWN OF WEST PELZER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

Payable to Plans

The Town reported a payable of approximately \$6,500 to the PEBA as of June 30, 2025, representing required employer and employee contributions for the month of June 2025 for the SCRS and PORS.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Fund:</u>		
General Fund	\$ 5,814	\$ -
Hospitality Tax Fund	-	5,814
Totals	<u>\$ 5,814</u>	<u>\$ 5,814</u>

NOTE 8 – CONTINGENT LIABILITIES AND COMMITMENTS:

Litigation

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

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2025.

NOTE 9 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 15, 2026, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF WEST PELZER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 287,000	\$ 287,000	\$ 333,880	\$ 46,880
Licenses, Permits and Fees	172,000	110,000	148,107	38,107
Franchise Fees	70,000	70,000	71,798	1,798
Intergovernmental Revenues	52,228	114,228	46,320	(67,908)
Miscellaneous and Other	17,563	17,563	51,353	33,790
Interest	-	-	10,551	10,551
Fines and Forfeitures	60,000	60,000	21,732	(38,268)
TOTAL REVENUES	658,791	658,791	683,741	24,950
EXPENDITURES				
CURRENT OPERATING:				
General Administration	264,000	264,000	359,514	(95,514)
Judicial Services	20,000	20,000	45,208	(25,208)
Public Safety	268,913	268,913	290,595	(21,682)
Public Works	56,000	56,000	50,842	5,158
Capital Expenditures	46,515	46,515	36,704	9,811
DEBT SERVICE:				
Principal	11,000	11,000	14,813	(3,813)
Interest	6,563	6,563	2,750	3,813
TOTAL EXPENDITURES	672,991	672,991	800,426	(127,435)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,200)	(14,200)	(116,685)	(102,485)
OTHER FINANCING SOURCES AND (USES)				
Water Account Refunds	-	-	(30,028)	(30,028)
Insurance Proceeds	-	-	54,631	54,631
Transfers	14,200	14,200	5,814	(8,386)
TOTAL OTHER FINANCING SOURCES AND (USES)	14,200	14,200	30,417	16,217
NET CHANGE IN FUND BALANCES	-	-	(86,268)	(86,268)
FUND BALANCES, BEGINNING	1,094,611	1,094,611	1,094,611	-
FUND BALANCES - ENDING	\$ 1,094,611	\$ 1,094,611	\$ 1,008,343	\$ (86,268)

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America

TOWN OF WEST PELZER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND
YEAR ENDED JUNE 30, 2025

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Licenses, Permits and Fees	\$ 50,000	\$ 50,000	\$ 58,198	\$ 8,198
Intergovernmental Revenues	-	-	20,000	20,000
TOTAL REVENUES	<u>50,000</u>	<u>50,000</u>	<u>78,198</u>	<u>28,198</u>
EXPENDITURES				
CURRENT OPERATING:				
Recreation and Tourism	50,000	50,000	68,612	(18,612)
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>68,612</u>	<u>(18,612)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>9,586</u>	<u>9,586</u>
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers	-	-	(5,814)	(5,814)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>-</u>	<u>(5,814)</u>	<u>(5,814)</u>
NET CHANGE IN FUND BALANCES	-	-	3,772	3,772
FUND BALANCES - BEGINNING	<u>89,906</u>	<u>89,906</u>	<u>89,906</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 89,906</u>	<u>\$ 89,906</u>	<u>\$ 93,678</u>	<u>\$ 3,772</u>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America

TOWN OF WEST PELZER

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN

CONTRIBUTIONS TO THE COST SHARING PENSION PLAN

JUNE 30, 2025

NOTE 1 – SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE SCRS AND PORS NET PENSION LIABILITY:

The Town's proportionate share of the net pension liability for SCRS is as follows:

	SCRS										
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Town's proportion of the net pension liability (asset)	0.000870%	0.000893%	0.000953%	0.000942%	0.000731%	0.000723%	0.001254%	0.001302%	0.001185%	0.001492%	0.009300%
Town's proportion share of the net pension liability (asset)	\$ 203,928	\$ 215,904	\$ 231,141	\$ 203,927	\$ 186,780	\$ 165,036	\$ 281,090	\$ 293,101	\$ 253,114	\$ 282,965	\$ 160,115
Town's covered payroll	\$ 118,297	\$ 112,904	\$ 113,539	\$ 106,915	\$ 81,555	\$ 76,319	\$ 130,000	\$ 131,401	\$ 114,747	\$ 112,560	\$ 138,207
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	172.39%	191.23%	203.58%	190.74%	229.02%	216.25%	216.22%	223.06%	220.58%	251.39%	115.85%
Plan fiduciary net position as a percentage of the total pension liability	61.80%	58.60%	57.10%	60.70%	50.70%	54.40%	54.10%	53.30%	52.91%	57.00%	59.90%

The Town's proportionate share of the net pension liability for PORS is as follows:

	PORS										
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Town's proportion of the net pension liability (asset)	0.004948%	0.007511%	0.006387%	0.00858%	0.00852%	0.00924%	0.00910%	0.00757%	0.00811%	0.01346%	0.00860%
Town's proportion share of the net pension liability (asset)	\$ 148,425	\$ 228,637	\$ 191,544	\$ 220,646	\$ 282,532	\$ 264,761	\$ 257,775	\$ 207,248	\$ 205,607	\$ 293,382	\$ 164,602
Town's covered payroll	\$ 95,862	\$ 123,552	\$ 101,071	\$ 128,953	\$ 128,701	\$ 133,997	\$ 125,942	\$ 101,875	\$ 103,348	\$ 134,087	\$ 114,133
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	154.83%	185.05%	189.51%	171.11%	219.53%	197.59%	204.68%	203.43%	198.95%	218.80%	144.22%
Plan fiduciary net position as a percentage of the total pension liability	70.50%	67.80%	66.40%	70.40%	58.80%	62.70%	61.70%	60.90%	60.40%	64.60%	67.50%

Notes to Schedule:

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

The Town adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

TOWN OF WEST PELZER

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN

CONTRIBUTIONS TO THE COST SHARING PENSION PLAN (CONTINUED)

JUNE 30, 2025

NOTE 1 – SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE SCRS AND PORS NET PENSION LIABILITY (CONTINUED):

The Town's contributions to the SCRS cost sharing pension plan was as follows:

	SCRS										
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 22,821	\$ 21,956	\$ 19,826	\$ 18,802	\$ 16,636	\$ 12,690	\$ 11,112	\$ 17,628	\$ 15,190	\$ 12,691	\$ 12,269
Contributions in relation to the contractually required contribution	(22,821)	(21,956)	(19,826)	(18,802)	(16,636)	(12,690)	(11,112)	(17,628)	(15,190)	(12,691)	(12,269)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 122,958	\$ 118,297	\$ 112,904	\$ 113,539	\$ 106,915	\$ 81,555	\$ 76,319	\$ 130,000	\$ 131,401	\$ 114,747	\$ 112,560
Contributions as a percentage of covered payroll	18.56%	18.56%	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

Notes to SCRS Schedule:

The Town adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The Town does not contribute to the incidental death benefit and accidental death benefit.

The Town's contributions to the PORS cost sharing pension plan was as follows:

	PORS										
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 31,027	\$ 20,361	\$ 25,007	\$ 19,446	\$ 23,521	\$ 23,475	\$ 23,101	\$ 20,453	\$ 14,507	\$ 14,200	\$ 17,981
Contributions in relation to the contractually required contribution	(31,027)	(20,361)	(25,007)	(19,446)	(23,521)	(23,475)	(23,101)	(20,453)	(14,507)	(14,200)	(17,981)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 146,078	\$ 95,862	\$ 123,552	\$ 101,071	\$ 128,953	\$ 128,701	\$ 133,997	\$ 125,942	\$ 101,875	\$ 103,348	\$ 134,087
Contributions as a percentage of covered payroll	21.24%	21.24%	20.24%	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

Notes to PORS Schedule:

The Town adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The Town does not contribute to the incidental death benefit and accidental death benefit.

SUPPLEMENTAL INFORMATION

TOWN OF WEST PELZER, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2025

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 21,732	\$ 21,732
Court fines and assessments remitted to State Treasurer			(12,301)	(12,301)
Total Court Fines and Assessments retained			9,431	9,431
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			99	99
Assessments retained			1,034	1,034
Total Surcharges and Assessments retained for victim services			\$ 1,133	\$ 1,133

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ -		\$ -
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	1,034		1,034
Victim Service Surcharges Retained by City/County Treasurer	99		99
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	1,133		1,133
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	-		-
Operating Expenditures	-		-
Victim Service Contract(s):			
(1) Anderson County	1,133		1,133
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	1,133		1,133
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ -		\$ -

GOVERNMENT AUDITING STANDARDS SECTION

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Jason S. White, CPA/PFS, CFP
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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 Honorable Mayor and Town Council
Town of West Pelzer, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of West Pelzer, South Carolina (the "Town") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 15, 2026.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2025 A.1, A.2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 determination of financial statement amounts. 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 instances of noncompliance or other

matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2025 B.1.

The Town’s Response to Findings

The Town’s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Payne, White & Schmutz, CPA, PA

January 15, 2026

TOWN OF WEST PELZER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2025

A. FINDINGS - FINANCIAL STATEMENT AUDIT

2025 A.1 - Preparation of financial statements in accordance with generally accepted accounting principles.

Material Weakness

Condition and criteria: Internal controls over financial reporting should be in place to provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles.

Effect: Management does not prepare financial statements in accordance with prescribed requirements. A material misstatement to the Town's financial statements could occur and not be prevented or detected and corrected by the Town's internal controls over financial reporting.

Cause: Currently, management responsible for the accounting and reporting function does not prepare the Town's financial statements in accordance with generally accepted accounting principles.

Auditor's recommendation: Consideration should be given to requiring management to prepare financial statements in accordance with generally accepted accounting principles.

Auditee's response: The Town's management considers the risk tolerable when compared to the cost of implementing a mitigating control.

2025 A.2 - Bank Reconciliations

Material Weakness

Condition and Criteria: Internal controls over bank reconciliations should allow for bank reconciliations to be prepared accurately, timely and to agree to accounting records.

Effect: Because bank reconciliations do not agree to the accounting records, there could be instances of undiscovered errors or misappropriations of assets.

Cause: Bank reconciliations do not agree to the accounting records. This represents a material weakness in an Entity's internal control.

Auditors Recommendation: Bank reconciliations should be prepared, agreed to the accounting records and reviewed monthly.

Auditee's Response: The Town plans to implement this recommendation immediately.

TOWN OF WEST PELZER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2025

B. FINDINGS – COMPLIANCE

2025 B.1 – Regulatory and Legal Compliance

Noncompliance

Condition and Criteria: South Carolina municipal courts are required by law to maintain accurate financial records, which requires performing monthly bank reconciliations for all court accounts. This is supported by Supreme Court orders mandating that court bank accounts be reconciled with case dockets, alongside annual audit requirements (S.C. Code §5-7-240) to ensure proper reporting of fines and assessments.

Effect: Because compliance with this law was not adhered to, there can be assets at risk of being misappropriated, either through error or fraud.

Cause: It appears the Town did not have proper communication and follow up related to bank reconciliation responsibility.

Auditors Recommendation: The Town should reconcile bank accounts monthly and have a responsible party review the reconciliations for accuracy.

Auditee's Response: Establishing a procedure for bank reconciliation preparation and review is being addressed.