

TOWN OF WINNSBORO, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF WINNSBORO, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in *Note 10* to the financial statements, in 2018 the Fund adopted new accounting guidance, *GASB Statement No. 75, Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 - 13, 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, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 54, and the Schedule of Employer Contributions on page 55 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 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 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 December 11, 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

December 11, 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, 2018.

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 \$19,955,692 (net position). The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$17,470,264 and combined expenses totaled \$17,488,703. Accordingly, combined expenses exceeded revenues by \$18,439.

At the end of fiscal year 2018, the Governmental Activities net position had no restrictions or assignments. The unrestricted net position deficit was (\$4,050,381) and the amount invested in capital assets net of related debt was \$2,254,643. Accordingly, there was a total net position deficit of (\$1,795,738). The total fund balance was \$3,860,944 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 \$108,754.

At the end of fiscal year 2017, the Town of Winnsboro's Business Type Activity reported cash and cash equivalents of \$14,067,335.

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 14 -15 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 16 - 19 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 20 - 23 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 25 – 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 2018 financial statements are the 12th 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 2018, the government-wide statements are reported using an 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 \$19,955,692 at the close of fiscal year 2018. Net position is reported in three categories:

Net investment in capital assets	\$ 13,539,984
Restricted	4,578,838
Unrestricted	1,836,870
	<u>\$ 19,955,692</u>

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, 2018 and 2017:

Town of Winsoboro's Condensed Statement of Net Position - June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 3,290,895	\$ 16,441,173	\$ 19,732,068
Capital assets	2,254,643	23,844,137	26,098,780
Total assets	5,545,538	40,285,310	45,830,848
Deferred outflows	1,001,856	516,379	1,518,235
Total assets and deferred outflows	6,547,394	40,801,689	47,349,083
Long-term liabilities outstanding	7,780,412	10,638,317	18,418,729
Other liabilities	229,218	8,271,808	8,501,026
Total liabilities	8,009,630	18,910,125	26,919,755
Deferred inflows	333,502	140,134	473,636
Total liabilities and deferred inflows	8,343,132	19,050,259	27,393,391
Net position:			
Net investment in capital assets	2,254,643	11,285,341	13,539,984
Restricted	-	4,578,838	4,578,838
Unrestricted	(4,050,381)	5,887,251	1,836,870
Total net position	\$ (1,795,738)	\$ 21,751,430	\$ 19,955,692

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	5,337,531	33,801,661	39,139,192
Deferred outflows	900,763	456,408	1,357,171
Total assets and deferred outflows	6,238,294	34,258,069	40,496,363
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	5,128,034	10,497,650	15,625,684
Deferred inflows	33,031	9,563	42,594
Total liabilities and deferred inflows	5,161,065	10,507,213	15,668,278
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	\$ 1,077,229	\$ 23,750,856	\$ 24,828,085

The following tables are summaries of revenues and expenses for fiscal years 2018 and 2017:

Town of Winnsboro's Statement of Activities - June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 290,799	\$ 15,404,595	\$ 15,695,394
Operating and capital grants	-	43,000	43,000
General revenues	1,666,237	65,633	1,731,870
Total revenue	1,957,036	15,513,228	17,470,264
Expenses:			
General government	846,080	-	846,080
Public safety	1,383,247	-	1,383,247
Public works	669,181	14,493,597	15,162,778
Planning and development	51,074	-	51,074
Recreational	45,524	-	45,524
Total expenses	2,995,106	14,493,597	17,488,703
Increase (decrease) in net position before transfers	(1,038,070)	1,019,631	(18,439)
Transfers	910,877	(910,877)	-
Increase (decrease) in net position	\$ (127,193)	\$ 108,754	\$ (18,439)

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>

Governmental activities. Governmental activities net position decreased \$1,038,070 before transfers, during the fiscal year. After transfers of \$910,877 from Business-type activities, Governmental activities resulted in an \$127,193 decrease in net position. Governmental activities show an increase in revenues and a decrease in expenditures when compared to fiscal year 2017. The decrease in spending is the result of spending cuts in the general government departments. 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 \$15,513,228 exceeded total expenses of \$14,493,597 for an operational surplus of \$1,019,631. \$910,877 was transferred to Governmental Activities to reconcile operational losses in Governmental activities. After transfers, Business-type activities incurred a \$108,754 increase in net position. Compared to fiscal years 2017 and 2016 Business-type revenues are trending downward due to loss of businesses in the Town. Business-type expenses increased from 2017 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 2018, the Town's governmental funds reported a combined ending fund balance of \$3,096,648. 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, \$11,285,341 or 51.88% 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:

)	\$ (138,199)	Taxes	23.74%	decrease
)	\$ 35,589	License, permits and franchise fees	6.90%	increase
)	\$ (16,003)	State shared revenue	5.45%	decrease
)	\$ 8,102	Court fines	27.05%	increase
)	\$ (5,193)	Charges for services	2.01%	decrease
)	\$ 250,753	Miscellaneous	14.41%	increase

License fees increase slightly, along with an increase in miscellaneous revenues. The 14.41% increase in miscellaneous revenues indicates a gradual increase in grant revenues, recreational activities and building permits. Court fines increase as a result of having a full police staff for the year. Additionally, taxes decreased slightly due to a decrease in property tax payments.

PROPRIETARY FUNDS BUDGET HIGHLIGHTS

Selected variances between fiscal years 2018 and 2017 Proprietary Fund actual revenues were as follows:

)	\$ (23,735)	Natural gas service sales	0.70%	decrease
)	\$ (377,577)	Electric service sales	5.10%	decrease
)	\$ (171,634)	Water service sales	4.42%	decrease
)	\$ (106,349)	Sewer service sales	7.48%	decrease

The variance in Proprietary Fund revenues between fiscal years 2018 and 2017 is less significant on a year to year basis; however, there has been a general decrease due to a decrease industrial customer base.

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, 2018, amounts to \$26,098,780 (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 - 2018

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	\$ 100,000	\$ 7,721,038	\$ 7,821,038
Buildings and structures	975,695	-	975,695
Vehicles, furniture and equipment	1,178,948	-	1,178,948
Utility plant, systems and equipment	-	16,123,099	16,123,099
	\$ 2,254,643	\$ 23,844,137	\$ 26,098,780

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
	\$ 1,988,576	\$ 17,241,589	\$ 19,230,165

Long-term debt. At the end of the current fiscal year, the Town of Winnsboro had total bonded debt outstanding of \$12,557,291. 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.

The net OPEB liability was introduced in 2018 with the adoption of GASB Statement number 75 and represents the long-term liabilities for payment to health insurance for retirees, net of the Town's current pension investments.

For additional information about the Town's outstanding long-term debt as of June 30, 2018, please see Notes 7 and 8.

Town of Winnsboro's Long-Term Debt - 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Compensated absences	\$ 126,092	\$ 94,312	\$ 220,404
Net pension liability	4,176,741	2,350,951	6,527,692
Net OPEB liability	2,935,317.00	2,056,573.00	4,991,890
Revenue bonds	-	12,557,291	12,557,291
	<u>\$ 7,238,150</u>	<u>\$ 17,059,127</u>	<u>\$ 24,297,277</u>

Town of Winnsboro's Long-Term Debt - 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
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>

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, 2018

	Primary Government		
	Governmental Activities	Business - Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 2,992,693	\$ 14,067,335	\$ 17,060,028
Receivables, net of allowance:			
Accounts	-	1,491,775	1,491,775
State revenue	185,342	-	185,342
Unbilled revenue	-	502,441	502,441
Prepaid expenses	-	-	-
Inventory	7,486	457,400	464,886
Internal balances	105,374	(105,374)	-
Note receivable	-	27,596	27,596
Capital assets:			
Non-depreciable	100,000	7,721,038	7,821,038
Depreciable, net	2,154,643	16,123,099	18,277,742
Total assets	<u>5,545,538</u>	<u>40,285,310</u>	<u>45,830,848</u>
Deferred outflows of resources			
Deferred outflows - pension	907,900	451,695	1,359,595
Deferred outflows - OPEB	93,956	64,684	158,640
Total assets and deferred outflows of resources	<u>6,547,394</u>	<u>40,801,689</u>	<u>47,349,083</u>
Liabilities			
Accounts payable	33,918	995,517	1,029,435
Accrued compensated absences	126,092	94,312	220,404
Accrued interest payable	-	1,505	1,505
Other accrued liabilities	69,208	25,211	94,419
Customer deposits	-	452,520	452,520
Revenue bonds payable:			
Current portion	-	605,493	605,493
Noncurrent portion	-	11,951,798	11,951,798
Net pension liability	4,776,636	2,680,367	7,457,003
Net OPEB liability	3,003,776	2,103,402	5,107,178
Total liabilities	<u>8,009,630</u>	<u>18,910,125</u>	<u>26,919,755</u>
Deferred inflows of resources			
Deferred inflows - pension	308,005	122,279	430,284
Deferred inflows - OPEB	25,497	17,855	43,352
Total liabilities and deferred inflows of resources	<u>8,343,132</u>	<u>19,050,259</u>	<u>27,393,391</u>
Net position			
Net investment in capital assets	2,254,643	11,285,341	13,539,984
Restricted-debt service	-	4,578,838	4,578,838
Unrestricted-unfunded pension obligation	(4,176,741)	(2,350,951)	(6,527,692)
Unrestricted-unfunded OPEB obligation	(2,935,317)	(2,056,573)	(4,991,890)
Unrestricted - other	3,061,677	10,294,775	13,356,452
Total net position	<u>\$ (1,795,738)</u>	<u>\$ 21,751,430</u>	<u>\$ 19,955,692</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

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	\$ 846,080	\$ -	\$ -	\$ (846,080)	\$ -	\$ (846,080)
Public safety	1,383,247	38,058	-	(1,345,189)	-	(1,345,189)
Public works	669,181	252,741	-	(416,440)	-	(416,440)
Culture and recreation	45,524	-	-	(45,524)	-	(45,524)
Community and economic development	51,074	-	-	(51,074)	-	(51,074)
Total governmental activities	<u>2,995,106</u>	<u>290,799</u>	<u>-</u>	<u>(2,704,307)</u>	<u>-</u>	<u>(2,704,307)</u>
Business-type activities						
Natural gas	2,748,413	3,354,308	-	-	605,895	605,895
Electricity	7,028,137	7,026,258	-	-	(1,879)	(1,879)
Water	3,284,129	3,708,968	43,000	-	467,839	467,839
Sewer	1,432,918	1,315,061	-	-	(117,857)	(117,857)
Total business-type activities	<u>14,493,597</u>	<u>15,404,595</u>	<u>43,000</u>	<u>-</u>	<u>953,998</u>	<u>953,998</u>
Total primary government	<u>\$ 17,488,703</u>	<u>\$ 15,695,394</u>	<u>\$ 43,000</u>	<u>(2,704,307)</u>	<u>953,998</u>	<u>(1,750,309)</u>
General revenues and transfers:						
General revenues:						
Property and sales taxes				443,851	-	443,851
Licenses, permits and franchise fees				551,384	-	551,384
State aid				277,815	-	277,815
Unrestricted investment earnings				82,265	65,633	147,898
Gain on sale of capital assets				14,145	-	14,145
Miscellaneous				296,777	-	296,777
Transfers in/(out) to local government				910,877	(910,877)	-
Total general revenues and transfers				<u>2,577,114</u>	<u>(845,244)</u>	<u>1,731,870</u>
Change in net position				(127,193)	108,754	(18,439)
Net position, at beginning of year, restated				<u>(1,668,545)</u>	<u>21,642,676</u>	<u>19,974,131</u>
Net position, end of year				<u>\$ (1,795,738)</u>	<u>\$ 21,751,430</u>	<u>\$ 19,955,692</u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>Major Funds</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,992,693	\$ -	\$ 2,992,693
State revenue, receivable	184,623	719	185,342
Inventory	7,486	-	7,486
Due from other funds	846,222	-	846,222
Total assets	<u>4,031,024</u>	<u>719</u>	<u>4,031,743</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	11,374	22,545	33,919
Other accrued liabilities	67,585	1,623	69,208
Due to other funds	91,121	740,847	831,968
Total liabilities	<u>170,080</u>	<u>765,015</u>	<u>935,095</u>
Fund Balances			
Nonspendable			
Inventory	7,486	-	7,486
Unassigned	3,853,458	(764,296)	3,089,162
Total fund balances	<u>3,860,944</u>	<u>(764,296)</u>	<u>3,096,648</u>
Total liabilities and fund balances	<u>\$ 4,031,024</u>	<u>\$ 719</u>	<u>\$ 4,031,743</u>

Reconciliation to the statement of net position

Total fund balances - governmental funds \$ 3,096,648

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 91,121

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Capital assets, cost	\$ 6,742,780	
Accumulated depreciation	<u>(4,488,137)</u>	2,254,643
Accrued compensated absences		(126,092)

Long-term liabilities, including 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 outflows - pension	907,900	
Deferred inflows - pension	(308,005)	
Net pension liability	<u>(4,776,636)</u>	(4,176,741)

Long-term liabilities, including, net OPEB liabilities, deferred OPEB inflows and deferred OPEB 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 outflows - OPEB	93,956	
Deferred inflows - OPEB	(25,497)	
Net OPEB liability	<u>(3,003,776)</u>	(2,935,317)

Net position of governmental activities \$ (1,795,738)

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	Major Funds	Nonmajor Funds	Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues			
Taxes	\$ 443,851	\$ -	\$ 443,851
Licenses and permits	551,384	-	551,384
Police fines	38,058	-	38,058
State shared revenues	277,815	-	277,815
Charges for services	252,741	-	252,741
Interest	14,145	-	14,145
Other	296,777	-	296,777
Total revenues	<u>1,874,771</u>	<u>-</u>	<u>1,874,771</u>
Expenditures			
Town council	24,072	-	24,072
Town manager	41,158	-	41,158
Municipal court	166,852	-	166,852
Municipal buildings	55,161	-	55,161
Maintenance shop	45,203	-	45,203
Swimming pool	43,508	-	43,508
Public safety	1,222,204	-	1,222,204
Streets and sanitation	606,640	-	606,640
Building, zoning and planning	23,915	-	23,915
Grants and community development	51,787	-	51,787
Capital outlay	286,359	382,188	668,547
Total expenditures	<u>2,566,859</u>	<u>382,188</u>	<u>2,949,047</u>
(Deficit) of revenues (under) expenditures	<u>(692,088)</u>	<u>(382,188)</u>	<u>(1,074,276)</u>
Other Financing Sources			
Transfers in	910,877	-	910,877
Sale of capital assets	82,265	-	82,265
Total other financing sources	<u>993,142</u>	<u>-</u>	<u>993,142</u>
Net change in fund balance	301,054	(382,188)	(81,134)
Fund balance, beginning of year	3,559,890	(382,108)	3,177,782
Fund balance, end of year	<u>\$ 3,860,944</u>	<u>\$ (764,296)</u>	<u>\$ 3,096,648</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, 2018

Net change in fund balance - total governmental funds		\$ (81,134)
<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	\$ (267,943)	
Capital outlays	286,359	
Net change in capital assets		18,416
<p>Net change in in pension liability and net OPEB 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>		
Change in net pension obligation		(124,632)
Change in net OPEB obligation		75,282
<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>(15,125)</u>
Change in net position of governmental activities		<u>\$ (127,193)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Taxes	\$ 437,744	\$ 437,744	\$ 443,851	\$ 6,107
Licenses and permits	485,850	485,850	551,384	65,534
Police fines	43,675	43,675	38,058	(5,617)
State shared revenues	310,194	310,194	277,815	(32,379)
Charges for services	279,622	279,622	252,741	(26,881)
Interest	8,097	8,097	14,145	6,048
Other	44,530	44,530	296,777	252,247
Total revenue	<u>1,609,712</u>	<u>1,609,712</u>	<u>1,874,771</u>	<u>265,059</u>
Expenditures				
Town council	40,861	40,861	24,072	16,789
Town manager	110,455	110,455	41,158	69,297
Municipal court	178,474	178,474	166,852	11,622
Municipal buildings	30,000	30,000	55,161	(25,161)
Maintenance shop	39,975	39,975	45,203	(5,228)
Swimming pool	43,054	43,054	43,508	(454)
Public safety	1,406,662	1,406,662	1,222,204	184,458
Streets and sanitation	540,537	540,537	606,640	(66,103)
Building, zoning and planning	74,520	74,520	23,915	50,605
Grants and community development	56,051	56,051	51,787	4,264
Capital outlay	-	-	286,359	(286,359)
Total expenditures	<u>2,520,589</u>	<u>2,520,589</u>	<u>2,566,859</u>	<u>(46,270)</u>
(Deficit) of revenues (under) expenditures	<u>(910,877)</u>	<u>(910,877)</u>	<u>(692,088)</u>	<u>218,789</u>
Other financing sources (uses)				
Transfers in	910,877	910,877	910,877	-
Sale of capital assets	-	-	82,265	(82,265)
Total other financing sources	<u>910,877</u>	<u>910,877</u>	<u>993,142</u>	<u>(82,265)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>301,054</u>	<u>\$ 301,054</u>
Fund balance, beginning of year			<u>3,559,890</u>	
Fund balance, end of year			<u>\$ 3,860,944</u>	

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUND

JUNE 30, 2018

	<u>Combined Utilities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 9,488,497
Cash and cash equivalents - restricted	4,578,838
Accounts receivable, net	1,491,775
Unbilled revenue	502,441
Inventory	457,400
Due from other funds	408,523
Note receivable - current portion	4,255
Non-current assets	
Note receivable - noncurrent portion	23,341
Capital assets, not being depreciated	7,721,038
Capital assets, being depreciated, net	16,123,099
Total assets	<u>40,799,207</u>
Deferred outflows of resources	
Deferred outflows - pension	451,695
Deferred outflows - OPEB	64,684
Total assets and deferred outflows of resources	<u>41,315,586</u>
Liabilities	
Current liabilities	
Accounts payable	995,517
Accrued interest payable	1,505
Other accrued liabilities	25,211
Accrued compensated absence's	94,312
Customer deposits	452,520
Due to other funds	513,897
Revenue bonds payable - current portion	605,493
Non-current liabilities	
Revenue bonds payable - noncurrent portion	11,951,798
Net pension liability	2,680,367
Net OPEB liability	2,103,402
Total liabilities	<u>19,424,022</u>
Deferred inflows of resources	
Deferred inflows - pension	122,279
Deferred inflows - OPEB	17,855
Total liabilities and deferred inflows of resources	<u>19,564,156</u>
Net position	
Investments in capital assets	11,285,341
Restricted - debt service	4,578,838
Unrestricted - unfunded OPEB obligation	(2,056,573)
Unrestricted - unfunded pension obligation	(2,350,951)
Unrestricted - other	10,294,775
Total net position	<u>\$ 21,751,430</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, 2018

	Combined Utilities
Operating revenue	
Natural gas sales	\$ 3,354,308
Electricity sales	7,026,258
Water service	3,708,968
Sewer service	1,315,061
Total operating revenue	<u>15,404,595</u>
Operating expenses	
Water, electricity and natural gas purchased	7,130,706
Salaries and fringe benefits	2,603,177
Other operating expenses	3,635,695
Depreciation and amortization	956,945
Total operating expenses	<u>14,326,523</u>
Operating income	1,078,072
Nonoperating revenues (expenses)	
Interest income	65,633
Grant revenues	43,000
Grant expense	(67,663)
Interest expense	(99,411)
Total nonoperating revenues (expenses)	<u>(58,441)</u>
Income before transfers	1,019,631
Net transfers out	(910,877)
Change in net position	108,754
Total net position, beginning, restated	<u>21,642,676</u>
Total net position, ending	<u><u>\$ 21,751,430</u></u>

See accompanying notes.

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Combined Utilities
Cash flows from operating activities	
Receipts from customers	\$ 17,744,924
Payments to suppliers	(9,423,140)
Payments to employees	(2,687,087)
Net cash provided by operating activities	<u>5,634,697</u>
Cash flows from noncapital financing activities	
Transfers to general fund	(910,877)
Net cash used by noncapital financing activities	<u>(910,877)</u>
Cash flows from capital and related financing activities	
Interest expense	(99,411)
Grant revenues	43,000
Grant expense	(67,663)
Proceeds from revenue bonds	6,702,743
Principal payments on revenue bonds	(877,467)
Acquisition and construction of capital assets	(7,561,523)
Accrued interest payable	(3,380)
Net cash used by capital and related financing activities	<u>(1,863,701)</u>
Cash flows from investing activities	
Interest income	65,633
Net cash provided by investing activities	<u>65,633</u>
Net increase in cash and cash equivalents	2,925,752
Cash and cash equivalents, beginning	<u>11,141,583</u>
Cash and cash equivalents, ending	<u>\$ 14,067,335</u>

(CONTINUED)

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

-CONTINUED-

	Combined Utilities
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,078,072
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	956,945
Changes in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	85,961
Unbilled revenue	(161,159)
Prepaid expenses	31,301
Inventory	198,728
Due from other funds	2,375,923
Accounts payable	591,295
Accrued liabilities	8,040
Accrued compensated absences	(116,868)
Due to other funds	513,897
Customer deposits	39,604
Deferred outflows-pensions	4,713
Deferred inflows-OPEB	17,855
Deferred inflows-pensions	112,716
Deferred outflows-OPEB	(64,684)
Net OPEB liability	(4,778)
Net pension liability	(32,864)
Net cash provided by operating activities	<u>\$ 5,634,697</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Funds		Total
	Firemen's Fund	Victims' Assistance Fund	
Assets			
Current assets			
Due from general fund	\$ 21,816	\$ 69,305	\$ 91,121
Total assets	<u>\$ 21,816</u>	<u>\$ 69,305</u>	<u>\$ 91,121</u>
Liabilities			
Funds held in trust	\$ 21,816	\$ 69,305	\$ 91,121
Total liabilities	<u>\$ 21,816</u>	<u>\$ 69,305</u>	<u>\$ 91,121</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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”.

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.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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 \$1,518,235 as of June 30, 2018.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources: (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 \$473,636 as of June 30, 2018.

Other Postemployment Benefits

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Other Retirement Benefits Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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, 2018, \$4,578,838 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.

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.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

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 \$265,059. Actual expenditures exceeded budgeted expenditures by \$46,270.

3. Deposits

At June 30, 2018, the carrying amount of the Town's unrestricted and restricted deposits totaled \$17,060,028, and the bank balance was \$19,021,575, of which all, is covered by either federal depository insurance, or is properly collateralized in accordance with State law.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

4. Receivables

Receivables at June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
State revenue	\$ 185,342	\$ -	\$ 185,342
Utility service billings	-	1,506,775	1,506,775
Unbilled revenue	-	502,441	502,441
Gross receivables	<u>185,342</u>	<u>2,009,216</u>	<u>2,194,558</u>
Less, allowance for uncollectibles	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Net receivables	<u>\$ 185,342</u>	<u>\$ 1,994,216</u>	<u>\$ 2,179,558</u>

5. Interfund Transfers, Receivables and Payables

Interfund transfers:	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Total</u>
General fund	\$ 910,877	\$ -	\$ 910,877
Combined utilities fund	<u>-</u>	<u>(910,877)</u>	<u>(910,877)</u>
Total transfers	<u>\$ 910,877</u>	<u>\$ (910,877)</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, 2018, was as follows:

Governmental activities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
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	2,828,223	54,000	-	2,882,223
Town manager department-equipment	453,776	-	-	453,776
Municipal court department-equipment	55,989	-	-	55,989
Maintenance shop department-equipment and vehicles	91,083	-	-	91,083
Public safety-equipment and vehicles	2,045,931	91,369	(82,266)	2,055,034
Streets and sanitation department-equipment and vehicles	861,335	140,991	-	1,002,326
Building, zoning and planning department-equipment and vehicles	76,349	-	-	76,349
Grants and community development-equipment and vehicles	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
Total capital assets, being depreciated	<u>6,438,686</u>	<u>286,360</u>	<u>(82,266)</u>	<u>6,642,780</u>
Less: Accumulated depreciation for				
Buildings and improvements	(1,846,739)	(59,789)	-	(1,906,528)
Town manager department-equipment	(260,880)	(24,010)	-	(284,890)
Municipal court department-equipment	(35,750)	(4,636)	-	(40,386)
Maintenance shop department-equipment	(75,150)	(2,789)	-	(77,939)
Public safety-equipment and vehicles	(1,382,477)	(120,146)	82,266	(1,420,357)
Streets and sanitation department-equipment and vehicles	(615,331)	(51,658)	-	(666,989)
Building, zoning and planning department-equipment and vehicles	(45,037)	(4,915)	-	(49,952)
Grants and community development-equipment and vehicles	<u>(41,096)</u>	<u>-</u>	<u>-</u>	<u>(41,096)</u>
Total accumulated depreciation	<u>(4,302,460)</u>	<u>(267,943)</u>	<u>82,266</u>	<u>(4,488,137)</u>
Total capital assets, being depreciated, net	<u>2,136,226</u>	<u>18,417</u>	<u>-</u>	<u>2,154,643</u>
Governmental activities capital assets, net	<u>\$ 2,236,226</u>	<u>\$ 18,417</u>	<u>\$ -</u>	<u>\$ 2,254,643</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Business-type activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated				
Land	\$ 185,318	\$ -	\$ -	\$ 185,318
Construction in process	362,234	7,173,486	-	7,535,720
Total capital assets, not being depreciated	<u>547,552</u>	<u>7,173,486</u>	<u>-</u>	<u>7,721,038</u>
Capital assets, being depreciated				
Gas department-property, plant and equipment	4,959,977	27,947	-	4,987,924
Electricity department-property, plant and equipment	6,593,798	115,147	-	6,708,945
Water department-property, plant and equipment	21,566,899	214,316	-	21,781,215
Sewer department-property, plant and equipment	<u>12,802,952</u>	<u>30,627</u>	<u>-</u>	<u>12,833,579</u>
Total capital assets, being depreciated	<u>45,923,626</u>	<u>388,037</u>	<u>-</u>	<u>46,311,663</u>
Less: Accumulated depreciation for				
Gas department-property, plant and equipment	(3,821,875)	(121,386)	-	(3,943,261)
Electricity department-property, plant and equipment	(4,517,079)	(176,865)	-	(4,693,944)
Water department-property, plant and equipment	(10,786,065)	(492,921)	-	(11,278,986)
Sewer department-property, plant and equipment	<u>(10,104,570)</u>	<u>(167,803)</u>	<u>-</u>	<u>(10,272,373)</u>
Total accumulated depreciation	<u>(29,229,589)</u>	<u>(958,975)</u>	<u>-</u>	<u>(30,188,564)</u>
Total assets being depreciated, net	<u>16,694,037</u>	<u>(570,938)</u>	<u>-</u>	<u>16,123,099</u>
Business-type capital assets, net	<u>\$17,241,589</u>	<u>\$6,602,548</u>	<u>\$ -</u>	<u>\$23,844,137</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Governmental activities:	
General government	\$ 96,139
Public safety	120,146
Public works	<u>51,658</u>
Total depreciation - governmental activities	<u>\$ 267,943</u>
Business type activities:	
Natural gas	\$ 121,386
Electricity	176,865
Water	492,921
Sewer	<u>167,803</u>
Total depreciation - business type activities	<u>\$ 958,975</u>

7. Pension Plan

South Carolina Retirement System

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)

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).

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 qualify for disability annuity benefits provided they have a minimum of eight years of credited service. 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 January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 13.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 13.41% and 0.15% contribution rate for the incidental death program. The Town's contributions for the years ended June 30, 2018, 2017 and 2016 are as follows:

Year Ended June 30,	Incidental			Incidental		
	Base	Death	Total	Base	Death	Total
2018	13.41%	0.15%	13.56%	\$ 362,950	\$ 4,060	\$ 367,010
2017	11.41%	0.15%	11.56%	302,237	3,973	306,210
2016	10.91%	0.15%	11.06%	272,590	3,804	276,394

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.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

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, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 16.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 15.84% and .20% for the incidental death program and .20% for the accidental death program. The Town's contributions for the years ended June 30, 2018, 2017 and 2016 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Incidental & Accidental			Incidental & Accidental		
	Base	Death	Total	Base	Death	Total
2018	15.84%	0.40%	16.24%	\$ 124,510	\$ 3,142	\$ 127,652
2017	13.84%	0.40%	14.04%	105,254	3,042	108,296
2016	13.34%	0.40%	13.54%	114,026	3,320	117,346

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, 2018, the Town reported \$5,909,973 and \$1,547,030 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, 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, 2017, the Commission's SCRS proportion was 0.026253% and its PORS proportion was 0.05647%.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

At June 30, 2018 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 26,347	\$ 13,795
Assumption changes	345,965	146,827
Net difference between project and actual investment earnings	164,979	55,127
Differences between employer contributions and proportionate share	91,335	27,759
Contributions made from measurement date to June 30, 2018	<u>362,950</u>	<u>124,511</u>
Total deferred outflows of resources	<u>991,576</u>	<u>368,019</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	3,276	-
Differences between employer contributions and proportionate share	<u>264,371</u>	<u>162,637</u>
Total deferred inflows of resources	<u>267,647</u>	<u>162,637</u>
Net deferred outflows/(inflows)	<u>\$ 723,929</u>	<u>\$ 205,382</u>

Deferred outflows of \$362,950 and \$124,511 for SCRS and PORS, respectively, reported as 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 ending 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>
2018	\$ (114,529)	\$ (24,158)	\$ (138,687)
2019	(208,599)	(50,427)	(259,026)
2020	(89,604)	(25,115)	(114,719)
2021	<u>51,753</u>	<u>18,829</u>	<u>70,582</u>
	<u>\$ (360,979)</u>	<u>\$ (80,871)</u>	<u>\$ (441,850)</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The total pension liabilities in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumption used in the determination of the June 30, 2017, SCRS and PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males Multiplied by 92%	2016 PRSC Females Multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males Multiplied by 100%	2016 PRSC Females Multiplied by 111%
Public Safety, Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females Multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

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	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.60%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	92.00%	0.02%
Total Expected Real Return	100%		5.32%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.57%

The discount rate used to measure the total pension liability (TPL) was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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 and PORS pension liabilities calculated using the discount rate of 7.25 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 (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 7,617,143	\$ 5,909,973	\$ 4,874,121
PORS	2,088,896	1,547,030	1,120,356
	\$ 9,706,039	\$ 7,457,003	\$ 5,994,477

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 were created 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.

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 \$2,511,017. The ARRA provided \$1,255,012 and the South Carolina State Revolving Loan Fund (the “SC SRF”) provided an additional \$1,256,005. The entire amount is to be repaid to the SC SRF. As of June 30, 2018, the balance was \$1,959,548.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Series 2016 Bond

In fiscal year ending June 30, 2017, the Town executed an additional loan agreement for a total of \$5,680,000. 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. At June 30, 2018, the balance was \$3,895,000.

Series 2017 Bond

In fiscal year ending June 30, 2018, the Town executed a loan agreement with the South Carolina Water Quality Revolving Fund Authority totaling \$13,213,842. 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. As of June 30, 2018 the total amount disbursed is \$6,702,742, with \$6,511,100 remaining.

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 605,493	\$ 270,614	\$ 876,107
2020	837,665	378,698	1,216,363
2021	857,359	359,254	1,216,613
2022	877,236	339,327	1,216,563
2023	897,300	318,913	1,216,213
2024-2028	3,974,254	1,296,409	5,270,663
2029-2033	3,387,183	801,194	4,188,377
2034-2308	960,295	58,382	1,018,677
2039-2040	<u>160,506</u>	<u>2,452</u>	<u>162,958</u>
	<u>\$ 12,557,291</u>	<u>\$ 3,825,243</u>	<u>\$ 16,382,534</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, 2018 are as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 110,967	\$ 126,092	\$ 110,967	\$ 126,092	\$ 126,092
	<u>110,967</u>	<u>126,092</u>	<u>110,967</u>	<u>126,092</u>	<u>126,092</u>
Business-type activities:					
Revenue bonds payable	6,734,045	6,702,743	859,497	12,577,291	605,493
Compensated absences	<u>211,180</u>	<u>94,312</u>	<u>211,180</u>	<u>94,312</u>	<u>94,312</u>
	<u>6,945,225</u>	<u>6,797,055</u>	<u>1,070,677</u>	<u>12,671,603</u>	<u>699,805</u>
Total	<u>\$7,056,192</u>	<u>\$6,923,147</u>	<u>\$1,181,644</u>	<u>\$12,797,695</u>	<u>\$ 825,897</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:

-) 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

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Plan Description (continued)

-) 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.

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	30
Active employees	<u>86</u>
	<u>116</u>

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 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.

Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases	
SCRS	3.00% - 7.00%
PORS	3.50% - 9.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.86%
Measurement Date	3.55%
Single Equivalents Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.75%
Measurement Date	4.75%
Health Care Cost Rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return assumption is 4.75%. The target allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	94.30%
Cash and cash equivalents	5.70%
Total	<u>100%</u>

The discount rate used to measure the total OPEB liability as of the measurement date was 4.75 percent. The projection of cash flows used to determine the discount rate in accordance with GASB 74. The projections basis was an actuarial valuation performed as of January 1, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

-) Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumption
-) Active employees do not explicitly contribute to the Plan.
-) In all future years, the employer continues to contribute the full ADEC through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefits payments from its own resources for all periods in the projection.
-) Projected assets do not include employer contributions that fund the estimated service costs of future employees.
-) Cash flows occur mid-year.

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Actuarial Methods and Assumptions (continued)

Based on these assumptions, the Plan's Fiduciary Net Position was projected to not be depleted.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at June 30, 2017	<u>\$ 6,917,329</u>	<u>\$ 1,798,550</u>	<u>\$5,118,779</u>
Changes for the year:			
Service cost	236,469	-	236,469
Interest on TOL and cash flows	325,716	-	325,716
Differences between expected and actual experience	(51,249)	-	(51,249)
Contributions - employer	-	480,765	(480,765)
Net investment income	-	53,498	(53,498)
Benefit payments and implicit subsidy credit	(121,726)	(121,726)	-
Plan administrative expenses	-	(11,726)	11,726
Net changes	<u>389,210</u>	<u>400,811</u>	<u>(11,601)</u>
Balance at June 30, 2018	<u>\$ 7,306,539</u>	<u>\$ 2,199,361</u>	<u>\$5,107,178</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentagepoint higher (8.0 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 3,921,314	\$ 5,107,178	\$ 6,636,503

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the discount rate of 4.75%, as well as what the Plan's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (3.75%)	Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB liability	\$ 6,425,029	\$ 5,107,178	\$ 4,059,701

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (43,352)
Changes of assumptions or other inputs	158,640	-
Total	<u>\$ 158,640</u>	<u>\$ (43,352)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2018	\$ 150,742
2019	(7,897)
2020	(7,897)
2021	(7,897)
2022	(7,897)
Thereafter	<u>(3,867)</u>
Total	<u>\$ 115,287</u>

TOWN OF WINNSBORO, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

11. Restatement

The Town implemented provisions of GASB 75 *Postemployment Benefits Other Than Pensions* during the current year. The implementation requires the Town to restate its beginning net position for both governmental funds and proprietary funds.

Additionally, after switching accounting software, it was discovered that not all assets were being accounted for on the listing provided to the auditors. This discovery caused the total fixed assets and total depreciation to be misstated. The discovery requires the Town of restate the beginning net position for the general fund.

The balance that was affected is as follows:

	Governmental Activities	Business - Type Activities
Audited net position as of June 30, 2017	\$ 1,077,229	\$ 23,750,856
Difference in OPEB liability	(3,010,600)	(2,108,180)
Net difference in fixed assets	<u>264,826</u>	<u>-</u>
Restated net position as of June 30, 2017	<u>\$ (1,668,545)</u>	<u>\$ 21,642,676</u>

12. Subsequent events

Subsequent events were evaluated through December 11, 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
South Carolina Retirement System					
Town's proportion of the net pension liability	0.0263%	0.0280%	0.0270%	0.0267%	0.0272%
Town's proportionate share of the net pension liability	\$5,909,973	\$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	\$2,469,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	223.11%	220.58%	202.27%	189.66%	197.59%
Plan fiduciary net position as a percentage of the total pension liability	53.34%	52.91%	56.99%	59.92%	56.39%
South Carolina Police Officers Retirement System					
Town's proportion of the net pension liability	0.0565%	0.0540%	0.0567%	0.0698%	0.0646%
Town's proportionate share of the net pension liability	\$1,547,030	\$1,368,724	\$1,235,763	\$1,338,104	\$1,338,104
Town's covered payroll	\$ 760,505	\$ 760,505	\$ 829,881	\$ 777,984	\$ 776,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	203.42%	179.98%	148.91%	172.00%	172.44%
Plan fiduciary net position as a percentage of the total pension liability	60.94%	60.44%	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of two 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 five years of information is available

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
South Carolina Retirement System					
Contractually required contributions	\$ 362,950	\$ 302,237	\$ 295,934	\$ 272,590	\$ 261,749
Contributions in relation to the contractually required contribution	(362,950)	(302,237)	(295,934)	(272,590)	(261,749)
Contribution deficiency/(excess)	<u>\$ -</u>				
Town covered payroll	\$ 2,706,559	\$ 2,648,878	\$ 2,711,884	\$ 2,535,723	\$ 2,469,000
Contributions as a percentage of covered payroll	13.41%	11.41%	10.91%	10.75%	10.60%
South Carolina Police Officers Retirement System					
Contractually required contributions	\$ 124,511	\$ 105,254	\$ 110,700	\$ 101,216	\$ 99,685
Contributions in relation to the contractually required contribution	(124,511)	(105,254)	(110,700)	(101,216)	(99,685)
Contribution deficiency/(excess)	<u>\$ -</u>				
Town covered payroll	\$ 786,051	\$ 760,505	\$ 829,881	\$ 777,984	\$ 776,000
Contributions as a percentage of covered payroll	15.84%	13.84%	13.34%	13.01%	12.85%

* - The amounts presented for each fiscal year were determined as of July 1 of two 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 five years of information is available.

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*

	2018
Total OPEB Liability	
Service cost	\$ 236,469
Interest	325,716
Changes of benefit terms	-
Difference between expected and actual experience	(51,249)
Changes of assumptions or other inputs	-
Benefit payments and implicit study credit	(121,726)
Net change in Total OPEB Liability	389,210
Total OPEB Liability - beginning	6,917,329
Total OPEB Liability - ending (a)	<u><u>\$ 7,306,539</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 480,765
Net investment income	53,498
Benefit payments	(121,726)
Administrative expense	(11,726)
Net change in plan fiduciary net position	400,811
Plan fiduciary net position - beginning	1,798,550
Plan fiduciary net position - ending (b)	<u><u>\$ 2,199,361</u></u>
Net Opeb Liability - ending (a) - (b)	<u><u>\$ 5,107,178</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	30.10%
Covered-employee payroll	\$ 3,198,902
Total OPEB Liability as a percentage of covered payroll	159.65%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 75 during fiscal year 2018. As such, only years subsequent to fiscal year 2017 have information available.

TOWN OF WINNSBORO, SOUTH CAROLINA
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 LAST TEN FISCAL YEARS*

	2018
Actuarially Determined Employer Contributions (ADEC)	\$ 479,792
Contributions in relation to the ADEC	480,765
Annual contribution deficiency (excess)	\$ (973)
Covered payroll*	3,198,902
Actual contributions as a percentage of covered payroll	15.03%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 75 during fiscal year 2018. As such, only years subsequent to fiscal year 2017 have information available.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WINNSBORO, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

FOR FISCAL YEAR ENDED JUNE 30, 2018

For the Month of:

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Court Fines													
Court Fines Collected	\$ 4,664	\$ 12,198	\$ 11,567	\$ 6,911	\$ 2,509	\$ 4,540	\$ 4,964	\$ 4,048	\$ 4,767	\$ 3,349	\$ 1,905	\$ 1,477	\$ 62,899
Court Fines Retained	4,664	12,198	11,567	6,911	2,509	4,540	4,964	4,048	4,767	3,349	1,905	1,477	62,899
Court Fines Remitted to State Treasurer	-	-	-	-	-	-	-	-	-	-	-	-	-
Court Assessments													
Court Assessments Collected	1,488	5,108	4,472	2,489	665	1,556	2,149	1,446	1,604	1,366	695	462	23,500
Court Assessments Retained by Town	166	570	498	279	74	174	240	161	179	152	78	52	2,623
Court Assessments Remitted to State Treasurer	1,322	4,538	3,974	2,210	591	1,382	1,909	1,285	1,425	1,214	617	410	20,877
Court Surcharges													
Court Surcharges Collected	642	2,481	2,477	1,193	593	928	754	740	807	677	320	322	11,934
Court Surcharges Retained by Town	67	263	420	251	97	175	79	152	211	105	60	81	1,961
Court Surcharges Remitted to State Treasurer	575	2,218	2,057	942	496	753	675	588	596	572	260	241	9,973
Victim Services													
Court Assessments Allocated to Victim Services	166	570	498	279	74	174	240	161	179	152	78	52	2,623
Court Surcharges Allocated to Victim Services	67	263	420	251	97	175	79	152	211	105	60	81	1,961
Funds Allocated to Victim Services	233	833	918	530	171	349	319	313	390	257	138	133	4,584
Funds Allocated to Victim Services	233	833	918	530	171	349	319	313	390	257	138	133	4,584
Victim Services Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures in Excess of Available Funds	\$ 233	\$ 833	\$ 918	\$ 530	\$ 171	\$ 349	\$ 319	\$ 313	\$ 390	\$ 257	\$ 138	\$ 133	4,584
Victim's Fund carryover balance from FYE 2017													64,721
Victim's Fund ending balance for FYE 2018													<u>\$ 69,305</u>

THE BRITTINGHAM GROUP, L.L.P.

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 11, 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
December 11, 2018