

**MINUTES
FINANCE COMMITTEE MEETING
WINNSBORO TOWN COUNCIL
JANUARY 18, 2022**

Present: Chairman Demetrius Chatman; Mayor John McMeekin; Jason Taylor, Town Manager; Assistant Town Managers Chris Clauson and Kathy Belton; Patti L. Davis, Town Clerk.

The Finance Committee met on January 18, 2022, at 5:45 p.m. at the Winnsboro Women's Club. In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80 (e), as amended, the following persons and/or organizations have been notified of the time, date and location of this meeting: The Independent Voice of Blythewood and Fairfield, The Country Chronicle and four hundred ninety-two other individuals.

1. CALL TO ORDER

Chairman Chatman called the Finance Committee Meeting to order at 5:47 p.m.

2. APPROVAL OF AGENDA

Motion made by Mayor McMeekin, seconded by Chairman Chatman, to approve the agenda. ***The motion carried.***

3. PRESENTATIONS

A. Annual Audit Report – FY 2020-2021, Mr. Bill Hancock, The Brittingham Group. The Committee was provided with the Audit Report prior to the meeting. Mr. Hancock stated he would be referencing specific page numbers throughout the presentation.

- Page 2: Pages 1-3 represent the opinion letter from the auditing firm based on the financial statements of the Town. The opinion paragraph, page 2, states the financial statements are presented fairly in all material respects, and the firm is stating there are no needed modifications from the way they are currently presented. This is called a clean opinion and is the highest mark to get from the auditor.
- Page 59-60: This represents another letter that describes more opinions of less importance than the overall financial statements but important nonetheless. The first half is an opinion on the internal control over financial reporting of the Town. None of the reporting procedures were felt to require a change as the projected cost would

outweigh the benefit of the change. For example, it would be best to have every single transaction that takes place within the Town reviewed by every member of Council; however, the cost and inefficiency would be great. There is a system of checks and balances within the Finance Department where an approval process must take place, the transaction is executed and then a review process takes place. It is felt that while no system of internal control is perfect, there were no instances where the firm felt the Town should change any part and gain a net benefit from that change.

- Page 60-61: This reflects one instance of compliance (things the Town is required to do in a timely fashion and in the correct amount, i.e., payroll tax deposits, police fines to the State Treasurer, health insurance, grants, laws, ordinances, contracts, etc. that the Town must abide by). This year one small item was identified that has since been corrected. During the year, the 941 report (not a payment report but a reconciliation on a quarterly basis of payroll taxes) was late which resulted in a penalty. After this, the Town appealed to the IRS and got a refund of the penalties. Even though it was rectified in a satisfactory manner, it is still a reportable incident. No other instances were found pertaining to compliance. This is the first time there has been an incidence of noncompliance for the Town.
- Page 19: This is the comparison of the budgeted revenues and expenditures and the actual revenues and expenditures for the general fund. Fiscal year 2021 was a little different than any other year the Town has had to face before. During the budget process, which included February, March and April of 2020, there were a few other things going on in the world with a lot of uncertainty. Educated guesses were made concerning the revenues based on projections and estimations. The decrease in the different line items of revenue is shown in the report. Comparing actual amounts to budgeted amounts, it is understandable due to much of the economy and the world shutting down, specifically with regard to licenses and permits. Under budget actual by department, most departments did not incur many expenditures. There was a budget loss of \$1,087,000 to be recouped by the transfer from the utilities fund. This past year, there was not a transfer in from the utilities fund, but a transfer out to the utilities fund from the general fund to subsidize the operations of the Town's utilities fund. The Town is currently in the process of examining and taking the advice of different rate studies, and Mr. Hancock expects this activity to reverse again to get back to a normal course, and it is unusual that this happened.

- Page 21: This depicts the operations and the results of the utility fund for the year. Of note, operating income in the amount of \$681,000 is listed, and the Town is bound to have a 1.2 to 1 debt surface coverage cash flow ratio, meaning that the system has to spin off 1.2 times what next year's debt service will be. If not, this could be a violation of a bond covenant. This year's calculation ended up being 1.24 times whatever next year's debt service will be. That is not a violation or a breach of covenant; however, it is something Mr. Hancock brought to the Town's attention, and a positive momentum is needed when it comes to operating income and utilities fund so the Town does not get close to the electric fence.
- Page 58: As a word of caution, page 58 is where the Town describes its activities from the Municipal Court system. The State takes over half of every ticket that is written in revenue. Tickets were written in the total amount of \$35,000 and \$19,000 of this went to the State. This is statutory, and there is no way around it. Further, this clearly shows the Victim's Assistance Program is an area of peril; therefore, Mr. Hancock is bringing this to the Town's attention. The Town started off with around \$74,000 available for Victim's Assistance. During the course of the year, around \$22,000 was added to this. The year was ended with \$76,000 that can only be used for Victim's Assistance. This money is collected and retained by the Town for this purpose. If the Town does not use this money for Victim's Assistance, the State Office of Victim's Advocacy will take it. Mr. Hancock stated this happened to another client wherein the State office went to Town Hall that morning and left with a check for \$138,000. Mr. Hancock is advising the Town to find a Victim's Assistance Program somewhere in the area that would serve the citizens of the Town, County and outlying area, because this is the only way to retain control over how this money is used. Once it is taken, the Town would have no input in how it is spent. Mr. Taylor inquired how long the money can be held before it is taken. Per Mr. Hancock, if a random inspection is done, a check will be demanded that day. The Town should be spending 90% of what it takes in and roll over a very nominal amount every year. Towns who do not have a victim's advocate can enter into an intergovernmental agreement with the Sheriff's Department or an interagency agreement with rescue shelters for victims of domestic violence, etc. The important thing is for Council to pass a resolution stating their intent to enter into an agreement. This should keep the Town safe because it would have demonstrated a plan. Also, on a normal fiscal year, these numbers would be larger. Mr. Hancock is trying to compel the Town

to act on this. Chairman Chatman stated this has been discussed in the past. Mr. Elliott stated he believes Mr. Hancock is correct in that the Town does need a plan of what to do with the funds, and this should satisfy. Mayor McMeekin stated Chief Seibles did a presentation in the past on the criteria that must be followed with the use of these funds, so this should be contained within the minutes, and Council can pick up from there to move forward.

- Page 44 Unfunded pension liability: This lists the Town's unfunded liability for the S.C. Retirement System and the Police Officers' Retirement System. The Retirement System has a pool of money that in a certain period of time they believe it will be worth X. Also, there are 650,000 beneficiaries. Over the lives of these beneficiaries, the payments will be Y. The difference between X and Y is the unfunded amount. The accounting standards state that the Town must report its "fair share" of that unfunded liability. The Town's share of this for the regular Retirement System is \$6.7M and the share of the unfunded Police Officers' Retirement System is \$1.8M. This cannot be paid off in advance and instead, the Town is required to make the monthly payments as it has been doing. Some background on this: Looking at the State Constitution, it states the general fund of the State will provide for potential shortfalls. Accounting standards say that each individual participant has to do theirs. The State law specifically says the State will provide for, and they provided for by saying the Town would pay more money into it.
- Page 42: Mr. Hancock stated he has commented on some of the actuarial methods in the past that were used to figure out how long the benefit payments would last and how this could affect what the unfunded amount would be. At the bottom of this page, it is stated that firefighters, policemen and highway patrolmen are going to live 125% longer than those in other states. Mr. Hancock does not know how this was arrived at and does not understand the logic, but this is one thing that drives up the amount that must be paid later. The other big issue is that they are assuming that every single State employee is going to get a raise every single year of 3 to 12.5%. This projection is making that assumption which is also pushing the amount of the future obligation higher and higher.

In closing, Mr. Hancock opened the floor for questions. Hearing none, he will be available for the Regular Council Meeting. He thanked the Committee for allowing his firm to serve as the Town's independent auditors. The Finance Department has been very efficient in providing information as it is requested.

- B. Monthly Finance Report.** Mrs. Belton requested for the Committee to contact her if anything is not covered in her report, as we are short on time.
- Starting with Section A, cash on hand in the bank looked very good in December, and this was due to some of the billing that was not received in November.
 - Investments unrestricted. There are a lot of reductions, but this is what was approved by Council and is broken down. \$1.1M was transferred from unappropriated general fund, and it was approved for \$700,000 miscellaneous water and \$250,000 for employee appreciation, salary offsets, etc.
 - Mt. Zion. \$54,559 was transferred from this account to the general fund. This was reimbursement to the Town for expenses that were already paid from Town funds.
 - Page 2 includes amounts that are increased each month for the bond payments.
 - Section B, revenues. Lost revenue and lost property, revenues are shown at this point. This comes in as the State gets the opportunity to process.
 - Expense, section B. There are strange percentages, but Mrs. Belton stated not to be concerned. This was due to a budgeting error for Council. Town Manager was at 80% and this is true but not true and represents the employee appreciation line item. This amount was not put in the initial budget.
 - Combined utilities revenue, Section B. Water is reflecting the \$700,000 that was transferred in to try to offset some of the water expense the Town has. This was also to offset some of the sewer salaries. On the expense side, everything was normal and performance looked good for the month. Overall for the year, there is still some billing that needs to be received.
 - Section C, general fund. No capital, but there was one in utilities for the sewer plant.
 - Section D. Everything looks normal for this time of the year for revenues and general fund, and the bulk of the revenue comes in June. On the expense side, everything is due to the increases for the different salaries and benefits. With multiple payrolls per month, half of the expense will split.
 - Utilities section. The utilities look great for the month of December. Expenses are as stated.

4. NEW BUSINESS

None.

5. OLD BUSINESS

None.

6. ADJOURN

At 6:14 p.m., it was moved by Mayor McMeekin, seconded by Chairman Chatman, to adjourn. ***The motion carried.***



PATTI L. DAVIS
TOWN CLERK



DEMETRIUS CHATMAN
CHAIRMAN