



CITY OF WALHALLA, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

CITY OF WALHALLA, SOUTH CAROLINA

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Walhalla, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walhalla, South Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Walhalla, South Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walhalla, South Carolina, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 City of Walhalla, South Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Walhalla, South Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Walhalla, South Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Walhalla, South Carolina's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walhalla, South Carolina's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the uniform schedule of court fines, assessments, and surcharges (per ACT), and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 combining and individual nonmajor fund financial statements 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 May 30, 2026, on our consideration of the City of Walhalla, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Walhalla, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Walhalla, South Carolina's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Love Bailey, LLC".

Love Bailey, LLC
Laurens, South Carolina
May 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WALHALLA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

The management of the City of Walhalla ("City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City 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 City'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 City's overall financial performance.

Financial Highlights

- In the Statement of Net Position, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$29,962,207. Unrestricted net position has a deficit of \$1,760,354 at June 30, 2025.
- The City's total net position increased by \$5,167,331 compared to the prior year net position, as revenues of \$17,511,227 exceeded expenses of \$12,343,896.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,828,153, an increase of \$2,021,310.
- At the end of the current year, unassigned fund balance for the General Fund was (\$2,832,239).
- The City's capital assets increased by \$3,592,629. The increase in capital assets was due to several capital projects.
- The City's total debt increased by \$467,775 during 2025 due to new lease obligations.
- The City's net pension liability decreased by \$3,232 to \$5,537,794 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 City's financial statements. The City'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 City 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 City.

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

The Statement of Net Position presents information on all of the City'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 City 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.

CITY OF WALHALLA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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, public safety, judicial services, and recreation and tourism. The business-type activities are the City'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 City'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 City, 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 City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – The City uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. 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 City'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 City maintains seven 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, Victim's Fund, Fire Premium Fund, Police Fund and Cemetery Fund are non-major funds and are combined for presentation purposes. The governmental funds financial statements can be found as listed in the table of contents.

Proprietary Funds – The City maintains two types of proprietary funds: the water fund and sewer fund. *Enterprise Funds* are used to account for operations that (a) 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 City uses an enterprise fund to account for its water and sewer operations. The proprietary fund 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 City's participation in the State retirement plans. Required supplementary information can be found as listed in the table of contents.

CITY OF WALHALLA, 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 City's Government-Wide and Fund Financial Statements				
		Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds	
Scope	Entire City government.	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses, in the City's case, all activities related to the water and sewer operations.	
Required Financial Statements	▪ Statement of Net Position. ▪ Statement of Activities.	Balance Sheet. Statement of Revenues, Expenditures, and Changes in Fund Balances.	▪ Statement of Net Position. ▪ Statement of Revenues, Expenses and Change in Net Position. ▪ Statement of Cash Flows.	
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic 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.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital and short-term and long-term.	
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.	All revenues and expenses during year, regardless of when cash is received or paid.	

CITY OF WALHALLA, 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 City's net position for June 30, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 8,152,486	\$ 6,143,294	\$ 8,367,979	\$ 7,733,420	\$ 16,520,465	\$ 13,876,714
Capital Assets	9,264,620	7,617,267	31,276,359	28,400,997	40,540,979	36,018,264
Total Assets	17,417,106	13,760,561	39,644,338	36,134,417	57,061,444	49,894,978
Deferred Outflows of Resources	1,078,839	982,653	293,393	259,354	1,372,232	1,242,007
Current Liabilities	660,120	467,572	2,705,659	1,218,209	3,365,779	1,685,781
Long-Term Liabilities	1,309,862	522,749	17,876,019	18,353,596	19,185,881	18,876,345
Net Pension Liability	4,456,101	4,315,869	1,081,693	1,225,157	5,537,794	5,541,026
Total Liabilities	6,426,083	5,306,190	21,663,371	20,796,962	28,089,454	26,103,152
Deferred Inflows of Resources	319,268	186,803	62,747	52,154	382,015	238,957
Net Investment in Capital Assets	7,634,083	6,982,656	13,363,914	10,202,402	20,997,997	17,185,058
Restricted	10,656,438	6,482,923	68,126	298,797	10,724,564	6,781,720
Unrestricted	(6,539,927)	(4,215,358)	4,779,573	5,043,456	(1,760,354)	828,098
Total Net Position	\$ 11,750,594	\$ 9,250,221	\$ 18,211,613	\$ 15,544,655	\$ 29,962,207	\$ 24,794,876

The City's total assets increased \$7,166,466 from the prior year. Current and other assets increased \$2,643,751 primarily due to an increase in cash and accounts receivable. Capital assets increased \$4,522,715 (including leases) from the prior year due to various capital projects. Total liabilities increased \$1,986,302 from the prior year primarily due to the issuance of new debt and increase in accounts payable. 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 City's share of the net pension liability in the State retirement plans.

The City's net position increased by \$5,167,331 during the current fiscal year primarily due to general revenues exceeding expenses in 2025. Please see the discussion following the next table regarding this increase.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$29,962,207 as of June 30, 2025. \$20,997,997 of total net position reflects the City'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 City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

\$10,021,964 of net position represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for recreation expenditures and capital projects.

The remaining portion of the City's net position is an unrestricted deficit of \$1,760,354.

CITY OF WALHALLA, 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 City's net position for June 30, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,983,850	\$ 1,925,159	\$ 6,149,901	\$ 5,968,939	\$ 8,133,751	\$ 7,894,098
Operating Grants and Contributions	550,000	550,000	-	-	550,000	550,000
Capital Grants and Contributions	4,353,583	6,110,991	2,339,295	1,655,827	6,692,878	7,766,818
General Revenues:						
Taxes	1,698,035	1,516,051	-	-	1,698,035	1,516,051
Other	429,278	374,127	7,285	13,139	436,563	387,266
Total Revenues	<u>9,014,746</u>	<u>10,476,328</u>	<u>8,496,481</u>	<u>7,637,905</u>	<u>17,511,227</u>	<u>18,114,233</u>
Expenses:						
Administrative and General	723,868	309,065	-	-	723,868	309,065
Judicial Services	121,524	111,482	-	-	121,524	111,482
Public Safety	3,072,527	2,725,879	-	-	3,072,527	2,725,879
Public Works	1,541,612	1,407,833	-	-	1,541,612	1,407,833
Recreation and Tourism	996,615	801,184	-	-	996,615	801,184
Community Development	10,063	168,095	-	-	10,063	168,095
Interest on Long-Term Debt	48,164	27,018	-	-	48,164	27,018
Utility	-	-	5,829,523	6,069,185	5,829,523	6,069,185
Total Expenses	<u>6,514,373</u>	<u>5,550,556</u>	<u>5,829,523</u>	<u>6,069,185</u>	<u>12,343,896</u>	<u>11,619,741</u>
Change in Net Position Before Transfers	2,500,373	4,925,772	2,666,958	1,568,720	5,167,331	6,494,492
Transfers	-	937,518	-	(937,518)	-	-
Change in Net Position	2,500,373	5,863,290	2,666,958	631,202	5,167,331	6,494,492
Net Position - Beginning of Year	9,250,221	3,386,931	15,544,655	14,913,453	24,794,876	18,300,384
Net Position - End of Year	<u>\$ 11,750,594</u>	<u>\$ 9,250,221</u>	<u>\$ 18,211,613</u>	<u>\$ 15,544,655</u>	<u>\$ 29,962,207</u>	<u>\$ 24,794,876</u>

Governmental Activities: Governmental activities had an increase in net position of \$2,500,373. Governmental activities revenues decreased by \$1,461,582 from the prior year.

Expenses related to total governmental activities increased by \$963,817 from the prior year.

Business-Type Activities: Net position related to business-type activities (i.e., water and sewer operations) increased by \$2,666,958. This increase was primarily due to revenues of \$8,496,481 exceeding expenses of \$5,829,523. Revenues increased by \$858,576 primarily due to an increase in grant income. Expenses decreased by \$239,662.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported ending fund balance of \$7,828,153, an increase of \$2,021,310, or 35% higher than the prior year fund balance, due to grant revenue.

(\$2,832,239) of the total fund balance of the governmental funds constitutes unassigned fund balance which, if positive, is available for spending at the City's discretion. The remainder of the fund balance is restricted, committed, or assigned to indicate that it is not available for new spending: (1) for judicial services (\$1,366) (2) for public safety (\$3,847,488), (3) for recreation (\$6,807,584), and (4) for cemetery operations (\$3,954).

CITY OF WALHALLA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Total unassigned fund balance of the governmental funds represents (36%) of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by \$1,516,937 from the prior year, primarily due to lower grant income.
- Total General Fund expenditures increased by \$493,223 from the prior year.

Proprietary Fund. The City's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Net position of the Utility Fund at the end of 2025 was \$18,211,613. Please see "Business-Type Activities" discussion in the previous section for details.

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 City's capital assets as of June 30, 2025 amounted to \$39,610,893. The City's capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, infrastructure, and the water and sewer utility system. The City's capital assets (net of depreciation) as of June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,525,134	\$ 835,149	\$ 160,226	\$ 160,226	\$ 1,685,360	\$ 995,375
Construction in Progress	314,007	53,319	3,073,136	1,769,417	3,387,143	1,822,736
Buildings and Improvements	4,756,074	4,756,972	764,477	829,367	5,520,551	5,586,339
Vehicles and Equipment	1,538,915	1,760,732	936,163	707,843	2,475,078	2,468,575
Infrastructure	200,404	211,095	26,342,357	24,934,144	26,542,761	25,145,239
Total	<u>8,334,534</u>	<u>7,617,267</u>	<u>31,276,359</u>	<u>28,400,997</u>	<u>39,610,893</u>	<u>36,018,264</u>

The total increase in the City's capital assets for 2025 was \$3,592,629. Major capital asset events during 2025 included the following:

- Capital asset additions consisted primarily of:
 - Police Building Land – Approximately \$406,000
 - New Community Center – Approximately \$283,000
 - Utility Infrastructure – Approximately \$5,600,000
- Depreciation expense of \$572,000 for governmental activities and \$981,000 for business-type activities.

Additional information on the City's capital assets can be found in Note 4 in the notes to the financial statements.

CITY OF WALHALLA, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2025, the City had total outstanding debt of \$19,796,076. The City's total debt as of June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Lease Obligations	\$ 1,627,823	\$ 630,915	\$ 47,955	\$ 123,808	\$ 1,675,778	\$ 754,723
Bonds Payable	-	-	18,120,298	18,573,578	18,120,298	18,573,578
Total	<u>\$ 1,627,823</u>	<u>\$ 630,915</u>	<u>\$ 18,168,253</u>	<u>\$ 18,697,386</u>	<u>\$ 19,796,076</u>	<u>\$ 19,328,301</u>

The total increase in the City's debt for 2025 was \$467,775. Major events during 2025 included the following:

- Lease Obligation additions of \$1,272,000
- Scheduled principal payments of ~\$804,000.

Additional information regarding the City's long-term obligations can be found in Note 5 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City'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 City's residents were all taken into account.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Walhalla's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. Please contact the City of Walhalla Administration Department, 206 N Church St, Walhalla, SC 29691 with any questions or to request additional information.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF WALHALLA, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Other Cash Deposits	\$ 2,690,237	\$ 343,433	\$ 3,033,670
Restricted Cash and Other Cash Deposits	9,959,735	227,251	10,186,986
Accounts Receivable	232,585	938,757	1,171,342
Other Receivables	-	1,747,729	1,747,729
Interfund Balances	(4,761,021)	4,761,021	-
Taxes Receivable	30,950	-	30,950
Inventories	-	349,788	349,788
Right-to-Use Leased Assets, Net of Accumulated Amortization	930,086	-	930,086
CAPITAL ASSETS:			
Non Depreciable	1,839,141	3,233,362	5,072,503
Depreciable	12,408,962	39,305,612	51,714,574
Less Accumulated Depreciation	(5,913,569)	(11,262,615)	(17,176,184)
TOTAL ASSETS	17,417,106	39,644,338	57,061,444
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	1,078,839	293,393	1,372,232
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,078,839	293,393	1,372,232
LIABILITIES			
Accounts Payable	75,551	2,041,000	2,116,551
Accrued Salaries	114,814	59,343	174,157
Employee Benefits Withheld and Accrued	88,088	41,181	129,269
Accrued Interest Payable	2,714	60,481	63,195
NON-CURRENT LIABILITIES:			
DUE WITHIN ONE YEAR:			
Compensated Absences	30,496	10,976	41,472
Lease Obligations	348,457	19,398	367,855
Bonds Payable	-	473,280	473,280
DUE IN MORE THAN ONE YEAR:			
Compensated Absences	30,496	10,976	41,472
Refundable Connection Fees	-	189,468	189,468
Lease Obligations	1,279,366	28,557	1,307,923
Bonds Payable	-	17,647,018	17,647,018
Net Pension Obligation	4,456,101	1,081,693	5,537,794
TOTAL LIABILITIES	6,426,083	21,663,371	28,089,454
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Business Licenses	45,880	-	45,880
Deferred Pension Credits	273,388	62,747	336,135
TOTAL DEFERRED INFLOWS OF RESOURCES	319,268	62,747	382,015
NET POSITION			
Net Investment in Capital Assets	7,634,083	13,363,914	20,997,997
RESTRICTED FOR:			
Public Safety	3,847,488	-	3,847,488
Judicial Services	1,366	-	1,366
Recreation	6,807,584	-	6,807,584
Debt Service	-	68,126	68,126
Unrestricted	(6,539,927)	4,779,573	(1,760,354)
TOTAL NET POSITION	\$ 11,750,594	\$ 18,211,613	\$ 29,962,207

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

CITY OF WALHALLA, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
					PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 723,868	\$ 693,207	\$ -	\$ -	\$ (30,661)	\$ -	\$ (30,661)
Judicial Services	121,524	95,519	-	-	(26,005)	-	(26,005)
Public Safety	3,072,527	15,240	550,000	4,353,583	1,846,296	-	1,846,296
Public Works	1,541,612	992,864	-	-	(548,748)	-	(548,748)
Recreation and Tourism	996,615	187,020	-	-	(809,595)	-	(809,595)
Community Development	10,063	-	-	-	(10,063)	-	(10,063)
Interest on Long-Term Debt	48,164	-	-	-	(48,164)	-	(48,164)
TOTAL GOVERNMENTAL ACTIVITIES	6,514,373	1,983,850	550,000	4,353,583	373,060	-	373,060
BUSINESS-TYPE ACTIVITIES							
Water System	4,558,643	4,879,152	-	2,339,295	-	2,659,804	2,659,804
Sewer System	1,270,880	1,270,749	-	-	-	(131)	(131)
TOTAL BUSINESS-TYPE ACTIVITIES	5,829,523	6,149,901	-	2,339,295	-	2,659,673	2,659,673
TOTAL PRIMARY GOVERNMENT	\$ 12,343,896	\$ 8,133,751	\$ 550,000	\$ 6,692,878	\$ 373,060	\$ 2,659,673	\$ 3,032,733
GENERAL REVENUES:							
TAXES:							
Property Taxes, Levied for General Purposes					1,027,134	-	1,027,134
State Accommodation Taxes					13,358	-	13,358
Hospitality Taxes					361,405	-	361,405
Payments in Lieu of Taxes and Franchise Fees					296,138	-	296,138
Grants and Contributions not Restricted to Specific Programs					105,143	-	105,143
Interest Income					92,032	7,285	99,317
Gain (Loss) on Sale of Capital Assets					(547)	-	(547)
Miscellaneous					232,650	-	232,650
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					2,127,313	7,285	2,134,598
CHANGE IN NET POSITION					2,500,373	2,666,958	5,167,331
NET POSITION, BEGINNING					\$ 9,250,221	\$ 15,544,655	\$ 24,794,876
NET POSITION - ENDING					\$ 11,750,594	\$ 18,211,613	\$ 29,962,207

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

FUND FINANCIAL STATEMENTS

CITY OF WALHALLA, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Other Cash Deposits	\$ 2,690,237	\$ -	\$ 2,690,237
Restricted Assets - Cash and Cash Equivalents	9,079,695	880,040	9,959,735
Property Taxes Receivable	30,950	-	30,950
Accounts Receivable	232,585	-	232,585
Interfund Balance	10,834,456	725,282	11,559,738
TOTAL ASSETS	\$ 22,867,923	\$ 1,605,322	\$ 24,473,245
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	73,994	1,557	75,551
Accrued Salaries	114,814	-	114,814
Employee Benefits Withheld and Accrued	88,088	-	88,088
Interfund Balance	16,320,741	18	16,320,759
TOTAL LIABILITIES	16,597,637	1,575	16,599,212
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Business Licenses	45,880	-	45,880
TOTAL DEFERRED INFLOWS OF RESOURCES	45,880	-	45,880
FUND BALANCES:			
RESTRICTED FOR:			
Judicial Services	-	1,366	1,366
Public Safety	3,835,933	11,555	3,847,488
Recreation	5,220,712	1,586,872	6,807,584
ASSIGNED TO:			
Cemetery	-	3,954	3,954
UNASSIGNED	(2,832,239)	-	(2,832,239)
TOTAL FUND BALANCES	6,224,406	1,603,747	7,828,153
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,867,923	\$ 1,605,322	\$ 24,473,245

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

CITY OF WALHALLA, SOUTH CAROLINA

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

JUNE 30, 2025

Fund balances - total governmental funds		\$	7,828,153
Amounts reported for governmental activities in the statement of net position are different because:			
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 \$14,248,103 and the accumulated depreciation was \$5,913,569.			8,334,534
Right-to-use leased assets are not financial resources and are not reported in the funds.			930,086
The City'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.			(3,650,650)
Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.			(2,714)
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:			
	Lease Obligation	(1,627,823)	
	Compensated absences	(60,992)	(1,688,815)
Net position of governmental activities		\$	<u>11,750,594</u>

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

CITY OF WALHALLA, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2025

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 1,027,134	\$ -	\$ 1,027,134
Intergovernmental Revenues	5,081,526	15,240	5,096,766
Licenses, Permits and Fees	1,853,190	-	1,853,190
Fines and Forfeitures	84,704	10,815	95,519
Miscellaneous and Other	129,154	-	129,154
Payments in Lieu of Taxes and Franchise Fees	296,138	-	296,138
Hospitality Tax	-	361,405	361,405
Interest Income	92,032	-	92,032
TOTAL REVENUES	8,563,878	387,460	8,951,338
EXPENDITURES			
CURRENT OPERATING:			
General Government	573,467	-	573,467
Judicial Services	108,370	12,835	121,205
Public Safety	2,670,724	18,605	2,689,329
Public Works	1,235,661	-	1,235,661
Recreation and Tourism	771,466	178,618	950,084
Community Development	10,063	-	10,063
Capital Expenditures	2,318,454	43,482	2,361,936
DEBT SERVICE:			
Principal Retirement	274,617	-	274,617
Interest and Fiscal Charges	49,146	-	49,146
TOTAL EXPENDITURES	8,011,968	253,540	8,265,508
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	551,910	133,920	685,830
OTHER FINANCING SOURCES AND (USES)			
Sale of Capital Assets	2,175	-	2,175
Insurance Proceeds	61,780	-	61,780
Finance Lease Proceeds	1,271,525	-	1,271,525
Interfund Transfers (Net) - See Note 3	162,000	(162,000)	-
TOTAL OTHER FINANCING SOURCES AND (USES)	1,497,480	(162,000)	1,335,480
NET CHANGE IN FUND BALANCES	2,049,390	(28,080)	2,021,310
FUND BALANCES, BEGINNING	4,175,016	1,631,827	5,806,843
FUND BALANCES - ENDING	\$ 6,224,406	\$ 1,603,747	\$ 7,828,153

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

CITY OF WALHALLA, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUND 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 \$ 2,021,310

Amounts reported for the governmental activities in the Statement of Activities are different because:

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 capital asset additions of \$2,361,936 were exceeded by depreciation and amortization expenses of \$714,036, in the current period. 1,647,900

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. 274,617

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 982

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. (1,891)

Lease Obligation proceeds provide current financial resources to the governmental fund, but entering into Lease Obligations increase long-term liabilities in the Statement of Net Position. (1,271,525)

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the remaining basis of the assets sold. (547)

Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (170,473)

Change in net position of governmental activities \$ 2,500,373

CITY OF WALHALLA, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2025

	WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
ASSETS			
CURRENT ASSETS:			
Cash	\$ 330,177	\$ 13,256	\$ 343,433
Restricted Assets - Cash and Other Cash Deposits	227,251	-	227,251
Accounts Receivable	779,559	159,198	938,757
Other Receivable	1,747,729	-	1,747,729
Interfund Balances	4,875,366	1,889,915	6,765,281
Inventories	324,845	24,943	349,788
TOTAL CURRENT ASSETS	8,284,927	2,087,312	10,372,239
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Land and Other Non-Depreciable Assets	3,233,362	-	3,233,362
Buildings and Improvements	1,819,854	282,453	2,102,307
Equipment and Vehicles	2,220,134	521,785	2,741,919
Infrastructure	32,364,863	2,096,523	34,461,386
Less Accumulated Depreciation	(9,276,909)	(1,985,706)	(11,262,615)
TOTAL NON-CURRENT ASSETS	30,361,304	915,055	31,276,359
TOTAL ASSETS	38,646,231	3,002,367	41,648,598
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	278,242	15,151	293,393
TOTAL DEFERRED OUTFLOWS OF RESOURCES	278,242	15,151	293,393
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	1,948,357	92,643	2,041,000
Accrued Salaries	55,979	3,364	59,343
Employee Benefits Withheld and Accrued	38,736	2,445	41,181
Interest Payable	60,481	-	60,481
Interfund Balances	1,713,062	291,198	2,004,260
Compensated Absences	10,158	818	10,976
Lease Obligations	19,398	-	19,398
Bonds Payable	473,280	-	473,280
TOTAL CURRENT LIABILITIES	4,319,451	390,468	4,709,919
NON-CURRENT LIABILITIES:			
Compensated Absences	10,158	818	10,976
Refundable Connection Fees	180,516	8,952	189,468
Lease Obligations	28,557	-	28,557
Bonds Payable	17,647,018	-	17,647,018
Net Pension Obligation	1,025,834	55,859	1,081,693
TOTAL NON-CURRENT LIABILITIES	18,892,083	65,629	18,957,712
TOTAL LIABILITIES	23,211,534	456,097	23,667,631
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	59,507	3,240	62,747
TOTAL DEFERRED INFLOWS OF RESOURCES	59,507	3,240	62,747
NET POSITION			
Net Investment in Capital Assets	12,448,859	915,055	13,363,914
Restricted for Debt Service	68,126	-	68,126
Unrestricted	3,136,447	1,643,126	4,779,573
TOTAL NET POSITION	\$ 15,653,432	\$ 2,558,181	\$ 18,211,613

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

CITY OF WALHALLA, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES			
Charges for Services	\$ 4,879,152	\$ 1,270,749	\$ 6,149,901
TOTAL OPERATING REVENUES	<u>4,879,152</u>	<u>1,270,749</u>	<u>6,149,901</u>
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	1,491,117	95,246	1,586,363
Contractual Services, Materials, Supplies and Other Expenses	1,424,541	1,118,180	2,542,721
Depreciation and Amortization Expense	924,179	57,454	981,633
TOTAL OPERATING EXPENSES	<u>3,839,837</u>	<u>1,270,880</u>	<u>5,110,717</u>
OPERATING INCOME (LOSS)	<u>1,039,315</u>	<u>(131)</u>	<u>1,039,184</u>
NON-OPERATING REVENUES AND (EXPENSES)			
Interest Income	7,285	-	7,285
Interest Expense	(718,806)	-	(718,806)
TOTAL NON-OPERATING REVENUES AND (EXPENSES)	<u>(711,521)</u>	<u>-</u>	<u>(711,521)</u>
INCOME (LOSS) BEFORE TRANSFERS	327,794	(131)	327,663
OTHER FINANCING SOURCES AND (USES)			
Capital Contributions In	333,801	-	333,801
Grants	2,005,494	-	2,005,494
Interfund Transfers (Net) - See Note 3	45,998	(45,998)	-
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>2,385,293</u>	<u>(45,998)</u>	<u>2,339,295</u>
CHANGE IN NET POSITION	2,713,087	(46,129)	2,666,958
NET POSITION, BEGINNING	<u>12,940,345</u>	<u>2,604,310</u>	<u>15,544,655</u>
NET POSITION, ENDING	<u>\$ 15,653,432</u>	<u>\$ 2,558,181</u>	<u>\$ 18,211,613</u>

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

CITY OF WALHALLA, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
CASH FLOWS FROM OPERATIONS:			
Receipts from Customers	\$ 3,475,643	\$ 1,203,169	\$ 4,678,812
Payments to Employees and Related Benefits	(1,494,729)	(93,423)	(1,588,152)
Payments to Suppliers	698,977	(1,063,748)	(364,771)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,679,891	45,998	2,725,889
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund Transfers	45,998	(45,998)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	45,998	(45,998)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(3,856,995)	-	(3,856,995)
Principal Paid on Revenue Bonds	(453,280)	-	(453,280)
Principal Paid on Lease Obligations	(75,853)	-	(75,853)
Interest Paid	(720,619)	-	(720,619)
Grants	2,005,494	-	2,005,494
Capital Contribution	333,801	-	333,801
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,767,452)	-	(2,767,452)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Income from Investments	7,285	-	7,285
NET CASH FLOWS FROM INVESTING ACTIVITIES	7,285	-	7,285
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,278)	-	(34,278)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	582,791	-	582,791
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 548,513	\$ -	\$ 548,513
CLASSIFIED AS:			
Current Assets	\$ 321,262	\$ -	\$ 321,262
Restricted Assets	227,251	-	227,251
TOTALS	\$ 548,513	\$ -	\$ 548,513

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

(continued)

CITY OF WALHALLA, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ 1,039,315	\$ (131)	\$ 1,039,184
ADJUSTMENTS NOT AFFECTING CASH:			
Depreciation	924,179	57,454	981,633
CHANGE IN ASSETS AND LIABILITIES:			
Accounts Receivable	(1,853,008)	(67,580)	(1,920,588)
Due from Other Funds	929,575	45,803	975,378
Inventory	(171,259)	(1,867)	(173,126)
Accounts Payable	1,961,048	8,320	1,969,368
Customer Deposits	20,843	1,896	22,739
Compensated Absences	(16,298)	1,022	(15,276)
Accrued Liabilities	12,686	801	13,487
Net Pension Obligation	(146,766)	3,302	(143,464)
CHANGE IN DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:			
Deferred Pension Charges	(30,014)	(4,025)	(34,039)
Deferred Pension Credits	9,590	1,003	10,593
TOTAL ADJUSTMENTS	<u>1,640,576</u>	<u>46,129</u>	<u>1,686,705</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 2,679,891</u>	<u>\$ 45,998</u>	<u>\$ 2,725,889</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

The City of Walhalla (the "City") was incorporated in 1850. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City operates under a Council Form of government with a Mayor and six council members elected at large by a nonpartisan general election. The Mayor and Council are vested with the legislative and policymaking powers of the City. The Council appoints a City Administrator who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the City 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 City's accounting policies are described below.

As required by GAAP, the financial statements must present the City'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 City both appoints a voting majority of the entity's governing body, and either 1) the City 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 City. 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 City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

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 City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City 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 City'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 City.

Major Operations

The City's major governmental operations include: administrative and general, police, fire, streets, recreation and parks, and hospitality. In addition, the City 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 City (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.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC 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 City.

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 City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The government-wide 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). Governmental fund financial statements therefore, 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, 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 leases are reported as other financing sources. Fund financial statements report detailed information about the City. 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. Non-major funds are aggregated and presented in a single column. When both restricted and unrestricted resources are available for use, it is the City'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 City.

CITY OF WALHALLA, SOUTH CAROLINA
NOTES TO THE BASIC 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):

Governmental Fund Types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary 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 City'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 City and accounts for all governmental revenues and expenditures of the City. 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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following major special revenue fund:

American Rescue Plan

The City has the following non-major special revenue funds:

Cemetery Victim's Assistance Hospitality Tax Fund Fire Premium Police Activity

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 City 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 City's 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 City has the following enterprise funds:

The **Water and Sewer Funds, major funds and budgeted funds**, are used to account for the City's water and sewer operations.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

C. Cash, Cash Equivalents, and Investments

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

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

C. Cash, Cash Equivalents, and Investments (continued):

South Carolina Local Government Investment Pool (“LGIP” or “Pool”) investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6- 6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any City treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211- 1960.

D. Receivables and Payables

During the course of its operations, the City 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, supplies, and gasoline 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

General capital assets are those assets specifically related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for any additions and retirements during the year. Donated capital assets are recorded at their acquisition value (as estimated by the City) as of the date received. Infrastructure assets include streets, curbs, sidewalks, paved recreation trails, streetlights, signs, signals, and storm drains. The City maintains a capitalization threshold of \$5,000 for its capital assets other than infrastructure assets, for which the capitalization threshold is \$25,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. The City considers resurfacing of streets and parking lots to be normal maintenance that does not add to the value of those assets.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Level</u>
Buildings and Improvements	10-50	\$ 15,000
Equipment and Vehicles	5-50	\$ 5,000
Infrastructure	50	\$ 25,000

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

G. Compensated Absences

The City accrues accumulated unpaid vacation when earned by the employee. The current portion is the amount estimated to be used in the following year.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 101 "*Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the proprietary fund is also recorded in the Utility Fund.

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 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.

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, 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. 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 City 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 City has two types of deferred inflow of resources: (1) *Deferred Revenue – Business Licenses* not only in the governmental funds balance sheet but also in the government-wide Statement of Net Position. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance. (2) *Deferred Pension Credits*. This item is 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.

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

J. 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.

K. Fund Balance

In accordance with GASB Statement No. 54 *"Fund Balance Reporting and Governmental Fund Type Definitions"* ("GASB #54"), the City 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 (City 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. City Council formally granted the City Administrator the right to make assignments of fund balance for the City.

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.

The City 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 City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

L. 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.

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 Oconee 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:

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.

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

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 City recognizes a net pension liability for its participation in the Plans, which represents the City's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the City'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.

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 City 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 City 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.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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

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 City 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.

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 City 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 AND INVESTMENTS:

Deposits

Custodial credit risk for deposits - Custodial credit risk is the risk that the City's deposits will not be returned to it. The City has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. From time to time during the year, the City may have cash on deposit with banks that exceeds the balance insured by the FDIC.

Investments

As of June 30, 2025, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
			<u>< 1 yr</u>	<u>1-3 yrs</u>	<u>3-5 yrs</u>	<u>> 5 yrs</u>
State Government Local Investment Pool	N/A	\$ 1,797,861	\$ 1,797,861	\$ -	\$ -	\$ -

Interest Rate Risk: The City 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 City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED):

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 City 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 City places no limit on the amount the City 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 City 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.).

The following reconciles total cash and investments reported in the statement of net position to cash and cash equivalents reported in the statement of cash flows:

	Water Fund	Sewer Fund
Cash and Certificates of Deposit	\$ 557,428	\$ 13,256
Less Certificates of Deposit that are not a Cash Equivalent	(8,915)	(13,256)
Cash and Cash Equivalents per Statement of Cash Flows	\$ 548,513	\$ -

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund Receivables and Payables

Interfund balances at June 30, 2025, consisted of the following individual fund receivables and payables, all of which are due on demand:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 10,834,456	\$ 16,320,741
Water System	4,875,366	1,713,062
Sewer System	1,889,915	291,198
Other Non-Major Funds:		
Cemetery Fund	-	18
Hospitality Tax Fund	21,316	-
Victims Fund	1,366	-
American Rescue Plan	702,600	-
Total	\$ 18,325,019	\$ 18,325,019

CITY OF WALHALLA, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED):

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>
Major Fund:		
General	\$ 162,000	\$ -
Water System	45,998	-
Sewer System	-	45,998
American Rescue Plan Fund	-	162,000
Other Non-Major Funds:		
Victims Fund	-	-
Total	<u>\$ 207,998</u>	<u>\$ 207,998</u>

Funds may be transferred to the General Fund from the Water and Sewer Fund in lieu of property taxes and franchise fees (that would be collected if a private utility company provided water and sewer services), and from the Water Fund to the General Fund to support General Fund operations. The Water Fund also may transfer funds to the Sewer Fund to support Sewer Fund operations. Funds are transferred by the General Fund to the Hospitality Tax Fund for reimbursement for certain capital projects. The Victims Fund may also transfer funds collected for Victims assistance to the General Fund cash account. Council approves budgeted transfers annually during the budget process, although actual results may differ.

CITY OF WALHALLA, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE 4 – CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 835,149	\$ 689,985	\$ -	\$ 1,525,134
Construction in Progress	53,319	314,007	(53,319)	314,007
Total Capital Assets not being Depreciated	<u>888,468</u>	<u>1,003,992</u>	<u>(53,319)</u>	<u>1,839,141</u>
Capital Assets being Depreciated:				
Buildings and Improvements	7,526,320	176,606	-	7,702,926
Equipment and Vehicles	4,727,163	163,132	(414,607)	4,475,688
Infrastructure	230,348	-	-	230,348
Total Capital Assets being Depreciated	<u>12,483,831</u>	<u>339,738</u>	<u>(414,607)</u>	<u>12,408,962</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,769,348)	(177,504)	-	(2,946,852)
Equipment and Vehicles	(2,966,431)	(384,402)	414,060	(2,936,773)
Infrastructure	(19,253)	(10,691)	-	(29,944)
Total Accumulated Depreciation	<u>(5,755,032)</u>	<u>(572,597)</u>	<u>414,060</u>	<u>(5,913,569)</u>
Total Capital Assets being Depreciated, Net	<u>6,728,799</u>	<u>(232,859)</u>	<u>(547)</u>	<u>6,495,393</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,617,267</u>	<u>\$ 771,133</u>	<u>\$ (53,866)</u>	<u>\$ 8,334,534</u>

Depreciation expense was charged to governmental functions as follows:

<u>Function/Program</u>	<u>Depreciation Expense</u>
General Government	\$ 98,865
Public Safety	148,752
Public Works	287,454
Recreation and Tourism	37,526
Total Depreciation Expense	<u>\$ 572,597</u>

CITY OF WALHALLA, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE 4 – CAPITAL ASSETS (CONTINUED):

Capital asset activity for the City's business-type activities for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 160,226	\$ -	\$ -	\$ 160,226
Construction in Progress	1,769,417	2,972,261	(1,668,542)	3,073,136
Total Capital Assets not being Depreciated	<u>1,929,643</u>	<u>2,972,261</u>	<u>(1,668,542)</u>	<u>3,233,362</u>
Capital Assets being Depreciated:				
Buildings and Improvements	2,126,397	-	(24,090)	2,102,307
Equipment and Vehicles	2,487,143	359,903	(105,127)	2,741,919
Infrastructure	32,268,013	2,193,373	-	34,461,386
Total Capital Assets being Depreciated	<u>36,881,553</u>	<u>2,553,276</u>	<u>(129,217)</u>	<u>39,305,612</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,297,030)	(64,890)	24,090	(1,337,830)
Equipment and Vehicles	(1,779,300)	(131,583)	105,127	(1,805,756)
Infrastructure	(7,333,869)	(785,160)	-	(8,119,029)
Total Accumulated Depreciation	<u>(10,410,199)</u>	<u>(981,633)</u>	<u>129,217</u>	<u>(11,262,615)</u>
Total Capital Assets being Depreciated, Net	<u>26,471,354</u>	<u>1,571,643</u>	<u>-</u>	<u>28,042,997</u>
Business-Type Activities Capital Assets, Net	<u>\$ 28,400,997</u>	<u>\$ 4,543,904</u>	<u>\$ (1,668,542)</u>	<u>\$ 31,276,359</u>

Capital asset depreciation expense for business-type activities were charged to functions/programs as follows:

<u>Function/Program</u>	<u>Depreciation Expense</u>
Water System	\$ 924,179
Sewer System	57,454
Total Depreciation Expense	<u>\$ 981,633</u>

CITY OF WALHALLA, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE 4 – CAPITAL ASSETS (CONTINUED):

A summary of right of use lease activity for the City for the year ended June 30, 2025, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Vehicles	-	1,071,525	-	1,071,525
Total Right-to-Use Assets	-	1,071,525	-	1,071,525
Less Accumulated Amortization for:				
Vehicles	-	(141,439)	-	(141,439)
Total Accumulated Amortization	-	(141,439)	-	(141,439)
Total right-to-use assets, net	-	930,086	-	930,086

NOTE 5 – LONG-TERM OBLIGATIONS:

Revenue Bonds Payable

The City may issue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds and directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. The revenue bonds are generally secured/collateralized by the gross revenues of the water system. The debt also requires various restricted accounts (i.e. debt service reserve, renewal and replacement, etc.) to be established and maintained by the City.

Summarized below are the City's individual revenue bond issues (publicly traded) that are outstanding as of June 30, 2025 and serviced by the Water and Sewer Fund:

Revenue Bonds Payable

Series 2018 Water and Sewer System Revenue Bond dated December 2018 with annual principal payments ranging from \$795,000 to \$1,140,000 plus interest at 3-5% percent payable semi-annually through June 2048.	\$ 17,510,000
Premium on Series 2018 Bonds	610,298
Net Debt	18,120,298
Less Current Portion	(455,000)
Long-Term Portion	<u>\$ 17,665,298</u>

Interest expense on revenue bonds totaled \$718,806 for the year ended June 30, 2025. Amortization of the 2018 bond premium totaled \$18,280 for the year ended June 30, 2025.

The revenue bonds require the City to maintain user rates sufficient to generate net revenues, as defined by the agreements, ranging from 100% to 120% of the annual principal and interest payments on the revenue bonds. The revenue bonds contain significant requirements for annual debt service, various restrictive covenants which requires the City to maintain various restricted cash and investment accounts and to meet various other general requirements.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED):

Future amounts required to pay principal and interest on (publicly traded) revenue bonds (Series 2018 bonds) outstanding at June 30, 2025 are as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 455,000	\$ 714,401	\$ 1,169,401
2027	480,000	691,025	1,171,025
2028	500,000	666,525	1,166,525
2029	525,000	643,525	1,168,525
2030	545,000	622,125	1,167,125
2031-2035	3,090,000	2,741,450	5,831,450
2036-2040	3,890,000	1,925,719	5,815,719
2041-2045	4,735,000	1,073,906	5,808,906
2046-2050	3,290,000	188,250	3,478,250
Total	\$17,510,000	\$ 9,266,926	\$26,776,926

Other Long-Term Debt

The City is obligated on various other long-term debt issued for purposes of upgrading equipment. Each of the other long-term debt issues are considered direct borrowings/placements and are generally secured/collateralized by the underlying property and contain acceleration clauses in an event of default (as defined).

Summarized below are the City's individual finance lease obligations from governmental activities that are outstanding as of June 30, 2025:

Finance Lease Obligations

Serviced by the General Fund:

\$212,835 Lease initiated in January 2021, due in annual installments of approximately \$50,000 beginning in January 2022 through January 2025, then reducing to approximately \$13,000 in January 2026 through 2029, plus interest of 2.5%. The City purchased a Leaf Blower Truck and vehicle with the proceeds.	\$ 36,447
\$350,000 Lease initiated in April 2022, due in annual installments of approximately \$57,000 beginning in April 2023 through April 2029, plus interest of 3.22%. The City purchased a Garbage truck with the proceeds.	196,815
\$350,000 Lease initiated in July 2023, due in annual installments of approximately \$59,000 beginning in June 2024 through June 2030, plus interest of 5.0%. The City purchased a Trash Truck with the proceeds.	259,685
\$200,000 Lease initiated in May 2025, due in annual installments of approximately \$46,000 beginning in May 2026 through May 2030, plus interest of 4.65%. The City purchased utility equipment with the proceeds.	200,000

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED):

Serviced by the Water Fund:

\$119,242 Lease initiated in July 2020, due in monthly installments of approximately \$2,000 beginning in October 2020 through August 2025.

The City purchased a backhoe loader with the proceeds.

5,118

\$250,165 Lease initiated in January 2021, due in annual installments of approximately \$57,000 beginning in January 2022 through January 2025, then reducing to approximately \$14,000 in January 2026 through 2029, plus interest of 2.5%.

The City purchased vehicles and equipment with the proceeds.

42,837

Total Finance Lease Obligations

\$ 740,902

Less Current Portion

(165,519)

Long-Term Portion

\$ 575,383

Right of Use Liability

Serviced by the General Fund:

\$1,071,525 Right of Use Liability contract entered into in July 2024, due in monthly installments of various amounts beginning July 2024 through January 2030.

The amounts and due dates may change when a new vehicle is added or taken out of service. The proceeds from this issue were used to acquire vehicles for various departments.

\$ 934,876

Total Right of Use Liability

934,876

Less Current Portion

(202,336)

Long-Term Portion

\$ 732,540

Interest expense on other long-term debt totaled \$48,164 for the year ended June 30, 2025.

Future amounts required to pay principal and interest on other long-term debt outstanding (finance leases) at June 30, 2025 are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	Principal	Interest	Total	Principal	Interest	Total	
2026	\$ 348,457	\$ 28,491	\$ 376,948	\$ 19,398	\$ 1,146	\$ 20,544	\$ 397,492
2027	353,951	22,703	376,654	14,280	691	14,971	391,625
2028	359,676	16,683	376,359	14,277	345	14,622	390,981
2029	339,771	10,423	350,194	-	-	-	350,194
2030	225,968	4,648	230,616	-	-	-	230,616
Total	\$ 1,627,823	\$ 82,948	\$ 1,710,771	\$ 47,955	\$ 2,182	\$ 50,137	\$ 1,760,908

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED):

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

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Finance Lease Obligations:					
Finance Lease Obligation - 1/21	\$ 80,544	\$ -	\$ (44,097)	\$ 36,447	\$ 12,149
Finance Lease Obligation - 4/22	245,409	-	(48,594)	196,815	50,159
Finance Lease Obligation - 7/23	304,962	-	(45,277)	259,685	47,364
Finance Lease Obligation - 5/25	-	200,000	-	200,000	36,449
Right of Use Liability - 7/24	-	1,071,525	(136,649)	934,876	202,336
Total Debt	630,915	1,271,525	(274,617)	1,627,823	348,457
Other Liabilities:					
Compensated Absences	59,102	1,890	-	60,992	30,496
Net Pension Liability	4,315,869	140,232	-	4,456,101	-
Total Other Liabilities	4,374,971	142,122	-	4,517,093	30,496
Governmental Activities Long-term Liabilities	\$ 5,005,886	\$ 1,413,647	\$ (274,617)	\$ 6,144,916	\$ 378,953

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

	Beginning Balance	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Business - Type Activities:					
Revenue Bond - 12/18	\$ 17,945,000	\$ -	\$ (435,000)	\$ 17,510,000	\$ 455,000
Net Premium on Revenue Bonds - 12/18	628,578	-	(18,280)	610,298	18,280
Capital Lease - 7/20	29,139	-	(24,021)	5,118	5,118
Capital Lease - 1/21	94,669	-	(51,832)	42,837	14,280
Total Debt	18,697,386	-	(529,133)	18,168,253	492,678
Other Liabilities:					
Compensated Absences	37,227	-	(15,276)	21,951	10,976
Refundable Connection Fees	159,673	20,842	-	180,515	-
Net Pension Liability	1,225,157	-	(143,464)	1,081,693	-
Total Other Liabilities	1,422,057	20,842	(158,740)	1,284,159	10,976
Business-Type Activities Long-term Liabilities	\$ 20,119,443	\$ 20,842	\$ (687,873)	\$ 19,452,412	\$ 503,654

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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.

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.

NOTE 6 – PENSION PLAN (CONTINUED):

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

- 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.

NOTE 6 – PENSION PLAN (CONTINUED):**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%

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

	Fiscal Year 2025	Fiscal Year 2024
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.

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

Actuarial Assumptions and Methods

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

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%

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

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.

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
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			7.74%

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

Discount Rate

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

Sensitivity Analysis

The following table presents the 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	\$4,747,224	\$3,663,301	\$2,665,093
PORS	\$2,715,782	\$1,874,493	\$ 1,185,435

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

At June 30, 2025, the City reported a liability of \$4,456,101 for the governmental activities and \$1,081,693 for the business-type activities on the government wide financial statements for its proportionate share of the net pension liability. The NPL was measured as of June 30, 2023, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The City's proportion of the NPL was based on a projection of the City'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 City's proportion for SCRS was 0.015622% (0.015644% at June 30, 2023). The City's proportion for PORS at June 30, 2024 was 0.062488% (0.061928% at June 30, 2023).

For the year ended June 30, 2025, the City recognized pension expense of approximately \$733,000 (approximately \$312,000 for the SCRS and approximately \$421,000 for the PORS).

At June 30, 2025, the City 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	\$ 120,389	\$ 4,546
Changes of assumptions	64,583	-
Net difference between projected and actual investment earnings	-	141,148
Change in allocated proportion	84,884	66,807
Contributions after the measurement date	443,250	-
Total	<u>\$ 713,106</u>	<u>\$ 212,501</u>

CITY OF WALHALLA, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

NOTE 6 – PENSION PLAN (CONTINUED):

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 176,039	\$ 10,747
Changes of assumptions	40,811	-
Net difference between projected and actual investment earnings	-	105,092
Change in allocated proportion	161,768	7,795
Contributions after the measurement date	280,508	-
Total	\$ 659,126	\$ 123,634

The amount of \$443,250 and \$280,508 reported as deferred outflows of resources related to pensions resulting from City 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 Amount	PORS Amount	Total
2026	\$ (62,286)	\$ 78,118	\$ 15,832
2027	140,872	186,941	327,813
2028	15,836	17,712	33,548
2029	(37,067)	(27,787)	(64,854)
Total	\$ 57,355	\$ 254,984	\$ 312,339

Payable to Plans

The City reported a payable of approximately \$83,000 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 – CONTINGENT LIABILITIES AND COMMITMENTS:

Litigation

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

Grants

The City 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 City at June 30, 2025.

NOTE 8 – RISK MANAGEMENT:

The City 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 9 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the date of the auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A

CITY OF WALHALLA, 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	\$ 944,000	\$ 944,000	\$ 1,027,134	\$ 83,134
Intergovernmental Revenues	1,018,000	1,018,000	5,081,526	4,063,526
Licenses, Permits and Fees	1,605,550	1,605,550	1,853,190	247,640
Fines and Forfeitures	84,100	84,100	84,704	604
Miscellaneous and Other	190,750	190,750	129,154	(61,596)
Payments in Lieu of Taxes and Franchise Fees	285,500	285,500	296,138	10,638
Interest Income	-	-	92,032	92,032
TOTAL REVENUES	4,127,900	4,127,900	8,563,878	4,435,978
EXPENDITURES				
CURRENT OPERATING:				
GENERAL GOVERNMENT:				
Administration	544,650	544,650	390,475	154,175
Swimming Pool	14,500	14,500	12,901	1,599
Depot Park	18,000	18,000	21,994	(3,994)
Tunnel	117,950	117,950	148,097	(30,147)
Community Development	-	-	10,063	(10,063)
JUDICIAL SERVICES:				
Court	93,000	93,000	108,370	(15,370)
PUBLIC SAFETY:				
Police	1,581,125	1,581,125	1,650,115	(68,990)
Fire	1,000,800	1,000,800	1,020,609	(19,809)
PUBLIC WORKS:				
Streets	1,329,150	1,329,150	1,235,661	93,489
RECREATION AND TOURISM:				
Recreation	550,350	550,350	771,466	(221,116)
Capital Expenditures	328,250	328,250	2,318,454	(1,990,204)
DEBT SERVICE:				
Principal Retirement	127,271	127,271	274,617	(147,346)
Interest and Fiscal Charges	27,729	27,729	49,146	(21,417)
TOTAL EXPENDITURES	5,732,775	5,732,775	8,011,968	(2,279,193)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,604,875)	(1,604,875)	551,910	2,156,785
OTHER FINANCING SOURCES AND (USES)				
Sale of Capital Assets	618,000	618,000	2,175	(615,825)
Insurance Recovery	-	-	61,780	61,780
Finance Lease Proceeds	-	-	1,271,525	1,271,525
Interfund Transfers In	986,875	986,875	162,000	(824,875)
TOTAL OTHER FINANCING SOURCES AND (USES)	1,604,875	1,604,875	1,497,480	(107,395)
NET CHANGE IN FUND BALANCES	-	-	2,049,390	2,049,390
FUND BALANCES, BEGINNING	4,175,016	4,175,016	4,175,016	-
FUND BALANCES, ENDING	\$ 4,175,016	\$ 4,175,016	\$ 6,224,406	\$ 2,049,390

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.

CITY OF WALHALLA, SOUTH CAROLINA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY CONTRIBUTIONS TO THE COST SHARING PENSION PLAN

YEAR ENDED JUNE 30, 2025

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

The City'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
City's proportion of the net pension liability (asset)	0.015622%	0.015121%	0.015644%	0.015876%	0.016352%	0.015696%	0.015485%	0.015775%	0.017120%	0.017120%	0.169330%
City's proportion share of the net pension liability (asset)	\$ 3,663,301	\$ 3,655,874	\$ 3,792,450	\$ 3,435,741	\$ 4,178,124	\$ 3,584,118	\$ 3,327,875	\$ 3,551,206	\$ 3,656,807	\$ 3,163,822	\$ 3,163,822
City's covered payroll	\$ 2,147,301	\$ 1,911,800	\$ 1,858,430	\$ 1,780,064	\$ 1,824,242	\$ 1,658,626	\$ 1,615,177	\$ 1,591,652	\$ 1,658,201	\$ 1,564,110	\$ 1,551,777
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	170.60%	191.23%	204.07%	193.01%	229.03%	216.09%	206.04%	223.11%	220.53%	202.28%	203.88%
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%	52.90%	57.00%	59.90%

The City'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
City's proportion of the net pension liability (asset)	0.062488%	0.061928%	0.051858%	0.053080%	0.037334%	0.035843%	0.035859%	0.039760%	0.038790%	0.039760%	0.041400%
City's proportion share of the net pension liability (asset)	\$ 1,874,493	\$ 1,885,152	\$ 1,555,215	\$ 1,365,693	\$ 1,238,078	\$ 1,027,229	\$ 1,157,892	\$ 1,017,528	\$ 983,924	\$ 866,611	\$ 792,611
City's covered payroll	\$ 1,204,750	\$ 1,085,035	\$ 820,702	\$ 798,152	\$ 563,986	\$ 520,017	\$ 480,647	\$ 493,160	\$ 494,534	\$ 493,497	\$ 495,210
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	155.59%	173.74%	189.50%	197.54%	175.24%	175.24%	160.61%	160.61%	160.61%	160.61%	160.61%
Plan fiduciary net position as a percentage of the total pension liability	70.50%	67.80%	70.40%	58.80%	62.70%	61.70%	60.90%	60.40%	60.44%	64.60%	67.50%

Notes to Schedule:

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

CITY OF WALHALLA, SOUTH CAROLINA

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

CONTRIBUTIONS TO THE COST SHARING PENSION PLAN (CONTINUED)

YEAR ENDED JUNE 30, 2025

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

The City'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	\$ 443,249	\$ 398,539	\$ 335,712	\$ 307,756	\$ 276,978	\$ 283,852	\$ 241,496	\$ 219,018	\$ 183,995	\$ 183,397	\$ 170,488
Contributions in relation to the contractually required contribution											
Contributions from the City	(426,339)	(381,629)	(290,846)	(260,068)	(266,942)	(224,586)	(219,018)	(183,995)	(183,397)	(183,397)	(170,488)
Contributions from the State	(16,910)	(16,910)	(16,910)	(16,910)	(16,910)	(16,910)	(16,910)	-	-	-	-
Contribution deficiency (excess)	-	-	27,956	30,778	(6,874)	42,356	5,568	35,023	598	-	-
City's covered payroll	\$ 2,388,195	\$ 2,147,301	\$ 1,911,800	\$ 1,858,430	\$ 1,780,064	\$ 1,824,242	\$ 1,658,626	\$ 1,615,177	\$ 1,591,652	\$ 1,658,201	\$ 1,564,110
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%

The City'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	\$ 280,508	\$ 255,889	\$ 219,611	\$ 157,903	\$ 145,583	\$ 102,871	\$ 89,651	\$ 78,057	\$ 70,226	\$ 67,949	\$ 66,178
Contributions in relation to the contractually required contribution											
Contributions from the City	(275,424)	(250,805)	(214,527)	(152,819)	(140,499)	(97,787)	(84,567)	(78,057)	(70,226)	(67,949)	(66,178)
Contributions from the State	(5,084)	(5,084)	(5,084)	(5,084)	(5,084)	(5,084)	(5,084)	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 1,320,659	\$ 1,204,750	\$ 1,085,035	\$ 820,702	\$ 798,152	\$ 563,986	\$ 520,017	\$ 480,647	\$ 493,160	\$ 494,534	\$ 493,497
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%

SUPPLEMENTAL INFORMATION

CITY OF WALHALLA, SOUTH CAROLINA

COMBINING AND INDIVIDUAL BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2025

	CEMETERY FUND	AMERICAN RESCUE PLAN FUND	VICTIM'S ASSISTANCE FUND	HOSPITALITY TAX FUND	FIRE PREMIUM FUND	POLICE ACTIVITY FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS							
Restricted Cash and Other Cash Deposits	\$ 3,972	\$ -	\$ -	\$ 864,513	\$ 10,383	\$ 1,172	\$ 880,040
Interfund Balances	-	702,600	1,366	21,316	-	-	725,282
TOTAL ASSETS	<u>3,972</u>	<u>702,600</u>	<u>1,366</u>	<u>885,829</u>	<u>10,383</u>	<u>1,172</u>	<u>1,605,322</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	-	-	-	1,557	-	-	1,557
Interfund Balance	18	-	-	-	-	-	18
TOTAL LIABILITIES	<u>18</u>	<u>-</u>	<u>-</u>	<u>1,557</u>	<u>-</u>	<u>-</u>	<u>1,575</u>
FUND BALANCES:							
RESTRICTED FOR:							
Judicial Services	-	-	1,366	-	-	-	1,366
Public Safety	-	-	-	-	10,383	1,172	11,555
Recreation and Tourism	-	702,600	-	884,272	-	-	1,586,872
ASSIGNED TO:							
Cemetery	3,954	-	-	-	-	-	3,954
TOTAL FUND BALANCES	<u>3,954</u>	<u>702,600</u>	<u>1,366</u>	<u>884,272</u>	<u>10,383</u>	<u>1,172</u>	<u>1,603,747</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,972</u>	<u>\$ 702,600</u>	<u>\$ 1,366</u>	<u>\$ 885,829</u>	<u>\$ 10,383</u>	<u>\$ 1,172</u>	<u>\$ 1,605,322</u>

See independent auditor's report.

CITY OF WALHALLA, SOUTH CAROLINA

COMBINING AND INDIVIDUAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2025

	CEMETERY FUND	AMERICAN RESCUE PLAN FUND	VICTIM'S ASSISTANCE FUND	HOSPITALITY TAX FUND	FIRE PREMIUM FUND	POLICE ACTIVITY FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES							
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ 15,240	\$ -	\$ 15,240
Fines and Forfeitures	-	-	10,815	-	-	-	10,815
Hospitality Tax	-	-	-	361,405	-	-	361,405
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>10,815</u>	<u>361,405</u>	<u>15,240</u>	<u>-</u>	<u>387,460</u>
EXPENDITURES							
CURRENT OPERATING:							
Judicial Services	-	-	12,835	-	-	-	12,835
Public Safety	-	-	-	-	18,605	-	18,605
Recreation and Tourism	-	-	-	178,618	-	-	178,618
Capital Expenditures	-	-	-	43,482	-	-	43,482
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>12,835</u>	<u>222,100</u>	<u>18,605</u>	<u>-</u>	<u>253,540</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(2,020)	139,305	(3,365)	-	133,920
OTHER FINANCING SOURCES AND (USES)							
Interfund Transfers (Net) - See Note 3	-	-	-	(162,000)	-	-	(162,000)
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(2,020)</u>	<u>(22,695)</u>	<u>(3,365)</u>	<u>-</u>	<u>(28,080)</u>
FUND BALANCES, BEGINNING	<u>3,954</u>	<u>702,600</u>	<u>3,386</u>	<u>906,967</u>	<u>13,748</u>	<u>1,172</u>	<u>1,631,827</u>
FUND BALANCES, ENDING	<u>\$ 3,954</u>	<u>\$ 702,600</u>	<u>\$ 1,366</u>	<u>\$ 884,272</u>	<u>\$ 10,383</u>	<u>\$ 1,172</u>	<u>\$ 1,603,747</u>

See independent auditor's report.

CITY OF WALHALLA, 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			\$ 171,309	\$ 171,309
Court fines and assessments remitted to State Treasurer			(81,502)	(81,502)
Total Court Fines and Assessments retained			89,807	89,807
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			2,778	2,778
Assessments retained			8,037	8,037
Total Surcharges and Assessments retained for victim services			\$ 10,815	\$ 10,815

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	8,037		8,037
Victim Service Surcharges Retained by City/County Treasurer	2,778		2,778
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)	10,815		10,815
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	-		-
Operating Expenditures	-		-
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to State and Oconee County	10,815		10,815
Total Expenditures from Victim Service Fund/Program (B)	10,815		10,815
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	-		
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ -		\$ -



CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members of City Council
City of Walhalla, South Carolina

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Love Bailey, LLC". The script is cursive and fluid, with the letters "L", "B", and "C" being particularly large and stylized.

Love Bailey, LLC
Laurens, South Carolina
May 30, 2026



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of City Council
City of Walhalla, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Walhalla, South Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Walhalla, South Carolina's major federal programs for the year ended June 30, 2025. The City of Walhalla, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Walhalla, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Walhalla, South Carolina and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Walhalla, South Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Walhalla, South Carolina's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Walhalla, South Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Walhalla, South Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Walhalla, South Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Walhalla, South Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Walhalla, South Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

The City of Walhalla's written response to the findings identified in our audit included as Attachment A has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Government Auditing Standards requires the auditor to perform limited procedures on City of Walhalla, South Carolina's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Walhalla, South Carolina's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Love Bailey, LLC". The script is cursive and fluid, with the letters "L", "B", and "C" being particularly large and stylized.

Love Bailey, LLC
Laurens, South Carolina
May 30, 2026

**CITY OF WALHALLA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity</u>	<u>Assistance Listing</u>	<u>Expenditures to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Treasury</u>				
<i>(Pass through South Carolina Rural Infrastructure Authority)</i>				
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	Oconee County	21.027	\$ -	\$ 2,339,295
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 2,339,295</u>

CITY OF WALHALLA, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for the governmental fund types and the accrual basis of accounting for the proprietary fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City chose not to use the 10% de minimis indirect cost rate for the year ended June 30, 2025.

NOTE 4 – NON-CASH AWARDS AND LOANS

There were no federal awards expended in the form of noncash assistance during the fiscal year. There were also no loans or loan guarantees outstanding at year end.

CITY OF WALHALLA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I - Summary of Auditor's Results

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified?

_____	Yes	X	No
			None
_____	Yes	X	Reported
_____	Yes	X	No

- Significant deficiency(ies) Identified?

Noncompliance material to financial statements noted?

Federal awards

Internal control over major programs:

- Material Weakness(es) Identified?

_____	Yes	X	No
			None
_____	Yes	X	Reported

- Significant deficiency(ies) Identified?

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____	Yes	X	No
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Identification of major programs:

Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

21.027

Dollar threshold used to distinguish between type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____	Yes	X	No
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**CITY OF WALHALLA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

SECTION I – FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION II – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding Number: 2025-001

Federal Program: All programs subject to Uniform Guidance

Assistance Listing Number(s): Various

Criteria: 2 CFR 200.512(a) requires that the audit, the data collection form, and the reporting package must be submitted to the Federal Audit Clearinghouse (FAC) the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

Condition: The City submitted the Single Audit reporting package and data collection form to the FAC on July 18, 2025, which was more than one year after the end of the audit period (June 30, 2024) and nearly 5 months after the audit report was issued (February 25, 2025).

Cause: The delay was due to turnover in key financial reporting personnel and a lack of established procedures to ensure timely submission of the Single Audit reporting package.

Effect: The City did not comply with the Uniform Guidance requirement for timely submission of the Single Audit reporting package and data collection form. As a result, the City is not eligible for low-risk auditee status for the current year and may be subject to additional federal oversight.

Questioned Costs: None.

Recommendation: We recommend that the City implement procedures to ensure timely submission of the Single Audit reporting package and data collection form to the FAC, including cross-training staff and establishing a compliance calendar with key deadlines.

Views of Responsible Officials: See Attachment A.

SECTION III – SCHEDULE OF PRIOR YEAR FINDINGS

None reported.