

**CITY OF WESTMINSTER
SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

CITY OF WESTMINSTER, SOUTH CAROLINA

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-4
Management's Discussion and Analysis	5-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statement	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21-22
Statement of Fiduciary Net Position - Custodial Fund	23
Statement of Changes in Fiduciary Net Position - Custodial Fund	24
Notes to the Financial Statements	25-49
Required Supplementary Information Other than Management's Discussion and Analysis	
Budgetary Comparison Schedule - General Fund	50
Schedule of the City's Proportionate Share of the Net Pension Liability - South Carolina Retirement System and Police Officers Retirement System	51
Schedule of the City's Contributions - South Carolina Retirement System and Police Officers Retirement System	52
Supplemental Information	
Combining Balance Sheet - Nonmajor Special Revenue Funds	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds	54

(Continued)

CITY OF WESTMINSTER, SOUTH CAROLINA

TABLE OF CONTENTS

PAGE

Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	55
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COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	56-57
Schedule of Findings and Responses	58-59
Summary Schedule of Prior Year Audit Findings	60

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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 Westminster, South Carolina (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements 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 Westminster, South Carolina as of June 30, 2022, and the respective changes in its 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 Opinion

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 Westminster, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.



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To the Honorable Mayor and Members of City Council
City of Westminster
January 4, 2023

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 Westminster, South Carolina's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Westminster, 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 Westminster, South Carolina's ability to continue as 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.

To the Honorable Mayor and Members of City Council
City of Westminster
January 4, 2023

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General Fund, Schedule of City's Proportionate Share of Net Pension Liability – SCRS and PORS and Schedule of City's Contributions – SCRS and PORS, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 opinion on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2023, on our consideration of the City of Westminster'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 Westminster, South Carolina's internal control over financial reporting or on compliance.

To the Honorable Mayor and Members of City Council
City of Westminster
January 4, 2023

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Westminster's internal control over financial reporting and compliance.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
January 4, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

The management of the City of Westminster ("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, 2022 ("FY 2022" or "2022") compared to the fiscal year ended June 30, 2021 ("FY 2021" or "2021"). 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 \$13,675,662. Unrestricted net position was \$386,759 at June 30, 2022.
- The City's total net position increased by \$1,252,267 from the prior year net position, as revenues of \$10,889,238 exceeded expenses of \$9,636,971.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$2,476,513, an increase of \$627,791.
- At the end of the current year, unassigned fund balance for the General Fund was \$1,206,974, 70% of total General Fund expenditures for 2022.
- The City's capital assets decreased by \$157,029 (1%). The decrease in capital assets was primarily due to depreciation exceeding capital costs related to various equipment and vehicle purchases.
- The City's total debt increased \$270,026 during 2022, due to regularly scheduled principal payments of \$334,622 and new borrowings of \$604,648.
- The City's net pension liability decreased by \$542,205 (15%) to \$3,008,471 at June 30, 2022.

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*.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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.

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, judicial services, public safety (police and fire), public works, and recreation and tourism. The business-type activities are the City's sewer, water, electric, and solid waste 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 four 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, Firemen's 1% Fund, and Recreation 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 one type of proprietary 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 sewer, water, and electric activities and a separate fund to account for its solid waste operations. The proprietary fund financial statements can be found as listed in the table of contents.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Fund – The City maintains one type of fiduciary fund. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

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.

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 at June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 2,587,580	\$ 1,929,072	\$ 3,765,753	\$ 3,061,077	\$ 6,353,333	\$ 4,990,149
Capital Assets	2,274,096	2,320,846	10,122,680	10,232,959	12,396,776	12,553,805
Total Assets	4,861,676	4,249,918	13,888,433	13,294,036	18,750,109	17,543,954
Deferred Outflows of Resources	379,237	305,824	287,090	356,659	666,327	662,483
Current Liabilities	86,485	60,705	817,370	980,156	903,855	1,040,861
Long-term Liabilities	146,358	115,983	1,020,177	734,807	1,166,535	850,790
Net Pension Liability	1,426,029	1,437,708	1,582,442	2,113,268	3,008,471	3,550,976
Total Liabilities	1,658,872	1,614,396	3,419,989	3,828,231	5,078,861	5,442,627
Deferred Inflows of Resources	376,699	249,060	285,214	91,355	661,913	340,415
Net Investment in Capital Assets	2,274,096	2,320,846	9,557,872	9,836,529	11,831,968	12,157,375
Restricted	1,173,418	829,539	283,517	213,996	1,456,935	1,043,535
Unrestricted	(242,172)	(458,099)	628,931	(319,416)	386,759	(777,515)
Total Net Position	\$ 3,205,342	\$ 2,692,286	\$ 10,470,320	\$ 9,731,109	\$ 13,675,662	\$ 12,423,395

CITY OF WESTMINSTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total assets increased \$1,206,155 from the prior year. Current and other assets increased \$1,363,184 primarily due to an increase in cash and cash equivalents and accounts receivable. Capital assets decreased \$157,029 from the prior year due to capital asset additions exceeding depreciation. Total liabilities decreased \$363,766 from the prior year primarily due to a decrease in net pension liability. The changes in deferred outflows and inflows of resources was primarily due to differences between expected and actual liability/investment experience, changes in assumptions, 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 \$1,252,267 during the current fiscal year primarily due to revenues exceeding expenses in 2022. Please see the discussion following the next table regarding this increase.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$13,675,662 as of June 30, 2022. 87% (or \$11,831,968) of total net position reflects the City's net investment in capital assets (i.e., land, buildings, water, sewer, and electric 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.

\$1,456,935 of net position represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related expenses (hospitality taxes) and public safety expenses.

The remaining portion of the City's net position is an unrestricted net position of \$386,759.

The following table shows the changes in the City's net position for the years ended June 30, 2022 and 2021:

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 630,523	\$ 599,331	\$ 7,957,274	\$ 7,189,180	\$ 8,587,797	\$ 7,788,511
Operating Grants and Contributions	320,362	285,000	-	-	320,362	285,000
Capital Grants and Contributions	810,212	36,800	-	340,000	810,212	376,800
General Revenues:						
Taxes	923,569	871,108	-	-	923,569	871,108
Other	221,251	178,942	26,047	45,623	247,298	224,565
Total Revenues	<u>2,905,917</u>	<u>1,971,181</u>	<u>7,983,321</u>	<u>7,574,803</u>	<u>10,889,238</u>	<u>9,545,984</u>
Expenses:						
Administrative & General	501,510	435,412	-	-	501,510	435,412
Public Safety	1,218,401	1,026,977	-	-	1,218,401	1,026,977
Public Works	212,962	148,889	-	-	212,962	148,889
Recreation & Tourism	600,817	402,774	-	-	600,817	402,774
Interest on Long-term Obligations	-	2,288	-	-	-	2,288
Sewer	-	-	1,382,191	1,040,702	1,382,191	1,040,702
Water	-	-	1,938,380	1,706,076	1,938,380	1,706,076
Electric	-	-	3,441,700	3,591,516	3,441,700	3,591,516
Solid Waste	-	-	341,010	497,107	341,010	497,107
Total Expenses	<u>2,533,690</u>	<u>2,016,340</u>	<u>7,103,281</u>	<u>6,835,401</u>	<u>9,636,971</u>	<u>8,851,741</u>
Change in Net Position Before Transfers	372,227	(45,159)	880,040	739,402	1,252,267	694,243
Transfers	140,829	408,714	(140,829)	(408,714)	-	-
Change in Net Position	513,056	363,555	739,211	330,688	1,252,267	694,243
Net Position, beginning of year	<u>2,692,286</u>	<u>2,328,731</u>	<u>9,731,109</u>	<u>9,400,421</u>	<u>12,423,395</u>	<u>11,729,152</u>
Net Position, end of year	<u>\$ 3,205,342</u>	<u>\$ 2,692,286</u>	<u>\$ 10,470,320</u>	<u>\$ 9,731,109</u>	<u>\$ 13,675,662</u>	<u>\$ 12,423,395</u>

Governmental Activities: Governmental activities had an increase in net position of \$513,056. Governmental activities revenues increased by \$934,736 (47%) from the prior year, primarily due to ARP grant funds.

Expenses related to total governmental activities increased by \$517,350, or 26%, from the prior year. This increase was primarily from expenditures of ARP funds.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities: Net position related to business-type activities (i.e., water, sewer, electric, and solid waste operations) increased by \$739,211. This increase was primarily due to revenues of \$7,983,321 exceeding expenses of \$7,103,281 and transfers out of \$140,829. Revenues increased by \$408,518 when compared to the prior year, primarily because the City received ARP grant money. Expenses increased by \$267,880 from the prior year.

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 \$2,476,513, an increase of \$627,791, or 34% higher than the prior year fund balance.

\$1,206,974 (49%) of the total fund balance of the governmental funds constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted/committed to indicate that it is not available for new spending: (1) for tourism-related expenditures (\$490,311), (2) for public safety (\$176,889), (3) for federal and county approved programs (\$506,218), and (4) for recreation (\$96,121). Total unassigned fund balance of the governmental funds (General Fund) represents 70% of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by \$22,401 from the prior year.
- Total General Fund expenditures increased by \$129,449 from the prior year, primarily due to higher public safety and public works costs.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Net position of the proprietary funds at the end of 2022 was \$10,470,320. 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.

CITY OF WESTMINSTER, SOUTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2022 amounted to \$12,396,776. The City's capital assets include land, buildings, improvements, machinery and equipment, vehicles, infrastructure, and the water, sewer, and electric utility system. The City's capital assets (net of depreciation) as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 672,000	\$ 672,000	\$ 53,025	\$ 53,025	\$ 725,025	\$ 725,025
Construction in Progress	65,454	-	200,785	183,673	266,239	183,673
Buildings & Improvements	770,774	816,863	1,262,628	1,376,036	2,033,402	2,192,899
Vehicles & Equipment	75,489	106,252	441,332	303,195	516,821	409,447
Infrastructure	690,379	725,731	8,164,910	8,317,030	8,855,289	9,042,761
Total	<u>\$ 2,274,096</u>	<u>\$ 2,320,846</u>	<u>\$ 10,122,680</u>	<u>\$ 10,232,959</u>	<u>\$ 12,396,776</u>	<u>\$ 12,553,805</u>

The total increase in the City's capital assets for 2022 was \$157,029. Major capital asset events during 2022 included the following:

- Capital asset additions of approximately \$485,000 consisted primarily of:
 - Chauga Raw Water Site Project – approximately \$125,000.
 - Other projects/equipment - approximately \$360,000.
- Depreciation expense of approximately \$122,000 for governmental activities and \$520,000 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.

Debt

As of June 30, 2022, the City had total outstanding debt of \$897,431. The City's total debt as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital Lease Payable	\$ -	\$ -	\$ 564,808	\$ 122,189	\$ 564,808	\$ 122,189
Revenue Bonds	-	-	-	274,241	-	274,241
ConserFund Loan	-	-	332,623	230,975	332,623	230,975
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 897,431</u>	<u>\$ 627,405</u>	<u>\$ 897,431</u>	<u>\$ 627,405</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The total increase in the City's debt for 2022 was \$270,026 or 43%. Major events during 2022 included the following:

Business-Type Activities:

- Capital lease issuance of \$503,000.
- Scheduled principal payments on revenue bonds and capital leases of approximately \$335,000.
- ConserFund borrowing of approximately \$102,000.

Additional information regarding the City's long-term obligations can be found in Note 6 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 end June 30, 2022 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 Westminster'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 Westminster Administration Department, PO Box 399, Westminster, South Carolina 29693, with any questions or to request additional information.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 1,300,449	\$ 1,998,768	\$ 3,299,217
Accounts Receivable	231,967	1,398,658	1,630,625
Taxes Receivable	53,358	-	53,358
Inventory	-	84,810	84,810
Restricted Assets			
Cash and Cash Equivalents	1,001,806	283,517	1,285,323
Capital Assets			
Non Depreciable	737,454	253,810	991,264
Depreciable	4,069,898	23,054,695	27,124,593
Less Accumulated Depreciation	(2,533,256)	(13,185,825)	(15,719,081)
TOTAL ASSETS	<u>4,861,676</u>	<u>13,888,433</u>	<u>18,750,109</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	379,237	287,090	666,327
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>379,237</u>	<u>287,090</u>	<u>666,327</u>
LIABILITIES			
Accounts Payable	63,166	451,867	515,033
Employee Benefits Withheld and Accrued	23,319	26,776	50,095
Customer Deposits	-	338,727	338,727
Non-Current Liabilities			
Due Within One Year			
Compensated Absences	73,180	61,373	134,553
Capital Leases Payable	-	132,891	132,891
Due In More Than One Year			
Compensated Absences	73,178	61,373	134,551
Capital Leases Payable	-	431,917	431,917
Bonds payable	-	-	-
ConserFund Loan Payable after One Year	-	332,623	332,623
Net Pension Liability	1,426,029	1,582,442	3,008,471
TOTAL LIABILITIES	<u>1,658,872</u>	<u>3,419,989</u>	<u>5,078,861</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	376,699	285,214	661,913
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>376,699</u>	<u>285,214</u>	<u>661,913</u>
NET POSITION			
Investment in Capital Assets	2,274,096	9,557,872	11,831,968
Restricted for:			
Public Safety	176,889	-	176,889
Recreation and Tourism	490,311	-	490,311
Other	506,218	283,517	789,735
Unrestricted	(242,172)	628,931	386,759
TOTAL NET POSITION	<u>\$ 3,205,342</u>	<u>\$ 10,470,320</u>	<u>\$ 13,675,662</u>

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES					NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING		CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS		GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 501,510	\$ 381,889	\$ -	\$ 802,240	\$ -	\$ 682,619	\$ -	\$ 682,619
Public Safety	1,218,401	85,462	290,362	2,972	-	(839,605)	-	(839,605)
Public Works	212,962	-	-	-	-	(212,962)	-	(212,962)
Recreation and Tourism	600,817	163,172	30,000	5,000	-	(402,645)	-	(402,645)
TOTAL GOVERNMENTAL ACTIVITIES	2,533,690	630,523	320,362	810,212	-	(772,593)	-	(772,593)
BUSINESS-TYPE ACTIVITIES:								
Sewer System	1,382,191	932,535	-	0	-	-	(449,656)	(449,656)
Water System	1,938,380	2,563,850	-	-	-	-	625,470	625,470
Electric System	3,441,700	4,043,683	-	-	-	-	601,983	601,983
Solid Waste	341,010	417,206	-	-	-	-	76,196	76,196
TOTAL BUSINESS-TYPE ACTIVITIES	7,103,281	7,957,274	-	-	-	-	853,993	853,993
TOTAL PRIMARY GOVERNMENT	\$ 9,636,971	\$ 8,587,797	\$ 320,362	\$ 810,212	\$ (772,593)	\$ 853,993	\$ 81,400	\$ 81,400
GENERAL REVENUES:								
TAXES:								
Property Taxes, Levied for General Purposes						687,885	-	687,885
Hospitality Tax						177,878	-	177,878
Accommodation Taxes						7,765	-	7,765
Payments in Lieu of Taxes and Franchise Fees						50,041	-	50,041
Grants and Contributions Not Restricted to Specific Programs						56,131	-	56,131
Interest Income						533	564	1,097
Miscellaneous						164,587	25,483	190,070
Interfund Transfers						140,829	(140,829)	-
TOTAL GENERAL REVENUES AND TRANSFERS						1,285,649	(114,782)	1,170,867
CHANGE IN NET POSITION						513,056	739,211	1,252,267
NET POSITION, BEGINNING OF YEAR						2,692,286	9,731,109	12,423,395
NET POSITION, END OF YEAR						\$ 3,205,342	\$ 10,470,320	\$ 13,675,662

FUND FINANCIAL STATEMENTS

CITY OF WESTMINSTER, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	AMERICAN RESCUE PLAN FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,185,442	\$ -	\$ 115,007	\$ 1,300,449
Restricted Assets - Cash and Cash Equivalents	158,638	348,935	494,233	1,001,806
Accounts Receivable	60,295	157,283	14,389	231,967
Taxes Receivable	53,358	0	-	53,358
TOTAL ASSETS	\$ 1,457,733	\$ 506,218	\$ 623,629	\$ 2,587,580
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 47,067	\$ -	\$ 16,099	\$ 63,166
Employee Benefits Withheld and Accrued	20,472	-	2,847	23,319
TOTAL LIABILITIES	67,539	-	18,946	86,485
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	24,582	-	-	24,582
TOTAL DEFERRED INFLOWS OF RESOURCES	24,582	-	-	24,582
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	92,121	-	18,946	111,067
FUND BALANCES				
Restricted for:				
Public Safety	108,215	-	68,674	176,889
Tourism Related Expenditures	50,423	-	439,888	490,311
Federal and County Approved Programs	-	506,218	-	506,218
Committed to:				
Recreation and Tourism	-	-	96,121	96,121
Unassigned	1,206,974	-	-	1,206,974
TOTAL FUND BALANCES	1,365,612	506,218	604,683	2,476,513
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,457,733	\$ 506,218	\$ 623,629	\$ 2,587,580

CITY OF WESTMINSTER, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Fund balances - total governmental funds	\$ 2,476,513
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 \$4,807,352 and the accumulated depreciation was \$2,553,256.	2,274,096
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	24,582
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	(1,423,491)
Long-term liabilities, debt and capital lease 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:	
Compensated absences	(146,358)
Net position of governmental activities	\$ 3,205,342

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	GENERAL FUND	AMERICAN RESCUE PLAN FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 682,948	\$ -	\$ -	\$ 682,948
Intergovernmental Revenues	345,473	-	44,855	390,328
Licenses, Permits and Fees	385,734	-	341,050	726,784
Fines and Forfeitures	86,342	-	-	86,342
Miscellaneous and Other	78,864	100	44,385	123,349
Payments in Lieu of Taxes and Franchise Fees	50,041	-	-	50,041
Interest Income	533	-	-	533
TOTAL REVENUES	1,629,935	100	430,290	2,060,325
EXPENDITURES				
CURRENT OPERATING				
General Government	400,153	-	-	400,153
Public Safety	1,153,552	-	7,226	1,160,778
Public Works	181,546	-	-	181,546
Recreation and Tourism	-	-	557,691	557,691
Capital Outlay	-	-	75,435	75,435
TOTAL EXPENDITURES	1,735,251	-	640,352	2,375,603
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(105,316)	100	(210,062)	(315,278)
OTHER FINANCING SOURCES (USES)				
Grant Income	-	802,240	-	802,240
Interfund Transfers In	572,360	-	271,913	844,273
Interfund Transfers Out	(233,101)	(296,122)	(174,221)	(703,444)
TOTAL OTHER FINANCING SOURCES (USES)	339,259	506,118	97,692	943,069
NET CHANGE IN FUND BALANCES	233,943	506,218	(112,370)	627,791
FUND BALANCES, BEGINNING	1,131,669	-	717,053	1,848,722
FUND BALANCES, ENDING	\$ 1,365,612	\$ 506,218	\$ 604,683	\$ 2,476,513

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

CITY OF WESTMINSTER, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds	\$ 627,791
Amounts reported for the governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	4,937
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.	
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenses that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$122,185 was exceeded by capital asset additions of \$75,435 in the current period.	(46,750)
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.	(30,375)
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.	(42,547)
Change in net position of governmental activities	\$ 513,056

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,541,154	\$ 457,614	\$ 1,998,768
Restricted Assets - Cash and Cash Equivalents	283,517	-	283,517
Accounts Receivable	1,332,442	66,216	1,398,658
Inventory	84,810	-	84,810
TOTAL CURRENT ASSETS	3,241,923	523,830	3,765,753
CAPITAL ASSETS			
Land and Land Rights	53,025	-	53,025
Construction in Progress	200,785	-	200,785
Buildings and Improvements	5,364,384	10,000	5,374,384
Equipment and Vehicles	1,836,844	639,696	2,476,540
Infrastructure	15,203,771	-	15,203,771
Less Accumulated Depreciation	(12,609,481)	(576,344)	(13,185,825)
TOTAL NON-CURRENT ASSETS	10,049,328	73,352	10,122,680
TOTAL ASSETS	13,291,251	597,182	13,888,433
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	242,434	44,656	287,090
TOTAL DEFERRED OUTFLOWS OF RESOURCES	242,434	44,656	287,090
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	449,384	2,483	451,867
Employee Benefits Withheld and Accrued	22,945	3,831	26,776
Customer Deposits	338,727	-	338,727
Compensated Absences	53,342	8,031	61,373
Capital Leases Payable	71,083	61,808	132,891
TOTAL CURRENT LIABILITIES	935,481	76,153	1,011,634
NON-CURRENT LIABILITIES			
Compensated Absences	53,343	8,030	61,373
Capital Leases Payable after One Year	431,917	-	431,917
ConserFund Loan Payable after One Year	332,623	-	332,623
Net Pension Liability	1,336,300	246,142	1,582,442
TOTAL NON-CURRENT LIABILITIES	2,154,183	254,172	2,408,355
TOTAL LIABILITIES	3,089,664	330,325	3,419,989
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	240,850	44,364	285,214
TOTAL DEFERRED INFLOWS OF RESOURCES	240,850	44,364	285,214
NET POSITION			
Net Investment in Capital Assets	9,546,328	11,544	9,557,872
Restricted - Other	283,517	-	283,517
Unrestricted	373,326	255,605	628,931
TOTAL NET POSITION	\$ 10,203,171	\$ 267,149	\$ 10,470,320

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES			
Utility Billings	\$ 7,117,946	\$ 417,206	\$ 7,535,152
Other Customer Fees	396,497	-	396,497
Other	41,843	-	41,843
TOTAL OPERATING REVENUES	7,556,286	417,206	7,973,492
OPERATING EXPENSES			
Electric	3,186,332	-	3,186,332
Sewer	1,130,844	-	1,130,844
Water	1,386,356	-	1,386,356
Solid Waste	-	318,269	318,269
Administrative	555,342	-	555,342
Depreciation	497,263	22,741	520,004
TOTAL OPERATING EXPENSES	6,756,137	341,010	7,097,147
OPERATING INCOME (LOSS)	800,149	76,196	876,345
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	564	-	564
Interest Expense	(3,247)	(2,888)	(6,135)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,683)	(2,888)	(5,571)
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	797,466	73,308	870,774
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	9,266	9,266
Interfund Transfers In	-	81,761	81,761
Interfund Transfers Out	(222,590)	-	(222,590)
TOTAL OTHER FINANCING SOURCES (USES)	(222,590)	91,027	(131,563)
CHANGE IN NET POSITION	574,876	164,335	739,211
NET POSITION, BEGINNING OF YEAR	9,628,295	102,814	9,731,109
NET POSITION, END OF YEAR	\$ 10,203,171	\$ 267,149	\$ 10,470,320

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATIONS			
Receipts from Customers	\$ 7,419,121	\$ 414,924	\$ 7,834,045
Payments to Employees and Related Benefits	(1,249,367)	(238,305)	(1,487,672)
Payments to Suppliers	(5,387,361)	(141,598)	(5,528,959)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>782,393</u>	<u>35,021</u>	<u>817,414</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Transfers of Cash In	-	81,761	81,761
Interfund Transfers of Cash Out	(222,590)	-	(222,590)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(222,590)</u>	<u>81,761</u>	<u>(140,829)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Issuance of Long-term Debt	604,648	-	604,648
Principal Paid on Long-term Debt	(274,241)	(60,381)	(334,622)
Interest Paid on Long-term Debt	(3,247)	(2,888)	(6,135)
Sale of Capital Assets	-	9,266	9,266
Purchase of Capital Assets	(409,725)	-	(409,725)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(82,565)</u>	<u>(54,003)</u>	<u>(136,568)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	571	-	571
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>571</u>	<u>-</u>	<u>571</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>477,809</u>	<u>62,779</u>	<u>540,588</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,346,862</u>	<u>394,835</u>	<u>1,741,697</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,824,671</u>	<u>\$ 457,614</u>	<u>\$ 2,282,285</u>
CLASSIFIED AS:			
Current Assets	\$ 1,541,154	\$ 457,614	\$ 1,998,768
Restricted Assets	283,517	-	283,517
TOTALS	<u>\$ 1,824,671</u>	<u>\$ 457,614</u>	<u>\$ 2,282,285</u>

(Continued)

CITY OF WESTMINSTER

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
YEAR ENDED JUNE 30, 2022

	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ 800,149	\$ 76,196	\$ 876,345
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	497,263	22,741	520,004
(Gain)/Loss on Disposal of Assets	-	1	1
CHANGE IN ASSETS AND LIABILITIES			
Accounts Receivable	(156,620)	(2,282)	(158,902)
Inventory	(24,648)	-	(24,648)
Interfund Receivable	19,454	-	19,454
Accounts Payable	(172,985)	713	(172,272)
Customer Deposits	(1,357)	-	(1,357)
Compensated Absences	14,469	875	15,344
Employee Benefits Withheld and Accrued	10,048	795	10,843
Net Pension Liability	(422,614)	(108,212)	(530,826)
CHANGE IN DEFERRED OUTFLOWS/INFLOWS OF RESOURCES			
Deferred Pension Charges	54,420	15,149	69,569
Deferred Pension Credits	164,814	29,045	193,859
TOTAL ADJUSTMENTS	(17,756)	(41,175)	(58,931)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 782,393	\$ 35,021	\$ 817,414

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION -
CUSTODIAL FUND

JUNE 30, 2022

	LOCAL DEVELOPMENT AGENCY - CUSTODIAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 32,409
TOTAL ASSETS	\$ 32,409
NET POSITION	
RESTRICTED FOR	
Individuals, Organizations, and Other Governments	\$ 32,409
TOTAL NET POSITION	\$ 32,409

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CUSTODIAL FUND

JUNE 30, 2022

	LOCAL DEVELOPMENT AGENCY CUSTODIAL FUND
ADDITIONS	
CONTRIBUTIONS	
Piedmont Municipal Power Agency	\$ 25,632
INVESTMENT EARNINGS	
Interest Earned	2
TOTAL ADDITIONS	<u>\$ 25,634</u>
DEDUCTIONS	
Beneficiary Payments to Individuals	\$ 9,998
TOTAL DEDUCTIONS	<u>9,998</u>
CHANGE IN NET POSITION	15,636
NET POSITION, BEGINNING	<u>16,773</u>
NET POSITION, ENDING	<u>\$ 32,409</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The City of Westminster ("City"), South Carolina was incorporated in 1874. 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. 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

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 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. Based on the criteria above, the City has one fiduciary component unit – the Westminster Local Development Corporation.

Major Operations

The City's major governmental operations include: general government, public safety (police and fire), public works, and recreation and tourism. In addition, the City provides water, sewer, electric, and solid waste operations through its enterprise funds.

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

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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). Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources. Fund financial statements report detailed information about the 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.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Governmental Fund Types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) 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 governmental funds and its major fund are as follows:

The *General Fund, a major fund and a budgeted fund*, is the general operating fund of the City and accounts for most 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.

The *American Rescue Plan Fund*, a major fund, is used to account for and report the proceeds of the American Rescue Plan grant revenues that are restricted or committed to expenditures for specified purposes.

The *Hospitality Tax Fund*, a nonmajor fund, is used to account for the City's hospitality tax collections and expenses. These funds are legally restricted for tourism related expenditures.

The *Fireman's 1% Fund*, a nonmajor fund, is used to account for the City's 1% premium collections and expenses. These funds are restricted for eligible fire fighter expenditures.

The *Recreation Fund*, a nonmajor fund, is used to account for the City's recreation revenue and expenses. These funds are committed to recreation expenditures.

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 two enterprise funds.

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 include 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 type and major funds are as follows:

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The **Solid Waste Fund, a major fund**, is used to account for the City's solid waste operations.

The City reports the following other fund type:

Custodial Fund is used to account for the financial transactions of the Westminster Local Development Corporation. These funds are custodial in nature and do not include revenues and expenditures for the general operation of the City.

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 investments in the South Carolina Local Government Investment Pool to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) 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.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments (Continued)

- 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. The City currently or in the past year has primarily used the following investments in its operating activities:

South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any City treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB Statement No. 72 *"Fair Value Measurement and Application,"* investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, electric, and other fees and charges.

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).

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives	Capitalization Level
Land and Land Rights	N/A	N/A
Buildings and Improvements	10-60 Years	\$ 25,000
Vehicles and Equipment	5-20 Years	\$ 5,000
Infrastructure	10-50 Years	\$ 25,000

Compensated Absences

The City accrues accumulated unpaid vacation when earned by the employee, with a maximum of 520 hours available to be accrued. The current portion is the amount estimated to be used in the following year. The City does not provide sick leave.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the proprietary funds is also recorded in the enterprise funds. The governmental funds will not recognize a liability for compensated absences unless they have matured, for example, as a result of employee resignation or retirement prior to fiscal year end (if material).

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portions applicable to the proprietary funds are also recorded in the proprietary fund financial statements. Bond premiums and discounts 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 and discounts are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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.

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. The City reports deferred pension charges in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. 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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (continued)

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 inflows of resources, (1) *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available, and (2) *deferred pension credits* in its proprietary fund and government-wide Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"). 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.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

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.

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.

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, disclosures of contingent balances 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.

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:

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax (continued)

January 15 th	3%
February 2 nd	an additional 7%
March 17 th	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.

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.

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

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:

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. However, at June 30, 2022, none of the City's bank balances of approximately \$4,560,000 (with a carrying value of approximately \$4,450,000) were exposed to custodial credit risk.

Investments

As of June 30, 2022, the City had the following investments and maturities:

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Investment Type	Credit Rating	Fair Value	Investment Maturities in Years			
			< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs
State Government Local Investment Pool	Unrated	\$ 171,357	\$ 171,357	-	-	-

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.

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, 2022 were those imposed by the revenue source (i.e. hospitality fees, grants, etc.).

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
Major Fund		
General	\$ 572,360	\$ 233,101
American Rescue Plan Fund	-	296,122
Utility	-	222,590
Solid Waste	81,761	-
Other Non-Major Funds		
Recreation	269,613	-
Hospitality	2,300	174,221
Total	\$ 926,034	\$ 926,034

CITY OF WESTMINSTER, SOUTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

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

Funds are transferred to the General Fund from the Utility Fund in lieu of property taxes and franchise fees (that would be collected if a private utility company provided water, sewer, and electric services). The General Fund also transferred funds to the Solid Waste Fund and the Recreation Fund to help support its ongoing operations. Council approves the amounts transferred annually during the budget process.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the City's governmental activities for the year ended June 30, 2022 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	\$ 672,000	\$ -	\$ -	\$ 672,000
Construction in Progress	-	65,454		65,454
Total Capital Assets, not being Depreciated	<u>672,000</u>	<u>65,454</u>	<u>-</u>	<u>737,454</u>
Capital Assets, being Depreciated:				
Buildings & Improvements	1,505,211	-	-	1,505,211
Infrastructure	945,710	-	-	945,710
Vehicles & Equipment	1,647,012	9,981	(38,016)	1,618,977
Total Capital Assets being Depreciated	<u>4,097,933</u>	<u>9,981</u>	<u>(38,016)</u>	<u>4,069,898</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(688,348)	(46,089)	-	(734,437)
Infrastructure	(219,979)	(35,352)	-	(255,331)
Vehicles & Equipment	(1,540,760)	(40,744)	38,016	(1,543,488)
Total Accumulated Depreciated	<u>(2,449,087)</u>	<u>(122,185)</u>	<u>38,016</u>	<u>(2,533,256)</u>
Total Capital Assets, being Depreciated, net	<u>1,648,846</u>	<u>(112,204)</u>	<u>-</u>	<u>1,536,642</u>
Governmental Activities Capital Assets, net	<u>\$ 2,320,846</u>	<u>\$ (46,750)</u>	<u>\$ -</u>	<u>\$ 2,274,096</u>

Depreciation expense for governmental activities was charged to functions/programs as follows:

General Government	\$ 28,958
Public Safety	33,445
Public Works	35,022
Recreation and Tourism	24,760
Total Depreciation Expense	<u>\$ 122,185</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the City's business-type activities for the year ended June 30, 2022 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 and Land Rights	\$ 53,025	\$ -	\$ -	\$ 53,025
Construction in Progress	183,673	125,000	(107,888)	200,785
Total Capital Assets, not being Depreciated	<u>236,698</u>	<u>125,000</u>	<u>(107,888)</u>	<u>253,810</u>
Capital Assets, being Depreciated:				
Buildings & Improvements	5,374,384	-	-	5,374,384
Vehicles & Equipment	2,255,267	241,161	(19,888)	2,476,540
Infrastructure	15,052,319	151,452	-	15,203,771
Total Capital Assets, being Depreciated	<u>22,681,970</u>	<u>392,613</u>	<u>(19,888)</u>	<u>23,054,695</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(3,998,348)	(113,408)	-	(4,111,756)
Vehicles & Equipment	(1,952,072)	(103,024)	19,888	(2,035,208)
Infrastructure	(6,735,289)	(303,572)	-	(7,038,861)
Total Accumulated Depreciated	<u>(12,685,709)</u>	<u>(520,004)</u>	<u>19,888</u>	<u>(13,185,825)</u>
Total Capital Assets being Depreciated, net	<u>9,996,261</u>	<u>(127,391)</u>	<u>-</u>	<u>9,868,870</u>
Business-type Activities Capital Assets, net	<u>\$ 10,232,959</u>	<u>\$ (2,391)</u>	<u>\$ (107,888)</u>	<u>\$ 10,122,680</u>

Depreciation expense for business-type activities was charged to function/programs as follows:

Water System	\$ 366,285
Sewer System	66,234
Electric System	64,744
Solid Waste	22,741
Total Depreciation Expense	<u>\$ 520,004</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 5 – LEASE RECOGNITION

The City recognizes leases in accordance with the Accounting Standards Update (ASU) 2016-02, *Leases*. This standard requires balance sheet (statement of net position) recognition of lease agreements with terms exceeding 12 months and disclosure of significant terms of the lease. The City has evaluated lease contracts and determined that current leases do not result in a material impact on the financial statements.

NOTE 6 – LONG-TERM OBLIGATIONS

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

The City's outstanding debt and capital lease obligations have been issued/obtained through direct borrowings/placements. Obligations through direct borrowings/placements are generally secured/collateralized by the underlying assets and contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the City is unable to make payment and (b) the lender could exercise its option to demand return of the financed asset.

Summarized below are the City's individual capital leases (direct borrowings) which are outstanding at June 30, 2022:

\$284,460 capital lease agreement entered into May 2013 with annual payments of \$32,067 beginning May 2014 through May 2023, with interest at 2.24 percent. The proceeds of this lease purchase obligation were used to purchase a garbage truck.	\$ 31,364
\$145,000 capital lease agreement entered into January 2018 with annual payments of \$31,202 beginning January 2019 through January 2023, with interest at 2.5 percent. The proceeds of this lease purchase obligation were used to purchase a knuckleboom truck.	30,444
\$503,000 capital lease agreement entered into September 2021 with annual payments of \$73,503 beginning September 2022 through September 2027 and annual payments of \$38,878 to \$39,506 beginning September 2028 through September 2029, with interest at 1.64 percent. The proceeds of this lease purchase	<u>503,000</u>
Total Capital Leases Payable	<u>\$ 564,808</u>

Summarized below are the City's other long-term obligations (direct borrowings) which are outstanding at June 30, 2022:

ConserFund Loan

The City entered into a \$369,947 loan agreement in June 2022, of which \$332,623 has been borrowed as of June 30, 2022. Repayment of the loan is expected to begin with annual payments of \$40,000 in June 2022, bearing interest at 1.5%.

CITY OF WESTMINSTER, SOUTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 6 – 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, 2022:

<u>Long-term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other Liabilities - Compensated Absences	\$ 115,983	\$ 30,375	\$ -	\$ 146,358	\$ 73,179
Governmental Activities Long-term Liabilities	\$ 115,983	\$ 30,375	\$ -	\$ 146,358	\$ 73,179

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended June 30, 2022:

<u>Long-term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Revenue Bond - 10/14	\$ 274,241	\$ -	\$ (274,241)	\$ -	\$ -
Note Payable - ConserFund	230,975	101,648	-	332,623	-
Capital Lease - Garbage Truck	62,041	-	(30,677)	31,364	31,364
Capital Lease - Knuckleboom Truck	60,148	-	(29,704)	30,444	30,444
Capital Lease - Vehicles and Equipment	-	503,000	-	503,000	71,083
Total Debt	627,405	604,648	(334,622)	897,431	132,891
Other Liabilities - Compensated Absences	107,402	15,344	-	122,746	61,373
Business-type Activities Long-term Liabilities	\$ 734,807	\$ 619,992	\$ (334,622)	\$ 1,020,177	\$ 194,264

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.

The City had no general obligation debt outstanding as of June 30, 2022.

Presented below is a summary of debt service requirements (all of which are direct borrowings/placements) to maturity by year for the City's governmental and business-type activities as of June 30, 2022:

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary
	Principal	Interest	Total	Principal	Interest	Total	Government
2023	\$ -	\$ -	\$ -	\$ 132,891	\$ 9,710	\$ 142,601	\$ 142,601
2024	-	-	-	105,649	12,632	118,281	118,281
2025	-	-	-	106,167	10,949	117,116	117,116
2026	-	-	-	106,693	9,256	115,949	115,949
2027	-	-	-	107,228	7,556	114,784	114,784
2028-2031	-	-	-	336,606	15,856	352,462	352,462
2033-2037	-	-	-	2,197	593	2,790	2,790
Total	\$ -	\$ -	\$ -	\$ 897,431	\$ 66,552	\$ 963,983	\$ 963,983

NOTE 7 – PENSION PLANS

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

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.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

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, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The 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 newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two Member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a class Three member.
- 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; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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. A brief summary of benefit terms for each system is presented below:

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Plan Benefits (Continued)

credible service equals at least 90 years. Both Class Two and 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 Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Plan Contributions

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

If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Plan Contributions (Continued)

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

Required employer contributions rates¹ for the following fiscal years are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021</u>
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 rates¹ for the following fiscal years are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021</u>
SCRS		
Employee Class Two	16.41%	15.41%
Employee Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	18.84%	17.84%
Employee Class Three	18.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2019 actuarial valuation.

CITY OF WESTMINSTER, SOUTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 7 – PENSION PLANS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

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

The following table provides a summary of the actuarial assumptions and methods used to calculate TPL as of June 30, 2021:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return ¹	7.00%	7.25%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 9.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes inflation at 2.25		

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

Assumptions used in the determination of the June 30, 2021, TPL are as follows:

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

Net Pension Liability of the Plan

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2020 measurement date, for SCRS and PORS are as follows:

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022NOTE 7 – PENSION PLANS (CONTINUED)Net Pension Liability of the Plan (Continued)

<u>Plan</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$55,131,579,936	\$33,490,305,970	\$21,641,273,393	60.7%
PORS	\$8,684,586,488	\$6,111,672,064	\$2,572,914,424	70.4%

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 2021 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.

<u>Allocation/ Exposure</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.87%	3.16
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Return	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
			7.43%

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the TPL was 7.00%. 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, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the 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	\$2,728,166	\$2,082,767	\$1,546,308
PORS	1,343,078	925,704	583,811

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

At June 30, 2022, the City reported a liability of \$1,426,029 for the governmental activities and \$1,582,442 for the business-type activities on the government wide financial statements for its proportionate share of the NPL. The NPL was measured as of June 30, 2021, 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, 2021, the City's proportion for SCRS was 0.009624% (0.009677% at June 30, 2020). The City's proportion for PORS at June 30, 2021 was 0.035979% (0.032519% at June 30, 2020).

For the year ended June 30, 2022, the City recognized pension expense of approximately \$198,000.

At June 30, 2022, 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	\$ 35,478	\$ 2,811
Changes of assumptions	114,004	-
Net difference between projected and actual investment earnings	-	302,550
Change in allocated proportion	17,514	70,030
Contributions after the measurement date	210,864	-
Total	\$ 377,860	\$ 375,391

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 7 – PENSION PLANS (CONTINUED)

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

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 31,492	\$ 2,883
Changes of assumptions	66,026	-
Net difference between projected and actual investment earnings	-	207,539
Change in allocated proportion	-	76,100
Contributions after the measurement date	115,639	-
Total	<u>\$ 213,157</u>	<u>\$ 286,522</u>

The amount of \$210,864 and \$115,639 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 NPL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount		
	SCRS	PORS	Total
2023	\$ (27,957)	\$ (47,777)	\$ (75,734)
2024	(38,099)	488	(37,611)
2025	(29,129)	3,886	(25,243)
2026	(113,210)	(70,291)	(183,501)
Total	<u>\$ (208,395)</u>	<u>\$ (113,694)</u>	<u>\$ (322,089)</u>

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 – COMMITMENTS, CONTINGENCIES AND OTHER INFORMATION

Piedmont Municipal Power Agency

The City of Westminster is a member of the Piedmont Municipal Power Agency (PMPA) that was formed in 1979. PMPA is a public body corporate and politic of the State of South Carolina consisting of ten municipalities in South Carolina (each, a “Participant”), which purchase electric power from PMPA. PMPA owns a 25% undivided interest in Unit 2 of Duke Power’s Catawba Nuclear Station in York County, South Carolina.

The City has agreed pursuant to the Catawba Nuclear Project Power Sales Agreement with PMPA, in exchange for a share of the power and energy from the Catawba Nuclear Station, to take or pay for a cost of its share of the Catawba project output whether or not the project is operable or operating. Such costs are all of PMPA’s costs resulting from or attributable to the ownership, operation, maintenance, termination, retirement from service, decommissioning of, necessary repairs and additions, and amounts required to be deposited to debt service funds.

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 9 – COMMITMENTS, CONTINGENCIES AND OTHER INFORMATION (CONTINUED)

Piedmont Municipal Power Agency (Continued)

In June 2019 four members initiated a lawsuit, against PMPA and four other members (cities of Rock Hill, Greer, Union and Clinton), alleging, among other things, civil conspiracy and breach of fiduciary duties by certain of the members and seeking, among other things, declarations by a court regarding interpretation of the Catawba Project Power Sales Agreements and Supplemental Power Sales Agreements. Essentially, the lawsuit alleges that the cities of Rock Hill and Greer have conspired with the cities of Clinton and Union, offering 10 years of concessions in rates at the expense of the other members.

Although the City of Westminster is not a party in the lawsuit, if PMPA were on the non-prevailing side of this litigation, PMPA could become subject to a monetary judgment and may be required to change its rate structure/methodology. The combination of an adverse monetary judgment and a new rate methodology based solely upon the Participant's shares are estimated by PMPA's consultants to result in rate increases for the City of Westminster. Such rate increases may have an adverse impact on the financial condition of the City. At this time, the City is not able to predict the outcome of these proceedings or the impact such proceedings may have on the cost of power for the City.

For the year ended June 30, 2022, the City's purchased power expense from PMPA was approximately \$2.3 million.

Litigation

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that, if the City should not prevail against the plaintiffs, the amount of loss to the City is not material to the financial position of the City.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WESTMINSTER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 641,600	\$ 641,600	\$ 682,948	\$ 41,348
Intergovernmental Revenues	349,000	349,000	345,473	(3,527)
Licenses, Permits and Fees	336,092	336,092	385,734	49,642
Fines and Forfeitures	31,000	31,000	86,342	55,342
Miscellaneous and Other	31,585	31,585	78,864	47,279
Payments in Lieu of Taxes and Franchise Fees	58,500	58,500	50,041	(8,459)
Interest Income	1,200	1,200	533	(667)
TOTAL REVENUES	<u>1,448,977</u>	<u>1,448,977</u>	<u>1,629,935</u>	<u>180,958</u>
EXPENDITURES				
CURRENT OPERATING				
GENERAL GOVERNMENT				
Administration	432,804	432,804	365,005	67,799
Code Enforcement	81,147	81,147	35,148	45,999
PUBLIC SAFETY				
Police	667,565	667,565	530,298	137,267
Fire	474,256	474,256	623,254	(148,998)
PUBLIC WORKS				
Streets	97,300	97,300	181,546	(84,246)
Capital Expenditures	20,000	20,000	-	20,000
TOTAL EXPENDITURES	<u>1,773,072</u>	<u>1,773,072</u>	<u>1,735,251</u>	<u>37,821</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(324,095)	(324,095)	(105,316)	218,779
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	558,896	558,896	572,360	13,464
Interfund Transfers Out	(234,801)	(234,801)	(233,101)	1,700
NET CHANGE IN FUND BALANCES	-	-	233,943	233,943
FUND BALANCES, BEGINNING	<u>1,131,669</u>	<u>1,131,669</u>	<u>1,131,669</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,131,669</u>	<u>\$ 1,131,669</u>	<u>\$ 1,365,612</u>	<u>\$ 233,943</u>

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

CITY OF WESTMINSTER, SOUTH CAROLINA

SCHEDULES OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM
LAST 8 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015
SCRS								
City's proportion of the net pension liability (asset)	0.010%	0.010%	0.010%	0.010%	0.010%	0.011%	0.011%	0.011%
City's proportionate share of the net pension liability (asset)	\$ 2,082,767	\$ 2,472,573	\$ 233,623	\$ 2,217,333	\$ 2,239,905	\$ 2,355,778	\$ 2,131,720	\$ 1,923,621
City's covered payroll	\$ 1,273,333	\$ 1,080,077	\$ 1,078,647	\$ 1,025,479	\$ 1,003,884	\$ 1,068,002	\$ 1,053,881	\$ 1,014,312
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	163.57%	228.93%	227.56%	216.22%	223.12%	220.58%	202.27%	189.65%
Plan fiduciary net position as a percentage of the total pension liability	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

	2022	2021	2020	2019	2018	2017	2016	2015
PORS								
City's proportion of the net pension liability (asset)	0.036%	0.033%	0.034%	0.036%	0.057%	0.063%	0.063%	0.063%
City's proportionate share of the net pension liability (asset)	\$ 925,704	\$ 1,078,403	\$ 982,514	\$ 1,012,676	\$ 1,573,440	\$ 1,598,892	\$ 130,362	\$ 1,208,903
City's covered payroll	\$ 601,036	\$ 470,504	\$ 494,680	\$ 494,680	\$ 773,455	\$ 803,624	\$ 784,623	\$ 759,495
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	154.02%	229.20%	198.62%	204.71%	203.43%	198.96%	175.93%	159.17%
Plan fiduciary net position as a percentage of the total pension liability	70.4%	58.8%	62.7%	61.7%	60.9%	60.4%	64.6%	67.5%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The City adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.
The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date. It was again lowered to 7.00% beginning with the year ended June 30, 2021 measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF WESTMINSTER, SOUTH CAROLINA

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM
LAST 8 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015
SCRS								
Contractually required contribution	\$ 210,864	\$ 169,279	\$ 157,051	\$ 157,051	\$ 139,055	\$ 116,049	\$ 118,121	\$ 114,873
Contributions in relation to the contractually required contribution:								
Contributions from the City	(199,970)	(158,385)	(146,157)	(146,157)	(128,161)	(116,049)	(118,121)	(114,873)
Contributions from the State	(10,894)	(10,894)	(10,894)	(10,894)	(10,894)	-	-	-
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,273,333	\$ 1,087,911	\$ 1,009,325	\$ 1,078,647	\$ 102,479	\$ 1,003,884	\$ 1,048,002	\$ 1,053,881
Contribution as a percentage of covered payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

Notes to SCRS Schedule:

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

	2022	2021	2020	2019	2018	2017	2016	2015
PORS								
Contractually required contribution	\$ 115,639	\$ 98,680	\$ 85,820	\$ 85,820	\$ 80,336	\$ 110,140	\$ 110,418	\$ 105,218
Contributions in relation to the contractually required contribution:								
Contributions from the City	(107,377)	(90,418)	(77,558)	(77,558)	(72,074)	(110,140)	(110,418)	(105,218)
Contributions from the State	(8,262)	(8,262)	(8,262)	(8,262)	(8,262)	-	-	-
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 601,034	\$ 541,009	\$ 470,504	\$ 494,680	\$ 494,680	\$ 773,455	\$ 803,624	\$ 965,303
Contribution as a percentage of covered payroll	19.24%	18.24%	18.24%	16.24%	16.24%	14.24%	13.74%	10.90%

Notes to Schedule:

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

SUPPLEMENTAL INFORMATION

CITY OF WESTMINSTER, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	HOSPITALITY TAX FUND	FIREMEN'S 1% FUND	RECREATION FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 115,007	\$ 115,007
Restricted Assets - Cash and Cash Equivalents	425,559	68,674	-	494,233
Accounts Receivable	14,329	-	60	14,389
TOTAL ASSETS	<u>\$ 439,888</u>	<u>\$ 68,674</u>	<u>\$ 115,067</u>	<u>\$ 623,629</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 16,099	\$ 16,099
Employee Benefits Withheld and Accrued	-	-	2,847	2,847
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>18,946</u>	<u>18,946</u>
FUND BALANCES				
RESTRICTED FOR:				
Public Safety	-	68,674	-	68,674
Recreation and Tourism	439,888	-	-	439,888
COMMITTED TO:				
Recreation and Tourism	-	-	96,121	96,121
TOTAL FUND BALANCES	<u>439,888</u>	<u>68,674</u>	<u>96,121</u>	<u>604,683</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 439,888</u>	<u>\$ 68,674</u>	<u>\$ 115,067</u>	<u>\$ 623,629</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	HOSPITALITY TAX FUND	FIREMEN'S 1 st FUND	RECREATION FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES				
Intergovernmental Revenues	\$ -	\$ 14,855	\$ 30,000	\$ 44,855
Licenses, Permits and Fees	177,878	-	163,172	341,050
Miscellaneous and Other	3,128	-	41,257	44,385
TOTAL REVENUES	<u>181,006</u>	<u>14,855</u>	<u>234,429</u>	<u>430,290</u>
EXPENDITURES				
CURRENT OPERATING				
Public Safety	-	7,226	-	7,226
Recreation and Tourism	108,711	-	448,980	557,691
Capital Expenditures	75,435	-	-	75,435
TOTAL EXPENDITURES	<u>184,146</u>	<u>7,226</u>	<u>448,980</u>	<u>640,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,140)	7,629	(214,551)	(210,062)
OTHER FINANCING SOURCES (USES)				
Interfund Transfer In (Out)	(171,921)	-	269,613	97,692
NET CHANGE IN FUND BALANCES	(175,061)	7,629	55,062	(112,370)
FUND BALANCES, BEGINNING	<u>614,949</u>	<u>61,045</u>	<u>41,059</u>	<u>717,053</u>
FUND BALANCES, ENDING	<u>\$ 439,888</u>	<u>\$ 68,674</u>	<u>\$ 96,121</u>	<u>\$ 604,683</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

**UNIFORM SCHEDULE OF FINES, ASSESSMENTS
AND SURCHARGES (PER ACT 96)
YEAR ENDED JUNE 30, 2022**

	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
For the State Treasurers Office:			
County/Municipal Funds Collected by Clerk of Court			
Court Fines and Assessments			
Court fines and assessments collected	\$ -	\$ 80,696	\$ 80,696
Court fines and assessments remitted to State Treasurer	-	(51,165)	(51,165)
Total Court Fines and Assessments Retained	<u>-</u>	<u>29,531</u>	<u>29,531</u>
Surcharges and Assessments Retained for Victim Services			
Assessments retained	-	1,175	1,175
DUI Assessments to the State Treasurer	-	3,590	3,590
Total Surcharges and Assessments Retained for Victims Services	<u>\$ -</u>	<u>\$ 4,765</u>	<u>\$ 4,765</u>
	<u>Municipal</u>	<u>County</u>	<u>Total</u>
For the Department of Crime Victim Compensation (DCVC):			
Victim Service Funds Collected			
Carryforward from Previous Year - Beginning Balance	\$ -	\$ -	\$ -
Victim Service Revenue			
Victim Service Assessments Retained by City/County Treasurer	3,590	-	3,590
Victim Service Surcharges Retained by City/County Treasurer	1,175	-	1,175
Total Allocated to Victims Services Fund	<u>4,765</u>	<u>-</u>	<u>4,765</u>
Expenditures for Victim Service Program			
Victim Service Contract(s):			
(1) Oconee County	4,765	-	4,765
Total Expenditures from Victims Services Fund	<u>4,765</u>	<u>-</u>	<u>4,765</u>
Carryforward Funds - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION

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 Westminster
Westminster, 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 City of Westminster, South Carolina (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 4, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2022-1 that we consider to be significant deficiencies.

Members

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To the Honorable Mayor and Members of City Council
City of Westminster
January 4, 2023

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Response to Findings

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

Purpose of this Report

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

Very truly yours,

McKinley, Cooper & Co., LLC

Greenville, South Carolina
January 4, 2023

CITY OF WESTMINSTER, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

SCHEDULE OF FINDINGS AND RESPONSES

2022-1: Recreation Fees

Condition: The City receives fees for various recreation activities. We noted the following issues related to the fees collected by the City:

- There were times when part-time employees received money for sponsorship during events at the Civic Center, but did not receipt the collections.
- We noted limited and inconsistent controls over the Recreation Department cash collection box. There is not a clear record of receipts and disbursements. The cash box does not have a set amount of cash in the box (each time it is taken out) and the box is not always kept locked on a regular basis.
- The Recreation Department also regularly receives cash for payment for uniforms. There is no form detailing the name of the coach and the date, the sport, and the number of kids that received uniforms and have paid in order to keep track of the amount of funds that have been received by the coaches for the uniforms.
- There are no requirements for when the Recreation Department must bring monies collected to the City for deposit. There is no limit set for how much can be kept overnight. There is also no record of the exchange of cash when the Recreation Director brings the money to the City.
- Supporting documentation for receipts/deposits was sometimes lacking, thus it was difficult to determine how much of the funds collected near yearend related to current year recreation program versus prepayments for next year programs.

Criteria: The City should have adequate internal controls in place to ensure that recreation fees are properly and timely receipted, deposited, and recorded with appropriate supporting documentation.

Context, Cause and Effect: The City has been using a decentralized process related to receiving its recreation fees based on past practice, ease of use by participants, and goodwill.

Recommendation: The City needs to improve its collection of recreation fees by performing one or more of the following (a) mandating use of receipt books, (b) reconciling receipt books to the deposits made to the bank, (c) limiting the number of people who are allowed to collect fees (and thus who have receipt books), (d) requiring cash boxes to maintain a set amount of funds and to be locked up when not in use, (e) requiring monies collected to be brought to City Hall on a regular basis with a receipt provided to the Recreation Director for the amounts submitted, (f) standardizing forms and procedures used, and/or (g) centralizing all cash collections to City Hall.

Response: Management does not anticipate hiring additional accounting staff in the foreseeable future; however, management will consider this recommendation in light of the additional costs necessary for implementation. Management understands it has a duty to consider the projected benefits of additional controls compared to added costs.

CITY OF WESTMINSTER, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2021-1: Recreation Fees

Condition: The City receives fees for various recreational activities. There is a lack of internal control due to inadequate collection procedures. Concession and gate fees are collected on site at the fields by City personnel which in most cases are part-time employees.

Status: The finding is repeated for the year ended June 30, 2022.