

TOWN OF WINNSBORO, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2017

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF WINNSBORO, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Section – Basic Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	17
Statement of General Fund Revenues, Expenditures and Changes in General Fund Net Position - Budget to Actual.....	18
Statement of Net Position - Proprietary Fund.....	19
Statement of Revenues, Expenses and Changes in Net Position of Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
Statement of Net Position – Fiduciary Funds.....	23
Notes to Financial Statements.....	24
Required Supplementary Information	
Schedule of Proportionate Share of the South Carolina Retirement System Net Pension Liabilities.....	52
Schedule of South Carolina Retirement System Contributions.....	53
Schedule of Funding Progress – Other Post Employment Benefit Plans	54
Other Financial Information	
Schedule of Court Fines, Fees, Assessments, and Surcharges	55
Independent Auditors Report on Internal Control	
Independent Auditors' 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

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090
FAX: (803) 791-0834

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
Of Town Council
Town of Winnsboro, South Carolina
207 Congress Street, P.O. Box 209
Winnsboro, South Carolina 29180

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winnsboro, South Carolina (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 12, the Schedule of Proportionate Share of the South Carolina Retirement System Net Pension Liabilities on page 52, the Schedule of South Carolina Retirement System Contributions on page 53, and the Schedule of Funding Progress for postemployment benefit plan on page 54 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining non-major fund financial statements, and Schedule of Court Fines, Fees, Assessments and Surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the Schedule of Court Fines, Fees, Assessments and Surcharges 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the Schedule of Court Fines, Fees, Assessments and Surcharges are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

The Brittingham Group LLP

West Columbia, South Carolina

February 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town Manager and Finance Director submit to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

The combined Governmental Activities and Business Type Activities assets of the Town of Winnsboro exceeded its combined liabilities at the end of the fiscal year by \$24,828,085 (net position). The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$18,257,058 and combined expenses totaled \$17,583,115. Accordingly, combined revenues exceeded expenses by \$673,943.

At the end of fiscal year 2017, the Governmental Activities net position had no restrictions or assignments. The unrestricted net position (deficit) was (\$911,347) and the amount invested in capital assets net of related debt was \$1,988,576. Accordingly, there was a total net position of \$1,077,229. The total fund balance was \$3,559,890 for the General Fund, the Town's principal operating fund.

The Town of Winnsboro's Business Type Activity reported an increase in net position at the end of the fiscal year of \$718,409.

At the end of fiscal year 2017, the Town of Winnsboro's Business Type Activity reported cash and cash equivalents of \$11,141,581.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as primer on the Town's basic financial statements. The Town's basic financial statements have three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with an overview of the Town of Winnsboro's finances, in a manner similar to businesses in the private sector business.

The Statement of Net Position presents information on all of the Town of Winnsboro's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information detailing how the Town of Winnsboro'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 changes occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in

future fiscal years. (e.g. uncollected taxes and earned but unused compensated absences). A compensated absence is a work absence in which the employee will be paid. (e.g. sick leave, vacation leave and holiday leave).

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities).

The governmental activities of the Town of Winnsboro include administration, police, and streets and sanitation, recreation and code enforcement. The business-type activity of the Town of Winnsboro is the combined utility system which offers natural gas service, electric service, water service and sewer service.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 13 -14 of this document.

Fund financial statements. A fund is a grouping of related accounts that is used to exercise control over resources that have been segregated for specific activities. The Town of Winnsboro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Winnsboro can be divided into these categories:

Governmental funds

Proprietary funds

Fiduciary funds

Governmental funds. Governmental funds are used to account for essentially the same functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than the focus of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund only since no other governmental fund is considered to be a major fund. The Town adopts an annual operating and capital budget for the General fund. The basic governmental fund financial statements are listed on pages 15 - 18 of this document.

Proprietary funds. The Town maintains one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Town uses its enterprise fund to account for its combined utility system, comprised of natural gas, electricity, water and sewer operations. Proprietary funds provide the same types of information as the government-wide financial statements.

The basic proprietary funds financial statements can be found on pages 19 - 22 of this report.

Fiduciary Funds. The Town maintains two fiduciary funds that are accounted for as agency funds. Agency funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town’s agency fund consists of the Victims’ Assistance Fund. The Victims’ Assistance fund is used to account for monies derived from court assessments and surcharges and only be used to pay for statutorily approved expenditures for crime victims and witnesses.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 24 – 51 of this document.

Other information. In addition to the basic financial statements and accompanying notes, the report also represents certain other financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2016 financial statements are the 11th consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2017, the government-wide statements are reported using and economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town of Winnsboro’s assets exceeded liabilities by \$24,828,085 at the close of fiscal year 2017. Net position is reported in three categories:

Net investment in capital assets	\$ 12,491,235
Restricted	5,618,100
Unrestricted	6,718,750
	\$ 24,828,085

The largest portion of the Town's net position reflect its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital investments to provide services to citizen customers; consequently, these assets are not available for future expenditures. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following tables present a summary of the Town's Statement of Net Position as of June 30, 2017 and 2016:

Town of Winnsboro's Condensed Statement of Net Position - June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 3,348,955	\$ 16,560,072	\$ 19,909,027
Capital assets	1,988,576	17,241,589	19,230,165
Total assets	<u>5,337,531</u>	<u>33,801,661</u>	<u>39,139,192</u>
Deferred outflows	900,763	456,408	1,357,171
Total assets and deferred outflows	<u>6,238,294</u>	<u>34,258,069</u>	<u>40,496,363</u>
Long-term liabilities outstanding	4,919,841	8,567,779	13,487,620
Other liabilities	208,193	1,929,871	2,138,064
Total liabilities	<u>5,128,034</u>	<u>10,497,650</u>	<u>15,625,684</u>
Deferred inflows	33,031	9,563	42,594
Total liabilities and deferred inflows	<u>5,161,065</u>	<u>10,507,213</u>	<u>15,668,278</u>
Net position:			
Net investment in capital assets	1,988,576	10,502,659	12,491,235
Restricted	-	5,618,100	5,618,100
Unrestricted	(911,347)	7,630,097	6,718,750
Total net position	<u>\$ 1,077,229</u>	<u>\$ 23,750,856</u>	<u>\$ 24,828,085</u>

Town of Winnsboro's Condensed Statement of Net Position - June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 2,974,264	\$ 10,215,872	\$ 13,190,136
Capital assets	2,168,411	18,069,614	20,238,025
Total assets	<u>5,142,675</u>	<u>28,285,486</u>	<u>33,428,161</u>
Deferred outflows	388,841	192,680	581,521
Total assets and deferred outflows	<u>5,531,516</u>	<u>28,478,166</u>	<u>34,009,682</u>
Long-term liabilities outstanding	4,174,566	4,357,228	8,531,794
Other liabilities	189,431	1,074,595	1,264,026
Total liabilities	<u>4,363,997</u>	<u>5,431,823</u>	<u>9,795,820</u>
Deferred inflows	45,821	13,896	59,717
Total liabilities and deferred inflows	<u>4,409,818</u>	<u>5,445,719</u>	<u>9,855,537</u>
Net position:			
Net investment in capital assets	2,168,411	15,957,302	18,125,713
Restricted	-	137,083	137,083
Unrestricted	(1,046,716)	6,938,062	5,891,346
Total net position	<u>\$ 1,121,695</u>	<u>\$ 23,032,447</u>	<u>\$ 24,154,142</u>

The following tables are summaries of revenues and expenses for fiscal years 2017 and 2016:

Town of Winnsboro's Statement of Activities - June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 287,890	\$ 16,083,890	\$ 16,371,780
Operating and capital grants	-	386,997	386,997
General revenues	1,451,832	46,449	1,498,281
Total revenue	<u>1,739,722</u>	<u>16,517,336</u>	<u>18,257,058</u>
Expenses:			
General government	1,018,714	-	1,018,714
Public safety	1,689,314	-	1,689,314
Public works	747,637	14,011,835	14,759,472
Planning and development	73,433	-	73,433
Recreational	42,182	-	42,182
Total expenses	<u>3,571,280</u>	<u>14,011,835</u>	<u>17,583,115</u>
Increase (decrease) in net position before transfers	(1,831,558)	2,505,501	673,943
Transfers	1,787,092	(1,787,092)	-
Increase (decrease) in net position	<u>\$ (44,466)</u>	<u>\$ 718,409</u>	<u>\$ 673,943</u>

Town of Winnsboro's Statement of Activities - June 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue:			
Charges for services	\$ 299,462	\$ 14,498,159	\$ 14,797,621
Operating and capital grants	-	29,290	29,290
General revenues	1,410,454	37,042	1,447,496
Proceeds from sale of capital assets	6,588	19,655	26,243
Total revenue	<u>1,716,504</u>	<u>14,584,146</u>	<u>16,300,650</u>
Expenses:			
General government	1,046,140	-	1,046,140
Public safety	1,671,126	-	1,671,126
Public works	679,900	10,842,941	11,522,841
Planning and development	42,909	-	42,909
Recreational	113,776	-	113,776
Total expenses	<u>3,553,851</u>	<u>10,842,941</u>	<u>14,396,792</u>
Increase (decrease) in net position before transfers	(1,837,347)	3,741,205	1,903,858
Transfers	<u>1,688,006</u>	<u>(1,688,006)</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ (149,341)</u>	<u>\$ 2,053,199</u>	<u>\$ 1,903,858</u>

Governmental activities. Governmental activities net position decreased \$1,831,558 before transfers, during the fiscal year. After transfers of \$1,787,092 from Business-type activities, Governmental activities resulted in an \$44,466 decrease in net position. Governmental activities revenues and expenses showed an increase when compared to fiscal year 2016. The increase in spending is the result of increase spending in the public safety departments primarily for a new patrol car and related equipment purchased last year. The increase in revenues is primarily related to the Town receiving tax revenue in the current year.

Business-type activities. Business-type activities consist of the public natural gas, electricity, water and sewer systems. Total revenues of \$16,517,336 exceeded total expenses of \$14,011,835 for an operational surplus of \$2,505,501. \$1,787,092 was transferred to Governmental Activities to reconcile operational losses in Governmental activities. After transfers, Business-type activities incurred a \$718,409 increase in net position. Compared to fiscal years 2016 and 2015 Business-type revenues are trending upward due to appropriate rate increases. Business-type expenses increased from 2016 primarily because there was increase in construction needed to keep the system functioning properly.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus on the Town's governmental funds is to provide information on inflow, outflow and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of fiscal year 2017, the Town's governmental funds reported a combined ending fund balance of \$3,177,782. The Town's general fund is the only governmental fund.

Proprietary funds. The Town's largest component of proprietary fund net position is the investment in capital assets, net of related debt, \$10,502,659 or 44.22% of the Town's total proprietary fund net assets

GENERAL FUND BUDGETARY HIGHLIGHTS

Selected variances between fiscal years 2017 and 2016 General Fund actual revenues were as follows:

)	\$ (27,459)	Taxes	4.51%	decrease
)	\$ 39,695	license, permits and franchise fees	8.34%	increase
)	\$ (5,750)	state shared revenue	1.92%	decrease
)	\$ (8,156)	court fines	21.40%	decrease
)	\$ (3,416)	garbage pickup fees	1.31%	decrease
)	\$ 28,304	Miscellaneous	167.73%	increase

License fees increase slightly, along with an increase in miscellaneous revenues. The 167.73% increase in miscellaneous revenues indicates a gradual increase in recreational activities and building permits. Court fines decrease as a result of not having a full police staff for part of the year. Additionally, taxes decreased slightly due to a decrease in property tax payments.

PROPRIETARY FUNDS BUDGET HIGHLIGHTS

Selected variances between fiscal years 2017 and 2016 Proprietary Fund actual revenues were as follows:

)	\$ 317,743	natural gas service sales	2.19%	increase
)	\$ 768,243	electric service sales	5.30%	increase
)	\$ 354,758	water service sales	2.45%	increase
)	\$ 144,987	sewer service sales	1.00%	increase

The variance in Proprietary Fund revenues between fiscal years 2017 and 2016 is less significant on a year to year basis; however, there has been a general increase in natural gas use due to a slight increase industrial customer base. All sales have increased largely due to rate increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Winnsboro's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$19,230,166 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events in the current year included the following (See Note 6):

-) In order for the Town of Winnsboro to continue to meet the needs of its citizens and provide high quality services, the Town purchased several new vehicles in the public safety department and the public works/streets and sanitation department.
-) During the year, the Town purchased or constructed improvements for all four utility services the Town provides.
 - o The natural gas department purchased new metering equipment.
 - o The electric service department purchased a new vehicle, a telescopic forklift and invested in several construction and improvement projects.
 - o The water department purchased and installed a new generator as well as acquiring new equipment to improve water service.
 - o The sewer department acquired a new vehicle and rebuilt/installed a new filtering system.

Town of Winnsboro's Capital Assets - Net of Accumulated Depreciation - 2017

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	\$ 100,000	\$ 547,552	\$ 647,552
Buildings and structures	963,805	-	963,805
Vehicles, furniture and equipment	924,771	-	924,771
Utility plant, systems and equipment	-	16,694,037	16,694,037
	<u>\$ 1,988,576</u>	<u>\$ 17,241,589</u>	<u>\$ 19,230,165</u>

Town of Winnsboro's Capital Assets - Net of Accumulated Depreciation - 2016

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	\$ 100,000	\$ 547,552	\$ 647,552
Buildings and structures	947,061	-	947,061
Vehicles, furniture and equipment	1,121,350	-	1,121,350
Utility plant, systems and equipment	-	17,522,062	17,522,062
	<u>\$ 2,168,411</u>	<u>\$ 18,069,614</u>	<u>\$ 20,238,025</u>

Long-term debt. At the end of the current fiscal year, the Town of Winnsboro had total bonded debt outstanding of \$6,734,045. All of this debt is reported in the Combined Utilities Fund and is secured by the gross revenues of the utility system as well as a lien against the system.

The net pension liability was introduced in 2015 with the adoption of GASB Statement number 68 and represents the long-term liabilities for payment to retirees, net of the Town's current pension investments.

For additional information about the Town's outstanding long-term debt as of June 30, 2017, please see Notes 7 and 8.

Town of Winnsboro's Long-Term Debt - 2017

	Governmental Activities	Business-Type Activities	Total
Compensated absences	\$ 110,967	\$ 211,180	\$ 322,147
Net pension liability	4,919,841	2,713,231	7,633,072
Revenue bonds	-	6,734,045	6,734,045
	<u>\$ 5,030,808</u>	<u>\$ 9,658,456</u>	<u>\$ 14,689,264</u>

Town of Winnsboro's Long-Term Debt - 2016

	Governmental Activities	Business-Type Activities	Total
Compensated absences	\$ 123,029	\$ 97,419	\$ 220,448
Net pension liability	4,174,566	2,323,183	6,497,749
Revenue bonds	-	2,107,252	2,107,252
	<u>\$ 4,297,595</u>	<u>\$ 4,527,854</u>	<u>\$ 8,825,449</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be moderated by the effects of the economy and the Town's rural location. General Fund revenues continue to remain steady due to the stagnant growth in the economic activity in the area.

The Town adjusted utility rates in 2017 to address the increasing needs of the Combined Utilities Fund and to address past deferred capital and maintenance of the system. Analysis of the Year 2017 proprietary fund will occur in fiscal year 2018 to determine the impact of the prior year rate increase. Now that the utility rates have been increased to a level that fully sustains the fund, the Town will need to continue monitoring the health of the utility system. Improvements to the water and sewer systems are of moderate concern due to some recent weather related events.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the Town of Winnsboro's finances. Questions concerning any of the information provided in this report or requests for additional information should be forwarded to:

Town Manager
 Town of Winnsboro
 207 Congress Street, Post Office Box 209
 Winnsboro, South Carolina 29180

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business - Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 5,875,795	\$ 11,141,581	\$ 17,017,376
Receivables, net of allowance:			
Accounts	-	1,577,738	1,577,738
State revenue	208,755	-	208,755
Unbilled revenue	-	341,282	341,282
Prepaid expenses	41,255	31,301	72,556
Inventory	7,596	656,128	663,724
Internal balances	(2,784,446)	2,784,446	-
Note receivable	-	27,596	27,596
Capital assets:			
Non-depreciable	100,000	547,552	647,552
Depreciable, net	1,888,576	16,694,037	18,582,613
Total assets	<u>5,337,531</u>	<u>33,801,661</u>	<u>39,139,192</u>
Deferred outflows of resources			
Deferred pension outflows	900,763	456,408	1,357,171
Total assets and deferred outflows of resources	<u>6,238,294</u>	<u>34,258,069</u>	<u>40,496,363</u>
Liabilities			
Accounts payable	29,939	404,222	434,161
Accrued compensated absences	110,967	211,180	322,147
Accrued interest payable	-	4,885	4,885
Other accrued liabilities	67,287	17,171	84,458
Customer deposits	-	412,916	412,916
Revenue bonds payable:			
Current portion	-	879,497	879,497
Noncurrent portion	-	5,854,548	5,854,548
Pension liabilities	4,919,841	2,713,231	7,633,072
Total liabilities	<u>5,128,034</u>	<u>10,497,650</u>	<u>15,625,684</u>
Deferred inflows of resources			
Deferred pension inflows	33,031	9,563	42,594
Total liabilities and deferred inflows of resources	<u>5,161,065</u>	<u>10,507,213</u>	<u>15,668,278</u>
Net position			
Net investment in capital assets	1,988,576	10,502,659	12,491,235
Restricted-debt service	-	5,618,100	5,618,100
Unrestricted-unfunded pension obligation	(4,052,109)	(2,266,386)	(6,318,495)
Unrestricted - other	3,140,762	9,896,483	13,037,245
Total net position	<u>\$ 1,077,229</u>	<u>\$ 23,750,856</u>	<u>\$ 24,828,085</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities						
General government	\$ 1,018,714	\$ -	\$ -	\$ (1,018,714)	\$ -	\$ (1,018,714)
Public safety	1,689,314	29,956	-	(1,659,358)	-	(1,659,358)
Public works	747,637	257,934	-	(489,703)	-	(489,703)
Culture and recreation	42,182	-	-	(42,182)	-	(42,182)
Community and economic development	73,433	-	-	(73,433)	-	(73,433)
Total governmental activities	<u>3,571,280</u>	<u>287,890</u>	<u>-</u>	<u>(3,283,390)</u>	<u>-</u>	<u>(3,283,390)</u>
Business-type activities						
Natural gas	2,577,389	3,378,043	-	-	800,654	800,654
Electricity	5,916,760	7,403,835	-	-	1,487,075	1,487,075
Water	3,644,179	3,880,602	386,997	-	623,420	623,420
Sewer	1,873,507	1,421,410	-	-	(452,097)	(452,097)
Total business-type activities	<u>14,011,835</u>	<u>16,083,890</u>	<u>386,997</u>	<u>-</u>	<u>2,459,052</u>	<u>2,459,052</u>
Total primary government	<u>\$ 17,583,115</u>	<u>\$ 16,371,780</u>	<u>\$ 386,997</u>	<u>(3,283,390)</u>	<u>2,459,052</u>	<u>(824,338)</u>
General revenues and transfers:						
General revenues:						
Property and sales taxes				582,050	-	582,050
Licenses, permits and franchise fees				515,795	-	515,795
State aid				293,818	-	293,818
Unrestricted investment earnings				8,820	46,449	55,269
Miscellaneous				51,349	-	51,349
Transfers in/(out) to local government				1,787,092	(1,787,092)	-
Total general revenues and transfers				<u>3,238,924</u>	<u>(1,740,643)</u>	<u>1,498,281</u>
Change in net position				(44,466)	718,409	673,943
Net position, at beginning of year, restated				<u>1,121,695</u>	<u>23,032,447</u>	<u>24,154,142</u>
Net position, end of year				<u>\$ 1,077,229</u>	<u>\$ 23,750,856</u>	<u>\$ 24,828,085</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>Major Funds</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
Assets			
Cash and cash equivalents	\$ 5,823,317	\$ 52,478	\$ 5,875,795
State revenue, receivable	207,800	955	208,755
Prepaid expenses	41,255	-	41,255
Inventory	7,596	-	7,596
Due from other funds	46,256	-	46,256
Total assets	<u>6,126,224</u>	<u>53,433</u>	<u>6,179,657</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	7,394	22,545	29,939
Other accrued liabilities	65,413	1,874	67,287
Due to other funds	2,493,527	411,122	2,904,649
Total liabilities	<u>2,566,334</u>	<u>435,541</u>	<u>3,001,875</u>
Fund Balances			
Nonspendable			
Prepaid expenses	41,255	-	41,255
Inventory	7,596	-	7,596
Unassigned	3,511,039	(382,108)	3,128,931
Total fund balances	<u>3,559,890</u>	<u>(382,108)</u>	<u>3,177,782</u>
Total liabilities and fund balances	<u>\$ 6,126,224</u>	<u>\$ 53,433</u>	<u>\$ 6,179,657</u>
<u>Reconciliation to the statement of net position</u>			
Total fund balances - governmental funds			\$ 3,177,782
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:			
Amounts due to fiduciary funds reported in the governmental funds are not recognized as liabilities for the governmental activities			
			73,947
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.			
Capital assets, cost		\$ 6,438,681	
Accumulated depreciation		(4,450,105)	
			1,988,576
Accrued compensated absences			(110,967)
Long-term liabilities, including bonds payable, notes payable, net pension liabilities, deferred inflows and deferred outflows are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:			
Deferred pension outflows			900,763
Deferred pension inflows			(33,031)
Net pension liabilities			<u>(4,919,841)</u>
Net position of governmental activities			<u>\$ 1,077,229</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

	Major Funds	Nonmajor Funds	Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues			
Taxes	\$ 582,050	\$ -	\$ 582,050
Licenses and permits	515,795	-	515,795
Police fines	29,956	-	29,956
State shared revenues	293,818	-	293,818
Charges for services	257,934	-	257,934
Interest	8,820	-	8,820
Other	51,349	-	51,349
Total revenues	<u>1,739,722</u>	<u>-</u>	<u>1,739,722</u>
Expenditures			
Town council	228,055	-	228,055
Town manager	238,702	-	238,702
Municipal court	148,488	-	148,488
Municipal buildings	142,578	-	142,578
Maintenance shop	39,625	-	39,625
Swimming pool	41,914	-	41,914
Public safety	1,485,674	-	1,485,674
Streets and sanitation	657,835	-	657,835
Building, zoning and planning	56,652	-	56,652
Grants and community development	72,248	-	72,248
Capital outlay	58,462	10,302	68,764
Total expenditures	<u>3,170,233</u>	<u>10,302</u>	<u>3,180,535</u>
(Deficit) of revenues (under) expenditures	<u>(1,430,511)</u>	<u>(10,302)</u>	<u>(1,440,813)</u>
Other Financing Sources			
Transfers in	1,787,092	-	1,787,092
Total other financing sources	<u>1,787,092</u>	<u>-</u>	<u>1,787,092</u>
Net change in fund balance	356,581	(10,302)	346,279
Fund balance, beginning of year	3,203,309	(371,806)	2,831,503
Fund balance, end of year	<u>\$ 3,559,890</u>	<u>\$ (382,108)</u>	<u>\$ 3,177,782</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2017

Net change in fund balance - total governmental funds		\$ 346,279
<p>Amounts reported for governmental activities in the Statement of Activities are different due to the following:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.</p>		
Depreciation	\$ (238,297)	
Capital outlays	<u>58,462</u>	
Net change in capital assets		(179,835)
<p>Net change in in pension liability for the current year. This is an expenditure for governmental funds and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
		(220,563)
<p>In the Statement of Activities, compensated absences are reported by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used.</p>		
		<u>9,653</u>
Change in net position of governmental activities		<u><u>\$ (44,466)</u></u>

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN
GENERAL FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Taxes	\$ 355,852	\$ 355,852	\$ 582,050	\$ 226,198
Licenses and permits	480,400	480,400	515,795	35,395
Police fines	45,550	45,550	29,956	(15,594)
State shared revenues	295,289	295,289	293,818	(1,471)
Charges for services	263,300	263,300	257,934	(5,366)
Interest	4,605	4,605	8,820	4,215
Other	40,749	40,749	51,349	10,600
Total revenue	<u>1,485,745</u>	<u>1,485,745</u>	<u>1,739,722</u>	<u>253,977</u>
Expenditures				
Town council	231,730	231,730	228,055	3,675
Town manager	315,463	315,463	238,702	76,761
Municipal court	156,666	156,666	148,488	8,178
Municipal buildings	33,981	33,981	142,578	(108,597)
Maintenance shop	73,632	73,632	39,625	34,007
Swimming pool	44,077	44,077	41,914	2,163
Public safety	1,597,730	1,597,730	1,485,674	112,056
Streets and sanitation	622,885	622,885	657,835	(34,950)
Building, zoning and planning	73,920	73,920	56,652	17,268
Grants and community development	122,753	122,753	72,248	50,505
Capital outlay	-	-	58,462	(58,462)
Total expenditures	<u>3,272,837</u>	<u>3,272,837</u>	<u>3,170,233</u>	<u>102,604</u>
(Deficit) of revenues (under) expenditures	<u>(1,787,092)</u>	<u>(1,787,092)</u>	<u>(1,430,511)</u>	<u>356,581</u>
Other financing sources (uses)				
Transfers in	1,787,092	1,787,092	1,787,092	-
Total other financing sources	<u>1,787,092</u>	<u>1,787,092</u>	<u>1,787,092</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	356,581	<u>\$ 356,581</u>
Fund balance, beginning of year			<u>3,203,309</u>	
Fund balance, end of year			<u>\$ 3,559,890</u>	

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2017

	Combined Utilities
Assets	
Current assets	
Cash and cash equivalents	\$ 5,523,481
Cash and cash equivalents - restricted	5,618,100
Accounts receivable, net	1,577,738
Unbilled revenue	341,282
Prepaid expenses	31,301
Inventory	656,128
Due from other funds	2,784,446
Note receivable - current portion	4,255
Non-current assets	
Note receivable - noncurrent portion	23,341
Capital assets, not being depreciated	547,552
Capital assets, being depreciated, net	16,694,037
Total assets	<u>33,801,661</u>
Deferred outflows of resources	
Deferred pension outflows	456,408
Total assets and deferred outflows of resources	<u>34,258,069</u>
Liabilities	
Current liabilities	
Accounts payable	404,222
Accrued interest payable	4,885
Other accrued liabilities	17,171
Accrued compensated absences	211,180
Customer deposits	412,916
Revenue bonds payable - current portion	879,497
Non-current liabilities	
Revenue bonds payable - noncurrent portion	5,854,548
Net pension liabilities	2,713,231
Total liabilities	<u>10,497,650</u>
Deferred inflows of resources	
Deferred pension inflows	9,563
Total liabilities and deferred inflows of resources	<u>10,507,213</u>
Net position	
Investments in capital assets	10,502,659
Restricted - debt service	5,618,100
Unrestricted - unfunded pension obligation	(2,266,386)
Unrestricted - other	9,896,483
Total net position	<u>\$ 23,750,856</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION OF PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	Combined Utilities
Operating revenue	
Natural gas sales	\$ 3,378,043
Electricity sales	7,403,835
Water service	3,880,602
Sewer service	1,421,410
Total operating revenue	<u>16,083,890</u>
Operating expenses	
Water, electricity and natural gas purchased	7,150,318
Salaries and fringe benefits	2,669,410
Other operating expenses	2,786,814
Depreciation and amortization	1,279,782
Total operating expenses	<u>13,886,324</u>
Operating income	2,197,566
Nonoperating revenues (expenses)	
Interest income	46,449
Grant revenues	386,997
Interest expense	(125,511)
Total nonoperating revenues (expenses)	<u>307,935</u>
Income before transfers	2,505,501
Net transfers out	(1,787,092)
Change in net position	718,409
Total net position, beginning	<u>23,032,447</u>
Total net position, ending	<u><u>\$ 23,750,856</u></u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

	Combined Utilities
Cash flows from operating activities	
Receipts from customers	\$ 14,130,850
Payments to suppliers	(9,820,562)
Payments to employees	(2,433,662)
Net cash provided by operating activities	<u>1,876,626</u>
Cash flows from noncapital financing activities	
Transfers to general fund	(1,787,092)
Net cash used by noncapital financing activities	<u>(1,787,092)</u>
Cash flows from capital and related financing activities	
Interest expense	(125,511)
Grant revenues	386,997
Proceeds from revenue bonds	5,700,000
Principal payments on revenue bonds	(1,073,207)
Acquisition and construction of capital assets	(451,757)
Accrued interest payable	(175)
Net cash used by capital and related financing activities	<u>4,436,347</u>
Cash flows from investing activities	
Interest income	46,449
Net cash provided by investing activities	<u>46,449</u>
Net increase in cash and cash equivalents	4,572,330
Cash and cash equivalents, beginning	<u>6,569,251</u>
Cash and cash equivalents, ending	<u><u>\$ 11,141,581</u></u>

(CONTINUED)

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2017

-CONTINUED-

	Combined Utilities
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,197,566
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	1,279,782
Changes in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(422,246)
Unbilled revenue	47,020
Inventory	247,310
Due from other funds	(1,643,954)
Accounts payable	(147,911)
Accrued liabilities	17,171
Accrued compensated absences	113,761
Customer deposits	66,140
Deferred outflows-pensions	(263,728)
Deferred inflows-pensions	(4,333)
Net pension liability	390,048
Net cash provided by operating activities	<u>\$ 1,876,626</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	Agency Funds		Total
	Firemen's Fund	Victims' Assistance Fund	
Assets			
Current assets			
Due from general fund	\$ 9,226	\$ 64,721	\$ 73,947
Total assets	<u>\$ 9,226</u>	<u>\$ 64,721</u>	<u>\$ 73,947</u>
Liabilities			
Funds held in trust	\$ 9,226	\$ 64,721	\$ 73,947
Total liabilities	<u>\$ 9,226</u>	<u>\$ 64,721</u>	<u>\$ 73,947</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Summary of Significant Accounting Policies

The Town of Winnsboro, South Carolina (the "Town") was incorporated under the laws of the State of South Carolina for the incorporation of municipal governments and as amended by Act 283 of the 1975 Code (Home Rule Town Act). The Town operates under a Council-form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, and general administrative services.

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

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the Town's *governmental* and *business-type activities*. Taxes and other non-exchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the Town's governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The Town classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its governmental funds and proprietary fund. The Town presents separate statements for each fund category-governmental and proprietary.

-CONTINUED-

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Operating and Non-Operating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The Town generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the Town classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The Town reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The Town's funds are classified into three categories – governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Enterprise Funds - Enterprise Funds are 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Agency Funds – Agency funds are used to account for assets held by this Town in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town’s agency funds consist of the Firemen’s Fund and the Victims’ Assistance Fund. The Firemen’s Fund is used to account for monies received from a specific source and can only be used to pay for non-budgeted, non-capital expenditures at the discretion of the Public Safety department head’s discretion. The Victims’ Assistance fund is used to account for monies derived from court assessments and surcharges and can only be used to pay for statutorily approved expenditures for crime victims and witnesses.

Accrual Basis

The Town uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the Town generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The Town recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

Modified Accrual Basis

The Town uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual-that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The Town has elected to treat all funds as major and present them in separate columns.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the Town considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments, if any, are reported at fair value.

Accounts Receivable

The accounts receivable of the Combined Utilities (Enterprise) Fund consist of unpaid user charges for the natural gas, electric, water and sewer system services of the Town. The amount of unpaid charges is reported net of an allowance for doubtful accounts.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Utility plant in service	-	40 - 45 years
Equipment	3 - 10 years	5 - 10 years
Vehicles	5 - 10 years	4 - 5 years
Buildings	15 - 40 years	15 - 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

The Town's policy allows employees to accumulate unused sick leave to a maximum of eighteen workweeks and vacation leave up to a maximum of six workweeks. Upon termination, any accumulated vacation leave, will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

The estimated liability for vested vacation leave attributable to the Town's governmental and business-type activities is recorded as an expense and liability in the respective funds. The estimated liabilities include required salary-related payments.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$1,357,171 as of June 30, 2017.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports deferred inflows of resources in the amount of \$42,594 as of June 30, 2017.

Net Position/Fund Balances

Net position are classified and presented in three components in the government-wide financial statements:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The Town reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted net position - spendable. Net position or fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2017, \$5,618,100 was reported as restricted net position.

Unrestricted net position - All other net position that do not meet the definition of "restricted," or "invested in capital assets."

Fund balance is reported as assigned if the fund balance is constrained by the government's intent to use the funds for a specific purpose. The Town reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. The Town does not have any restricted fund balance.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Fund balance is reported as committed if amounts have been committed through the appropriations process. The Town does not have any committed funds.

Unassigned fund balance – All other fund balances that do not meet the definition of “restricted,” “assigned,” or “committed”.

The Town’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Combined Utilities Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Legal Compliance – Budgets (continued)

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the Town Council.

Actual revenue exceeded budget revenue by \$253,977. Budgeted expenditures exceeded actual expenditures by \$102,604.

3. Deposits

At June 30, 2017, the carrying amount of the Town’s unrestricted and restricted deposits totaled \$17,017,376, and the bank balance was \$17,511,911, of which all, is covered by either federal depository insurance, or is properly collateralized in accordance with State law.

4. Receivables

Receivables at June 30, 2017, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
State revenue	\$ 208,755	\$ -	\$ 208,755
Utility service billings	-	1,592,738	1,592,738
Gross receivables	208,755	1,592,738	1,801,493
Less, allowance for uncollectibles	-	(15,000)	(15,000)
Net receivables	<u>\$ 208,755</u>	<u>\$ 1,577,738</u>	<u>\$ 1,786,493</u>

5. Interfund Transfers, Receivables and Payables

Interfund transfers:	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Total</u>
General fund	\$ 1,787,092	\$ -	\$ 1,787,092
Combined utilities fund	-	(1,787,092)	(1,787,092)
Total transfers	<u>\$ 1,787,092</u>	<u>\$ (1,787,092)</u>	<u>\$ -</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets, not being depreciated	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets, being depreciated				
Buildings and improvements	2,829,588	-	-	2,829,588
Town manager department-equipment	386,215	35,351	-	421,566
Municipal court department-equipment	10,325	-	-	10,325
Legal services-equipment	44,938	-	-	44,938
Maintenance shop department-equipment	99,077	-	-	99,077
Public safety-equipment and vehicles	1,897,774	23,111	-	1,920,885
Streets and sanitation department- equipment and vehicles	873,871	-	-	873,871
Building, zoning and planning department- equipment and vehicles	112,781	-	-	112,781
Grants and community development- equipment and vehicles	<u>25,650</u>	<u>-</u>	<u>-</u>	<u>25,650</u>
Total capital assets, being depreciated	<u>6,280,219</u>	<u>58,462</u>	<u>-</u>	<u>6,338,681</u>
Less: Accumulated depreciation for				
Buildings and improvements	(1,811,869)	(53,913)	-	(1,865,782)
Town manager department-equipment	(245,145)	(19,429)	-	(264,574)
Municipal court department-equipment	(12,725)	(3,591)	-	(16,316)
Legal services-equipment	(33,818)	(3,030)	-	(36,848)
Maintenance shop department-equipment	(96,561)	(268)	-	(96,829)
Public safety-equipment and vehicles	(1,361,464)	(103,577)	-	(1,465,041)
Streets and sanitation department- equipment and vehicles	(585,496)	(49,948)	-	(635,444)
Building, zoning and planning department- equipment and vehicles	(40,046)	(4,540)	-	(44,586)
Grants and community development- equipment and vehicles	<u>(24,684)</u>	<u>-</u>	<u>-</u>	<u>(24,684)</u>
Total accumulated depreciation	<u>(4,211,808)</u>	<u>(238,296)</u>	<u>-</u>	<u>(4,450,104)</u>
Total capital assets, being depreciated, net	<u>2,068,411</u>	<u>(179,834)</u>	<u>-</u>	<u>1,888,577</u>
Governmental activities capital assets, net	<u>\$ 2,168,411</u>	<u>\$ (179,834)</u>	<u>\$ -</u>	<u>\$ 1,988,577</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Business-type activities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 185,318	\$ -	\$ -	\$ 185,318
Construction in process	362,234	-	-	362,234
Total capital assets, not being depreciated	<u>547,552</u>	<u>-</u>	<u>-</u>	<u>547,552</u>
Capital assets, being depreciated				
Gas department-property, plant and equipment	4,917,000	42,977	-	4,959,977
Electricity department-property, plant and equipment	6,414,222	179,576	-	6,593,798
Water department-property, plant and equipment	21,460,217	106,682	-	21,566,899
Sewer department-property, plant and equipment	<u>12,680,430</u>	<u>122,522</u>	<u>-</u>	<u>12,802,952</u>
Total capital assets, being depreciated	<u>45,471,869</u>	<u>451,757</u>	<u>-</u>	<u>45,923,626</u>
Less: Accumulated depreciation for				
Gas department-property, plant and equipment	(3,724,348)	(97,527)	-	(3,821,875)
Electricity department-property, plant and equipment	(4,355,288)	(161,791)	-	(4,517,079)
Water department-property, plant and equipment	(10,312,979)	(473,086)	-	(10,786,065)
Sewer department-property, plant and equipment	<u>(9,557,192)</u>	<u>(547,378)</u>	<u>-</u>	<u>(10,104,570)</u>
Total accumulated depreciation	<u>(27,949,807)</u>	<u>(1,279,782)</u>	<u>-</u>	<u>(29,229,589)</u>
Total assets being depreciated, net	<u>17,522,062</u>	<u>(828,025)</u>	<u>-</u>	<u>16,694,037</u>
Business-type capital assets, net	<u>\$ 18,069,614</u>	<u>\$ (828,025)</u>	<u>\$ -</u>	<u>\$ 17,241,589</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Governmental activities:	
General government	\$ 84,503
Public safety	103,578
Public works	49,948
Culture and recreation	<u>268</u>
Total depreciation - governmental activities	<u>\$ 238,297</u>
Business type activities:	
Natural gas	\$ 97,527
Electricity	161,791
Water	473,086
Sewer	<u>547,378</u>
Total depreciation - business type activities	<u>\$1,279,782</u>

7. Pension Plan

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

South Carolina Retirement System

Substantially all employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. The CAFR is available online at www.retirement.sc.gov, or a copy may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member’s job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member’s job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee’s annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree’s beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective July 1, 2016, employees participating in the SCRS were required to contribute 8.66% of all earnable compensation. The employer contribution rate for SCRS was 11.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 11.41%, and .15% for the incidental death program. The Town’s actual retirement contributions to the SCRS for the years ended June 30, 2017, 2016 and 2015 are as follows:

Fiscal Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
2017	11.41%	\$ 302,237	0.15%	\$ 3,973
2016	10.91%	\$ 299,934	0.15%	\$ 4,068
2015	10.75%	\$ 272,590	0.15%	\$ 3,804

As an alternative to membership in the SCRS, newly hired employees of the Fund may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The Town did not have any employees participating in the ORP during the 2017, 2016 or 2015 fiscal years.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2016, employees participating in the PORS were required to contribute 9.24% of all earnable compensation. The employer contribution rate for PORS was 14.04%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.84%, .20% for the incidental death program, and .20% for the accidental death program. The Town's actual retirement contributions to the PORS for the years ended June 30, 2017, 2016 and 2015 are as follows:

Fiscal Year	Retirement		Incidental Death		Accidental Death				
	Ended	Rate	Contribution	Rate	Contribution	Rate	Contribution		
2016	13.840%	\$	105,254	0.20%	\$	1,521	0.20%	\$	1,521
2016	13.340%	\$	114,026	0.20%	\$	1,660	0.20%	\$	1,660
2015	13.010%	\$	101,216	0.20%	\$	1,556	0.20%	\$	1,556

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2017 the Town reported \$5,981,827 and \$1,651,245 for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS and the PORS defined benefit pension plans were determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to June 30, 2016, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the Town's SCRS and PORS proportion was .028005% and .06510%. For the year ended June 30, 2017 the Town recognized pension expenses of \$266,710 and \$75,840 for SCRS and PORS.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

At June 30, 2017 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net</u>
Differences between expected and actual experience - SCRS	\$ 62,009	\$ (6,496)	\$ 55,513
Differences between expected and actual experience - PORS	24,501	-	24,501
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Total Plan Employer Contributions - SCRS	134,498	(14,709)	119,789
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Total Plan Employer Contributions - PORS	38,170	(21,389)	16,781
Net difference between projected and actual earnings on investments - SCRS	503,264	-	503,264
Net difference between projected and actual earnings on investments - PORS	187,237	-	187,237
Current Year Employer Contributions - SCRS	302,238	-	302,238
Current Year Employer Contributions - PORS	105,254	-	105,254
	<u>\$1,357,171</u>	<u>\$ (42,594)</u>	<u>\$1,314,577</u>

\$302,308 and \$105,254 for SCRS and PORS respectively reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2017	(175,082)	(50,406)	(225,488)
2018	(142,669)	(49,164)	(191,833)
2019	(242,638)	(79,205)	(321,843)
2020	(118,174)	(49,677)	(167,851)
	<u>\$ (678,563)</u>	<u>\$ (228,452)</u>	<u>\$ (907,015)</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The total pension liabilities in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.50%	7.50%
Projected Salary Increases	3.5% to 12.5%	4.0% to 10.0%
Inflation Rate	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

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 as of July 1, 2015.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar Adjustment) Multiplied by 110%	RP-2000 Females (with White Collar Adjustment) Multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed using a building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentages and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100%		5.10%
Inflation for Actuarial Puposos			2.75%
Total Expected Nominal Return			7.85%

The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the plans' 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 total pension liability.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The following table represents the Town's proportionate share of the net SCRS pension liabilities calculated using the discount rate of 7.50 percent, as well as what the Town's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Plan	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
SCRS	\$ 7,462,165	\$ 5,981,827	\$ 4,749,501
PORS	<u>2,163,932</u>	<u>1,651,245</u>	<u>1,190,259</u>
Total	<u>\$ 9,626,097</u>	<u>\$ 7,633,072</u>	<u>\$ 5,939,760</u>

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the Town have elected to participate. The multiple-employers plans, create under Internal Revenue Sections 457, 401(k), and 403(b), are administrated by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt

Series 2009 Revenue Bonds

In fiscal year ending June 30, 2010, the Town executed a loan agreement with the South Carolina Water Quality Revolving Fund Authority. The purpose of this agreement was to finance the construction of a parallel raw water line to enhance the drinking water service capacity offered by the Town. The project was subsidized by grant proceeds from the American Recovery and Reinvestment Act of 2009 (“ARRA”). The total cost of the project was \$2,532,474. The ARRA provided \$1,255,012 and the South Carolina State Revolving Loan Fund (the “SC SRF”) provided an additional \$1,097,462. The entire amount is to be repaid to the SC SRF.

Series 2016 Revenue Bonds

In fiscal year ending June 30, 2017, the Town executed an additional loan agreement with the South Carolina Water Quality Revolving Fund Authority. The purpose of this agreement was to continue to finance the construction of a parallel raw water line to enhance the drinking water service capacity offered by the Town. The South Carolina State Revolving Loan Fund (the “SC SRF”) provided a total of \$5,700,000. The entire amount is to be repaid to the SC SRF.

Total annual debt service requirements for revenue bonds are as follows:

<u>Year Ended June 30, 2017</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	859,497	158,679	1,018,176
2019	390,810	140,866	531,676
2020	402,146	129,930	532,076
2021	413,505	118,670	532,175
2022	424,889	107,086	531,975
2023-2027	1,756,070	366,957	2,123,027
2028-2032	1,109,509	217,868	1,327,377
2033-2307	1,111,456	82,820	1,194,276
2038-2040	266,163	6,421	272,584
	<u>\$ 6,734,045</u>	<u>\$ 1,329,297</u>	<u>\$ 8,063,342</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Changes in long-term liabilities for the year ended June 30, 2017, were as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 123,029	\$ 110,967	\$ 123,029	\$ 110,967	\$ 110,967
	<u>123,029</u>	<u>110,967</u>	<u>123,029</u>	<u>110,967</u>	<u>110,967</u>
Business-type activities:					
Revenue bonds payable	2,107,252	5,700,000	1,073,207	6,734,045	859,497
Compensated absences	97,419	211,180	97,419	211,180	211,180
	<u>2,204,671</u>	<u>5,911,180</u>	<u>1,170,626</u>	<u>6,945,225</u>	<u>1,070,677</u>
Total	<u>\$ 2,327,700</u>	<u>\$ 6,022,147</u>	<u>\$ 1,293,655</u>	<u>\$ 7,056,192</u>	<u>\$ 1,181,644</u>

9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial property insurance coverage and general liability coverage for these risks. There have been no significant reductions in insurance coverage in the last two years, and settled claims have not exceeded coverage in any of the last four fiscal years.

The Town participates in the South Carolina Municipal Insurance Reserve Fund, an insurance pool currently operating as a common tort liability and insurance program. The limit of the tort liability is \$600,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property.

10. Postemployment Benefits Other than Pensions

Plan Description

Upon separation of employment from the Town, an employee who retires under PEBA Retirement Benefits may elect to continue his/her health benefit coverage through South Carolina Public Employee Benefit Authority Insurance Benefits program (“PEBA Insurance Benefits” or “State Health Plan”) if all eligibility requirements of the State Health Plan are met including:

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

-) The last five years of employment served consecutively and in a full-time, permanent position, with an employer that participates in the state health insurance plan, and
-) The retiree pays the full age adjusted cost of coverage to the Association by the 10th of each month. The age adjusted cost is defined as the explicit premium as determined by the State Health Plan and the implicit subsidy as actuarially determined.

The Town will pay the full cost of health and prescription benefit coverage for a retiree meeting the above requirements if immediately prior to retirement and leaving the employment of the Town, the retiree was continuously employed full-time by the association for at least twenty years, or at least fifteen years and is fifty-five years of age. When eligible for Medicare, the retiree may choose the State Health Plan Medicare or other Medicare Supplement Plan. The Town will pay the Medicare eligible retiree's health and prescription benefit full cost of coverage up to a defined dollar amount, to be set from time to time by the executive director, but not to exceed the annual cost of the State Health Plan Retiree Only Medicare Supplement full cost of coverage.

The retiree is responsible for all costs related to dependent coverage. The retiree must pay the full age adjusted cost of dependent coverage to the Town by the 10th of each month. The age adjusted cost is defined as the explicit premium as determined by the State Health Plan and the implicit subsidy as actuarially determined.

These terms are subject to change by the Town Council..

As of July 1, 2015, the measurement date, there were 122 covered participants; 33 members were retirees (or their spouses) receiving benefits and 89 were active participants.

The plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"), an agent multiple-employer investment plan administered by the Municipal Association. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB plan. A copy of the report may be obtained by writing to: Director for Risk Management Services, Municipal Association of South Carolina, Post Office Box 12109, Columbia, South Carolina 29211.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Funding Policy

Medical, prescription drug, dental and vision benefits are offered through the Town’s participation in PEBA Insurance Benefits until the retiree becomes eligible for Medicare. Once the retiree becomes eligible for Medicare, the retiree’s coverage will be converted to the State Health Plan’s Medicare Supplement plan. Life insurance is offered to retirees, however the retiree must pay the full cost of this benefit.

The July 1, 2015 valuation assumed the following rates. The effective date of these rates is January 1, 2016.

	Standard Plan	Savings Plan	Dental	Dental Plus	Vision
Employee only	\$ 457.78	\$ 9.70	\$ 11.72	\$ 25.96	\$ 7.00
Employee and spouse	\$ 966.62	\$ 77.40	\$ 11.72	\$ 52.46	\$ 14.00

The Town pays the entire cost for retirees eligible for fully subsidized benefits (as discussed above under Plan Description). The amount the Association pays for Medicare-eligible retirees will not exceed \$750/month. Retirees not eligible for fully subsidized benefits must pay the full rate for their coverage. Retirees may continue dependent coverage (and pay the full rate for this coverage) if enrolled in dependent coverage at the time of retirement.

The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The current ARC rate is based on a level percent of payroll with the rates of annual salary increase assumed to vary for the first 14 years of service due to expected merit and promotional increases. Beginning with the 15th year of service, the assumed annual rate of increase is 3.50% for all future years of service. The 3.50% rate of increase is composed of a 2.75% inflation component and a 0.75% real rate of wage increase (productivity) component.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

The following table summarizes the key actuarial assumptions and cost method:

Actuarial valuation date:	July 1, 2015
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Percent of Payroll, Open
Amortization period:	23 years
Actuarial assumptions:	
Investment rate of return:	5.0% annual rate of interest net of both investment and administrative fees other than actuarial valuation fees.
Medical cost trend rate	
Pre-Medicare trend rate	7.5% to 5%
Post-Medicare trend rate	5.5% to 5%
Ultimate trend rate	5%
Year of ultimate trend rate	2020 for Pre-Medicare 2017 for Medicare
Payroll growth:	2.75% per year
Coverage elections:	85% of eligible retirees will elect coverage. 30% of retirees who elect coverage will elect to cover a spouse.
Active participant marriage assumption:	100% of all active members are assumed to be married, with female spouses being 3 years younger than males.
Mortality table:	RP-2000 adjusted by multipliers from the 2011 Experience Study. Rates for disabled retirees is based on the RP-2000 Disabled Retiree Mortality Table adjusted by multipliers from the 2011 Experience Study
Maximum benefit:	\$750 maximum monthly benefit for Medicare-eligible retirees will not increase, and retirees will pay the full cost of benefits over \$750 per month.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Actuarial Methods and Assumptions (continued)

Retirement Rates: The assumed rates of service retirement and TERI entry are based upon the 2011 Experience Study. Sample rates at representative ages are shown in the tables below:

Age Based Annual Rates of Retirement and TERI Entry					
Hired Prior to July 1, 2012*					Hired on or after July 1, 2012
	Early Retirement		Normal Retirement		Any Retirement
Age	Male	Female	Male	Female	Unisex
55 - 59	4%	4%	0%	0%	20%
60 - 61	5%	7%	0%	0%	20%
62	14%	13%	0%	0%	20%
63 - 64	10%	13%	0%	0%	20%
65 - 66	0%	0%	20%	22%	20%
67 - 74	0%	0%	17%	19%	20%
75 & Older	0%	0%	100%	100%	100%

Service Based Annual Rates of Retirement and TERI Entry		
Hired Prior to July 1, 2012*		
Years of Service	Male	Female
28	15%	18%
29-32	10%	10%
33-35	18%	20%
36-39	20%	20%
40 or more	100%	100%

*Retirement rate of 50% at age 62 or at first normal retirement eligibility, whichever is earlier.

SCRS Election of Teachers and Employees Retention Incentive (TERI): Valuation assumed 37.5% of members electing to either retire or enter TERI before age 65 will elect to enter TERI prior to July 1, 2015 and will remain in TERI for three years (thus all TERI payments end by June 30, 2018).

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Actuarial Methods and Assumptions (continued)

The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed valuation investment rate of return. The amount recognized each year is 20% of the difference between actual market value and expected market value, beginning with the July 1, 2011 valuation. The resulting value must be no less than 80% of market value and no more than 120% of market value (referred to as a corridor).

The OPEB plan's unfunded actuarial accrued liability is being amortized within a 30-year period as a level percentage of projected payroll on an open basis.

Annual OPEB Costs and Rollforward of Net OPEB Obligation

The Association's annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the year ended June 30, 2017 were as follows:

Net OPEB obligation, beginning of the plan year	<u>\$ 64,835</u>
One year's interest on the net OPEB obligation	-
ARC (normal cost plus any amortization payments)	426,824
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	426,824
Contributions made for the plan year	<u>442,202</u>
Increase (decrease) in net OPEB obligation	<u>(15,378)</u>
Net OPEB obligation, end of the plan year	<u><u>\$ 49,457</u></u>

Schedule of Employer Contributions

Contributions included \$258,602 paid by the Town to the Plan to pre-fund benefits and cover expenses associated with the required actuarial valuation, and \$183,600 paid by the Town through payment of covered participants' explicit and implicit subsidized benefits.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Schedule of Employer Contributions (continued)

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB plan and the net OPEB obligation were as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>valuation</u> <u>date</u>	<u>Annual</u> <u>OPEB cost</u>	<u>OPEB cost</u> <u>contributed</u>	<u>OPEB cost</u> <u>contributed</u>	<u>Net OPEB</u> <u>obligation</u>
June 30, 2016	July 1, 2015	\$ 426,823	\$ 427,009	100.04%	\$ 65,025
June 30, 2017	July 1, 2015	426,824	442,202	103.60%	49,647

Schedule of Funding Progress

This schedule will provide trend information about whether the actuarial values of OPEB plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB plan is as follows:

<u>Actuarial</u> <u>valuation</u> <u>date</u>	<u>Actuarial</u> <u>value of</u> <u>assets</u> <u>(a)</u>	<u>Actuarial</u> <u>accrued liability</u> <u>(AAL) projected</u> <u>unit credit</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b) - (a)</u>	<u>Funded</u> <u>ratio</u> <u>(a)/(b)</u>	<u>Covered</u> <u>payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>percentage of</u> <u>covered payroll</u> <u>((b) - (a))/©</u>
July 1, 2013 ³	\$ 893,784	\$ 5,211,996	\$ 4,318,212	17.15%	\$ 2,942,809	146.74%
July 1, 2015 ⁴	1,540,335	5,386,524	3,846,189	28.60%	3,174,406	121.16%

³ The July 1, 2013 valuation used a discount rate of 5.0%, as well as, other assumptions and eligibility changes.

⁴ The July 1, 2015 valuation used a discount rate of 5.0%, as well as, other assumptions and eligibility changes.

11. Subsequent events

On November 22, 2017, the Town issued \$13,213,842 Combined Utility System Improvement Revenue Bond, Series 2017. This was issued to fund capital improvements to the Town's Combined Waterworks and Sewer System.

Subsequent events were evaluated through February 15, 2018, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
South Carolina Retirement System				
Town's proportion of the net pension liability	0.0280%	0.0270%	0.0267%	0.0272%
Town's proportionate share of the net pension liability	\$ 5,981,827	\$ 5,129,025	\$ 4,682,766	\$ 4,878,530
Town's covered payroll	\$ 2,648,878	\$ 2,711,884	\$ 2,535,723	\$ 2,469,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	225.82%	189.13%	184.67%	197.59%
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.92%	56.39%
South Carolina Police Officers Retirement System				
Town's proportion of the net pension liability	0.0651%	0.0628%	0.0644%	0.0646%
Town's proportionate share of the net pension liability	\$ 1,651,245	\$ 1,368,724	\$ 1,235,763	\$ 1,338,104
Town's covered payroll	\$ 760,505	\$ 829,881	\$ 777,984	\$ 776,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	217.12%	164.93%	158.84%	172.44%
Plan fiduciary net position as a percentage of the total pension liability	60.44%	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of three years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only the last four years of information is available

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
South Carolina Retirement System				
Contractually required contributions	\$ 302,237	\$ 295,934	\$ 272,590	\$ 261,749
Contributions in relation to the contractually required contribution	(302,237)	(295,934)	(272,590)	(261,749)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 2,648,878	\$ 2,711,884	\$ 2,535,723	\$ 2,469,000
Contributions as a percentage of covered payroll	11.41%	10.91%	10.75%	10.60%
South Carolina Police Officers Retirement System				
Contractually required contributions	\$ 105,254	\$ 110,700	\$ 101,216	\$ 99,685
Contributions in relation to the contractually required contribution	(105,254)	(110,700)	(101,216)	(99,685)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 760,505	\$ 829,881	\$ 777,984	\$ 776,000
Contributions as a percentage of covered payroll	13.84%	13.34%	13.01%	12.85%

* - The amounts presented for each fiscal year were determined as of July 1 of three years prior, using membership data as of the day, projected forward to June 30 of the previous years. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only the last four years of information is available.

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS

OTHER POST EMPLOYMENT BENEFIT PLANS

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) projected unit credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded ratio (a)/(b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b) - (a))/(c)
January 1, 2008 ¹	\$ 190,300	\$ 2,912,500	\$ 2,722,200	6.53%	\$ 3,100,500	87.80%
July 1, 2011 ²	565,010	3,737,198	3,172,188	15.12%	3,027,450	104.78%
July 1, 2013 ³	893,784	5,211,996	4,318,212	17.15%	2,942,809	146.74%
July 1, 2015 ⁴	1,540,335	5,386,524	3,846,189	28.60%	3,174,406	121.16%

¹ The January 1, 2008 valuation used the Entry Age Normal cost method and discount rate of 7.5%

² The July 1, 2011 valuation used the Projected Unit Credit cost method and a discount rate of 6.5%. Information has been revised from previous reporting based on revised actuarial report issued in May of 2013.

³ The July 1, 2013 valuation used a discount rate of 5.0%, as well as, other assumptions and eligibility changes.

⁴ The July 1, 2015 valuation used a discount rate of 5.0%, as well as, other assumptions and eligibility changes.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

FOR FISCAL YEAR ENDED JUNE 30, 2017

For the Month of:

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Court Fines													
Court Fines Collected	\$ 1,787	\$ 1,581	\$ 5,628	\$ 2,442	\$ 1,119	\$ 1,455	\$ 1,039	\$ 3,535	\$ 4,942	\$ 849	\$ 2,709	\$ 3,312	\$ 30,398
Court Fines Retained	1,787	1,581	5,628	2,442	1,119	1,455	1,039	3,535	4,942	849	2,709	3,312	30,398
Court Fines Remitted to State Treasurer	-	-	-	-	-	-	-	-	-	-	-	-	-
Court Assessments													
Court Assessments Collected	547	600	2,467	969	444	523	338	1,513	1,897	346	1,006	1,358	12,008
Court Assessments Retained by Town	61	67	275	108	50	58	38	169	212	39	105	152	1,334
Court Assessments Remitted to State Treasurer	486	533	2,192	861	394	465	300	1,344	1,685	307	901	1,206	10,674
Court Surcharges													
Court Surcharges Collected	626	435	1,196	571	256	440	390	593	1,366	197	812	518	7,400
Court Surcharges Retained by Town	41	62	109	147	7	35	35	95	59	32	58	41	721
Court Surcharges Remitted to State Treasurer	585	373	1,087	424	249	405	355	498	1,307	165	754	477	6,679
Victim Services													
Court Assessments Allocated to Victim Services	61	67	275	108	50	58	38	169	212	39	105	152	1,334
Court Surcharges Allocated to Victim Services	41	62	109	147	7	35	35	95	59	32	58	41	721
Funds Allocated to Victim Services	102	129	384	255	57	93	73	264	271	71	163	193	2,055
Funds Allocated to Victim Services	102	129	384	255	57	93	73	264	271	71	163	193	2,055
Victim Services Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures in Excess of Available Funds	\$ 102	\$ 129	\$ 384	\$ 255	\$ 57	\$ 93	\$ 73	\$ 264	\$ 271	\$ 71	\$ 163	\$ 193	2,055
Victim's Fund carryover balance from FYE 2016													62,666
Victim's Fund ending balance for FYE 2017													<u>\$ 64,721</u>

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

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 Town Council
Town of Winnsboro, South Carolina
207 Congress Street, P.O. Box 209
Winnsboro, South Carolina 29180

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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winnsboro, South Carolina (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 15, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina
February 15, 2018